瑞安房地產
SHUI ON LAND

Shui On Land Limited

瑞安房地產有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 272)

Announcement of 2020 Annual Results

HIGHLIGHTS

- **A year of two halves:** 2020 can be characterized as a year of two halves. In the first half of 2020 (“1H 2020”), our businesses experienced significant impact from the COVID-19 outbreak, leading to a substantial decline in the fair value of the Group’s investment properties and other property assets. However, in the second half of the year, all of our operations saw notable recovery leading the Group to record a net profit attributable to shareholders of RMB882 million for the second half of 2020 (“2H 2020”). For the full year, the Group recorded a net loss attributable to shareholders of RMB740 million, as compared with a net loss of RMB1,622 million reported in 1H 2020.

- **Strong recovery in commercial portfolio:** For our commercial portfolio, the overall sales in our retail properties have significantly recovered since the third quarter of 2020 and in December 2020, overall sales reached 110% of 2019 levels. The grand total rental & related income recorded RMB2,528 million, representing a marginal decline of 2% from 2019. The year-to-date performance in our commercial portfolio remains satisfactory.

- **Robust residential sales:** Our residential business also delivered a robust performance for the year. 2020 contracted sales were RMB21.2 billion, representing 69% Y/Y increase, underpinned by the launches of Wuhan Tiandi La Riva II, Shanghai Taipingqiao Ville V (Lot 118), Shanghai Panlong Tiandi and Shanghai Rui Hong Xin Cheng (“RHXC”) Parkview (Lot 1). A large portion of these contracted sales is expected to be delivered and contribute profit in 2021.

- **Maintaining a strong financial foundation at time of crisis:** Net gearing ratio stayed at a very healthy 45%, seven percentage points down from 52% as of 31 December 2019. Cash and bank deposits also increased by 33% to RMB15,796 million. We continued to take a prudent approach in our new investments. These strong financials should enable the Group to better withstand volatile macroeconomic conditions that may occur in the near future.

- **To be a Pioneer of Sustainable Premium Urban Communities:** Throughout our Group’s history, we have always been committed to caring for the environment, to preserving and rejuvenating cultural heritage, and to building and sustaining vibrant communities. In 2020, we developed our new 10-year Sustainable Development (“SD”) Strategy to be rolled out in 2021, with the core vision to becoming a pioneer of sustainable premium urban communities.

Website: www.shuionland.com

PERFORMANCE HIGHLIGHTS

	2020	2019	Year-on-Year Growth/ (Decline)
Grand total rental and related income (RMB'million)	**2,528[1]**	**2,573[1]**	**(2%)**
Contracted sales (RMB'million)	**21,184**	**12,501**	**69%**
Subscribed sales (RMB'million)	**4,914**	**2,912**	**69%**
Selected Financial Information (RMB'million)			
Revenue	4,597	10,392	(56%)
Property sales recognised as revenue (excluding RHXC Lots 1 &7)	1,448	5,906	(75%)
Consolidated rental and related income	2,084	2,251	(7%)
Gross profit	2,350	5,313	(56%)
(Loss)/profit for the year	(233)	2,545	(109%)
(Loss)/profit attributable to shareholders of the Company	(740)	1,932	(138%)
Selected Financial Ratios			
Gross profit margin	51%	51%	-
Net (loss)/profit margin	(5%)	24%	(29ppt)
(Loss)/earnings per share (basic), RMB cents	(9.2)	24.0	(138%)

Selected Balance Sheet Data (RMB'million)	**31 December 2020**	**31 December 2019**	**Changes**
Total assets	115,475	108,416	7%
Cash and bank deposits	15,796	11,859	33%
Total indebtedness	36,859	37,741	(2%)
Net debt	21,063	25,882	(19%)
Total equity	46,733	49,307	(5%)
Net gearing (Net debt-to-equity ratio), at the end of year	45%	52%	(7ppt)
Average cost of indebtedness, at the end of year	4.8%	5.4%	(0.6ppt)
Landbank (GFA, million sq.m.)			
Total leasable and saleable landbank	6.4	6.7	(4%)
Attributable leasable and saleable landbank	4.1	4.3	(5%)

[1] *Including Rental Income from Shanghai RHXC Commercial Partnership Portfolio and Shanghai Taipingqiao 5 Corporate Avenue, in which, the Group has 49.5% and 44.55% effective interests, respectively.*

	1H 2020	2H 2020	2020
Grand total rental and related income (RMB'million)	**1,192**[1]	**1,336**[1]	**2,528**[1]
Contracted sales (RMB'million)	**6,222**	**14,962**	**21,184**
Subscribed sales (RMB'million)	**9,201**	**4,914**	**4,914**
Selected Financial Information (RMB'million)			
Revenue	1,450	3,147	4,597
Property sales recognised as revenue	161	1,287	1,448
Consolidated rental and related income	987	1,097	2,084
Gross profit	964	1,386	2,350
(Loss)/profit for the year	(1,286)	1,053	(233)
(Loss)/profit attributable to shareholders of the Company	(1,622)	882	(740)
Selected Financial Ratios			
Gross profit margin	66%	44%	51%
Net (loss)/profit margin	(89%)	33%	(5%)
(Loss)/earnings per share (basic), RMB cents	(20.2)	11.0	(9.2)

Selected Balance Sheet Data (RMB'million)	**30 June 2020**	**31 December 2020**
Total assets	110,394	115,475
Cash and bank deposits	13,962	15,796
Total indebtedness	40,429	36,859
Net debt	26,467	21,063
Total equity	45,771	46,733
Net gearing (Net debt-to-equity ratio), at the end of year	58%	45%
Average cost of indebtedness, at the end of year	4.8%	4.8%
Landbank (GFA, million sq.m.)		
Total leasable and saleable landbank	6.8	6.4
Attributable leasable and saleable landbank	4.4	4.1

[1] *Including Rental Income from Shanghai RHXC Commercial Partnership Portfolio and Shanghai Taipingqiao 5 Corporate Avenue, in which, the Group has 49.5% and 44.55% effective interests, respectively.*

BUSINESS REVIEW

Shui On Land is a leading commercial property focused developer, owner and asset manager in China, anchored by a prime city centre portfolio in Shanghai. We believe in the creation of long-term value through the design, development and management of unique office and retail products. Our “Asset Light Strategy” which enables us to greatly enhance our financial strength, diversify our capital base and invest in new opportunities, will greatly facilitate this strategic transformation. At the same time, since the inception of Shui On Land, sustainable development has been part of our DNA and we have always been committed to caring for the environment, to preserving and rejuvenating cultural heritage, and to building and sustaining vibrant communities.

Our motto is to be a Pioneer of Sustainable Premium Urban Communities. SD is part of our business strategy, not a separate initiative. We employ a people-centric, sustainable approach to design and build master-planned communities, and we have a widely recognized record of accomplishment in sustainable development.

KEY ACHIEVEMENTS IN 2020

- 2020 contracted sales were RMB21.2 billion, representing a 69% Y/Y increase. This includes the launches of Wuhan Tiandi La Riva II (final batch) in late April, Shanghai Taipingqiao Ville V (Lot 118) in late June, Shanghai Panlong Tiandi first batch in October and Shanghai RHXC Parkview (Lot 1), which together recorded approximately RMB17.0 billion of contracted sales in 2020. RMB4.9 billion of subscribed sales as of 31 December 2020, is expected to be subsequently turned into contracted property sales in the first half of 2021 (“1H 2021”) and beyond.

- We completed the acquisition of the remaining four land parcels located in the Panlong area of Shanghai’s Qingpu District in late May for a total consideration of RMB2.1 billion. The Group holds 80% effective interests in these sites. The two residential land parcels have a total gross floor area (“GFA”) of 74,000 sq.m. and the two commercial land parcels have a total GFA of 48,500 sq.m.. Together with four residential sites acquired in the second half of 2019 (“2H 2019”), the combined parcels will be developed into a new complex project in west Shanghai – Shanghai Panlong Tiandi and contribute saleable resources in 2H 2020 and beyond.

- The groundbreaking of Shanghai Hong Shou Fang was held in August 2020.

- Xintiandi Style I completed an asset enhancement initiative (“AEI”) and soft opened in November 2020, with a new commercial product module, “Foodie Social” as an innovative incubation and display platform for new catering brands and products. With focus on Neo Luxury, several specialty shops were introduced, including UNITED TOKYO’s first shop in Shanghai, Lenôtre’s first flagship shop in China, CaiLan and I.T 3.0 with collective brands.

- In November, the Group re-opened its inaugural US$300 million senior bond under the Green Finance Framework (the “Green Bonds”) for a tap of US$200 million. The Green Bonds have a coupon of 5.75% and will mature in November 2023. The transaction will further solidify the Group’s commitment towards building dynamic communities that integrate the sustainable development philosophy of green and health.

- The Group successfully acquired a mixed-use Grade-A landmark property in Nanjing with Grosvenor on a 50/50 basis. The property consists of a 45-storey Grade-A office tower, a 7-storey retail podium, as well as 278 underground parking lots with a total GFA of 109,196 sq.m.. The investment is a milestone for Shui On Land to grow its presence in Nanjing, in addition to its Nanjing INNO Zhujiang Lu and Bai Zi Ting projects, and aligns with its Asset Light Strategy of collaborating with strategic partners to invest in prime commercial property assets and to expand its assets under management.

- As recognition of the Group’s continuous effort in sustainable development, effective from 7 September 2020, Shui On Land has been included in the Hang Seng Corporate Sustainability Benchmark Index (“HSSUSB”) which demonstrates the Group’s strongest performance on Community Involvement and Development. In the same month, Shui On Land’s headquarter in Shanghai was awarded WELL CERTIFIED™ PLATINUM by International WELL Building Institute™ (IWBI™).

A LEADING PLAYER IN SHANGHAI COMMERCIAL REAL ESTATE

The Group currently holds and manages a total GFA of 1.72 million sq.m. of retail and office space in Shanghai (the "Shanghai Portfolio"), in which 52% of the GFA was completed for rental income and the remaining under development. Our existing office and retail portfolio is amongst the largest in Shanghai. As of 31 December 2020, the total asset value of the Shanghai Portfolio was approximately RMB77 billion. Total asset value attributable to the Group was approximately RMB45 billion, representing effective interests of 58% in the portfolio.

The table below summarises the development status, asset value and ownership of the Group in the portfolio as of 31 December 2020.

