THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant, or other professional adviser for independent advice.

If you have sold or transferred all your shares in Shui On Land Limited, you should at once hand this circular to the purchaser(s) or the transferee(s) or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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)

VERY SUBSTANTIAL ACQUISITION
ACQUISITION OF LAND USE RIGHTS IN WUHAN CITY, HUBEI PROVINCE, THE PRC

All capitalised terms used in this circular have the meaning set out in the section headed "Definitions" of this circular.

A letter from the Board is set out on pages 4 to 11 of this circular.

* *For identification purposes only*

Hong Kong, 25 January 2022

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APPENDIX I — FINANCIAL INFORMATION OF THE GROUP I-1

APPENDIX II — GENERAL INFORMATION II-1

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

"Acquisition"	the acquisition of land use rights of the Land through Bidding;
"Agreement"	the agreement dated 21 December 2021 entered into among Wuhan Zhenrui, Wuhan Real Estate and the JV Company in relation to, among other things, the joint venture arrangement in relation to the JV Company;
"associate(s)", "close associate(s)", "controlling shareholder", "connected person(s)", "percentage ratio(s)", "subsidiary(ies)"	each has the meaning ascribed to it in the Listing Rules;
"Bid"	the bid of the land use rights of the Land submitted by the JV Company for the acquisition of the Land from the Wuhan Natural Resources and Planning Bureau through the Bidding;
"Bidding"	the public bidding process held by Wuhan Natural Resources and Planning Bureau at which the Land was offered for sale;
"Board"	the board of Directors;
"Capital Commitment"	has the meaning as defined in the section headed "LETTER FROM THE BOARD — INFORMATION ON THE JV COMPANY — Funding commitment and financing" in this circular;
"Company"	Shui On Land Limited, a company incorporated in the Cayman Islands, whose shares are listed on the Main Board of the Stock Exchange (stock code: 272);
"Confirmation Letters"	the confirmation letters (國有建設用地使用權成交確認書) dated 21 December 2021 entered into between the JV Company and Wuhan Natural Resources and Planning Bureau in relation to the successful bid of the land use rights of the Land;
"Consideration"	the total consideration for each of Land Parcel A, Land Parcel B, and Land Parcel C (inclusive of tax);
"Director(s)"	the director(s) of the Company;
"Group"	the Company and its subsidiaries;

"HK$" or "HKD"	Hong Kong dollars, the lawful currency of Hong Kong;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"JV Company"	武漢城建瑞臻房地產開發有限公司 (Wuhan Chengjian Ruizhen Property Development Co. Ltd.*), a company established under the laws of the PRC with limited liability and is owned as to 50% by each of Wuhan Zhenrui and Wuhan Real Estate;
"JV Partner(s)"	collectively, Wuhan Zhenrui and Wuhan Real Estate, and each, a "JV Partner";
"Land"	collectively, Land Parcel A, Land Parcel B and Land Parcel C;
"Land Parcel A"	the land parcel of plot no. P(2021)178 located at the intersection of Linjiang Avenue and Zhang Zhidong Road, Wuchang District, Wuhan City, Hubei Province, the PRC (Package A of Phase I of Wuhan Shipyard) (中國湖北省武漢市武昌區臨江大道與張之洞路交叉口(武船廠區一期A包)), details of which are set out in the section headed "LETTER FROM THE BOARD — THE BID AND THE ACQUISITION — Information on the Land" in this circular;
"Land Parcel B"	the land parcel of plot no. P(2021)179 located at the intersection of Linjiang Avenue and Yingwuzhou Yangtze River Bridge, Wuchang District, Wuhan City, Hubei Province, the PRC (Package B of Phase I of Wuhan Shipyard) (中國湖北省武漢市武昌區臨江大道與鸚鵡洲長江大橋交叉口(武船廠區一期B包)), details of which are set out in the section headed "LETTER FROM THE BOARD — THE BID AND THE ACQUISITION — Information on the Land" in this circular;
"Land Parcel C"	the land parcel of plot no. P(2021)180 located at the intersection of Baishazhou Avenue and Jiangguo Road, Wuchang District, Wuhan City, Hubei Province, the PRC (Tian Gong Phase II, Lot A) (中國湖北省武漢市武昌區白沙洲大道與江國路交匯處(天工二期A地塊)), details of which are set out in the section headed "LETTER FROM THE BOARD — THE BID AND THE ACQUISITION — Information on the Land" in this circular;
"Land Use Rights Grant Contracts"	the State-owned Construction Land Use Rights Grant Contracts (國有建設用地使用權出讓合同) to be entered into between the JV Company and Wuhan Natural Resources and Planning Bureau in relation to the acquisition of the Land pursuant to the Confirmation Letters;

"Latest Practicable Date"	19 January 2022, being the latest practicable date for ascertaining certain information referred to in this circular prior to its printing;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"PRC"	the People's Republic of China (for this circular, excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan area);
"Project"	the property development project to be carried out on the Land through the JV Company in Wuhan City, Hubei Province, the PRC, details of which are set out in the section headed "LETTER FROM THE BOARD — INFORMATION ON THE PROJECT" in this circular;
"RMB"	Renminbi, the lawful currency of the PRC;
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong);
"Share(s)"	ordinary share(s) of USD0.0025 each in the issued share capital of the Company;
"Shareholder(s)"	holder(s) of the Share(s);
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"USD"	United States dollars, the lawful currency of the United States of America;
"Wuhan Real Estate"	武漢地產集團有限責任公司 (Wuhan Real Estate Group Co., Ltd.*), a company established under the laws of the PRC with limited liability;
"Wuhan Zhenrui"	武漢臻瑞房地產有限公司 (Wuhan Zhenrui Property Co., Ltd.*), a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company; and
"%"	Per cent.

For the purpose of illustration only and unless otherwise stated, conversion of RMB into Hong Kong dollars in this circular is based on the exchange rate of RMB1.00 to HK$1.224. Such conversion should not be construed as a representation that any amount has been, could have been, or may be, exchanged at this or any other rate.

* *For identification purposes only*

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)

Executive Directors:
Mr. Vincent H. S. LO (*Chairman*)
Ms. Stephanie B. Y. LO
Ms. Ying WANG (*Chief Executive Officer*)
Mr. Douglas H. H. SUNG (*Chief Financial Officer and Chief Investment Officer*)

Independent Non-executive Directors:
Professor Gary C. BIDDLE
Dr. Roger L. McCARTHY
Mr. David J. SHAW
Mr. Anthony J. L. NIGHTINGALE
Mr. Shane S. TEDJARATI
Ms. Ya Ting WU

Registered Office:
One Nexus Way
Camana Bay
Grand Cayman, KY1-9005
Cayman Islands

Place of Business in Hong Kong:
34th Floor, Shui On Centre
6-8 Harbour Road
Wan Chai
Hong Kong

25 January 2022

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION
ACQUISITION OF LAND USE RIGHTS
IN WUHAN CITY, HUBEI PROVINCE, THE PRC

INTRODUCTION

Reference is made to the announcement of the Company dated 21 December 2021 in relation to the acquisition of land use rights in Wuhan City, Hubei Province, the PRC (i.e. the Acquisition).

The purpose of this circular is to provide you with, among other things, further details of the Acquisition and other information required under the Listing Rules.

* *For identification purposes only*

THE BID AND THE ACQUISITION

On 21 December 2021, the JV Company has successfully won the bid of the land use rights of the Land located in Wuchang District, Wuhan City, Hubei Province, the PRC at the total consideration of approximately RMB17,031 million (equivalent to approximately HK$20,846 million) (inclusive of tax). The JV Company and the Wuhan Natural Resources and Planning Bureau have entered into the Confirmation Letters on 21 December 2021.

The JV Company was established solely for the Acquisition and the development of certain lands in Wuchang District, Wuhan City and is owned as to 50% by each of Wuhan Zhenrui (an indirect wholly-owned subsidiary of the Company) and Wuhan Real Estate.

Details of the Acquisition are set out below:

Date of the Confirmation Letters

21 December 2021

Parties

(1) Wuhan Natural Resources and Planning Bureau, a local PRC government authority, which is in charge of, among other things, the sale of land use rights of lands in Wuhan City, Hubei Province, the PRC, as the vendor; and

(2) The JV Company, as the purchaser.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Wuhan Natural Resources and Planning Bureau and its ultimate beneficial owner(s) are independent third parties of the Company and its connected persons.

Information on the Land

The Land consists of three land parcels with a total planned site area of approximately 332,381 square metres:

(i) Land Parcel A (plot no. P(2021)178) is located at the intersection of Linjiang Avenue and Zhang Zhidong Road, Wuchang District, Wuhan City, Hubei Province, the PRC (Package A of Phase I of Wuhan Shipyard) (中國湖北省武漢市武昌區臨江大道與張之洞路交叉口(武船廠區一期A包)), with a site area of approximately 204,828 square metres and a total planned site area of approximately 204,771 square metres. It is permitted for residential use for a term of grant of 70 years, commercial services for a term of grant of 40 years and educational use for a term of grant of 50 years.

(ii) Land Parcel B (plot no. P(2021)179) is located at the intersection of Linjiang Avenue and Yingwuzhou Yangtze River Bridge, Wuchang District, Wuhan City, Hubei Province, the PRC (Package B of Phase I of Wuhan Shipyard) (中國湖北省武漢市武昌區臨江大道與鸚鵡洲長江大橋交叉口(武船廠區一期B包)), with a site area of approximately 102,327 square metres and a total planned site area of approximately 102,683 square metres. It is permitted for residential use for a term of grant of 70 years and commercial services for a term of grant of 40 years.

(iii) Land Parcel C (plot no. P(2021)180) is located at the intersection of Baishazhou Avenue and Jiangguo Road, Wuchang District, Wuhan City, Hubei Province, the PRC (Tian Gong Phase II, Lot A) (中國湖北省武漢市武昌區白沙洲大道與江國路交匯處(天工二期A地塊)), with a site area and a total planned site area of approximately 24,927 square metres. It is permitted for residential use for a term of grant of 70 years.

