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SHUI ON LAND

ANNUAL REPORT 2022

SHUI ON LAND LIMITED

Incorporated in the Cayman Islands with limited liability

STOCK CODE 272

A Leading Urban Solutions Provider in China

Headquartered in Shanghai, Shui On Land (Stock Code: 272) is a leading urban solutions provider dedicated to creating sustainable premium urban communities in China. It has a proven track record in developing large scale, mixed-use, sustainable communities, and is the flagship property development company of the Shui On Group. As of 31 December 2022, the Company has 14 projects in various stages of development in prime locations of major cities, with a landbank of 9.3 million sq.m. (6.8 million sq.m. of leasable and saleable GFA, and 2.5 million sq.m. of clubhouses, car parking spaces and other facilities). It is also one of the largest private commercial property owners and managers in Shanghai, with a total portfolio of RMB82 billion of commercial assets located in prime locations in Shanghai.

The Company was established in 2004 and was listed on the Hong Kong Stock Exchange on October 4, 2006. Shui On Land was included in the Hang Seng Composite Index, HSCI Composite Industry Index – Properties & Construction, Bloomberg Gender-Equality Index as well as Bloomberg ESG Score Universe.

CONTENTS

HIGHLIGHTS

LEADERSHIP

PERFORMANCE


NANJING
SHANGHAI
CHONGQING
WUHAN
FOSHAN
Nanhai Zhudao

FINANCIAL HIGHLIGHTS

Operating Results for the year ended 31 December

	2022 HKD'million	2021 HKD'million	**2022 RMB'million**	2021 RMB'million
Revenue	**18,040**	21,147	**15,565**	17,555
Represented by:				
Property development	**13,555**	16,428	**11,695**	13,638
Property investment	**2,399**	2,721	**2,070**	2,259
Construction	**1,110**	1,006	**958**	835
Property management	**589**	590	**508**	490
Others	**387**	402	**334**	333
Gross profit	**7,706**	8,641	**6,649**	7,173
(Decrease)/increase in fair value of the investment properties	**(132)**	42	**(114)**	35
Profit attributable to shareholders of the Company	**1,050**	1,971	**906**	1,636
Core earnings of the Group	**1,436**	1,937	**1,239**	1,608
Basic earnings per share	**HKD13.1 cents**	HKD24.5 cents	**RMB11.3 cents**	RMB20.3 cents
Dividend per share				
Interim paid	**HKD0.036**	HKD0.036		
Proposed final	**HKD0.064**	HKD0.084		
Full year	**HKD0.10**	HKD0.12		

Note:

Except for dividend per share that is originally denominated in HK dollar, all of the HK dollar figures presented above are shown for reference only and have been arrived at based on the exchange rate of RMB1.000 to 1.1590 for 2022 and RMB1.000 to HKD1.2046 for 2021 being the average exchange rates that prevailed during the respective years.

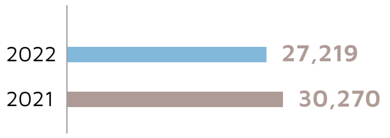
Financial Position as of 31 December

	2022 RMB'million	2021 RMB'million
Total cash and bank deposits	**13,368**	17,284
Total assets	**104,878**	113,896
Total equity	**44,401**	49,178
Total indebtedness	**33,512**	31,863
Bank borrowings	**20,257**	19,747
Senior notes	**13,255**	12,116
Net gearing ratio*	**45%**	30%

* Calculated on the basis of the excess of the sum of bank borrowings and senior notes net of the sum of total cash and bank deposits over the total equity.

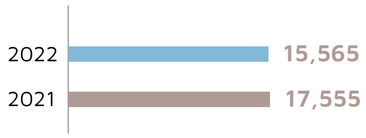
Contracted Property Sales

(RMB'million)



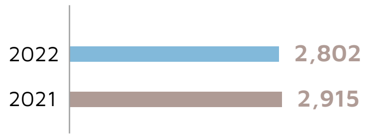
Revenue

(RMB'million)



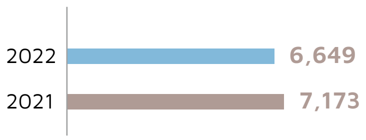
Rental and Related Income*

(RMB'million)



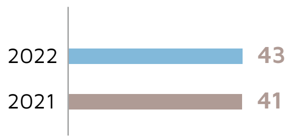
Gross Profit

(RMB'million)