Project	Office GFA sq.m.	Retail GFA sq.m.	Total GFA sq.m.	Attributable GFA sq.m.	Asset Value as of 31 December 2020 RMB'billion	% of ownership
Completed properties						
Shanghai Xintiandi, Xintiandi Style I & II, XINTIANDI PLAZA, Shui On Plaza	36,000	104,000	140,000	128,100	12.65	100%/99%/80%/80%
THE HUB	93,000	170,000	263,000	263,000	8.91	100%
Shanghai RHXC	-	111,000	111,000	55,000	3.99	49.5%
Shanghai KIC	186,000	67,000	253,000	117,300	8.47	44.27%/50.49%
INNO KIC	41,000	4,000	45,000	45,000	1.46	100%
5 Corporate Avenue, HUBINDAO	52,000	27,000	79,000	35,200	6.60	44.55%
Subtotal	**408,000**	**483,000**	**891,000**	**643,600**	**42.08**	
Land & properties under development						
Shanghai Taipingqiao						
Lots 123, 124 &132	192,000	84,000	276,000	69,000	18.25	25%
Shanghai RHXC						
Ruihong Tiandi Lot 167B	107,000	12,000	119,000	58,300	4.33	49%
Hall of the Sun, Ruihong Corporate Avenue	147,000	183,000	330,000	163,400	10.00	49.5%
Shanghai Hong Shou Fang	48,000	14,000	62,000	62,000	2.00	100%
Shanghai Panlong Tiandi	-	44,000	44,000	35,200	0.46	80%
Subtotal	**494,000**	**337,000**	**831,000**	**387,900**	**35.04**	
Grand Total	**902,000**	**820,000**	**1,722,000**	**1,031,500**	**77.12**	

INVESTMENT PROPERTY PERFORMANCE

Rental and Related Income, Occupancy Rate of the Investment Properties

The table below provides an analysis of the rental and related income, occupancy rate from investment properties for 2020 and 2019:

Project	Product	Leasable GFA	Rental & related income RMB'million		Changes	Occupancy rate		Changes
		sq.m.	2020	2019	%	31 Dec 2020	31 Dec 2019	ppt
Shanghai Taipingqiao								
Shanghai Xintiandi & Style I	Office/ Retail	54,000[1]	312	337	(7%)	97%	86%	11
Xintiandi Style II	Retail	26,000	83	107	(22%)	83%[2]	96%	(13)
Shui On Plaza & XINTIANDI PLAZA	Office / Retail	53,000[3]	163	194	(16%)	89%	92%	(3)
THE HUB	Office/ Retail	263,000	443	464	(5%)	94%	99%	(5)
Shanghai KIC	Office/Retail/Hotel	247,000	445	469	(5%)	94%	95%	(1)
INNO KIC[4]	Office/ Retail	45,000	45	7	543%	84%	20%	64
Wuhan Tiandi	Retail	238,000[5]	278	341	(18%)	89%	94%	(5)
Foshan Lingnan Tiandi	Office/ Retail	142,000	244	260	(6%)	94%	97%	(3)
Chongqing Tiandi	Retail	131,000[6]	56	57	(2%)	85%	73%	12
Nanjing INNO Zhujiang Lu	Office/ Retail	16,000	15	15	-	85%	74%	11
Consolidated rental and related income		**1,215,000**	**2,084**	**2,251**	**(7%)**			
Shanghai RHXC[7] (Classified as joint venture income)	Retail	111,000	169	179	(6%)	85%	88%	(3)
Shanghai Taipingqiao								
5 Corporate Avenue, HUBINDAO (Classified as associate income)	Office/Retail	79,000	275[8]	143[8]	92%	91%	90%	1
Grand Total		**1,405,000[9]**	**2,528**	**2,573**	**(2%)**			

Notes:

[1] A total leasable GFA of 15,000 sq.m. was under AEI since March 2019 and re-opened in Nov 2020.
[2] The drop in occupancy rate is due to vacating of tenants in preparation of AEI work in 2021.
[3] AEI of XINTIANDI PLAZA with a total leasable GFA of 28,000 sq.m. was completed in late 2018 and the grand opening was held in May 2019.
[4] INNO KIC opened in April 2019.
[5] North Hall of Wuhan Tiandi HORIZON with a total GFA of 72,000 sq.m. held the grand opening in November 2019.
[6] 8 Corporate Avenue retail podium with a total GFA of 31,000 sq.m. is undergoing repositioning and tenant upgrades.
[7] The Group held 49.5% effective interests in the property. Rental and related income attributable to the Group was RMB84 million in 2020 and RMB89 million in 2019.
[8] The acquisition of 5 CA was completed on 20 June 2019. The Group held 44.55% effective interests of the property. Rental and related income after completion in 2019 was RMB143 million. Rental and related income attributable to the Group was RMB64 million in 2019 and RMB123 million in 2020.
[9] A total GFA of 15,000 sq.m. located at Shanghai Shui On Plaza, Shanghai KIC and Foshan Lingnan Tiandi were occupied by the Group and were excluded from the above table.

Consolidated rental and related income of the Group decreased by 7% to RMB2,084 million in 2020 compared to RMB2,251 million in 2019, mainly due to the Group's rental concessions and other reliefs offered to retail tenants, the negative COVID-19 impact on operations and vacating of tenants in Shanghai Xintiandi Style II in preparation of AEI work in 2021.

Including the properties held by joint ventures and associates, the total rental and related income only declined by 2% Y/Y to RMB2,528 million in 2020, of which 77% of the rental and related income was contributed by the portfolio located in Shanghai, with the remaining from other cities in China.

Performances by Major Projects

Shanghai Taipingqiao:

The rental and related income of Shanghai Taipingqiao decreased by 13% due to rental concessions provided during COVID-19 and lower occupancy rate in Xintiandi Style II and Shui On Plaza. The South Block retail podium, with a total leasable GFA of 15,000 sq.m., was repositioned as "**Xintiandi Style I**" and soft opened in November 2020. With focus on Neo Luxury, several specialty shops were introduced, including UNITED TOKYO's first shop in Shanghai, Lenôtre's first flagship shop in China, CaiLan and "Foodie Social", an innovative incubation and display platform for new catering brands and products.

Other Shanghai Projects:

THE HUB and **Shanghai KIC** both recorded a slight decline in rental and related income of 5% in 2020 compared to 2019. The decline was mainly due to lower shopper traffic and sales due to COVID-19, and mandatory shutdown of some restricted businesses such as educational outlets, cinemas, etc. during the beginning of the year. **INNO KIC**, which has a total GFA of 45,000 sq.m., commenced operation in April 2019, and contributed RMB45 million rental and related income in 2020 with a current occupancy rate at 84% at end of December 2020.

Shanghai Rui Hong Tiandi and **Palette** are the commercial assets in the Shanghai RHXC project. The Group holds 49.5% effective interests in the portfolio. Rental and related income of the property decreased by 6% to RMB169 million. Occupancy declined slightly to 85% after the AEI of **Palette 3** completed in June 2020. Rental and related income attributable to the Group was RMB84 million in 2020.

Wuhan Tiandi:

Being the centre of the pandemic, Wuhan was inevitably hit hard during the year. Overall Wuhan Tiandi achieved rental and related income RMB278 million compared to RMB341 million in 2019. The negative impact from COVID-19 was partially offset by the new contribution from North Hall of HORIZON, which held a grand opening in November 2019.

Foshan Lingnan Tiandi:

Foshan Lingnan Tiandi performed relatively well during the pandemic, with the occupancy rate for the NOVA shopping mall remaining at 99% as of 31 December 2020. The overall occupancy rate for the Lingnan Tiandi was 88%. Foshan Lingnan Tiandi phase 3, with a total GFA 5,800 sq.m., had a soft opening in late June, with the main flagship stores including Huawei and Adidas. The rental and related income generated from these properties reached RMB244 million in 2020, a 6% drop compared to 2019.

Chongqing Tiandi:

Rental and related income of **Chongqing Tiandi** remained stable in 2020. The occupancy rate was 92% for the Tiandi retail area and the occupancy rate of **6 and 7 Corporate Avenue retail podium** (Lot B12-3 Retail) was 69%. **8 Corporate Avenue retail podium** (Lot B12-4 Retail) is undergoing repositioning and tenant upgrades.

Nanjing INNO Zhujiang Lu:

The Group currently has two asset light management projects in Nanjing. **Nanjing INNO Zhujiang Lu** – a predominantly office project - has a total GFA of 16,000 sq.m. under management by the Group, under a long-term lease contract with a third party landlord. The property has commenced operation since 2018. The occupancy rate was 85% as of the end of 2020. **Nanjing Bai Zi Ting** has a total GFA of 48,000 sq.m. and is primarily a retail and culture-focused project.

Valuation of the Investment Property Portfolio

The carrying value of the completed and under development investment properties at valuation (excluding hotels for operation and self-use properties) with a total GFA of 1,949,500 sq.m. was RMB49,675 million as of 31 December 2020. The overall fair value of the portfolio declined by RMB1,786 million (representing 3.6% of the carrying value) during 2020. The properties located in Shanghai, Wuhan, Foshan, Chongqing and Nanjing, respectively, contributed 67%, 13%, 17%, 3% and 0.2% of the carrying value.

The table below summarises the carrying value of the investment properties at valuation as of 31 December 2020 together with the change in fair value for 2020:

Project	**Leasable GFA**	**Increase /(decrease) in fair value for 2020**	**Carrying value as of 31 December 2020**	**Fair Value gain/(loss) to carrying value**	**Attributable carrying value to the Group**
	sq.m.	RMB'million	RMB'million	%	RMB'million
Completed investment properties at valuation					
Shanghai Taipingqiao					
Shanghai Xintiandi and Xintiandi Style I & II	80,000	158	7,883	2.0%	7,864
Shui On Plaza (Office) and XINTIANDI PLAZA	53,000	(166)	4,173	(4.0%)	3,379
THE HUB	263,000	(66)	8,911	(0.7%)	8,911
Shanghai KIC	247,000	36	8,270	0.4%	3,822
INNO KIC	45,000	29	1,460	2.0%	1,460
Shanghai RHXC	500	-	8	-	8
Wuhan Tiandi	238,000	(771)	6,414	(12.0%)	6,414
Foshan Lingnan Tiandi	142,000	(103)	4,122	(2.5%)	4,122
Chongqing Tiandi	131,000	(245)	1,546	(15.9%)	1,530
Subtotal	**1,199,500**	**(1,128)**	**42,787**	**(2.6%)**	**37,510**
Investment properties under development at valuation					
Shanghai Panlong Tiandi	44,000	1	458	0.2%	366
Shanghai Hong Shou Fang	62,000	(64)	1,998	(3.2%)	1,998
Foshan Lot A	254,000	(219)	1,879	(11.7%)	1,879
Foshan Lots B/C	374,000	(366)	2,450	(14.9%)	2,450
Subtotal	**734,000**	**(648)**	**6,785**	**(9.6%)**	**6,693**
Investment property - sublease of right-of-use assets					
Nanjing INNO Zhujiang Lu	16,000	(10)	103	(9.7%)	103
Grand Total	**1,949,500**[1]	**(1,786)**	**49,675**	**(3.6%)**	**44,306**

Notes:

[1] *Hotels for operation and self-use properties are classified as property and equipment in the consolidated statement of financial position, and leasable GFA of which is excluded from this table.*

PROPERTY SALES PERFORMANCE

Recognised Property Sales

For 2020, total recognised property sales was RMB10,403 million (after deduction of applicable taxes). The decrease was mainly due to the absence of residential completion and delivery. The average selling price ("ASP") (excluding other asset disposal) increased by 80% to RMB49,800 per sq.m. compared to 2019, as most of the sales were recorded from Shanghai RHXC Lot 1.