Consideration and payment terms

The consideration (exclusive of tax) for each of Land Parcel A, Land Parcel B and Land Parcel C was approximately RMB8,291 million (equivalent to approximately HK$10,148 million), approximately RMB8,007 million (equivalent to approximately HK$9,801 million) and approximately RMB228.8 million (equivalent to approximately HK$280 million), respectively. The consideration (inclusive of tax) for each of Land Parcel A, Land Parcel B and Land Parcel C was approximately RMB8,544 million (equivalent to approximately HK$10,458 million), approximately RMB8,251 million (equivalent to approximately HK$10,099 million) and approximately RMB236 million (equivalent to approximately HK$289 million), respectively. The consideration for each parcel of the Land was arrived at as a result of successful Bidding by the JV Company, which was conducted in accordance with the relevant PRC laws and regulations, after taking into account the base price of the Bid, current market conditions, location of the Land, and land price in the surrounding area.

The base price of the Bid for each of Land Parcel A, Land Parcel B and Land Parcel C was RMB8,291 million (equivalent to approximately HK$10,148 million), RMB8,007 million (equivalent to approximately HK$9,801 million) and RMB228.8 million (equivalent to approximately HK$280 million), respectively.

The current market conditions of the residential properties in Wuhan are stable and are expected to be in good demand in the years ahead. Based on the Wuhan Ministry of Commerce's 14th Five-Year Plan, the social retail consumption in Wuhan is expected to be on upward trend.

The location of the Land is on the south bank of the Yangtze River, between the first and second ring road in Wuchang District, and adjacent to the Yellow Crane Tower (黃鶴樓), a well-known historic heritage and tourist destination. The future residential buildings within the site will enjoy an excellent river view to enhance the value of the Land. It is a city-core waterfront development opportunity to the Group.

The reference land prices for mixed-use development land successfully bid for in Wuhan city centre in 2021 were in the range of approximately RMB21,002 (approximately HK$25,706 per square metre) to RMB24,163 per square metre (approximately HK$29,576 per square metre), exclusive of tax. Based on the estimated total gross floor area of the Land in the range of approximately of 1.14 million square metres, the land price of the Land is approximately RMB14,417 per square metre (approximately HK$17,646 per square metre). The Consideration of the Land was below the above range of reference land prices. When determining the Consideration of the Land, the Company has taken into consideration the different factors of the reference land prices such as the locations, land use, and sizes of these lands. No independent valuation has been taken as a reference setting the bid price.

In view of the factors above, the Directors confirm that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The aggregate consideration (inclusive of tax) for each of Land Parcel A, Land Parcel B and Land Parcel C (i.e. the Consideration) was approximately RMB17,031 million (equivalent to approximately HK$20,846 million), of which an aggregate refundable bid deposit in the sum of RMB3,305 million (equivalent to approximately HK$4,045 million) has been paid by the JV Company on 20 December 2021, which was contributed by the JV Partners on a pro-rata basis. The deposit will be used to satisfy part of the Consideration. The remaining balance of the Consideration shall be paid by the JV Company upon delivery of the Land by the Wuhan Natural Resources and Planning Bureau, and will be settled by the JV Company with the capital contributed by the JV Partners in proportion to their respective equity interests in the JV Company and its internal resources. The Land Use Rights Grant Contracts will be entered into within 10 business days of delivery of the Land. Subject to the prevailing market conditions, certain parts of the Land Parcel A and the Land Parcel B and the whole Land Parcel C are expected to be delivered by the end of 2022 and the remaining of the Land Parcel A and the Land Parcel B is expected to be delivered by the end of 2023.

The funding commitment of Wuhan Zhenrui of the Consideration was approximately RMB8,515 million (equivalent to approximately HK$10,422 million), being the pro-rata share (i.e. 50%) of contributions to the Consideration required of the JV Partners. Wuhan Zhenrui intends to fund its portion of contributions to the Consideration by the Group's internal resources.

FINANCIAL EFFECTS OF THE ACQUISITION

Immediately upon completion of the Acquisition, there would be no material financial impact on the Group's consolidated profit or loss, and assets and liabilities (the increase in investment in JV Company being offset by the decrease in cash balances).

INFORMATION ON THE PROJECT

The parties intend to develop the Land by constructing the Project thereon. The Project is a comprehensive real estate project (including residential, office, commercial building, international schools, and other public utilities), as well as other facilities.

The development is subject to certain conditions of the Confirmation Letters, including the construction of the following on the Land in accordance with government regulations:

(i) a five-star hotel and a kindergarten with a gross floor area of not less than 3,600 square metres on Land Parcel A and Land Parcel B;

(ii) a primary school with a gross floor area of not less than 10,000 square metres and an international school with a gross floor area of not less than 23,900 square metres on Land Parcel A;

(iii) a kindergarten with a gross floor area of not less than 1,940 square metres on Land Parcel C; and

(iv) subsidised rental housing, in accordance with the regulations pursuant to the Opinion of the Municipal People's Government on Accelerating the Development of Subsidised Rental Housing.

The earliest time for commencement of construction of the first phase of the Project is expected to be around the fourth quarter of 2022.

INFORMATION ON THE JV COMPANY

The JV Company was established solely for the Acquisition and the development of certain lands in Wuchang District, Wuhan City pursuant to the terms of the Agreement and is owned as to 50% by each of Wuhan Zhenrui (an indirect wholly-owned subsidiary of the Company) and Wuhan Real Estate. Pursuant to the joint venture arrangement, the JV Company is not expected to be a subsidiary of the Company nor consolidated into the accounts of the Group. The Board confirms that the joint venture arrangement in relation to the JV Company pursuant to the terms of the Agreement (including its financing and profit distribution arrangements) are on arm's length basis, on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Registered capital

The registered capital of the JV Company is expected to be RMB7,000 million (equivalent to approximately HK$8,568 million), which will be contributed by Wuhan Zhenrui and Wuhan Real Estate as to RMB3,500 million (equivalent to approximately HK$4,284 million) each.

The portion payable by Wuhan Zhenrui will be financed by the Group's internal resources.

Funding commitment and financing

The total capital commitment to be contributed by the JV Partners to the JV Company (covering funding for the registered capital, the Consideration, and the development and operation of the Project) (the "**Capital Commitment**") shall be an amount of approximately RMB14,300 million (equivalent to approximately HK$17,503 million), and shall be contributed by the JV Partners on a pro-rata basis.

Any further financing needs of the JV Company shall be funded by external financing, the operating income generated from the Project, and/or shareholder's loan(s) from the JV Partners on a pro-rata basis subject to shareholders' approval.

The respective contribution to the Capital Commitment by each JV Partner is determined after arm's length negotiation between the parties with reference to the funding needs of the JV Company required for the Acquisition, the carrying out of the Project and the operation of the JV Company. The amount of approximately RMB7,150 million (equivalent to approximately HK$8,752 million) to be contributed by Wuhan Zhenrui shall be funded by internal working capital of the Group and external financing.

Management

The board of directors of the JV Company shall comprise of four directors, two of whom shall be nominated by Wuhan Zhenrui and the other two by Wuhan Real Estate. The chairman of the JV Company's board of directors shall be nominated by Wuhan Real Estate, while the general manager shall be nominated by Wuhan Zhenrui.

The JV Company may not, without the unanimous consent of both of the JV Partners, decide and conduct various major decisions and actions typical of its kind, which shall include:

(i) changing the nature or scope of its business, and if there are changes, then they must still be consistent with the scope or purpose specified in the Bid documents; or

(ii) entering into any transactions which are not on an arm's length basis.

Restriction on transfer of equity interests

Each of the JV Partners may not sell, transfer, pledge, dispose of or otherwise encumber all or part of its equity interests in the JV Company without the written consent of the other party.

Each JV Partner shall have a right of first refusal to acquire the equity interests in the JV Company to be sold by the other JV Partner unless such sale is made to the other JV Partner's affiliate(s).

Profit-sharing

The JV Company shall not make any distribution to the JV Partners until the JV Company has made good losses of the preceding year and provided for legal reserve or legal retained funds as required by applicable law. The distributable profits of the JV Company shall be distributed to the JV Partners in proportion to their respective equity interests in the JV Company.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Project is a master-plan development opportunity with high residential proportion located in the city core area, which aligns with the Company's TIANDI business model. Given the location of the Land and the substantial scale of the related development plan, it is expected that the Group will earn an attractive return on the Project, significantly replenish its residential landbank and strengthen its financial position.

The Directors (including the independent non-executive Directors) considered that the Acquisition, which has been entered into after arm's length negotiation between the parties, is in the ordinary and usual course of business of the Group and on normal commercial terms, which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE GROUP AND WUHAN REAL ESTATE

The Company, through its subsidiaries and associates, is one of the leading property developers in the PRC. The Group engages principally in the development and redevelopment, sale, leasing, management and ownership of high-quality residential and mixed-use properties in the PRC.

Wuhan Zhenrui is a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. It is principally engaged in investment holding.

Wuhan Real Estate is a company established under the laws of the PRC with limited liability and is principally engaged in urban regeneration, construction and master development. It is a state-owned company of which Wuhan State-Owned Assets Supervision and Administration Commission of the Wuhan Municipal People's Government is the ultimate beneficial owner.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition exceeds 100%, the Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules.