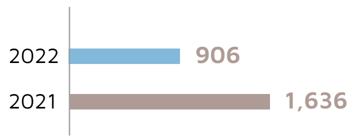
Gross Profit Margin

%



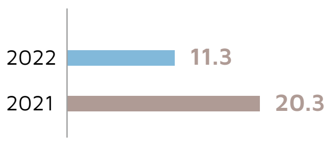
Profit Attributable to Shareholders of the Company

(RMB'million)



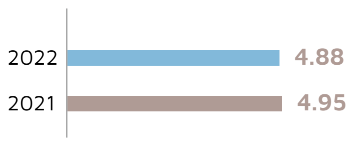
Basic Earnings per Share

(RMB'cents/share)



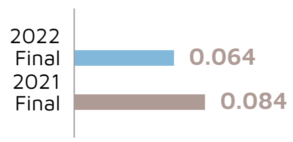
Shareholders' Equity per Share

(RMB/share)



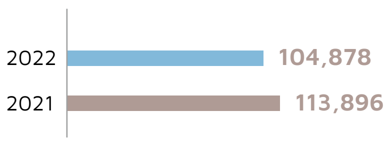
Dividend per Share

(HKD/share)



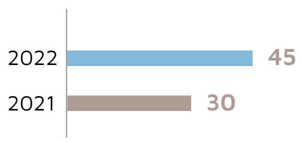
Total Assets

(RMB'million)



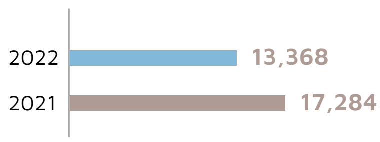
Net Gearing Ratio

%



Total Cash and Bank Deposits

(RMB'million)



* Including Rental and related income from Rui Hong Xin Cheng Commercial Partnership Portfolio, Shanghai Taipingqiao 5 Corporate Avenue and Hubindao, and Nanjing IFC, in which, the Group has 49.5%, 44.55% and 50% effective interest, respectively.

KEY ACHIEVEMENTS

LAND REPLENISHMENT AND NEW INVESTMENT

- In December, Shui On Land successfully acquired a plot of land in Yangpu District, Shanghai in partnership with Shanghai Yangshupu Real Estate Co., Ltd.. This is a heritage preservation and development project that involves the development of a high-end low-density residential community.

PRUDENT CAPITAL MANAGEMENT

- In February, the Group signed a Memorandum of Understanding ("MoU") with the Shanghai Pudong Development Bank ("SPD Bank") Shanghai Branch with an amount of RMB10 billion on Real Estate M&A Finance and ESG and sustainable finance. SPD Bank will provide M&A financing services and leverage its financial services and products in environmental, social and governance ("ESG") to support the Group in its robust and diversified ESG efforts.
- In March, the Group signed a MoU with the Bank of Shanghai with an amount of RMB10 billion on real estate financing and sustainable financing. Bank of Shanghai will provide full support to funding the Company's future investments in city regeneration, urban re-development, and other community projects.
- In June, the Group redeemed the USD600 million 6.4% senior perpetual capital securities.
- The Group repaid/refinanced a total of RMB6,797 million of borrowings during the year.
- The Group's net gearing ratio stayed at a healthy level of 45%.

OPERATIONAL ACHIEVEMENTS

- The Group achieved solid property sales in 2022, with accumulated contracted property sales amounting to RMB27.2 billion.
- The Group's commercial property portfolio continued to deliver resilient recurrent rental income.