The table below summarises by project the recognised property sales (stated after the deduction of applicable taxes) for 2020 and 2019:

	2020			2019		
Project	**Sales revenue**	**GFA sold**	**ASP[1]**	**Sales revenue**	**GFA sold**	**ASP[1]**
	RMB' million	sq.m.	RMB per sq.m.	RMB' million	sq.m.	RMB per sq.m.
Shanghai Taipingqiao						
Residential (Lot 116)	-	-	-	3,326	25,400	138,300
Shanghai RHXC						
Residential (Lot 2)	262	2,300	120,400	703	7,000	106,000
Residential (Lot 1)	7,125	73,100	107,200	-	-	-
Retail	69	900	81,100	-	-	-
Wuhan Optics Valley Innovation Tiandi						
Residential	261	18,700	15,000	1,319	93,900	15,100
Foshan Lingnan Tiandi						
Residential	944	41,600	24,900	1,139	65,700	18,900
Retail	62	4,700	14,000	317	6,670	52,200
Chongqing Tiandi						
Residential	1,450[2]	83,900	23,000	3,441	203,580	22,600
Office & Retail	70	3,600	20,800	189	13,900	14,500
Subtotal	**10,243**	**228,800**	**49,000**	**10,434**	**416,150**	**26,900**
Carparks	160	-	-	305	-	-
Subtotal	**10,403**	**228,800**	**49,800**	**10,739**	**416,150**	**27,700**
Other asset disposal:						
Shanghai RHXC[3]	-			1,270		
Grand Total	**10,403**			**12,009**		
Recognised as:						
- property sales in revenue of the Group[4]	1,448			7,176		
- disposal of investment properties[4]	-			13		
- revenue of associates	8,694			3,501		
- revenue of joint ventures	261			1,319		
Grand Total	**10,403**			**12,009**		

Notes:

1 *The calculation of ASP per sq.m. is based on gross sales revenue before the deduction of applicable taxes.*

2 *ASP of Chongqing residential sales is based on net floor area, a common market practice in the region. Residential sales of RMB1,450 million, ancillary retail space of RMB35 million and carparks sales of RMB84 million were contributed by Chongqing Tiandi partnership portfolio and were recognised as revenue of associates in 2020. The Group holds 19.8% interests in the partnership portfolio.*

3 *On 26 June 2018, the Group entered into the agreement to dispose of 49.5% of the interests in certain portfolio of properties in relation to Shanghai RHXC project Lots 1 and 7 residential inventories. The disposal was accounted for the sales of property inventories in the ordinary course of the Group's property business. The revenue of RMB1,270 million was recognised in 2019 upon the clearance of Shanghai RHXC Lot 7 was completed.*

4 *Sales of commercial properties are recognised as "revenue" if the properties concerned are designated for sale prior to the commencement of development. Sales of commercial properties previously designated as held for capital appreciation or rental income are recognised as "disposal of investment properties".*

Contracted Property Sales, Subscribed Sales and Locked-in Sales

The Group's contracted property sales increased by 69% to RMB21,184 million in 2020, compared to RMB12,501 million in 2019, with residential property sales accounting for 99% and the remainder contributed by the sale of commercial units. The increase was due to strong sales performance in Shanghai RHXC Parkview (Lot 1), Taipingqiao Ville V (Lot 118), Shanghai Panlong Tiandi and Wuhan Tiandi La Riva II. The Group expects to launch more residential property developments in 2021, subject to the latest construction progress of the developments, and government pre-sale approval timing. The ASP of residential property sales increased by 89% to RMB58,200 per sq.m. in 2020, compared to RMB30,800 per sq.m. in 2019. The increase was mainly due to changes in project mix. In 2020, a higher proportion of contracted property sales was generated from higher ASP projects in Shanghai.

As of 31 December 2020:

i) a total subscribed sales of RMB4,914 million was recorded, among which RMB2,843 million and RMB925 million were from Shanghai Panlong Tiandi and Taipingqiao Ville V (Lot 118) respectively. These are subject to formal sales and purchase agreements in the coming months.

ii) a total locked-in sales of RMB21.6 billion was recorded and available for delivery to customers and for recognition as profit in 2021 and beyond.

The table below provides an analysis by project of contracted sales (stated before the deduction of applicable taxes) for 2020 and 2019:

	2020			2019		
Project	**Contracted amount**	**GFA sold**	**ASP**	**Contracted amount**	**GFA sold**	**ASP**
	RMB' million	sq.m.	RMB per sq.m.	RMB' million	sq.m.	RMB per sq.m.
Residential property sales:						
Shanghai Taipingqiao	5,531	33,800	163,600	-	-	-
Shanghai RHXC (Lot 2)	170	1,300	130,800	352	2,800	125,700
Shanghai RHXC (Lot 1) [1]	6,844	62,600	109,300	4,108	39,100	105,100
Shanghai Panlong Tiandi	2,931	47,800	61,300	-	-	-
Wuhan Tiandi	1,648	35,100	47,000	2,222	51,400	43,200
Wuhan Optics Valley Innovation Tiandi	1,354	67,900	19,900	1,345	87,800	15,300
Foshan Lingnan Tiandi	982	39,300	25,000	310	13,500	23,000
Chongqing Tiandi[2]	1,376	73,000	23,000	3,645	200,600	22,200
Carparks	164	-	-	201	-	-
Subtotal	**21,000**	**360,800**	**58,200**	**12,183**	**395,200**	**30,800**
Commercial property sales:						
Shanghai RHXC	73	900	81,100	39	500	78,000
Foshan Lingnan Tiandi	66	4,700	14,000	113	2,400	47,100
Chongqing Tiandi	45	2,300	19,600	166	11,500	14,400
Subtotal	**184**	**7,900**	**23,300**	**318**	**14,400**	**22,100**
Grand Total	**21,184**	**368,700**	**57,500**	**12,501**	**409,600**	**30,500**

Notes:

[1] *The Group held 49.5% interests in the properties.*

[2] *ASP of Chongqing residential sales is based on net floor area, a common market practice in the region. Chongqing Tiandi partnership portfolio is a project developed by associates of the Group. The Group held 19.8% interests in the partnership portfolio.*

Residential GFA Available for Sale and Pre-sale in 2021 and beyond

The Group has approximately 562,000 sq.m. of residential GFA spanning seven projects available for sale and pre-sale during 2021 and beyond, as summarised below:

Project	Product	Available for sale and pre-sale in 2021 and beyond		
		GFA in sq.m.	Group's interests %	Attributable GFA in sq.m.
Shanghai Taipingqiao Lot 118	High-rises	44,500	99%	44,000
Shanghai RHXC Lot 7	High-rises	125,500	49.50%	62,100
Shanghai RHXC Lot 1	High-rises	5,500	49.50%	2,700
Shanghai RHXC Lot 167A	High-rises	45,900	49%	22,500
Shanghai Panlong Tiandi	High-rises	121,500	80%	97,200
Wuhan Tiandi	High-rises	4,200	100%	4,200
Wuhan Optics Valley Innovation Tiandi	High-rises	86,100	50%	43,100
Foshan Lingnan Tiandi	High-rises	2,800	100%	2,800
Chongqing Tiandi	High-rises	126,000	19.80%	24,900
Total		**562,000**		**303,500**

By way of a cautionary note, the actual market launch dates depend on and will be affected by factors such as construction progress, changes in market environments, and changes in government regulations.

The following section provides further details of the development progress and completion of each of the projects located in Shanghai, Wuhan, Foshan and Chongqing.

PROPERTY DEVELOPMENT

Residential Properties under Development

Shanghai Taipingqiao **-** Ville V (Lot 118) is under development with a total GFA of 78,000 sq.m. for residential use. Construction commenced in 2018. The sales centre opened in late 2019. The Group launched the first batch for presales on 24 June 2020 with a total GFA of 40,000 sq.m.. Strong sales were recorded with a total amount of RMB6,456 million contracted sales and subscribed sales by the end of December 2020.

Shanghai RHXC **-** The Gallery (Lot 2), with a total GFA of 3,200 sq.m. (residential GFA of 2,300 sq.m. and retail GFA of 900 sq.m.) was delivered in 2020. Parkview (Lot 1) commenced construction in 2018 and was completed in 2H 2020. Parkview has a total GFA of 107,000 sq.m. for residential use and 3,000 sq.m. for retail shops. The Group launched the first batch for pre-sale in late December 2019 and achieved RMB6.8 billion in contracted sales for 2020. A total GFA of 73,100 sq.m. was delivered in 2020. Relocation of Lot 7 was completed in 2019, with the first pre-sale taking place in January 2021. Lot 7 has a total GFA of 161,000 sq.m. for residential and 2,000 sq.m. for retail shops.

Shanghai Panlong Tiandi **-** Construction work on Lot 6 and Lot 11 commenced in March 2020, with saleable GFA of 160,000 sq.m. for residential use. The Group launched the first batch in October 2020 with total GFA of 94,800 sq.m. and achieved RMB2.9 billion contracted sales in 2020. Handover is slated to commence in the second half of 2021 ("2H 2021"). Lot 5 started construction in November 2020 and is planned for pre-sale in 2H 2021.

Wuhan Tiandi **-** La Riva II (Lot B10) is under construction and is being developed into high-rise residential apartments with a total GFA of 114,000 sq.m.. A total of 27,500 sq.m. was launched for pre-sale in late 2018 and another 52,500 sq.m. was launched for pre-sale in 2019. The remaining portion with 34,000 sq.m. was launched in late April 2020 with over RMB1.6 billion property sales on the day of launch. All the units have been subscribed.

Wuhan Optics Valley Innovation Tiandi **-** The site was acquired in 2017. The second phase (Lot R5) with saleable GFA of 111,000 sq.m. commenced pre-sale from 1H 2020 and achieved RMB1.3 billion contracted sales in 2020. Lot R5 is planned for handover in 2H 2021.

Foshan Lingnan Tiandi **-** The Masterpiece (Lot 13a) with a total GFA of 50,000 sq.m. for residential use and 1,000 sq.m. for retail space was launched for pre-sale since late 2019. A total GFA of 41,900 sq.m. was delivered in 2020 and the remaining 9,100 sq.m. is planned for handover in 1H 2021.

Chongqing **-** GLORY MANSION (Lot B13) with a total GFA of 252,000 sq.m., GLORIOUS RIVER (Lots B5&B10) with a total GFA of 176,000 sq.m. and QUIET MANSION (Lot B24-6) with a total GFA of 72,000 sq.m. were under construction. The Group holds 19.8% interests in the partnership portfolio.

Commercial Properties under Development

Shanghai Taipingqiao **-** Lots 123, 124 &132 held a groundbreaking ceremony in September 2019. The sites will be developed into a commercial complex comprising three Grade-A office towers with a total GFA of 192,000 sq.m. and an all-weather street style shopping mall, named CIPC XINTIANDI COMMERCIAL CENTER, comprising 84,000 sq.m.. The construction of the office towers is planned for completion from 2022 to 2023 in phases and the shopping mall is planned to be handed over in 2023. The Group holds 25% interests in the development.

Shanghai RHXC **-** Ruihong Tiandi Lot 10 completed relocation in late 2017 and construction work also commenced in 2017. It will be developed into a commercial complex comprising two Grade-A Office Towers named Ruihong Corporate Avenue with a total GFA of 147,000 sq.m., and a shopping mall, named Hall of the Sun, comprising 183,000 sq.m.. The office towers had the topping up of the main construction in September 2020. A leasing promotion show for Hall of the Sun was held in October 2020 together with meland club and I.T group. The development is planned for completion in 2021.

Shanghai Hong Shou Fang **-** the Group acquired a commercial site located in Hong Shou Fang in the Putuo District of Shanghai with a total GFA of 48,000 sq.m. office and 14,000 sq.m. retail. Construction work commenced in 2H 2020 and is planned for completion in 2022. The Group holds 100% interests in the site.

Wuhan Tiandi **-** Lot A1 office building with a total GFA of 160,000 sq.m. is under construction. It is planned for completion in 2021.

By way of a cautionary note, the actual completion and launch dates depend on, and will be affected by, construction progress, changes in market environments, changes in government regulations and other factors. The Group plans its project construction in advance while adapting to government policy changes, as well as implementing operational adjustments to enhance turnover and increase development efficiency. The Group will also adjust the progress of construction, delivery plan and launch schedules in accordance with the sales conditions of each project, and with respect to rapidly changing market conditions.

LANDBANK

As of 31 December 2020, the Group’s landbank was 8.6 million sq.m. (comprising 6.4 million sq.m. of leasable and saleable area, and 2.2 million sq.m. for clubhouses, car parking spaces and other facilities) spreading across eleven development projects located in the prime areas of four major PRC cities, namely: Shanghai, Wuhan, Foshan and Chongqing. The leasable and saleable GFA attributable to the Group was 4.1 million sq.m.. Of the total leasable and saleable GFA of 6.4 million sq.m., approximately 1.5 million sq.m. was completed, and held for sale and/or investment. Approximately 2.8 million sq.m. was under development, and the remaining 2.1 million sq.m. was held for future development.