The Acquisition is regarded as a qualified property acquisition under Rule 14.04(10C) of the Listing Rules as it involves an acquisition of governmental land(s) in the PRC from the PRC Governmental Body (as defined under Rule 19A.04 of the Listing Rules) through a tender, auction or listing-for-sale governed by the PRC laws (as defined under Rule 19A.04 of the Listing Rules). The Board confirms that the Acquisition is in the ordinary and usual course of business of the Group and the terms of the Acquisition are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Acquisition is hence subject to reporting, announcement, and circular requirements but is exempt from shareholders' approval requirement pursuant to Rule 14.33A of the Listing Rules.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

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

1. FINANCIAL INFORMATION OF THE GROUP

By way of reference, the financial information of the Group for the six months ended 30 June 2021 and for each of the three years ended 31 December 2018, 2019, and 2020 are disclosed in the following documents which have been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.shuionland.com) respectively:

(i) the interim report of the Company for the six months ended 30 June 2021 published on 17 September 2021 (pages 29 to 55):
https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0917/2021091700403.pdf

(ii) the annual report of the Company for the year ended 31 December 2020 published on 20 April 2021 (pages 117 to 211):
https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0420/2021042000361.pdf

(iii) the annual report of the Company for the year ended 31 December 2019 published on 27 April 2020 (pages 113 to 222):
https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0427/2020042700557.pdf

(iv) the annual report of the Company for the year ended 31 December 2018 published on 15 April 2019 (pages 132 to 254):
https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0415/ltn20190415296.pdf

2. STATEMENT OF INDEBTEDNESS

Borrowings

At the close of business on 30 November 2021, being the latest practicable date for the purpose of determining this indebtedness of the Group prior to the printing of this circular, the Group had total borrowings of approximately RMB34,580,000,000, details of which are as follows:

(i) senior notes of the Group with an aggregate amount of RMB12,134,000,000 were unsecured and guaranteed;

(ii) bank borrowings of the Group with an aggregate amount of approximately RMB19,079,000,000, of which RMB9,771,000,000 were unsecured, and RMB9,308,000,000 were secured. Amongst the foregoing bank borrowings, an aggregate amount of RMB13,824,000,000 was guaranteed; and an aggregate amount of RMB5,255,000,000 was unguaranteed;

(iii) amounts due to non-controlling shareholders of subsidiaries of the Group with an amount of RMB311,000,000, which were unsecured and not guaranteed;

(iv) amount due to an associate company of the Group with an amount of RMB452,000,000, which was unsecured and not guaranteed;

(v) amounts due to fellow subsidiaries of the Group with an aggregate amount of RMB369,000,000, which were unsecured and not guaranteed;

(vi) loans from a non-controlling shareholder of subsidiaries of the Group with an aggregate amount of RMB1,444,000,000, which was unsecured and not guaranteed; and

(vii) loan from an associate company of the Group of RMB791,000,000, which was unsecured and not guaranteed.

Lease liabilities

On 30 November 2021, the Group had lease liabilities of RMB78,000,000.

Liability arising from rental guarantee arrangement

On 30 November 2021, the amount of financial liability arising from the rental guarantee arrangement was RMB169,000,000.

Mortgages and charges

On 30 November 2021, the Group's secured borrowings were secured by certain of the Group's investment properties, property, and equipment, right-of-use assets, properties under development for sale, receivables, benefits accrued to the relevant properties, and equity interests in certain subsidiaries.

On 30 November 2021, the following assets were pledged to banks as securities to obtain certain banking facilities:

	RMB' million
Investment properties	30,628
Property and equipment	77
Right-of-use assets	6
Properties under development for sale	2,696
Receivables	96
	33,503

Contingent liabilities

In addition, on 30 November 2021, the Group had the following contingent liabilities:

(i) The Group provided guarantees in an aggregate amount of RMB1,663,000,000 on 30 November 2021 provided by the 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 receipt of the building ownership certificates of the respective properties by the banks from the customers as a pledge to secure the mortgage loans granted.

(ii) The Group provided a guarantee of RMB250,000,000 to a third party for two years with respect to the fulfillment 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.

Save as aforementioned and apart from intra-group liabilities within the Group and normal trade business, at the close of business on 30 November 2021, the Group did not have any other outstanding borrowings, loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities.

3. WORKING CAPITAL STATEMENT

The Directors are of the opinion that, after taking into account the financial resources available to the Group, including internally generated funds and the available banking facilities, the present financial resources available to the Group including but not limited to cashflow generated by its principal operations, cash and cash equivalents available, existing banking facilities and senior notes, successful refinancing of certain banking facilities and senior notes, the Group will have sufficient working capital for its business for the next twelve months from the date of this circular.

4. TREND OF THE BUSINESS, FINANCIAL, AND TRADING PROSPECTS OF THE GROUP

The Group's accumulated contracted property sales increased by 43% to RMB30,270 million for the year of 2021, compared to RMB21,184 million for the year of 2020, with residential property sales accounting for 99.6% and the remainder contributed by the sale of commercial units. The increase was due to strong sales performance in Shanghai Panlong Tiandi, Shanghai Taipingqiao Ville V (Lot 118), and Shanghai Rui Hong Xin Cheng Ocean One (Lot 7).

Property sales revenue for the first nine months of 2021 increased significantly by 53 times to RMB10,260 million due to contributions from Shanghai Taipingqiao Ville V (Lot 118) and Wuhan Tiandi La Riva II (Lot B10).

In June 2021, the Group formed a joint venture with Shanghai Yongye Enterprise (Group) Co., Ltd. on a 50/50 basis for carrying out the property development project at the lands in Huangpu District, Shanghai. The lands comprise the land parcel 122-1, the land parcel 122-2, and the land parcel 122-3. The total site area of the lands is approximately 24,067 square metres. The lands will be mainly for a mixed-use development comprising residential, commercial, and ancillary facilities with a gross floor area estimated to be 99,560 square metres. It enables the Group to expand its footprint in the world-renowned Shanghai Xintiandi area. For details, please refer to the Company's announcement dated 7 June 2021.

Prospects

In the first half of 2021, the residential property market staged a strong rally, marked by sales area and sales revenue growth of 29.4% and 41.9%, respectively. Home purchase sentiment remained upbeat, despite the average home mortgage rate rising above 5.3% by mid-year.

To prevent the housing market from overheating, some cities have tightened the issuance of presale permits and stepped-up oversight of property financing. After imposing the "three red lines" regulation last year to rein in developer leverage, the government introduced a pilot "land supply centralisation" policy for 22 cities, aiming to deter vicious competition that would drive up land prices. Market sentiment is expected to cool down in a tight policy environment, and with the occasional flare-up of COVID-19 cases in the second half of the year. While the build-up in government debt in many economies and the onset of new COVID-19 variants will prolong the return to business as usual, there will be ample opportunity for urban renewal and sustainable community development projects in the Yangtze River Delta, the Greater Bay Area, and Central China. The Group will remain vigilant in monitoring market risks but will be prepared to tap into new opportunities accorded by the development trends in the 14th Five-Year Plan period, to replenish the Group's landbank by acquiring high-quality assets in the city cores of key metropolises, especially those of the Yangtze River Delta.

The Group will continue to implement the Asset Light Strategy to expand its capital base by working with third party partners on new investments. The strategy enables the Group to further expand its property portfolio and lower the concentration risk, reduce its funding requirements, and build up its fee income business, thus enhancing overall shareholders' return.

The Group's vision is to be a Pioneer in Sustainable Urban Communities. Sustainable Development is an integral part of our business strategy. The Group employs a people-centric, sustainable approach to design and build master-planned communities and has a widely recognised record of accomplishment in sustainable development.

Significant Investments

The Group did not have any confirmed significant investments, and there was no plan authorised by the Board for other material investments or additions of capital assets up to the Latest Practicable Date.

5. MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Set out below are the management discussion and analysis of the Group for each of the three financial years ended 31 December 2018, 2019, and 2020 as well as for the six months ended 30 June 2021. The financial data in respect of the Group, for the purpose of this circular, is derived from the audited financial information of the Group for each of the three years ended 31 December 2018, 2019, and 2020 and the unaudited financial information of the Group for the six months ended 30 June 2021.

For the six months ended 30 June 2021

Revenue

The Group's revenue for the six months ended 30 June 2021 ("**1H 2021**") jumped by 726% to RMB11,977 million (the six months ended 30 June 2020 ("**1H 2020**"): RMB1,450 million), mainly from a significant increase in property sales.

Property Sales

Property sales in 1H 2021 increased sharply to RMB10,214 million (1H 2020: RMB161 million), mainly comprised of RMB5,935 million from Taipingqiao Ville V and RMB4,073 million from Wuhan Tiandi La Riva II. As a comparison, property sales in 1H 2020 comprised sales of property and carpark inventories at different projects.

Income from Property Investment

Income from property investment in 1H 2021 increased to RMB1,271 million (1H 2020: RMB1,003 million), of which rental and related income from investment properties was RMB1,247 million (1H 2020: RMB987 million), representing a 26% year-on-year increase. During 1H 2020, the operations and performances of our investment properties were significantly affected by the outbreak of COVID-19, resulting in a notable decline in rental and related income. There was no such negative impact during 1H 2021.

Rental and related income from the Group's Shanghai properties, which accounted for 71% (1H 2020: 71%) of the total rental and related income, increased by 27% to RMB887 million (1H 2020: RMB699 million). The rental and related income from the Group's non-Shanghai properties totalled RMB360 million in 1H 2021, representing a 25% year-on-year increase.

Construction Income

Construction income generated by the construction business increased to RMB268 million in 1H 2021 (1H 2020: RMB116 million). The increase was mainly generated by the construction services rendered to the local government at Shanghai's Qingpu District.

Gross Profit

Gross profit in 1H 2021 recorded a 413% year-on-year increase to RMB4,944 million (1H 2020: RMB964 million), which resulted from the significant increase in Group revenue, while the gross profit margin declined to 41% (1H 2020: 66%) due to a lower proportion of gross profit contributed by property investment, accounting for 20% (1H 2020: 78%) of total gross profit.

Other Income

Other income in 1H 2021 declined 15% to RMB108 million (1H 2020: RMB127 million), which is mainly comprised of bank interest income and interest income from joint ventures and associates. The fall in other income was due to the decrease in loans to associates.

Selling and Marketing Expenses

Selling and marketing expenses in 1H 2021 increased by 58% to RMB104 million (1H 2020: RMB66 million) as a result of higher selling and promotional activities in 1H 2021, which is in line with the robust property sales in 1H 2021.

General and Administrative Expenses

General and administrative expenses, which are comprised of staff costs, depreciation charges, and advisory costs incurred, increased slightly to RMB492 million in 1H 2021 (1H 2020: RMB456 million).

Increase in Fair Value of Investment Properties

The increase in the fair value of investment properties totalled RMB10 million in 1H 2021 (1H 2020: decrease RMB1,510 million), representing a 0.02% increase in valuation when compared with the carrying value of investment properties as of 30 June 2021. The investment property portfolio in Shanghai recorded a valuation gain of RMB26 million, and the investment property portfolio outside of Shanghai recorded a slight loss of RMB16 million. The significant decline in the fair value of our investment property portfolio in 1H 2020 reflected the negative financial effects arising from the COVID-19 outbreak.