On 19 and 21 May 2020, the Group acquired two parcels of residential sites and two parcels of commercial sites respectively, located in the Panlong area of the Shanghai Qingpu District. The total consideration was RMB2.1 billion. The Group holds 80% effective interests of the sites. The two residential land parcels have a total GFA of 74,000 sq.m. and the two commercial land parcels have a total GFA of 48,500 sq.m..

By way of a cautionary note, the actual completion date and relocation cost of the above-mentioned sites depend on and will be affected by changes in government regulations, negotiations with relevant parties and other factors. The above represents the best estimates as of the reporting year.

The Group's total landbank as of 31 December 2020, including that of its joint ventures and associates, is summarised below:

Project	Approximate/Estimated leasable and saleable GFA								
	Residential	Office	Retail	Hotel/ serviced apartments	Subtotal	Clubhouse, carpark and other facilities	Total	Group's interests	Attributable leasable and saleable GFA
	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.		sq.m.
Completed properties:									
Shanghai Taipingqiao	-	88,000	131,000	-	**219,000**	92,000	**311,000**	99.00%[1]	163,000
Shanghai RHXC	34,000	-	114,000	-	**148,000**	145,000	**293,000**	99.00%[2]	73,000
Shanghai KIC	-	164,000	67,000	22,000	**253,000**	142,000	**395,000**	44.27%[3]	117,000
THE HUB	-	93,000	170,000	-	**263,000**	72,000	**335,000**	100.00%	263,000
INNO KIC	-	41,000	4,000	-	**45,000**	18,000	**63,000**	100.00%	45,000
Wuhan Tiandi	-	-	238,000	-	**238,000**	219,000	**457,000**	100.00%	238,000
Wuhan Optics Valley Innovation Tiandi	8,000	-	1,000	-	**9,000**	53,000	**62,000**	50.00%	5,000
Foshan Lingnan Tiandi	9,000	16,000	160,000	43,000	**228,000**	152,000	**380,000**	100.00%	228,000
Chongqing Tiandi	-	-	135,000	-	**135,000**	285,000	**420,000**	99.00%[4]	131,000
Subtotal	**51,000**	**402,000**	**1,020,000**	**65,000**	**1,538,000**	**1,178,000**	**2,716,000**		**1,263,000**
Properties under development:									
Shanghai Taipingqiao	78,000	192,000	84,000	-	**354,000**	140,000	**494,000**	99.00%[5]	146,000
Shanghai RHXC	246,000	147,000	186,000	-	**579,000**	200,000	**779,000**	49.50%[6]	286,000
Shanghai Panlong Tiandi	256,000	-	44,000	4,000	**304,000**	104,000	**408,000**	80.00%	243,000
Shanghai Hong Shou Fang	-	48,000	14,000	-	**62,000**	22,000	**84,000**	100.00%	62,000
Wuhan Tiandi	114,000	160,000	-	-	**274,000**	86,000	**360,000**	100.00%	274,000
Wuhan Optics Valley Innovation Tiandi	146,000	119,000	16,000	-	**281,000**	127,000	**408,000**	50.00%	141,000
Foshan Lingnan Tiandi	-	-	1,000	-	**1,000**	-	**1,000**	100.00%	1,000
Chongqing Tiandi	390,000	259,000	213,000	25,000	**887,000**	345,000	**1,232,000**	19.80%	176,000
Subtotal	**1,230,000**	**925,000**	**558,000**	**29,000**	**2,742,000**	**1,024,000**	**3,766,000**		**1,329,000**
Properties for future development:									
Shanghai Taipingqiao	86,000	-	33,000	38,000	**157,000**	-	**157,000**	99.00%[7]	156,000
Shanghai RHXC	-	107,000	12,000	-	**119,000**	39,000	**158,000**	49.00%	58,000
Wuhan Tiandi	111,000	70,000	18,000	-	**199,000**	-	**199,000**	100.00%	199,000
Wuhan Optics Valley Innovation Tiandi	175,000	366,000	333,000	-	**874,000**	-	**874,000**	50.00%	437,000
Foshan Lingnan Tiandi	28,000	450,000	107,000	80,000	**665,000**	-	**665,000**	100.00%	665,000
Chongqing Tiandi	-	-	65,000	-	**65,000**	-	**65,000**	19.80%	13,000
Subtotal	**400,000**	**993,000**	**568,000**	**118,000**	**2,079,000**	**39,000**	**2,118,000**		**1,528,000**
Total landbank GFA	**1,681,000**	**2,320,000**	**2,146,000**	**212,000**	**6,359,000**	**2,241,000**	**8,600,000**		**4,120,000**

Notes:

1. *The Group has 99.00% interests in all the remaining lots, expect for Shanghai Xintiandi, Shui On Plaza including XINTIANDI PLAZA, 15th floor in Shui On Plaza, 5 CA and Lot 116, in which the Group has effective interests of 100.00%, 80.00%, 100.00%, 44.55% and 98.00%, respectively.*
2. *The Group has 99.00% effective interests in all the remaining lots, except for The Palette 3, Hall of the Stars, Hall of the Moon and Parkview, in which the Group has effective interests of 49.50%.*
3. *The Group has 44.27% effective interests in all the remaining lots, except for Shanghai KIC Lot 311 in which the Group has effective interests of 50.49%.*
4. *The Group has 99.00% effective interests in all the remaining lots, except for Lot B15 and Lot B14 in which the Group has effective interests of 19.80%.*
5. *The Group has 99.00% interests in Lot 118 for residential use, 25.00% interests in Lots 123, 124 & 132 for office and retail uses.*
6. *The Group has 49.50% effective interests in Lot 10 for office and retail uses and Lot 7 for residential use, and 49.00% interests in Lot 167A for residential use.*
7. *Lots 119,120 & 122 are yet to commence relocation.*

FINANCIAL REVIEW

The Group's ***revenue*** for 2020 totalled RMB4,597 million, compared to RMB10,392 million in 2019. The decrease was due mainly to lower property sales arising from timing issues, as there was only one new residential project, Foshan Masterpiece (Lot 13a), that was completed and delivered to homebuyers during the year.

Property sales for 2020 was RMB1,448 million (2019: RMB7,176 million). As mentioned above, there was only one new completion, namely Foshan Masterpiece (Lot 13a), which contributed RMB959 million to property sales in 2020 with the remainder from sales of property and carparks inventories at different projects. Property sales in 2019 comprised of regular property sales of RMB5,906 million, and the remaining revenue of RMB1,270 million from the disposal of 49.5% interests in the residential developments at Shanghai RHXC Lots 1 and 7 to a third party (the "RHXC Disposal"). The regular property sales reported in 2019 mainly comprised of RMB3,412 million, RMB1,558 million and RMB723 million, from Taipingqiao Lakeville Luxe (Lot 116), Foshan (mainly in Lots 2/3) and Shanghai RHXC The Gallery (Lot 2), respectively.

Income from property investment for 2020 decreased to RMB2,138 million (2019: RMB2,345 million), of which ***rental and related income*** from investment properties decreased to RMB2,084 million (2019: RMB2,251 million), representing a 7% year-on-year decrease. The decrease in rental and related income was mainly due to rent concessions and other reliefs offered to our retail tenants in response to the COVID-19 outbreak.

Rental and related income from the Group's Shanghai properties, which accounted for 72% (2019: 70%) of the total, declined 6% to RMB1,491 million (2019: RMB1,578 million). Income from hotel operations, comprising contributions from the Marco Polo Hotel in Foshan, was down to RMB54 million in 2020 (2019: RMB94 million).

However, including rental income from joint venture and associates, rental and related income only declined 2% year-on-year to RMB2,528 million, mainly due to additional contribution from our acquisition of 5 Corporate Avenue under the Shui On Core-Office Venture (SCOV) platform. The deal was closed in June 2019.

Construction income generated by the construction business increased to RMB691 million for 2020 (2019: RMB538 million). The increase was mainly generated from the construction business of Shanghai RHXC Parkview (Lot 1) and the construction services rendered to local government at Qingpu District of Shanghai.

Gross profit for 2020 totalled RMB2,350 million (2019: RMB5,313 million), while ***gross profit margin*** is stable at 51% (2019: 51%). The decrease in gross profit was mainly due to lower Group revenue.

Other income for 2020 declined 42% to RMB311 million (2019: RMB536 million), which mainly comprised of bank interest income and interest income from joint ventures and associates.

Selling and marketing expenses for 2020 increased by 12% to RMB166 million (2019: RMB148 million). The increase was mainly due to higher sales and promotional activities in 2020 due to the robust contracted sales volume in 2020. The selling and marketing expenses incurred in 2020 were mainly in relation to the first batch, pre-sale launch of Taipingqiao Ville V, the remaining residential units of Wuhan La Riva II and the first batch of Shanghai Panlong Tiandi.

General and administrative expenses*,* which comprises staff costs, depreciation charges and advisory costs incurred, decreased slightly to RMB804 million in 2020 (2019: RMB829 million).

Decrease in fair value of investment properties was RMB1,786 million in 2020 (2019: increase of RMB256 million), representing a 3.6% decrease in valuation when compared with the carrying value of investment properties as of 31 December 2020. The decrease was mainly due to a decline in the fair value of our investment property portfolio outside Shanghai of RMB1,714 million, reflecting the adverse effects of the COVID-19 pandemic. The paragraph titled "Investment Property Performance" in the Business Review Section provides detailed descriptions of these properties.

Other gains and losses recorded a net loss of RMB454 million in 2020 (2019: net loss of RMB150 million). The losses in 2020 primarily comprised:

Gains/(losses)	2020 RMB'million	2019 RMB'million
Cost arising from hedging activities	(95)	(150)
Impairment loss for commercial lands costs	(452)	-
Loss from fair value change of derivative financial instruments	(154)	-
Premium paid for tender and exchange of senior notes	(69)	-
Loss from fair value change of liability arising from a rental guarantee arrangement	(79)	-
Write back of excess provision for relocation costs	441	-

Share of results of associates and joint ventures increased to RMB328 million in 2020 (2019: RMB195 million). It was mainly contributed by the JV project with GRANDJOY in Shanghai RHXC (Lot 1) which commenced delivery of residential properties in 2H 2020, contributing a gain of RMB295 million (2019: loss of RMB20 million).

Finance costs, inclusive of exchange differences amounted to RMB215 million for 2020 (2019: RMB1,497 million). Total interest costs declined by 4% to RMB2,185 million (2019: RMB2,285 million). Of these interest costs, 53% (2019: 45%) or RMB1,155 million (2019: RMB1,033 million) was capitalised as cost of property development, with the remaining 47% (2019: 55%) of interest costs relating to mortgage loans on completed properties and borrowings for general working capital purposes that was accounted for as expenses. Exchange gain of RMB863 million (2019: loss of RMB205 million) was recorded because of the appreciation of the RMB against the HKD and the USD in 2020.

Tax recorded a credit amount of RMB182 million in 2020 (2019: charge of RMB1,310 million). The credit amount of tax in 2020 was due to the recognition of deferred tax assets deriving from tax losses and the reduction in deferred tax provision relating to the investment properties. PRC Enterprise Income Tax has been provided for at the applicable income tax rate of 25% on the assessable profits during the year. Land appreciation tax was levied at progressing rates ranging from 30 percent to 60 percent on the appreciation value, being the proceeds of properties sales less deductible expenditure including costs of land, development and construction. In addition, as a result of the overall implementation of the Asset Light Strategy exercise, the Group has adopted the most appropriate tax rates at which to measure deferred tax, so as to better reflect our current business model and to allow a more accurate representation of our financial statements. The Group will reassess the accounting treatment on an ongoing basis to ensure the adequacy of the related deferred tax provision on those temporary differences.

Loss for the year 2020 was RMB233 million (2019: profit of RMB2,545 million).

After taking into account the revaluation loss of investment properties and impairment provision for commercial lands costs attributable to shareholders of RMB1,868 million, the Group recorded a net ***loss attributable to shareholders of the Company*** of RMB740 million for 2020 (2019: net profit of RMB1,932 million). ***Basic loss per share*** was RMB9.2 cents, which was calculated based on a weighted average of approximately 8,044 million shares in issue in 2020 (2019: earnings per share RMB24.0 cents, which was calculated based on a weighted average of approximately 8,044 million shares in issue).

Core earnings of the Group are as follows:

	2020 RMB'million	2019 RMB'million	Change %
(Loss) / profit attributable to shareholders of the Company	**(740)**	1,932	(138%)
Decrease / (increase) in fair value of investment properties, net of tax	**1,487**	(196)	
Realised fair value from investment properties disposed of	**-**	(3)	
Realised bargain purchase gain from acquisition of subsidiaries	**-**	159	
Impairment loss on investment properties under development at cost and properties under development for sale, net of tax	**342**	-	
Share of results of joint ventures and associates - fair value loss / (gains) of investment properties, net of tax	**55**	(24)	
	1,884	(64)	
Non-controlling interests	**(16)**	70	
Net effect of changes in the valuation	**1,868**	6	
Profit attributable to shareholders of the Company before revaluation	**1,128**	1,938	(42%)
Add:			
Profit attributable to owners of convertible perpetual capital securities	**49**	116	
Profit attributable to owners of perpetual capital securities	**269**	269	
Core earnings of the Group	**1,446**	2,323	(38%)

Having taken into consideration the Group's financial performance during the year and the ongoing uncertainties regarding COVID-19, the Board does not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: HKD0.084).

Major Acquisitions

1) In May 2020, the Group acquired the land use rights in Shanghai Qingpu District at an aggregate consideration of RMB2,096 million. The land consists of the final four land parcels at our Shanghai Panlong Tiandi project, with a total GFA of 122,500 sq.m., of which two land parcels with a total GFA of 74,000 sq.m. are for residential use with land tenure of 70 years and two land parcels with a total GFA of 48,500 sq.m. are for commercial, and culture and recreation use with land tenure of 40-50 years. For details, please refer to the announcements issued by the Company dated 19 and 21 May 2020.

2) In December 2020, the Group established a 50/50 joint venture with Grosvenor Group. The aggregate amount of committed contribution of the joint venture is RMB1,620 million. The joint venture is established to acquire the entire equity interest of a project company that holds a prime Grade-A office building with an ancillary retail podium and carparks in Xinjiekou, Nanjing. In February 2021, the transaction was completed. For details, please refer to the Company's announcement dated 22 December 2020.

Liquidity, Capital Structure and Gearing Ratio

During the year of 2020, the Group undertook an exchange and tender of senior notes, redemption of convertible perpetual capital securities and two new issuances of senior notes. The purpose of refinancing and redemption is to pro-actively manage our overall debt maturity. The details are as follows:

1) On 20 February 2020, the Group commenced an exchange and tender offer for the February 2021 and November 2021 senior notes. A total of USD392 million maturing in 2021 were tendered and exchanged for new senior notes at 5.5% per annum due 2025. The Group finally issued an aggregate principal amount of USD490 million of such new senior notes. The transaction was completed on 3 March 2020.

2) On 4 June 2020, the Group fully redeemed all the outstanding convertible perpetual capital securities with an aggregate principal amount of USD225 million.

3) On 24 August 2020, the Group issued an aggregate principal amount of USD500 million senior notes due 2024 at a yield of 6.15% per annum.

4) On 2 December 2020, the Group issued an aggregate principal amount of USD200 million green bond due 2023 at a yield of 5.75% per annum. This is consolidated and form a single series with the green bond issued by the Group under the Green Finance Framework in 2019.

The structure of the Group's borrowings as of 31 December 2020 is summarised below:

	Total (in RMB equivalent)	**Due within one year**	**Due in more than one year but not exceeding two years**	**Due in more than two years but not exceeding five years**	**Due in more than five years**
	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
Bank borrowings – RMB	9,288	1,852	2,244	2,549	2,643
Bank borrowings – HKD	4,834	2,105	2,418	311	-
Bank borrowings – USD	6,161	3,019	1,842	1,300	-
Senior notes – USD	13,822	4,032	-	9,790	-
Senior notes – RMB	2,241	2,241	-	-	-
Receipts under securitisation arrangements – RMB	513	11	13	60	429
Total	**36,859**	**13,260**	**6,517**	**14,010**	**3,072**

Total cash and bank deposits amounted to RMB15,796 million as of 31 December 2020 (31 December 2019: RMB11,859 million), which included RMB1,313 million (31 December 2019: RMB1,289 million) of deposits pledged to banks and RMB4,506 million (31 December 2019: RMB2,908 million) of restricted bank deposits which can only be applied to designated property development projects of the Group.

As of 31 December 2020, the Group's net debt was RMB21,063 million (31 December 2019: RMB25,882 million) and its total equity was RMB46,733 million (31 December 2019: RMB49,307 million). The Group's net gearing ratio was 45% as of 31 December 2020 (31 December 2019: 52%), calculated based on the excess of the sum of senior notes, receipts under securitisation arrangements, bank borrowings net of bank balances and cash (including pledged bank deposits) over the total equity. Our stable financials should enable the Group to better withstand the volatile macroeconomic conditions that may occur in the near future.

As of 31 December 2020, HKD/USD borrowings including senior notes (unhedged), net off HKD/USD cash and bank deposits, amounted to approximately RMB12,069 million in equivalent, which is around 33% of the total borrowings (31 December 2019: 30%).

Total undrawn banking facilities available to the Group amounted to approximately RMB7,668 million as of 31 December 2020 (31 December 2019: RMB8,717 million).

Pledged Assets

As of 31 December 2020, the Group had pledged investment properties, property and equipment, right-of-use assets, properties under development for sale, receivables and bank deposits totalling RMB43,622 million (31 December 2019: RMB38,605 million) to secure the Group's borrowings of RMB11,921 million (31 December 2019: RMB15,925 million).

Capital and Other Development Related Commitments

As of 31 December 2020, the Group had contracted commitments for development costs, capital expenditure and other investments in the amount of RMB2,990 million (31 December 2019: RMB2,252 million).

Cash Flow Management and Liquidity Risk

Management of cash flow is the responsibility of the Group's treasury function at the corporate level.

The Group's commitment is to maintain a balance between continuity of funding and flexibility through a combination of internal resources, bank borrowings and debt financing, as appropriate. The present financial and liquidity position enables the Group to maintain a reasonable liquidity buffer so that sufficient funds are available to meet liquidity requirements at all times.

Exchange Rate and Interest Rate Risks

The Group's revenue is denominated in RMB. Thus, the coupon payments and repayment of the principal amounts of the RMB senior notes and the RMB bank borrowings do not expose the Group to any exchange rate risk.

However, a portion of the revenue is converted into other currencies to meet our foreign-currency-denominated debt obligations, such as bank borrowings denominated in HKD and USD, and senior notes and perpetual capital securities denominated in USD issued from 2017 to 2020. Thus, to the extent that the Group has a net currency exposure, there is exposure to fluctuations in foreign exchange rates. As of 31 December 2020, the Group has entered approximately USD1,470 million and HKD1,050 million forward or capped forward contracts to hedge the USD and HKD currency risk against RMB. In addition, from 1 January 2021 till today, the Group has further entered USD700 million forward contracts. The Group continues to monitor closely its exposure to exchange rate risk and may further consider additional derivative financial instruments to hedge against its remaining exposure to exchange rate risk, if necessary.

The Group's exposure to interest rate risk results from fluctuations in interest rates. Most of the Group's bank borrowings consist of variable rate debt obligations with original maturities ranging from two to fifteen years for project construction loans, and three to fifteen years for mortgage loans. Increases in interest rates would raise interest expenses relating to the outstanding variable rate borrowings and cost of new debt. Fluctuations in interest rates may also lead to significant fluctuations in the fair value of the debt obligations.

As of 31 December 2020, the Group had various outstanding loans that bear variable interests linked to Hong Kong Inter-bank Offered Rate ("HIBOR"), London Inter-bank Offered Rate ("LIBOR") and Loan Prime Rate ("LPR"). The Group has hedged against the variability of cash flow arising from interest rate fluctuations by entering into interest rate swap contracts in which the Group would receive interest at variable rates at HIBOR and pay interests at fixed rates ranging from 0.27% to 0.47% based on the notional amounts of HKD2,570 million in aggregate. In addition, from 1 January 2021 till today, the Group has further entered USD200 million and HKD450 million interest rate swap contracts. The Group continues to monitor closely its exposure to interest rate risk and may further consider additional derivative financial instruments to hedge against its remaining exposure to interest rate risk, if necessary.

Save for disclosed above, as of 31 December 2020, the Group does not hold any other derivative financial instruments that are linked to exchange rates or interest rates. The Group continues to closely monitor its exposure to exchange rate and interest rate risks and may employ derivative financial instruments to hedge against risk when necessary.

Contingent Liabilities

1) The Group provided guarantees of RMB1,181 million as of 31 December 2020 (31 December 2019: RMB1,152 million) to banks in favour of its customers in respect of mortgage loans provided by banks to those customers for the purchase of the Group's developed properties. These guarantees provided by the Group to the banks will be released upon receiving the building ownership certificates of the respective properties by the banks from the customers as a pledge for security to the mortgage loans granted.

2) The Group provide a guarantee of RMB250 million as of 31 December 2020 (31 December 2019: nil) to a third party for the fulfilment of the payment obligation of a joint venture of the Group arising from the acquisition of a project company in Nanjing. The acquisition was completed in February 2021 and then the payment obligation was fulfilled by the joint venture.