Other Gains and Losses

Other gains and losses recorded a net loss of RMB134 million in 1H 2021 (1H 2020: net loss of RMB163 million), mainly comprised of:

Gains/(losses)	**1H 2021** *RMB' million*	**1H 2020** *RMB' million*
Cost arising from hedging activities	(78)	(66)
Impairment loss for commercial lands costs	—	(452)
(Loss)/gain from fair value change of derivative financial instruments	(16)	32
Premium paid for tender and exchange of senior notes	—	(69)
Loss from fair value change of liability arising from a rental guarantee arrangement	(38)	(43)
Write back of excess provision for relocation costs	—	441

Share of Results of Associates and Joint Ventures

Share of results of associates and joint ventures recorded a gain of RMB200 million in 1H 2021 (1H 2020: loss of RMB57 million). It was mainly contributed by the joint venture project with GRANDJOY in Shanghai Rui Hong Xin Cheng ("**RHXC**") (Lot 1), which commenced delivery of residential properties in the second half of the year ended 31 December 2020 ("**2H 2020**"), contributing a gain of RMB163 million (1H 2020: loss of RMB13 million).

Finance Costs, Inclusive of Exchange Differences

Finance costs, inclusive of exchange differences, amounted to RMB498 million in 1H 2021 (1H 2020: RMB808 million). Total interest costs declined by 18% to RMB922 million (1H 2020: RMB1,126 million). Of these interest costs, 42% (1H 2020: 56%) or RMB388 million (1H 2020: RMB629 million) was capitalised as cost of property development, with the remaining 58% (1H 2020: 44%) of interest costs relating to mortgage loans on completed properties and borrowings for general working capital purposes accounted for as expenses. An exchange gain of RMB74 million (1H 2020: loss of RMB275 million) was recorded as a result of the appreciation of the RMB against the HKD and the USD in 1H 2021.

Taxation

Taxation recorded an amount of RMB2,748 million in 1H 2021 (1H 2020: credit of RMB689 million), of which land appreciation tax was RMB1,596 million (1H 2020: RMB30 million). The credit amount taxation in 1H 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. The PRC Enterprise Income Tax has been provided for at the applicable income tax rate of 25% on the assessable profits during the year. The land appreciation tax was levied at progressing rates ranging from 30% to 60% on the appreciation value, which is the proceeds of property sale less deductible expenditure including the cost of land, development, and construction. In addition, as a result of the overall implementation of our Asset Light Strategy, 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.

Profit in 1H 2021

Profit in 1H 2021 was RMB1,288 million (1H 2020: loss of RMB1,286 million).

Profit Attributable to Shareholders of the Company

Profit attributable to shareholders of the Company in 1H 2021 was RMB1,082 million (1H 2020: loss of RMB1,622 million).

Earnings per Share

Earnings per share in 1H 2021 was RMB13.5 cents, calculated based on a weighted average of approximately 8,044 million shares in issue in 1H 2021 (1H 2020: loss per share RMB20.2 cents, which was calculated based on a weighted average of approximately 8,044 million shares in issue).

Liquidity, Capital Structure, and Gearing Ratio

Up to 30 June 2021, the Group has arranged two repayments of senior notes and one new issuance of senior notes. Refinancing is used to proactively manage our overall debt maturity. The details are as follows:

(i) In February and March 2021, the Group fully repaid an aggregate principal amount of USD262 million at a yield of 5.700% per annum and an aggregate principal amount of RMB2,200 million senior notes at a yield of 6.875% per annum.

(ii) On 29 June 2021, the Group issued USD400 million sustainability-linked bonds with a maturity of five years due in 2026, bearing a coupon at 5.5% per annum.

The structure of the Group's borrowings as of 30 June 2021 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	7,489	710	1,582	2,396	2,801
Bank borrowings — HKD	3,960	2,701	1,259	—	—
Bank borrowings — USD	9,179	2,166	5,097	1,916	—
Senior notes — USD	14,558	2,290	—	12,268	—
Receipts under securitisation arrangements — RMB	507	507	—	—	—
Total	35,693	8,374	7,938	16,580	2,801

Total cash and bank deposits amounted to RMB14,367 million as of 30 June 2021, which included RMB4,449 million of restricted bank deposits, which can only be applied to designated property development projects of the Group.

As of 30 June 2021, the Group's net debt was RMB21,326 million, and its total equity was RMB47,913 million. The Group's net gearing ratio was 45% as of 30 June 2021, calculated based on the excess of the sum of senior notes, receipts under securitisation arrangements, bank borrowings net of bank balances, and cash (including restricted bank deposits) over the total equity. Our stable financials should enable the Group to better withstand volatile macroeconomic conditions in the near future.

As of 30 June 2021, HKD/USD borrowings, including senior notes (unhedged), net off HKD/USD cash, and bank deposits, amounted to approximately RMB13,165 million, which is approximately 37% of the total borrowings.

Total undrawn banking facilities available to the Group amounted to approximately RMB8,697 million as of 30 June 2021.

Pledged Assets

As of 30 June 2021, the Group had pledged investment properties, property, and equipment, right-of-use assets, properties under development for sale, and receivables totalling RMB39,570 million (31 December 2020: RMB43,622 million) to secure the Group's borrowings of RMB10,120 million (31 December 2020: RMB11,921 million).

Capital and Other Development Related Commitments

As of 30 June 2021, the Group had contracted commitments for development costs, capital expenditure, and other investments in the amount of RMB3,167 million (31 December 2020: RMB2,990 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 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 2021. Thus, to the extent that the Group has a net currency exposure, there is exposure to fluctuations in foreign exchange rates. As of 30 June 2021, the Group has entered into approximately USD1,560 million and HKD1,050 million of forward contracts to hedge the USD and HKD currency risk against RMB. The Group continues to monitor closely its exposure to exchange rate risk. It 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 three to fifteen years for both project construction loans and 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.

On 30 June 2021, the Group had various outstanding loans that bear variable interests linked to Hong Kong Inter-bank Offered Rates ("**HIBOR**"), London Inter-bank Offered Rates ("**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 swaps 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%; receive interest at variable rates at LIBOR and pay interests at fixed rates ranging from 0.22% to 0.235%, based on the notional aggregate amounts of HKD3,020 million and USD200 million respectively. The Group continues to monitor closely its exposure to interest rate risk. It 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 30 June 2021, 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 RMB1,948 million on 30 June 2021 (31 December 2020: RMB1,181 million) to banks in favour of its customers related to 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 provided a guarantee of RMB250 million as of 30 June 2021 (31 December 2020: RMB250 million) to a third party for two years for the fulfilment of a 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.

Major Acquisition

In June 2021, the Group, through an indirect wholly-owned subsidiary, established a 50/50 joint venture with Shanghai Yongye Enterprise (Group) Co., Ltd. to carry out the property development project at the lands in Huangpu District, Shanghai. The total investment amount of the joint venture company (上海復基房地產有限公司 Shanghai Fu Ji Properties Co., Ltd.*) is USD1,425 million. For details, please refer to the circular issued by the Company dated 23 July 2021.

Save as disclosed above, the Group did not have any material acquisitions and disposals of subsidiaries and associated companies in 1H 2021.

For the year ended 31 December 2020

Revenue

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

Property sales for 2020 were 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

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 ventures 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

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

Gross Profit

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

Other Income

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

Selling and Marketing Expenses

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 related 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

General and administrative expenses, which comprised 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

The 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.

Other Gains and Losses

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**	**2019**
	RMB' million	*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

Share of results of associates and joint ventures increased to RMB328 million in 2020 (2019: RMB195 million). It was mainly contributed by the joint venture 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

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 were accounted for as expenses. The 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.

Taxation

Taxation 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% to 60% 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 our Asset Light Strategy, 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

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

Net Loss Attributable to Shareholders of the Company

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

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).

Liquidity, Capital Structure, and Gearing Ratio

During 2020, the Group undertook an exchange and tender of senior notes, the redemption of convertible perpetual capital securities, and two new issuances of senior notes. The purpose of refinancing and redemption is to proactively 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 forms 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 represents approximately 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 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 into approximately USD1,470 million and HKD1,050 million forward or capped forward contracts to hedge the USD and HKD currency risk against RMB. The Group continues to monitor closely its exposure to exchange rate risk. It 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 derives 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 HIBOR, LIBOR and 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. The Group continues to monitor closely its exposure to interest rate risk. It 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 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 with respect to 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 provided a guarantee of RMB250 million as of 31 December 2020 (31 December 2019: nil) to a third party for 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.

Major Acquisitions and Disposals

(1) In May 2020, the Group acquired land use rights in the Shanghai Qingpu District for 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 gross floor area of 122,500 square metres, of which two land parcels with a total gross floor area of 74,000 square metres are for residential use with land tenure of 70 years and two land parcels with a total gross floor area of 48,500 square metres 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 was 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.

Save as disclosed above, the Group did not have any material acquisitions and disposals of subsidiaries and associated companies during the year ended 31 December 2020.

For the year ended 31 December 2019

Revenue

The Group's revenue for 2019 decreased by 58% to RMB10,392 million (2018: RMB24,841 million), mainly due to a significant decrease in recognised property sales.

Property Sales

Property sales for 2019, which comprised normal property sales and one-off disposal of 49.5% interest in the residential developments at Shanghai RHXC Lots 1 and 7 to a third party (i.e., the RHXC Disposal), decreased by 68% to RMB7,176 million (2018: RMB22,131 million). Normal property sales for 2019 decreased to RMB5,906 million (2018: RMB7,093 million). The normal property sales reported in 2019 mainly comprised contributions of RMB3,412 million, RMB1,558 million, and RMB723 million, from Taipingqiao Lot 116, Foshan (mainly in Lots 2/3), and Shanghai RHXC The Gallery (Lot 2), respectively. This compares against the contributions of RMB3,951 million and RMB2,733 million from Shanghai RHXC The Gallery (Lot 2) and Taipingqiao Lot 116, respectively, in 2018. In relation to the RHXC Disposal, while the disposal was completed in 2018, the relevant payments were subject to the project's land clearance progress. The final land clearance of Shanghai RHXC Lot 7 was completed in 2019, and accordingly, the Group had recognised the balance revenue of RMB1,270 million in 2019 (2018: RMB14,981 million).

Income from Property Investment

Income from property investment increased to RMB2,345 million (2018: RMB2,112 million), while rental and related income from investment properties increased to RMB2,251 million (2018: RMB2,016 million). The 12% year-on-year increase in rental and related income was mainly due to sustained rental growth from its existing completed properties and newly-completed properties, including properties that have undergone asset enhancement.