The Board of Directors (the "Board") of Shui On Land Limited (the "Company" or "Shui On Land") hereby announces the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	**2020**		2019	
		HKD'million *(Note 2)*	**RMB'million**	HKD'million *(Note 2)*	RMB'million
Revenue of the Group	*4*	**5,172**	**4,597**	11,805	10,392
Cost of sales		**(2,528)**	**(2,247)**	(5,770)	(5,079)
Gross profit		**2,644**	**2,350**	6,035	5,313
Other income	*5*	**350**	**311**	609	536
Selling and marketing expenses		**(187)**	**(166)**	(168)	(148)
General and administrative expenses		**(905)**	**(804)**	(942)	(829)
(Decrease)/increase in fair value of investment properties		**(2,009)**	**(1,786)**	291	256
Other gains and losses	*5*	**(511)**	**(454)**	(170)	(150)
Share of results of associates and joint ventures		**369**	**328**	222	195
Finance costs, inclusive of exchange differences	*6*	**(242)**	**(215)**	(1,701)	(1,497)
Reversal of impairment losses under expected credit loss model	*7*	**24**	**21**	203	179
(Loss)/profit before tax	*7*	**(467)**	**(415)**	4,379	3,855
Tax	*8*	**205**	**182**	(1,488)	(1,310)
(Loss)/profit for the year		**(262)**	**(233)**	2,891	2,545
Attributable to:					
Shareholders of the Company		**(833)**	**(740)**	2,195	1,932
Owners of perpetual capital securities		**303**	**269**	305	269
Owners of convertible perpetual capital securities		**55**	**49**	132	116
Non-controlling shareholders of subsidiaries		**213**	**189**	259	228
		571	**507**	696	613
		(262)	**(233)**	2,891	2,545
(Loss)/earnings per share attributable to the shareholders of the Company	*10*				
Basic		**HKD(10.4) cents**	**RMB(9.2) cents**	HKD27.3 cents	RMB24.0 cents
Diluted		**HKD(10.4) cents**	**RMB(9.2) cents**	HKD26.7 cents	RMB23.5 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2020		2019	
	HKD'million *(Note 2)*	**RMB'million**	HKD'million *(Note 2)*	RMB'million
(Loss)/profit for the year	**(262)**	**(233)**	2,891	2,545
Other comprehensive income/(expense)				
Items that may be reclassified to profit or loss in subsequent periods:				
Exchange difference arising on translation of foreign operations	**(3)**	**(3)**	(11)	(10)
Effective portion of changes in fair value of currency forward contracts designated as cash flow hedges	**(752)**	**(668)**	(134)	(118)
Effective portion of changes in fair value of interest rate swaps designated as cash flow hedges	**(3)**	**(3)**	-	-
Reclassification from hedge reserve to profit or loss arising from currency forward contracts	**823**	**732**	125	110
Share of other comprehensive income/ (loss) of a joint venture and an associate	**51**	**45**	(42)	(37)
Items that will not be reclassified to profit or loss in subsequent periods:				
Remeasurement of defined benefit obligations	**1**	**1**	3	3
Gain on revaluation of properties transferred from property and equipment to investment properties, net of tax	**23**	**20**	-	-
Other comprehensive income/(expense) for the year	**140**	**124**	(59)	(52)
Total comprehensive (expense)/income for the year	**(122)**	**(109)**	2,832	2,493
Total comprehensive (expense)/income attributable to:				
Shareholders of the Company	**(697)**	**(620)**	2,136	1,880
Owners of perpetual capital securities	**303**	**269**	305	269
Owners of convertible perpetual capital securities	**55**	**49**	132	116
Non-controlling shareholders of subsidiaries	**217**	**193**	259	228
	575	**511**	696	613
	(122)	**(109)**	2,832	2,493

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**31 December 2020 RMB'million**	31 December 2019 RMB'million
Non-current assets			
Investment properties		**51,220**	51,913
Interests in associates		**7,828**	7,470
Interests in joint ventures		**11,973**	11,108
Property and equipment		**1,235**	1,053
Right-of-use asset		**76**	96
Receivables, deposits and prepayments	*11*	**335**	268
Pledged bank deposits		**1,313**	1,289
Deferred tax assets		**825**	922
Other non-current assets		**99**	17
		74,904	74,136
Current assets			
Properties under development for sale		**21,247**	17,855
Properties held for sale		**938**	973
Receivables, deposits and prepayments	*11*	**2,440**	3,164
Loans to/amounts due from associates		**196**	778
Loans to/amounts due from joint ventures		**20**	45
Amounts due from related companies		**440**	416
Contract assets		**305**	53
Bank balances and cash		**14,483**	10,570
Derivative financial instruments		**-**	103
Prepaid taxes		**502**	323
		40,571	34,280
Current liabilities			
Accounts payable, deposits received and accrued charges	*12*	**6,840**	5,564
Contract liabilities		**12,907**	3,127
Bank borrowings - due within one year		**6,976**	5,852
Senior notes		**6,273**	-
Receipts under securitisation arrangements		**11**	7
Tax liabilities		**2,910**	3,575
Loans from/amounts due to non-controlling shareholders of subsidiaries		**1,511**	1,784
Loans from/amounts due to associates		**799**	453
Amount due to a joint venture		**12**	-
Amounts due to related companies		**377**	331
Liability arising from a rental guarantee arrangement		**175**	174
Lease liabilities		**28**	29
Derivative financial instruments		**722**	-
		39,541	20,896
Net current assets		**1,030**	13,384
Total assets less current liabilities		**75,934**	87,520

CONSOLIDATED STATEMENT OF FINANCIAL POSITION - CONTINUED

	Notes	**31 December 2020 RMB'million**	31 December 2019 RMB'million
Non-current liabilities			
Bank borrowings - due after one year		**13,307**	19,971
Senior notes		**9,790**	11,399
Receipts under securitisation arrangements		**502**	512
Liability arising from a rental guarantee arrangement		**117**	208
Deferred tax liabilities		**5,409**	6,031
Lease liabilities		**71**	86
Defined benefit liabilities		**5**	6
		29,201	38,213
Capital and reserves			
Share capital	*13*	**146**	146
Reserves		**38,431**	39,930
Equity attributable to shareholders of the Company		**38,577**	40,076
Convertible perpetual capital securities		**-**	1,345
Perpetual capital securities		**4,062**	4,056
Non-controlling shareholders of subsidiaries		**4,094**	3,830
		8,156	9,231
Total equity		**46,733**	49,307
Total equity and non-current liabilities		**75,934**	87,520

Notes to the consolidated financial statements:

1. General

The consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with International Financial Reporting Standards ("IFRSs").

2. Presentation

The Hong Kong dollar figures presented in the consolidated statement of profit or loss and consolidated statement of comprehensive income are shown for reference only and have been arrived at based on the exchange rate of RMB1.000 to HKD1.125 for 2020 and RMB1.000 to HKD1.136 for 2019, being the average exchange rates that prevailed during the respective years.

3. Changes in Accounting Policies and Disclosures

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 3 *Business Combinations*	*Definition of a Business*
Amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosures*	*Interest Rate Benchmark Reform*
Amendments to IAS 16 *Leases*	*COVID-19-Related Rent Concessions (early adopted)*
Amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*	*Definition of Material*

The nature and impact of the revised IFRSs are described below:

(a) *Conceptual Framework for Financial Reporting 2018* (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

(b) Amendments to IFRS 3 *Business Combinations* clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

3. Changes in Accounting Policies and Disclosures –continued

The nature and impact of the revised IFRSs are described below - continued:

(c) Amendments to IFRS 9, IAS 39 and IFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("RFR"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

(d) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted.

During the year ended 31 December 2020, certain monthly lease payments for the leases of the Group's office buildings have been reduced or waived by the lessors as a result of the COVID-19 pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the COVID-19 pandemic during the year ended 31 December 2020. The amendment did not have any significant impact on the financial position and performance of the Group.

(e) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

4. Revenue and Segmental Information

A. Disaggregation of revenue from contracts with customers

	Year ended 31 December	
	2020	2019
	RMB'million	RMB'million
Property development:		
Property sales	**1,448**	7,176
Property management fee income	**89**	86
	1,537	7,262
Property investment:		
Income from hotel operations	**54**	94
Property management fee income	**200**	223
	254	317
Construction	**691**	538
Others	**231**	247
	2,713	8,364
Geographical markets		
Shanghai	**1,452**	6,389
Foshan	**1,117**	1,700
Wuhan	**39**	51
Chongqing	**96**	223
Nanjing	**9**	1
	2,713	8,364
Timing of revenue recognition		
A point in time	**1,448**	7,176
Over time	**1,265**	1,188
	2,713	8,364

The following table shows the amounts of revenue recognised in the current reporting year that were included in the contract liabilities at the beginning of the reporting year:

	2020	2019
	RMB'million	RMB'million
Revenue recognised that was included in contract liabilities at the beginning of the reporting year:		
Sale of properties	**213**	4,899
	213	4,899

4. Revenue and Segmental Information - continued

B. Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information

For the year ended 31 December 2020

	RMB'million
Property development:	
Property sales	**1,448**
Property management fee income	**89**
	1,537
Property investment:	
Income from hotel operations	**54**
Property management fee income	**200**
	254
Construction	**691**
Others	**231**
Revenue from contracts with customers	**2,713**
Rental income from investment properties (*note*) (property investment segment)	**1,674**
Rental related income (property investment segment)	**210**
	4,597

Note:

	Year ended 31 December 2020 RMB'million
For operating leases:	
Lease payment that are fixed	**1,607**
Variable lease payments that do not depend on an index or a rate	**67**
	1,674

4. Revenue and Segmental Information - continued

B. Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information – continued

For the year ended 31 December 2019

	RMB'million
Property development:	
Property sales	7,176
Property management fee income	86
	7,262
Property investment:	
Income from hotel operations	94
Property management fee income	223
	317
Construction	538
Others	247
Revenue from contracts with customers	8,364
Rental income from investment properties (*note*) (property investment segment)	1,814
Rental related income (property investment segment)	214
	10,392

Note:

	Year ended 31 December 2019 RMB'million
For operating leases:	
Lease payment that are fixed	1,728
Variable lease payments that do not depend on an index or a rate	86
	1,814

4. Revenue and Segmental Information - continued

C. Operating segments

Operating segments are identified from the financial information provided regularly to the Group's chief operating decision maker ("CODM") (i.e. the executive director and the chairman of the Group) for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business.

The Group is organised based on its business activities and has the following three major reportable segments:

Property development	- development and sale of properties
Property investment	- offices and commercial/mall leasing, property management and hotel operations
Construction	- construction, interior fitting-out, renovation and maintenance of building premises and provision of related consultancy services

The property development and property investment projects of the Group are located in Shanghai, Wuhan, Foshan, Chongqing and Nanjing, the PRC, and their revenues are primarily derived from property sales and leasing respectively. The directors of the Company consider that the various operating segments under property development, property investment and construction segments are aggregated for financial reporting purposes because those segments have similar characteristics in terms of production process, class of customers and distribution method and are under similar economic conditions and subject to similar regulatory policies.

4. Revenue and Segmental Information - continued

For the year ended 31 December 2020

	Reportable segment					
	Property development RMB'million	**Property investment RMB'million**	**Construction RMB'million**	**Total RMB'million**	**Others RMB'million**	**Consolidated RMB'million**
SEGMENT REVENUE						
Segment revenue of the Group	**1,537**	**2,138**	**691**	**4,366**	**231**	**4,597**
SEGMENT RESULTS						
Segment results of the Group	**185**	**(802)**	**-**	**(617)**	**111**	**(506)**
Interest income						**281**
Share of results of associates and joint ventures						**328**
Finance costs, inclusive of exchange differences						**(215)**
Other gains and losses						**(2)**
Reversal of impairment losses under expected credit loss model						**21**
Unallocated income						**17**
Unallocated expenses						**(339)**
Loss before tax						**(415)**
Tax						**182**
Loss for the year						**(233)**

4. Revenue and Segmental Information - continued

For the year ended 31 December 2019

	Reportable segment					
	Property development RMB'million	Property investment RMB'million	Construction RMB'million	Total RMB'million	Others RMB'million	Consolidated RMB'million
SEGMENT REVENUE						
Segment revenue of the Group	7,262	2,345	538	10,145	247	10,392
SEGMENT RESULTS						
Segment results of the Group	3,341	1,521	3	4,865	59	4,924
Interest income						488
Share of results of associates and joint ventures						195
Finance costs, inclusive of exchange differences						(1,497)
Other gains and losses						(150)
Reversal of impairment losses under expected credit loss model						179
Unallocated income						48
Unallocated expenses						(332)
Profit before tax						3,855
Tax						(1,310)
Profit for the year						2,545

Segment results represent the profit earned or loss incurred by each segment without allocation of central administration costs, directors' salaries, interest income, share of results of associates and joint ventures, reversal of impairment losses under expected credit loss model, finance costs inclusive of exchange differences and other unallocated income/expense. This is the measure reported for resource allocation and performance assessment.