Rental and related income from the Group's Shanghai properties increased 6% year-on-year to RMB1,578 million (2018: RMB1,489 million), accounting for 70% (2018: 74%) of total rental and related income. This includes the completion of asset enhancements to XINTIANDI PLAZA and INNO KIC, both of which have started to generate rental income, offsetting the decrease in rental income from XTD South Block, which has been undergoing a major renovation upgrade since March 2019. The upgrades are slated for completion in the second half of 2020. In addition, North Hall of

Wuhan Tiandi HORIZON was completed and opened its doors for a grand opening in November 2019, contributing to a 29% year-on-year increase in rental income increase for Wuhan Tiandi to RMB341 million (2018: RMB265 million). Income from hotel operations, comprising contributions from the Marco Polo Hotel in Foshan, decreased to RMB94 million for 2019 (2018: RMB96 million).

Construction Income

Construction income generated by the construction business increased to RMB538 million for 2019 (2018: RMB296 million), which was mainly generated by the construction of Shanghai RHXC residential Lot 1.

Gross Profit

Gross profit for 2019 decreased by 26% to RMB5,313 million (2018: RMB7,145 million), while gross profit margin increased to 51% (2018: 29%). The decrease was mainly due to lower property sales and a decrease in profits recognised for the RHXC Disposal, which was partially offset by an increase in income from property investment. For 2019, gross profit contributions from property investment increased by 13% to RMB1,634 million (2018: RMB1,451 million).

Other Income

Other income for 2019 increased by 29% to RMB536 million (2018: RMB417 million) from bank interest income and interest income from joint ventures and associates. The increase in other income was due to an increase in loans to joint venture and associates during the year.

Selling and Marketing Expenses

Selling and marketing expenses decreased by 42% year-on-year to RMB148 million (2018: RMB254 million). This was mainly due to a lower level of selling, and promotional activities as the Group's residential products are well accepted by the market and better cost-efficiencies in sales and marketing expenses.

General and Administrative Expenses

General and administrative expenses, which comprised staff costs, depreciation charges, and advisory costs incurred, increased by 5% to RMB829 million (2018: RMB790 million).

As a result of the above, operating profit decreased by 25% to RMB4,872 million for 2019 (2018: RMB6,518 million).

Increase in Fair Value of Investment Properties

The increase in the fair value of investment properties was RMB256 million in 2019 (2018: RMB970 million). The increase in the fair value of investment properties for 2019 represented a 0.6% gain when compared with the carrying value of investment properties as of 31 December 2019. In 2019, the Group reported an RMB167 million and RMB60 million fair value gain for certain investment properties in Shanghai KIC and Foshan, respectively, partially offset by a fair value loss amounting to RMB50 million for the Chongqing project.

Other Gains and Losses

Other gains and losses amounted to a lower loss of RMB150 million (2018: RMB1,123 million). This comprised cost arising from hedging activities of RMB150 million (2018: RMB133 million). The significant decrease in other losses was due to the absence of a one-off loss arising from the provision of commercial lands costs in Foshan Lingnan Tiandi, an impairment loss of investment in a joint venture, a decrease in fair value of call option, which amounted to RMB380 million, RMB376 million and RMB99 million, respectively, in 2018. No such recurring item was reported in 2019.

Share of Gains of Associates and Joint Ventures

Share of gains of associates and joint ventures was higher at RMB195 million for 2019 (2018: RMB61 million). This was mainly due to a 50/50 joint venture with Citic Limited in Wuhan Optical Valley, which has commenced delivery of residential properties in 2019, contributing gains of RMB167 million (2018: loss of RMB10 million).

Finance Costs, Inclusive of Exchange Differences

Finance costs, inclusive of exchange differences, amounted to RMB1,497 million (2018: RMB1,583 million). Total interest costs decreased by 2% to RMB2,285 million (2018: RMB2,329 million), mainly due to the repayment of bank borrowings and senior notes. Of these interest costs, 45% (2018: 41%) or RMB1,033 million (2018: RMB945 million) was capitalised as cost of property development, with the remaining 55% (2018: 59%) of interest costs relating to mortgage loans on completed properties and borrowings for general working capital purposes accounted for as expenses. Exchange loss of RMB205 million (2018: RMB140 million) was recorded as a result of the depreciation of the RMB against the HKD and the USD for the year 2019.

Reversal (Provision) of Impairment Losses under Expected Credit Loss Model

Reversal (provision) of impairment losses under the expected credit loss model amounted to a gain of RMB179 million (2018: a loss of RMB122 million), due to the reversion of a provision of bad debts relating to part of our Foshan companies that were sold to a third party in 2016. According to the sale and purchase agreement, the purchaser would provide a final payment of RMB180 million to the Group once the land clearance of certain lots is complete. The captioned land clearance was resolved in 2019, and the Group had received payment from the purchaser in 2019. Accordingly, the Group reversed the relevant provision of RMB180 million previously made in 2018.

Profit before Taxation

Profit before taxation decreased by 22% to RMB3,855 million (2018: RMB4,915 million) due to a lower gross profit arising from the abovementioned factors.

Taxation

Taxation decreased 41% to RMB1,310 million (2018: RMB2,229 million). The effective tax rate in 2019 was 34% (2018: 45%). 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% to 60% on the appreciation value. The proceeds of properties sales less deductible expenditure including costs of land, development, and construction. The lower taxation amount in 2019 was mainly due to the lower profit before tax and reduction in deferred tax provision relating to the investment properties. As a result of the overall implementation of the Asset Light Strategy exercise in 2019, the Group has given fresh consideration as to the most appropriate tax rates at which to measure deferred tax. The Group has used an expected value approach based on the weighted probabilities of all possible tax rates to determine the overall measurement. This allows the financial statements to reflect the likely economic reality of disposal. The Group will reassess the measurement on an ongoing basis based on the available facts and ensure the adequacy of the related deferred tax provision on those temporary differences.

Profit for the Year 2019

Profit for the year 2019 was RMB2,545 million (2018: RMB2,686 million).

Profit Attributable to Shareholders of the Company

Profit attributable to shareholders of the Company for the year 2019 was RMB1,932 million, an increase of 1% compared to RMB1,906 million in 2018.

Earnings per Share

Earnings per share for 2019 was RMB24.0 cents, which was calculated based on a weighted average of approximately 8,044 million shares in issue (2018: RMB23.7 cents, which was calculated based on a weighted average of approximately 8,043 million shares in issue).

Liquidity, Capital Structure, and Gearing Ratio

As of 31 December 2019, the Group has arranged one repayment of senior notes and two new issuances of senior notes. The purpose of refinancing and redemption is to take advantage of the lower finance costs and to extend the maturity of senior notes. The details are as follows:

(1) In February 2019, the Group issued an aggregate principal amount of USD500 million senior notes due 2021 at a yield of 6.25% per annum.

(2) In September 2019, the Group has fully repaid an aggregate principal amount of USD250 million senior notes at a yield of 4.375% per annum.

(3) In November 2019, the Group issued an aggregate principal amount of USD300 million senior notes due 2023 at a yield of 5.75% per annum. This is the first-ever green bond issued by the Group under the Green Finance Framework. The Group will apply the proceeds towards green projects compliant with the green finance framework.

The structure of the Group's borrowings as of 31 December 2019 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	13,119	1,105	3,432	5,001	3,581
Bank borrowings — HKD	4,841	1,176	1,301	2,364	—
Bank borrowings — USD	7,863	3,571	3,142	1,150	—
Senior notes — USD	9,162	—	7,076	2,086	—
Senior notes — RMB	2,237	—	2,237	—	—
Receipts under securitisation arrangements — RMB	519	7	10	50	452
Total	37,741	5,859	17,198	10,651	4,033

Total cash and bank deposits amounted to RMB11,859 million as of 31 December 2019 (31 December 2018: RMB15,392 million), which included RMB1,289 million (31 December 2018: RMB2,288 million) of deposits pledged to banks and RMB2,908 million (31 December 2018: RMB3,348 million) of restricted bank deposits which can only be applied to designated property development projects of the Group.

As of 31 December 2019, the Group's net debt was RMB25,882 million (31 December 2018: RMB18,877 million), and its total equity was RMB49,307 million (31 December 2018: RMB47,219 million). The Group's net gearing ratio was 52% as of 31 December 2019 (31 December 2018: 40%), 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 and restricted bank deposits) over the total equity. The Group's solid balance sheet should enable it to weather any normal market volatility that may arise.

As of 31 December 2019, HKD/USD borrowings, including senior notes (unhedged), net off HKD/USD cash, and bank deposits, amounted to approximately RMB11,226 million in equivalent, or around 30% of the total borrowings (31 December 2018: 25%).

Total undrawn banking facilities available to the Group amounted to approximately RMB8,717 million as of 31 December 2019 (31 December 2018: RMB2,539 million).

Pledged Assets

As of 31 December 2019, the Group had pledged investment properties, property, plant, and equipment, right-of-use assets, properties under development for sale, properties held for sale, accounts receivable, and bank deposits totalling RMB38,605 million (31 December 2018: RMB37,036 million) to secure the Group's borrowings of RMB15,925 million (31 December 2018: RMB11,280 million).

Capital and Other Development Related Commitments

As of 31 December 2019, the Group had contracted commitments for development costs and capital expenditure in the amount of RMB2,252 million (31 December 2018: RMB3,501 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. The RMB senior notes issued in 2018 are also denominated in RMB. Thus, the coupon payments and repayment of the principal amounts of the senior notes issued in 2018 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, perpetual capital securities, and convertible perpetual capital securities denominated in USD issued from 2015 to 2019. 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 2019, the Group has entered approximately USD1,260 million forward to hedge the USD currency risk against RMB and HKD800 million forward to hedge the HKD currency risk against RMB.

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 five 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.

Save for disclosed above, as of 31 December 2019, 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 if necessary.

Contingent Liabilities

The Group provided guarantees of RMB1,152 million as of 31 December 2019 (31 December 2018: RMB1,398 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.

Major Acquisitions and Disposals

(1) In December 2018, the Group entered into an agreement with BSREP CXTD Holdings L.P., a Cayman Islands exempted limited partnership ("**Brookfield**"), an affiliate of Brookfield Asset Management Inc., to acquire 21.894% interest in Shui On Xintiandi Limited, formerly known as China Xintiandi Holding Company Limited, a company incorporated in the Cayman Islands with limited liability, held by Brookfield for a consideration of approximately RMB3,406 million. On 15 March 2019, the transaction was completed, and Shui On Xintiandi Limited became a wholly-owned subsidiary of the Company.

(2) In December 2018, the Group entered into a framework agreement to establish a joint venture with (a) certain direct and indirect wholly-owned subsidiaries of Manulife Financial Corporation, a company incorporated in Canada, including Manulife (International) Limited, Manufacturers Life Reinsurance Limited, and Manulife Life Insurance Company, Manulife (Singapore) Pte. Ltd. and (b) China Life Trustees Limited, a wholly-owned subsidiary of 中國人壽保險(海外)股份有限公司 (China Life Insurance (Overseas) Company Limited), a company incorporated in the PRC with limited liability. The targeted total capital commitment of the office investment platform is USD1.0 billion. The office investment platform's first investment is 5 Corporate Avenue and Hubindao, a prime Grade A office building with an ancillary retail podium and carparks in Taipingqiao, Shanghai. On 20 June 2019, the transaction was completed.

(3) In May 2019, the Group entered into an agreement with Shui On Building Materials Limited, an indirect wholly-owned subsidiary of SOCAM Development Limited, to purchase 58% interest of Great Market Limited for a consideration of RMB148 million. Great Market Limited can exercise joint control over and directly owns 60% of the equity interest of Nanjing Jiangnan Cement Company Limited, which directly and wholly owns certain parcels of land in Nanjing. The acquisition was completed on 28 June 2019.

(4) In October 2019, the Group succeeded in the bids of land use right in the Shanghai Qingpu District for an aggregate consideration of RMB3,881 million. The lands consist of four land parcels with a total gross floor area of 176,251.5 square metres for residential use with a term of use of 70 years.

(5) In November 2019, the Group also won the bids for land use right of a piece of land in the Shanghai Putuo District for an aggregate consideration of RMB1,860 million. The land is designated for commercial and office uses with a total above-ground gross area of 63,020 square metres and a term of use of 40 years for commercial use and 50 years for office use.

Save as disclosed above, the Group did not have any material acquisitions and disposals of subsidiaries and associated companies during the year ended 31 December 2019.

For the year ended 31 December 2018

Revenue

The Group's revenue for 2018 increased by 35% to RMB24,841 million (2017: RMB18,451 million), mainly due to a significant increase in recognised property sales for the year.

Property Sales

Property sales for 2018 increased by 37% to RMB22,131 million (2017: RMB16,169 million) as a result of increased property deliveries, especially for the Shanghai RHXC project. Property sales of Shanghai RHXC increased by 141% to RMB18,932 million for 2018 (2017: RMB7,852 million), accounting for 86% of the year's total property sales. Shanghai RHXC property sales include general property sales of The Gallery (Lot 2) and a 49.5% interest disposal of the residential developments at Shanghai RHXC Lots 1 and 7. Property sales in 2017 comprised mainly of the Shanghai RHXC and Chongqing projects, which accounted for RMB7,852 million and RMB4,716 million, respectively.

Income from Property Investment

Income from property investment increased to RMB2,112 million (2017: RMB1,961 million), while rental and related income from investment properties increased to RMB2,016 million (2017: RMB1,869 million). Rental and related income from the Group's Shanghai properties increased to RMB1,489 million (2017: RMB1,445 million), accounting for 74% of total rental and related income. The Group saw a 3% increase in rental and related income generated from Shanghai, mainly due to sustained rental growth from its existing completed properties, which off-set a decrease in rental income from the Shanghai RHXC commercial properties. The Group had sold 49.5% interest in the Shanghai RHXC Commercial Partnership Portfolio (Lots 3, 6, 10, and Phase II retail) at the end of 2017, and the related rental income from Shanghai RHXC Commercial Partnership Portfolio has accordingly been classified as interests in a joint venture since January 2018. Income from hotel operations, comprising contributions from the Marco Polo Hotel in Foshan, increased to RMB96 million for 2018 (2017: RMB92 million).

Construction Income

Construction income generated by the construction business increased to RMB296 million for 2018 (2017: RMB194 million).

Gross Profit

Gross profit for 2018 decreased by 9% to RMB7,145 million (2017: RMB7,858 million), while gross profit margin decreased to 29% (2017: 43%). The lower gross profit margin was mainly due to lower margins arising from the 49.5% interest disposal of the residential developments at Shanghai RHXC Lots 1 and 7, which accounted for 68% of the Group's property sales for the year 2018. If excluding the 49.5% interest disposal of the residential developments at Lots 1 and 7, both gross profit margin of general property sales and property investment for the year 2018 would have remained in line with 2017.

Other Income

Other income decreased by 9% to RMB417 million (2017: RMB456 million), which comprised bank interest income and interest income from joint ventures and associates.

Selling and Marketing Expenses

Selling and marketing expenses decreased by 15% to RMB254 million (2017: RMB298 million), notwithstanding a 29% increase in contracted property sales (excluding sales by joint ventures or associates and other asset disposal) to RMB10,850 million (2017: RMB8,440 million). This was mainly due to decreased selling and promotional activities as the Group's residential products have already been well accepted by the market.

General and Administrative Expenses

General and administrative expenses, which comprised staff costs, depreciation charges, and advisory costs incurred, decreased by 4% to RMB790 million (2017: RMB826 million).

As a result of the above, operating profit decreased by 9% to RMB6,518 million for 2018 (2017: RMB7,190 million).

Gain on Disposal of Investment Properties

Gain on disposal of investment properties through the disposal of subsidiaries amounted to RMB194 million for the year 2018, representing the consideration adjustments for the disposal of 49.5% interests in the Shanghai RHXC Commercial Partnership Portfolio in 2017. The corresponding gain in 2017 was mainly due to the disposal of 49.5% interests in the Shanghai RHXC Commercial Partnership Portfolio and the disposal of 79.2% of the Group's interests in the Partnership Portfolio in Chongqing's commercial portion in 2017, which amounted to a gain of RMB1,870 million and a loss of RMB78 million respectively.

Increase in Fair Value of the Remaining Investment Properties

Increase in the fair value of the remaining investment properties increased 87% to report a gain of RMB970 million (2017: RMB518 million), of which RMB642 million (2017: RMB412 million) was contributed by completed investment properties and RMB328 million (2017: RMB106 million) from investment properties under construction or development. The increase in the fair value of the remaining investment properties for the year 2018 represented a 2.2% gain compared with the value of investment properties as of 31 December 2018.

Other Gains and Losses

Other gains and losses amounted to a loss of RMB990 million (2017: a loss of RMB595 million), of which RMB376 million (2017: Nil) was in relation to an impairment loss of investment in a joint venture and RMB380 million (2017: Nil) was in relation to a provision of commercial lands costs in Foshan Lingnan Tiandi. The Group reviewed the remaining commercial lands development of Foshan Lingnan Tiandi and determined a provision amounting to RMB380 million for the undeveloped lands of Foshan Lot A/B/C due to Foshan's sluggish office market.

Share of Gains (Losses) of Associates and Joint Ventures

Share of gains (losses) of associates and joint ventures was a gain of RMB61 million for the year 2018 (2017: a loss of RMB927 million). The turnaround was mainly due to the absence of a loss recorded in 2017 in relation to the Group's disposal of its entire interest in the Dalian Tiandi project. The disposal of the Dalian Tiandi project was completed in May 2018.

Finance Costs, Inclusive of Exchange Differences

Finance costs, inclusive of exchange differences, amounted to RMB1,716 million (2017: RMB1,691 million). Total interest costs decreased by 27% to RMB2,329 million (2017: RMB3,179 million), due mainly to the repayment of bank borrowings and senior notes since 2H 2017. However, of these interest costs, 41% (2017: 42%) or RMB945 million (2017: RMB1,344 million) was capitalised as cost of property development, with the remaining 59% (2017: 58%) of interest costs relating to mortgage loans on completed properties and borrowings for general working capital purposes accounted for as expenses. Exchange loss of RMB273 million (2017: gain of RMB195 million) was recorded as a result of the depreciation of the RMB against the HKD and the USD for the year 2018.

Impairment Losses, Net of Reversal

Impairment losses, net of reversal, amounted to RMB122 million (2017: Nil), of which RMB180 million was a provision for a receivable relating to the companies disposed to a purchaser in 2016, and RMB64 million was a reversion for impairment allowance based on the provision matrix. The Group is still working with the purchaser and the PRC government to sort out some land issues under the companies the Group had disposed to the purchaser in 2016. According to the agreement, the purchaser will provide payment to the Group once the land issues have been resolved. As the completion timing in relation to the aforesaid is not certain, a provision amounting to RMB180 million for this receivable has been made for 2018.

Profit before Taxation

Profit before taxation decreased by 21% to RMB4,915 million (2017: RMB6,250 million). The decrease in profit before taxation is primarily due to the absence of a one-off gain arising from the disposal of investment properties in the Shanghai RHXC Commercial Partnership Portfolio, the one-off impairment loss of investment in a joint venture, and commercial lots provision for Foshan Lingnan Tiandi incurred in 2018 as well as the other factors mentioned above.

Taxation

Taxation decreased 43% to RMB2,229 million (2017: RMB3,926 million). The tax rate, including PRC land appreciation tax for the year 2018, was 45.35% (2017: 62.82%). 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% to 60% on the appreciation value, being the proceeds of properties sales less deductible expenditure including costs of land, development, and construction. The lower tax rate was mainly resulted from PRC land appreciation tax decreasing 70% to RMB589 million (2017: RMB1,959 million).

Profit for the Year 2018

Profit for the year 2018 was RMB2,686 million (2017: RMB2,324 million).

Profit Attributable to Shareholders of the Company

Profit attributable to shareholders of the Company for the year 2018 was RMB1,906 million, an increase of 14% compared to the corresponding period (2017: RMB1,669 million).

Earnings per Share (Basic)

Earnings per share (basic) was RMB23.7 cents, which was calculated based on a weighted average of approximately 8,043 million shares in issue for the year 2018 (2017: RMB20.8 cents, calculated based on a weighted average of approximately 8,018 million shares in issue).