5. Other Income, Other Gains and Losses

	2020 RMB'million	2019 RMB'million
<u>Other income</u>		
Interest income from banks	**194**	324
Interest income from loans to associates	**10**	56
Interest income from loans to joint ventures	**77**	108
Grants received from local government	**30**	28
Others	**-**	20
	311	536
<u>Other gains and losses</u>		
Payable for relocation costs written back	**441**	-
Impairment loss on investment properties under development at cost	**(225)**	-
Impairment loss on properties under development for sale	**(227)**	-
Cost arising from hedging activities	**(95)**	(150)
Loss from fair value change of derivative financial instruments	**(154)**	-
Loss from fair value change of liability arising from a rental guarantee arrangement	**(79)**	-
Premium for tender and exchange of senior notes	**(69)**	-
Impairment loss on property and equipment	**(21)**	-
Gain on disposal of investment properties	-	22
Others	**(25)**	(22)
	(454)	(150)

6. Finance Costs, Inclusive of Exchange Differences

	2020	2019
	RMB'million	RMB'million
Interest on bank borrowings	**1,350**	1,640
Interest on senior notes	**829**	640
Interest on a loan from an associate	**1**	-
Interest expenses from lease liabilities	**5**	5
Total interest costs	**2,185**	2,285
Less: Amount capitalised to investment properties under construction or development and properties under development for sale	**(1,155)**	(1,033)
Interest expense charged to profit or loss	**1,030**	1,252
Net exchange (gain)/ loss on bank borrowings and other financing activities	**(863)**	205
Others	**48**	40
	215	1,497

Borrowing costs capitalised during the year were calculated by applying a capitalisation rate of approximately 5.7% (2019: 5.7%) per annum to expenditure on the qualifying assets.

7. (Loss)/Profit Before Tax

The Group's (loss)/profit before tax is arrived at after charging/(crediting):

	2020	2019
	RMB'million	RMB'million
Auditor's remuneration		
- audit services	**5**	6
Depreciation of property and equipment	**98**	90
Depreciation of right-of-use assets	**33**	29
Employee benefits expenses		
Directors' emoluments		
Fees	**2**	2
Salaries, bonuses and other benefits	**26**	27
	28	29
Other staff costs		
Salaries, bonuses and other benefits	**798**	755
Retirement benefits costs	**19**	41
	817	796
Total employee benefits expenses	**845**	825
Less: Amount capitalised to investment properties under construction or development and properties under development for sale	**(99)**	(65)
	746	760
(Reversal)/provision of impairment losses		
Receivables	**(21)**	1
Receivables from disposal of a subsidiary	**-**	(180)
	(21)	(179)
Cost of properties sold recognised as an expense	**851**	3,692
Reversal of impairment on properties held for sale (included in "cost of sales")	**(1)**	(9)
Lease payments relating to short-term leases and low-value leases	**6**	23

8. Tax

	2020	2019
	RMB'million	RMB'million
PRC enterprise income tax ("EIT")		
- Charge for the year	**68**	781
PRC withholding tax		
- Charge for the year	**10**	87
PRC land appreciation tax ("LAT")		
- Charge for the year	**225**	713
Deferred tax		
- Credit for the year	**(485)**	(271)
	(182)	1,310

No provision for Hong Kong profits tax has been made as the income of the Group neither arises in, nor is derived from, Hong Kong.

PRC EIT has been provided for at the applicable income tax rate of 25% on the assessable profits of the companies in the Group during the years.

The PRC EIT Law requires withholding tax to be levied on distribution of profits earned by PRC entities for profits generated after 1 January 2008 at rate of 5% for Hong Kong resident companies, and at rate of 10% (5% if obtained the Hong Kong residents) for companies incorporated in BVI and Republic of Mauritius ("Mauritius"), which are the beneficial owners of the dividend received. As of 31 December 2020 and 31 December 2019, deferred tax was provided for in respect of the temporary differences attributable to such profits, except to the extent that the Group is able to control the timing of the reversal of such temporary differences and it is probable that such temporary differences would not be reversed in the foreseeable future.

The provision of PRC LAT is estimated per the requirements set forth in the relevant PRC tax laws and regulations. PRC LAT has been provided at ranges of progressive rates of the appreciation value, with certain allowable deductions including land costs, borrowing costs and the relevant property development expenditures.

The current income tax provided for the current year also included applicable income taxes on transfers of equity interests in subsidiaries of the Group.

9. Dividends

	2020	2019
	RMB'million	RMB'million
Dividends recognised as distribution during the year:		
No interim dividend in 2020 (2019: interim dividend paid in respect of 2019 of HKD0.036 per share)	**-**	263
Final dividend paid in respect of 2019 of HKD0.084 per share (2019: final dividend paid in respect of 2018 of HKD0.084 per share)	**623**	595
	623	858

Having taken into consideration the Group’s financial performance during the year and the ongoing uncertainties regarding COVID-19, the Board does not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: HKD0.084).

10. (Loss)/Earnings Per Share

The calculation of the basic and diluted (loss)/earnings per share attributable to shareholders of the Company is based on the following data:

(Loss)/earnings	**2020 RMB'million**	2019 RMB'million
(Loss)/earnings for the purpose of basic (loss)/earnings per share, being (loss)/profit for the year attributable to shareholders of the Company	**(740)**	1,932
Effect of dilutive potential ordinary shares:		
Adjustment for convertible perpetual capital securities	-	116
(Loss)/earnings for the purpose of diluted (loss)/ earnings per share	**(740)**	2,048

Number of shares	**2020 'million**	2019 'million
Weighted average number of ordinary shares for the purpose of basic earnings per share(*note (a)*)	**8,044**	8,044
Effect of dilutive potential ordinary shares:		
Convertible perpetual capital securities (*note (c)*)	**-**	676
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**8,044**	8,720

Basic (loss)/ earnings per share (*note (b)*)	**RMB(9.2) cents** **HKD(10.4) cents**	RMB24.0cents HKD27.3cents
Diluted (loss)/ earnings per share(*note (b)*)	**RMB(9.2) cents** **HKD(10.4) cents**	RMB23.5cents HKD26.7cents

Notes:

(a) The weighted average number of ordinary shares shown above have been arrived at after deducting the weighted average effect on 17,710,250 (2019: 17,710,250) shares held by a share award scheme trust.

(b) The Hong Kong dollar figures presented above are shown for reference only and have been arrived at based on the exchange rate of RMB1.000 to HKD1.125 for 2020 and RMB1.000 to HKD1.136 for 2019, being the average exchange rates that prevailed during the respective years.

(c) There were no dilution effects from outstanding share options as the exercise prices of each of these share options were higher than the average market price of the Company's shares per share for the years ended 31 December 2020 and 2019, and the effect for convertible perpetual capital securities was anti-dilutive for the year ended 31 December 2020.

11. Receivables, Deposits and Prepayments

	2020 RMB'million	2019 RMB'million
Non-current assets comprise:		
Rental receivables in respect of rent-free periods	**275**	206
Trade receivables		
- goods and services	**60**	62
	335	268
Current assets comprise:		
Rental receivable in respect of rent-free periods	**132**	130
Trade receivables		
- goods and services	**54**	50
- operating lease receivables	**26**	24
Prepayments of relocation costs (*note*)	**750**	933
Receivables from disposal of associates and a joint venture	**250**	315
Receivables from disposal of subsidiaries	**500**	1,048
Other deposits, prepayments and receivables	**443**	524
Input value-added tax	**285**	140
	2,440	3,164

Note:

The balances represent the amounts that will be compensated by the government upon the relocation is completed.

Trade receivables comprise:

(i) receivables arising from sales of properties which are due for settlement in accordance with the terms of the relevant sale and purchase agreements;

(ii) rental receivables which are due for settlement upon issuance of monthly debit notes to the tenants; and

(iii) receivables arising from construction revenue of which a credit term of 40 days are granted to the customers.

As of 31 December 2020 and 31 December 2019, trade receivables from contracts with customers amounted to RMB114 million and RMB112 million, respectively.

Included in the Group's receivables, deposits and prepayments are trade receivable balances of RMB140 million (2019: RMB136 million), of which 44% (2019: 48%) are not yet past due, 34% (2019: 40%) are past due less than 90 days, and 22% (2019: 12%) are past due over 90 days, as compared to when revenue was recognised.

Out of the past due balances, RMB31 million (2019: RMB16 million) has been past due 90 days or more and is not considered as in default since the directors of the Group consider that such balances could be recovered based on repayment history, the financial conditions and the current credit worthiness of each customers.

12. Accounts Payable, Deposits Received and Accrued Charges

	2020	2019
	RMB'million	RMB'million
Current portion comprise:		
Trade payables	**2,123**	1,349
Land and relocation cost payables	**1,604**	1,700
Retention payables (*note(a)*)	**293**	253
Deed tax and other tax payables	**94**	168
Deposits received and receipt in advance in respect of rental of investment properties	**814**	791
Value-added tax payable	**173**	51
Value-added tax arising from contract liabilities	**879**	277
Other payables and accrued charges	**860**	975
	6,840	5,564

Notes:

(a) Retention payables are expected to be paid upon the expiry of the retention periods according to the respective contracts.

Included in the Group's accounts payable, deposits received and accrued charges are trade payable balances of RMB2,123 million (2019: RMB1,349 million), of which 83% (2019: 84%) are aged less than 30 days, 4% (2019: 1%) are aged between 31 to 60 days, and 13% (2019: 15%) are aged more than 90 days, based on invoice date.

13. Share Capital

	Authorised		Issued and fully paid	
	Number of shares	USD'000	Number of shares	USD'000
Ordinary shares of USD0.0025 each				
On 1 January 2019, 31 December 2019 and 31 December 2020	12,000,000,000	30,000	8,062,216,324	20,155

	2020	2019
	RMB'million	RMB'million
Shown in the consolidated statement of financial position as	**146**	146

The new shares rank pari passu with the existing shares in all respects.

MARKET OUTLOOK

The onset of COVID-19 in early 2020 plunged global economies into chaos. The implementation of intermittent lockdowns resulted in production stoppages, supply chain dislocation, and a surge in unemployment that prompted governments around the world to roll out unprecedented economic rescue programs. Initially a domestic health threat in China, COVID-19 quickly escalated into a pandemic causing the worst global recession experienced since the Great Depression. While economic recovery was made possible in 2021 due to breakthroughs in vaccine development, the recovery trajectory is expected to be uneven and beset with uncertainties. Many fragile, heavily indebted developing countries will be left behind in the process, while advanced economies that have direct access to vaccine and ample fiscal resources are expected to recover sooner. The pandemic also has the impact of accelerating lifestyle and behavioural changes already underway due to digitalization and the advent of mobile e-commerce.

The COVID-19 outbreak was quickly brought under control in China enabling restoration full-year GDP growth to 2.3%, an exception among G20 nations which experienced varying degree of economic contraction in 2020. With the help of sound economic management and macro-prudential policies, China is on track to achieve stable growth this year. The government will deploy a "dual-circulation" development strategy to overcome the headwinds from an unsettling external global environment. China aims to realize higher quality economic growth and will place stronger emphasis on indigenous innovation and industrial upgrade during the 14th Five-year Plan period. There will be room for calmer US-China relations and de-escalation of bilateral trade tension under the Biden administration, although competition is expected to intensify on technology fronts, spanning the realms of 5G, cloud computing and artificial intelligence.

In 2020, the China residential market has shown resilience, with growth in national sales by area and sales revenue rising by 3.2% and 10.8% respectively. In the 14th Five-year Plan, the authorities vow to promote housing consumption, and will continue to manage the property sector through the use of long-term housing mechanisms to prevent overheating. The overarching goals are to maintain stable and healthy development of the real estate market and to prevent systemic risks. To this end, the government introduced the "three red lines" rule to curtail excessive developers' debt, complemented by a ceiling on bank lending to the property sector. These measures are designed to ensure better alignment of residential supply with the pace of urbanization and economic growth. City cluster development around regional metropolitan centres will be a focal point of China's economic development strategy, and regional hub cities will benefit from further loosening of "hukou" registration policies to attract talent inflows.