Liquidity, Capital Structure, and Gearing Ratio

Up to 31 December 2018, the Group has arranged two repayments/redemptions of senior notes, one new issuance of senior notes, and one new issuance of receipts under securitisation arrangements. The purpose of refinancing and redemption is to take advantage of the lower finance costs and to extend the maturity of senior notes. The details are as follows:

(1) In December 2017 and January 2018, the Group has fully redeemed senior notes with a principal amount of USD550 million due 2019 at a yield of 9.625% per annum with a redemption price equal to 104.813% of the total amount plus the accrued and unpaid interest. The total amount for such redemption is equivalent to RMB3,810 million.

(2) In March and April 2018, the Group issued an aggregate principal amount of RMB2,200 million senior notes due 2021 at a yield of 6.875% per annum.

(3) In May 2018, the Group fully repaid an aggregate principal amount of USD637 million senior notes at a yield of 8.7% per annum.

(4) In November 2018, Foshan An Ying Property Development Co., Ltd, a wholly-owned subsidiary of the Company, issued receipts under securitisation arrangements with the final maturity date in 2036 with net proceeds of RMB524 million.

The structure of the Group's borrowings as of 31 December 2018 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	13,644	5,577	2,761	1,684	3,622
Bank borrowings — HKD	3,726	3,376	87	263	—
Bank borrowings — USD	8,951	3,829	3,256	1,866	—
Senior notes — USD	5,193	1,722	—	3,471	—
Senior notes — RMB	2,231	—	—	2,231	—
Receipts under securitisation arrangements — RMB	524	5	7	40	472
Total	34,269	14,509	6,111	9,555	4,094

Total cash and bank deposits amounted to RMB15,392 million as of 31 December 2018 (31 December 2017: RMB16,760 million), which included RMB2,288 million (31 December 2017: RMB2,153 million) of deposits pledged to banks and RMB3,348 million (31 December 2017: RMB1,013 million) of restricted bank deposits which can only be applied to designated property development projects of the Group.

As of 31 December 2018, the Group's net debt was RMB18,877 million (31 December 2017: RMB24,939 million), and its total equity was RMB47,219 million (31 December 2017: RMB49,175 million). The Group's net gearing ratio was 40% as of 31 December 2018 (31 December 2017: 51%), 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 and restricted bank deposits) over the total equity. The Group's solid balance sheet should enable it to weather any normal market volatility that may arise.

As of 31 December 2018, HKD/USD borrowings including senior notes (unhedged), amounted to approximately RMB8,607 million in equivalent, representing approximately 25% of the total borrowings (31 December 2017: 21%).

Total undrawn banking facilities available to the Group amounted to approximately RMB2,539 million as of 31 December 2018 (31 December 2017: RMB2,380 million).

Pledged Assets

As of 31 December 2018, the Group had pledged investment properties, property, plant, and equipment, prepaid lease payments, properties under development for sale, properties held for sale, accounts receivable and bank deposits totalling RMB37,036 million (31 December 2017: RMB44,741 million) to secure the Group's borrowings of RMB11,280 million (31 December 2017: RMB18,304 million).

Capital and Other Development Related Commitments

As of 31 December 2018, the Group had contracted commitments for development costs, capital expenditure, and other investments in the amount of RMB3,501 million (31 December 2017: RMB2,750 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. The RMB senior notes issued in 2018 are also denominated in RMB. Thus, the coupon payments and repayment of the principal amounts of the senior notes issued in 2018 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 convertible perpetual capital securities denominated in USD in debt issued from 2015 to 2017. 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 2018, the Group has entered approximately USD954 million forward to hedge the USD currency risk against RMB and HKD1,050 million forward to hedge the HKD currency risk against RMB.

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 five years for project construction loans and two 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.

Save for disclosed above, as of 31 December 2018, the Group does not hold any other derivative financial instruments 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 if necessary.

Contingent Liabilities

Temporary guarantees are provided to banks with respect to mortgage loans procured by some purchasers of the Group's properties. Such guarantees will be released by banks upon the issuance of the real estate ownership certificate to the purchasers or the repayment of the mortgage loan by the purchasers, whichever is earlier. In the opinion of the Board, the fair value of these financial guarantee contracts is insignificant.

Major Acquisitions and Disposals

(1) In June 2018, the Group entered into an agreement with Joy City Property Limited, a listed company in Hong Kong, to sell 49.5% interest in the Shanghai RHXC Residential Partnership Portfolio (i.e., Lots 1 and 7) for a consideration of around RMB4,623 million. The Group and Joy City Property Limited will cooperate to develop this residential partnership portfolio. For details pertaining to the disposal of the Shanghai RHXC Residential Partnership Portfolio, please refer to the Company's circular dated 18 July 2018.

(2) In July 2018, the Group entered into an agreement with two parties (i.e., China Pacific Life Insurance Company Limited and Shanghai Yongye Enterprise (Group) Company Limited) which resulted in the Group owning a 25% interest in Shanghai Taipingqiao Lots 123, 124, and 132. The investment is approximately RMB19.5 billion, which includes land costs amounted to RMB13.61 billion. For details, please refer to the circular issued by the Company dated 26 July 2018.

(3) In December 2018, the Group entered into an agreement with Brookfield, an affiliate of Brookfield Asset Management Inc., to acquire 21.894% interest held by Brookfield in Shui On Xintiandi Limited for a consideration of approximately RMB3,406 million. On 15 March 2019, the transaction was completed. For details, please refer to the circular issued by the Company dated 20 February 2019.

(4) In December 2018, the Group established Shui On Core-Plus Office Investment Platform with certain affiliates of Manulife Financial Corporation and China Life Trustees Limited. The targeted total capital commitment of the office investment platform is USD1.0 billion. The office investment platform's first investment is 5 Corporate Avenue and Hubindao, a prime Grade A office building with an ancillary retail podium and carparks in Taipingqiao, Shanghai. For details, please refer to the Company's announcement dated 31 December 2018.

Save as disclosed above, the Group did not have any material acquisitions and disposals of subsidiaries and associated companies during the year ended 31 December 2018.

EMPLOYEES AND REMUNERATION POLICY

As of 30 June 2021, the number of employees in the Group was 3,153, which included the headcount of the property management business of 1,578, the headcount of the construction and fitting out business of 203.

As of 31 December 2020, the number of employees in the Group was 3,141, which included the headcount of the property management business of 1,548, the headcount of the construction and fitting out business of 240.

As of 31 December 2019, the number of employees in the Group was 3,237, which included the headcount of the property management business of 1,635, the headcount of the construction and fitting out business of 211.

As of 31 December 2018, the number of employees in the Group was 3,129, which included the headcount of Shui On Xintiandi Group Limited (formerly known as China Xintiandi Limited) of 511, the headcount of the property management business of 1,566, the headcount of the construction and fitting out business of 248.

The Group provides a comprehensive benefits package for all employees as well as career development opportunities. These include retirement schemes, long-term incentive schemes, 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.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

Interests of Directors and chief executive of the Company

At the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have been taken under such provisions of the SFO); or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") to be notified to the Company and the Stock Exchange were as follows:

(a) Long position in the Shares and the underlying Shares of the Company

	Number of ordinary Shares			Interests in the underlying Shares		Approximate percentage of interests to the issued share capital of the Company at the Latest Practicable Date
Name of Directors	**Personal interests**	**Family interests**	**Other interests**	**Share options** *(Note 3)*	**Total**	*(Note 4)*
Mr. Vincent H.S. LO ("**Mr. Lo**")	—	1,849,521 *(Note 1)*	4,489,291,751 *(Note 2)*	—	4,491,141,272	55.71%
Ms. Stephanie B.Y. LO ("**Ms. Lo**")	—	—	4,489,291,751 *(Note 2)*	437,000	4,489,728,751	55.69%
Ms. Ying WANG	670,500	—	—	437,000	1,107,500	0.01%
Mr. Douglas H. H. SUNG ("**Mr. Sung**")	—	—	—	437,000	437,000	0.0054%
Professor Gary C. BIDDLE	305,381	—	—	—	305,381	0.0038%
Dr. Roger L. McCARTHY	200,000	—	—	—	200,000	0.002%

Notes:

(1) These Shares were beneficially owned by Ms. Loletta CHU ("**Mrs. Lo**"), the spouse of Mr. Lo. Mr. Lo was deemed to be interested in 1,849,521 Shares under Part XV of the SFO.

(2) These Shares were held by Shui On Company Limited ("**SOCL**") through its controlled corporations, comprising 1,725,493,996 Shares, 2,733,949,818 Shares and 29,847,937 Shares held by Shui On Properties Limited ("**SOP**"), Shui On Investment Company Limited ("**SOI**") and New Rainbow Investments Limited ("**NRI**") respectively whereas SOP was a wholly-owned subsidiary of SOI. NRI was a wholly-owned subsidiary of SOCAM Development Limited ("**SOCAM**") which in turn was held by SOCL as to 63.10% at the Latest Practicable Date. SOCL was held under the Bosrich Unit Trust, the trustee of which was Bosrich Holdings (PTC) Inc. ("**Bosrich**"). The units of the Bosrich Unit Trust were the property of a discretionary trust, of which Mr. Lo was the founder and a discretionary beneficiary, Ms. Lo was a discretionary beneficiary and HSBC International Trustee Limited ("**HSBC Trustee**") was the trustee. Accordingly, Mr. Lo, Mrs. Lo, Ms. Lo, Bosrich and HSBC Trustee were deemed to be interested in such shares under Part XV of the SFO.

(3) These represent the interests of share options granted to the Directors and/or their respective associate(s) for subscription of Shares under the share option scheme adopted by the Company on 8 June 2007. These share options are exercisable within the period from 1 June 2017 to 3 July 2022 at an exercise price of HK$1.98 per Share.

(4) These percentages have been compiled based on the total number of issued shares (i.e. 8,062,216,324 shares) of the Company at the Latest Practicable Date.

(b) Long position in the shares of the associated corporation of the Company — SOCAM

	Number of ordinary shares				
Name of Directors	**Personal interests**	**Family interests**	**Other interests**	**Total**	**Approximate percentage of interests to the issued share capital of SOCAM at the Latest Practicable Date** *(Note 3)*
Mr. Lo	—	312,000 *(Note 1)*	236,269,000 *(Note 2)*	236,581,000	63.19%
Ms. Lo	—	—	236,269,000 *(Note 2)*	236,269,000	63.10%

Notes:

(1) These shares were beneficially owned by Mrs. Lo, the spouse of Mr. Lo. Mr. Lo was deemed to be interested in 312,000 shares of SOCAM under Part XV of the SFO.

(2) These shares were beneficially owned by SOCL. SOCL was owned by the Bosrich Unit Trust, the trustee of which was Bosrich. The units of the Bosrich Unit Trust were the property of a discretionary trust, of which Mr. Lo was the founder and one of the discretionary beneficiaries, Ms. Lo was a discretionary beneficiary and HSBC Trustee was the trustee. Accordingly, Mr. Lo, Mrs. Lo, Ms. Lo, Bosrich and HSBC Trustee were deemed to be interested in such shares under Part XV of the SFO.

(3) These percentages have been compiled based on the total number of issued shares (i.e. 374,396,164 shares) of SOCAM at the Latest Practicable Date.

(c) Interests in the debentures of the associated corporation of the Company

Name of Directors	Name of Associated Corporations	Nature of Interests	Amount of Debentures
Mr. Lo	Shui On Development (Holding) Limited ("**SODH**")	Founder and discretionary beneficiary of a trust	USD17,800,000 *(Note 1)*
		Family interests	USD3,400,000 *(Note 2)*
Ms. Lo	SODH	Discretionary beneficiary of a trust	USD17,800,000 *(Note 1)*
Mr. Sung	SODH	Personal interests	USD200,000

Notes:

(1) These debentures were held by SOI, a wholly-owned subsidiary of SOCL. SOCL was owned by the Bosrich Unit Trust, the trustee of which was Bosrich. The units of the Bosrich Unit Trust were the property of a discretionary trust, of which Mr. Lo was the founder and one of the discretionary beneficiaries, Ms. Lo was a discretionary beneficiary and HSBC Trustee was the trustee. Accordingly, Mr. Lo, Mrs. Lo, Ms. Lo, Bosrich and HSBC Trustee were deemed to be interested in such debentures under Part XV of the SFO.

(2) These debentures were beneficially owned by Mrs. Lo, the spouse of Mr. Lo. Mr. Lo was deemed to be interested in such debentures under Part XV of the SFO.

Save as disclosed herein, at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have been taken under such provisions of the SFO); or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

At the Latest Practicable Date, save as disclosed below, none of the Directors was a director or employee of a company which had an interest or short position in the Shares, underlying Shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Directors	Names of companies that had such discloseable interest or short position	Positions within such companies
Mr. Lo	SOCL, SOP, SOI, and NRI	director
Ms. Lo	SOCL, SOP, and SOI	director

3. SERVICE CONTRACTS

At the Latest Practicable Date, none of the Directors had entered into, with any member of the Group, a service agreement which is not expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

4. MATERIAL ADVERSE CHANGE

At the Latest Practicable Date and to the best knowledge of the Directors, there was no material adverse change in the financial or trading position of the Group since 31 December 2020 (being the date to which the latest published audited financial statements of the Group were made up).

5. MATERIAL LITIGATION

At the Latest Practicable Date, there was no litigation or claim of material importance that is known to the Directors to be pending or threatened against any member of the Group.

6. DIRECTORS' INTERESTS IN ASSETS

At the Latest Practicable Date, none of the Directors was interested, directly or indirectly, in any assets which have been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group, since 31 December 2020 (being the date to which the latest published audited financial statements of the Group were made up).

7. DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

At the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement, which was subsisting and was significant in relation to the business of the Group.

8. COMPETING INTERESTS OF DIRECTORS

The following Directors or their associates are considered to have interests in the businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules as set out below:

Name of Directors	Names of the entities which are considered to compete or likely to compete with the businesses of the Group	Description of the businesses of the entities which are considered to compete with the businesses of the Group	Nature of interests of the Directors in the entity
Mr. Lo	SOCL	Property investment in the PRC	Director and controlling shareholder
Mr. Lo	SOCAM	Property investment in the PRC	Director and controlling shareholder
Mr. Lo	Great Eagle Holdings Limited	Property investment in the PRC	Director
Ms. Lo	SOCL	Property investment in the PRC	Director
Ms. Lo	SOCAM	Property investment in the PRC	Director

There is a deed of non-competition dated 30 May 2006 (the "**Deed**") and entered into between Mr. Lo, SOCL and the Company pursuant to which Mr. Lo and SOCL have given certain undertakings to the Company, among others, that the Company is to be the flagship company of the Shui On Group (that is, SOCL and its subsidiaries and for the purpose of this section headed "Competing Interests of Directors", excluding SOCAM and its subsidiaries) for the Shui On Group's property development and investment business in the PRC and concerning the Shui On Group's investment in future property development projects in the PRC. Such information has been disclosed in the Company's prospectus dated 20 September 2006. In respect of the year ended 31 December 2020, the Company has received from each of Mr. Lo and SOCL a confirmation on compliance with the non-competition undertakings as contemplated under the Deed.

Saved as disclosed above, at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective close associates had any interest in a business which, either directly or indirectly, competes or may compete with the business of the Group, or has or may have any other conflicts of interest with the Group pursuant to Rule 8.10 of the Listing Rules.

9. MATERIAL CONTRACTS

The following contracts have been entered into by any member of the Group (not being contracts entered into in the ordinary course of business) within two years preceding the date of this circular:

(a) the capital increase agreement (the "**Capital Increase Agreement**") entered into among Lucky Gain Limited ("**Lucky Gain**") (being an indirect wholly-owned subsidiary of the Company), Shanghai Yongye Enterprise (Group) Co., Ltd. (the "**Shanghai JV Partner**") and Shanghai Fu Ji Properties Co., Ltd.* (上海復基房地產有限公司) (the "**Shanghai JV Company**") on 7 June 2021 in relation to the formation of a joint venture through the Shanghai JV Company for the purpose of carrying out the property development project at three parcels of lands in Huangpu District, Shanghai, the PRC (the "**Shanghai Lands**"), pursuant to which Lucky Gain and the Shanghai JV Partner shall pay up and contribute approximately USD202,084,730 and USD237,142,270 respectively to the registered capital of the Shanghai JV Company, details of which were set out in the announcement of the Company dated 7 June 2021 and the circular of the Company dated 23 July 2021;

(b) the shareholders' agreement entered into between Lucky Gain and the Shanghai JV Partner on 7 June 2021 in relation to the regulation of their respective rights and responsibilities in respect of the operation and management of the business and affairs of the Shanghai JV Company. The maximum amount of investment to be made by the Shanghai JV Company on the Shanghai Lands shall not exceed RMB15,100,000,000, which shall be contributed by Lucky Gain and the Shanghai JV Partner in proportion to their respective equity interests in the Shanghai JV Company (i.e. 50% owned by each of them upon completion of their respective contribution to the increased registered capital of the Shanghai JV Company under the Capital Increase Agreement). Details of which were set out in the announcement of the Company dated 7 June 2021 and the circular of the Company dated 23 July 2021;

(c) 佛山市禪城區國有土地使用權儲備協議書(佛禪土儲協字[2021]2號), the land resumption agreement in respect of the land situated at the eastern side of Jian She Street* (建設街東側), Chancheng District, Foshan, the PRC ("**Land No.7**") entered into among 佛山瑞房置業有限公司 (Fo Shan Rui Fang Property Development Co., Ltd.*) ("**Fo Shan Rui Fang**") (a wholly-owned subsidiary of the Company), 佛山市禪城區土地儲備中心(Foshan Chancheng District Land Reserve Center*) ("**Foshan Chancheng District Land Reserve Center**") and 佛山市禪城區祖廟街道辦事處 (Foshan Chancheng District Zumiao Sub-district Office*) ("**Foshan Changcheng District Zumiao Sub-district Office**") on 9 July 2021, pursuant to which Fo Shan Rui Fang has agreed to surrender Land No.7 to Foshan Chancheng District Land Reserve Center at a consideration by way of cash compensation of RMB1,111,226,308.10 (equivalent to approximately HK$1,332,789,000). Details of which were set out in the announcement of the Company dated 9 July 2021 and the circular of the Company dated 24 September 2021;

(d) 佛山市禪城區國有土地使用權儲備協議書(佛禪土儲協字[2021]3號), the land resumption agreement in respect of the land situated at the southern side of Cheng Men Tou Road* (城門頭路南側) (being Lot 8 of the land situated at the southern side of Ren Ming Road (Liao Yuan Road)* (人民路(燎原路)南側), both sides of Zu Miao Road* (祖廟路兩側), both sides of Cheng Men Tou Road* (城門頭路兩側), northern side of Jian Xin Road (Zhao Xiang Road)* (建新路(兆祥路)北側) and both sides of Shi Dong Road* (市東路兩側), Chancheng District, Foshan, the PRC ("**Land No.8**") entered into among 佛山瑞康天地置業有限公司(Fo Shan Rui Kang Tian Di Property Development Co., Ltd.*) ("**Fo Shan Rui Kang Tian Di**") (a wholly-owned subsidiary of the Company), Foshan Chancheng District Land Reserve Center and Foshan Chancheng District Zumiao Sub-district Office on 9 July 2021, pursuant to which Fo Shan Rui Kang Tian Di has agreed to surrender Land No.8 to Foshan Chancheng District Land Reserve Center at a consideration by way of cash compensation of RMB1,541,881,015.68 (equivalent to approximately HK$1,849,310,000). Details of which were set out in the announcement of the Company dated 9 July 2021 and the circular of the Company dated 24 September 2021; and

(e) the Agreement.

10. GENERAL

(a) The registered office of the Company is at One Nexus Way, Camana Bay, Grand Cayman, KY1-9005, Cayman Islands.

(b) The principal place of business of the Company in Hong Kong is at 34th Floor, Shui On Centre, 6-8 Harbour Road, Wan Chai, Hong Kong.

(c) The principal share registrar and transfer office of the Company is Suntera (Cayman) Limited at Suite 3204, Unit 2A, Block 3, Building D, P.O. Box 1586, Gardenia Court, Camana Bay, Grand Cayman, KY1-1100, Cayman Islands.

(d) The branch share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

(e) The company secretary of the Company is Mr. UY Kim Lun, a qualified lawyer in Hong Kong.

(f) This circular is in both English and Chinese. In the event of inconsistency, the English text shall prevail over the Chinese text.

11. DOCUMENTS ON DISPLAY

A copy of each of the Confirmation Letters and the Agreement will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.shuionland.com) from the date of this circular and up to and including the date which is 14 days from the date of this circular.