China's commercial office market is undergoing a difficult period of adjustment from supply overhang and is expected to face a challenging year in 2021 with occupier demand dampened by cautious business sentiment in the ensuing economic recovery from COVID-19. According to Jones Lang LaSalle (JLL), Shanghai Grade-A office rents fell by 7.4% year-on-year in 2020. There are green shoots however, which signalled-rental decline had slowed towards the end of last year. Recent Shanghai government efforts to increase investment in digital infrastructure and to allow further opening of the financial sector should help to boost foreign direct investment and support a resumption of office occupancy growth.

In line with rising disposable income and an expanding middle class, China is continuing its rebalancing from investment towards consumption-led growth. Although the retail market had been severely hit by the outbreak of COVID-19 in Q1 2020, overseas global lockdown and travel restrictions spurred reshoring of luxury purchases last year, and national retail sales began to register positive year-on-year growth starting from August of last year. Nevertheless, prime commercial retail property vacancy in Shanghai jumped from 8.6% in 2019 to 11.0% in 2020, resulting in prime retail property rents dropping 2.4% to RMB46.6 psm per day by year end 2020. According to JLL's projection, Shanghai's prime retail rents is bottoming out and will experience a rebound to RMB46.8 psm per day in 2021.

Despite immense global headwinds, Shanghai managed to steer an economic recovery from the COVID-19 crisis to achieve a GDP growth of 1.7% in 2020. Shanghai is planning to grant wider financial services sector market access for wealth management and financial derivative businesses. The municipality will invest aggressively into its digital infrastructure, with plans to enhance industrial internet and building 100 smart factories. This will help to attract more foreign investment to the services and technology sectors during the 14th Five-year Plan period. The ambition to become a global digital city will boost economic efficiency and further invigorate the city's economic dynamism and international competitiveness. Furthermore, the government has announced plans to speed up the development of five new satellite towns, including Qingpu, Jiading, Songjiang, Nanhui and Fengxian.

Chongqing maintained steady economic growth of 3.9% in 2020, bringing the municipality's GDP to RMB2.5 trillion. This achievement was supported by the city's new strategic industries development plan, which includes industry upgrading of high-tech manufacturing. In 2021, Chongqing government aims to pursue economic growth of over 6%. According to the municipality's 14th Five-Year Plan, the size of digital economy is projected to reach RMB1 trillion by 2022, accounting for more than 40% of the city's GDP. The government plans to build a second international airport and will embark on integrated development of Chengdu-Chongqing Economic Circle.

Being the hardest hit city in China during COVID-19 crisis, Wuhan suffered a -4.7% economic contraction in 2020. In the 14th Five-year Plan, Wuhan aims to speed up its development into a national economic centre, a scientific and technological innovation centre, a trade and logistics centre, an international exchange centre and a regional financial centre. The city will promote transformation and upgrading of existing industries to high-end equipment manufacturing, and plan to expand investment into healthcare, biotechnology as well as next-generation information technology businesses.

Foshan's economic growth recovered to 1.6% in 2020. In the 14th Five-year Plan period, Foshan aims to become a national manufacturing innovation centre of the world. Guangzhou-Foshan integration will be a crucial task in the coming five years, and 27 rail lines and 80 roads connecting the two cities will be built to form an integrated transportation network. The government will pursue an innovation-driven strategy, investing heavily to strengthen its education and research facilities. One hundred technology and innovation platforms, including Jihua Laboratory and Xianhu Laboratory are planned to be built.

The city of Nanjing endured the economic shock from COVID-19 relatively well to achieve 4.5% GDP growth in 2020, joining ranks with the nation’s top ten cities for the first time. Nanjing relaxed its ‘hukou’ program with an aim to enrich its human capital pool through attracting inflow of talent and university graduates. Under this program, bachelor’s degree holders aged under 45 and university graduates having master’s degree or above are qualified to obtain Nanjing ‘hukou’ status. The city targets its R&D expenditure to reach 3.48% of GDP in 2021 and will implement a program to strengthen technological innovation, making available industrial grants for emerging industries to support its development into an innovative city having global influence.

This year the global economy is starting to rebuild and to stage a recovery from the pandemic-induced recession. The International Monetary Fund (“IMF”) is optimistic that global GDP growth will reach 5.5% in 2021. Volatility and downside risks, however, remain prevalent, including virus mutation and possible delays in vaccine procurement and distribution. The pandemic has also exacerbated wealth disparity, and further elevated global debt and geopolitical tensions. China, with COVID-19 spread kept under tight control should be in a better position to take lead in the global recovery process and become a magnet for international capital. Against this backdrop, we will closely monitor the opportunities and risks as economic recovery takes shape, and be ready to act in accordance with the evolving circumstances in China’s property market.

FINAL DIVIDEND

Having taken into consideration the Group's financial performance during the year and the ongoing uncertainties regarding COVID-19, the Board does not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: HKD0.084).

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Friday, 14 May 2021 to Thursday, 27 May 2021 (both dates inclusive) during which period no transfer of shares will be registered. Shareholders whose names appear on the register of members of the Company on Thursday, 13 May 2021 shall be entitled to attend and vote at the forthcoming annual general meeting to be held on 27 May 2021 ("AGM"). In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 13 May 2021.

PURCHASE, SALE OR REDEMPTION/CANCELLATION OF LISTED SECURITIES

On 4 June 2015, Shui On Development (Holding) Limited ("SODH") issued USD225 million 7.50% senior convertible perpetual capital securities (the "Securities"). On 4 June 2020 (the "Redemption Date"), SODH redeemed all the outstanding Securities with the aggregate principal amount of USD225 million. Upon redemption of all the outstanding Securities on the Redemption Date, all the Securities were cancelled.

On 6 February 2017, SODH issued USD500 million in 5.70% senior notes due 2021 (the "2021 Notes") and on 28 February 2019, SODH issued USD500 million in 6.25% senior notes due 2021 (the "2021 SODH Notes"). On 20 February 2020, SODH commenced the Exchange and Tender Offer to the Eligible Holders of 2021 Notes and 2021 SODH Notes. On 28 February 2020, the Company determined to accept (i) USD64,972,000 for the exchange of the 2021 Notes; (ii) USD172,641,000 for the tender of the 2021 Notes; (iii) USD24,942,000 for the exchange of 2021 SODH Notes; and (iv) USD129,408,000 for the tender of the 2021 SODH Notes. After the completion of the Exchange and Tender Offer, the notes exchanged and tendered were cancelled. The outstanding principal amounts of the 2021 Notes were USD262,387,000 and the outstanding principal amounts of the 2021 SODH Notes were USD345,650,000.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2020.

CORPORATE GOVERNANCE

The Company is committed to enhancing its corporate governance practices appropriately in the conduct and growth of its business, and to pursuing the right balance between conformance and performance in its corporate governance. From time to time, the Company reviews its corporate governance practices to ensure they comply with all the applicable code provisions (the "CG Code") as set out in Appendix 14 of the Listing Rules and aligns its practices with the latest developments of the CG Code. During the year ended 31 December 2020, the Company has applied the principles of and complied with all the applicable code provisions of the CG Code. Further information on the Company's corporate governance practices is set out in the Company's 2020 Annual Report.

The Audit and Risk Committee has reviewed the Group's audited consolidated financial statements for the year ended 31 December 2020, including the accounting principles and practices adopted by the Company, in conjunction with the Company's external auditor.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the Directors. Following specific enquiries by the Company, all Directors have confirmed that they complied with the required standard set out in the Model Code throughout the year ended 31 December 2020.

EMPLOYEES AND REMUNERATION POLICY

As of 31 December 2020, the number of employees in the Group was 3,141 (31 December 2019: 3,237); which included the headcount of the property management business at 1,548 (31 December 2019: 1,635), the headcount of the construction and fitting out business at 240 (31 December 2019: 211). The Group provides a comprehensive benefits package for all employees as well as career development opportunities. This includes retirement schemes, long term incentive scheme, medical insurance, other insurances, in-house training, on-the-job training, external seminars, and programs organised by professional bodies and educational institutes.

The Group strongly believes in the principle of equality of opportunity. The remuneration policy of the Group for rewarding its employees is based on their performance, qualifications and competency displayed in achieving our corporate goals.

SCOPE OF WORK OF MESSRS. ERNST & YOUNG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income, and the related notes thereto for the year then ended 31 December 2020 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Messrs. Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Ernst & Young on the preliminary announcement.

APPRECIATION

We could not have weathered the storm without the exemplary team spirit and collaboration exhibited by everyone at Shui On Land. I must express particular thanks during this difficult year to my fellow Board members, our business partners and our investors for their steadfast support. I also wish to thank each and every member of our staff for their unyielding commitment and hard work amidst a period of trying circumstances.

I am confident that 2021 will be a better year, as we mark both the 50th anniversary of the Shui On Group and the 20th anniversary of Shanghai Xintiandi. This does not mean the road ahead will be straightforward, as conditions are likely to remain volatile. Nevertheless, the Group is strategically well-placed to meet any challenges and take advantage of the opportunities that may arise, as we build on the successes of the past fifty years.

By Order of the Board
Shui On Land Limited
Vincent H. S. LO
Chairman

Hong Kong, 23 March 2021

At the date of this announcement, the executive directors of the Company are Mr. Vincent H. S. LO (Chairman), Mr. Douglas H. H. SUNG (Chief Financial Officer and Chief Investment Officer) and Ms. Stephanie B. Y. LO; and the independent non-executive directors of the Company are Sir John R. H. BOND, Professor Gary C. BIDDLE, Dr. Roger L. McCARTHY, Mr. David J. SHAW, Mr. Anthony J. L. NIGHTINGALE, Mr. Shane S. TEDJARATI and Ms. Ya Ting WU.

This announcement contains forward-looking statements, including, without limitation, words and expressions such as "expect," "believe," "plan," "intend," "aim," "estimate," "project," "anticipate," "seek," "predict," "may," "should," "will," "would" and "could" or similar words or statements, in particularly statements in relation to future events, our future financial, business or other performance and development, strategy, plans, objectives, goals and targets, the future development of our industry and the future development of the general economy of our key markets and globally.

These statements are based on numerous assumptions regarding our present and future business strategy and the environment in which we will operate in the future. These forward-looking statements reflect our current views with respect to future events, are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions, including with respect to the following:

- *changes in laws and PRC governmental regulations, policies and approval processes in the regions where we develop or manage our projects;*
- *changes in economic, political and social conditions and competition in the cities we operate in, including a downturn in the property markets;*
- *our business and operating strategies;*
- *our capital expenditure plans;*
- *various business opportunities that we may pursue;*
- *our dividend policy;*
- *our operations and business prospects;*
- *our financial condition and results of operations;*
- *the industry outlook generally;*
- *our proposed completion and delivery dates for our projects;*
- *changes in competitive conditions and our ability to compete under these conditions;*
- *catastrophic losses from fires, floods, windstorms, earthquakes, or other adverse weather conditions, diseases or natural disasters;*
- *our ability to further acquire suitable sites and develop and manage our projects as planned;*
- *availability and changes of loans and other forms of financing;*
- *departure of key management personnel;*
- *performance of the obligations and undertakings of the independent contractors under various construction, building, interior decoration and installation contracts;*
- *exchange rate fluctuations;*
- *currency exchange restrictions;*
- *the effects of Covid-19 and*
- *other factors beyond our control.*

This list of important factors is not exhaustive. Additional factors could cause the actual results, performance or achievements to differ materially. We do not make any representation, warranty or prediction that the results anticipated by such forward-looking statements, which speak only as of the date of this announcement, will be achieved, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario. Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise any forward-looking statements. You should not place undue reliance on any forward-looking information.

** For identification purposes only*