ESG INITIATIVES & ACHIEVEMENTS

- In January, Shanghai Xintiandi commenced development of a low-carbon demonstration area approved by Shanghai Municipal Bureau of Ecology and Environment.
- In March, Shui On Land became the one of only three companies in China included in the 2022 Bloomberg Gender-Equality Index.
- In March, Shui On Land donated RMB5 million for COVID-19 epidemic prevention.
- In March, the Horizon South at Wuhan Tiandi became the first mall in China to obtain a carbon neutrality certificate issued by the Shanghai Environment and Energy Exchange.
- In May, Shui On Land joined the "Business with Purpose 2022" platform to further embed sustainability in its corporate activities.
- In August, Shui On Land upgraded its commitment to the Science Based targets (SBTi) to achieve the pledge of Below 1.5°C for emission reductions.
- In November, Shui On Workx, the office business management brand of Shui On Land, in collaboration with the U.S. Green Building Council ("USGBC"), launched the first ever "Deep Green" Lease in China, a contractually binding sustainable lease that introduces financial incentives for tenants to promote energy savings with the plan to further explore water reduction and waste recycling.
- In November, Shui On Land signed Green Pledge with 100 supply partners, calling on joint efforts to create green supply chain.
- In December, 1 Corporate Avenue at Wuhan Tiandi became the first super high-rise office building in Hubei Province that obtained a carbon neutrality certificate issued by the Shanghai Environment and Energy Exchange.
- The Group achieved 27.5% decrease in Scope 1 and 2 carbon emissions intensity, 12.2% decrease in energy intensity, 25% decrease in water intensity, compared to 2021 levels.
- Green Pledge covered 96% F&B tenants, 77% retail tenants and 48% office tenants.
- 95% of total commercial properties area are green certified.

KEY AWARDS

Corporate

Shui On Land
2022 CLS ESG Awards
by Cailian Press

Shui On Land
Asia's Best Investor Relations Company
by Corporate Governance Asia Magazine

Shui On Land
Asia's Best CSR
by Corporate Governance Asia Magazine

Shui On Land
ESG Leading Enterprise Awards 2022
by Bloomberg Businessweek – Chinese Edition

Shui On Land
Platinum Award- ESG Corporate Awards 2022
by The Asset

Shui On Land
2022 Best Corporate Governance and ESG Rewards – Special Mention for ESG in the Non-Hang Seng Index (Medium Market Capitalization) Category
by Hong Kong Institute of Certified Public Accountants

Shui On Land
HKIRA 8th Investor Relations Awards 2022 – Best IR Company (Small Cap)
by Hong Kong Investor Relations Association

Shui On Land
2022 Top Ten Best Corporate Governance Cases
by Cailian Press

Shui On Land
Award for the Green Transformation and Development 2022
by Shanghai Daily

Management

Vincent H. S. LO
ULI Life Trustee
by Urban Land Institute

Jessica Y. WANG
Asia's Best CEO
by Corporate Governance Asia Magazine

Douglas H. H. SUNG
Asia's Best CFO
by Corporate Governance Asia Magazine

Project

Rui Hong Xin Cheng
2022 ULI Asia Pacific Awards for Excellence
by Urban Land Institute

Xintiandi Near-zero Carbon Demonstration Area
China Green Point Award 2022
by China Business Network

Xintiandi
Excellent Case of Green and Low-Carbon Development of Foreign-Invested Enterprises in Shanghai
by Shanghai Municipal Commission of Commerce

Wuhan Tiandi Horizon North
Honor Award for Architecture Design – Retail Center
by AIA Shanghai | Beijing

Panlong Tiandi
2022 Berchmark for China Leading Real Estate Project
by Leju

Panlong Tiandi, Rui Hong Xin Cheng
2022 Best Urban Regeneration Project
by CBN·Property Reporter

CPIC Xintiandi Galleria
LEED-Core and Shell Development Gold
by U.S. Green Building Council

Ruihong Corporate Avenue
WELL Core Gold
by International WELL Building Institute

1 Corporate Avenue
WELL Core Gold
by International WELL Building Institute

Global Benchmark Recognitions

HKQAA

Rating AA-

MSCI ESG RATINGS

Rating A

Bloomberg Gender-Equality Index 2023

1 of 3 China companies included in the index

GRESB

Rating 4 Star
1st in peer group

CDP

Rating B
2nd best scoring band

Hang Seng Corporate Sustainability Index Series

Consltuent since 2018

CHAIRMAN'S STATEMENT

VINCENT H. S. LO
Chairman

> "Shui On Land has been resilient despite the unprecedented market dislocation. To ensure we remain so, we will maintain our prudent financial management and focus on achieving an appropriate balance between profit and growth."

In the context of an extremely difficult operating environment, I am pleased to report that the Group's results for 2022 have demonstrated a commendable degree of resilience. A number of cities in China, including Shanghai, were affected by outbreaks of COVID-19, resulting in temporary lockdowns that depressed economic activity. This placed further downward pressure on the property market, with more developers experiencing cashflow problems. It is to the Group's credit that we have achieved profitability while maintaining a solid balance sheet, despite the headwinds.

Stable Performance Demonstrated Strong Fundamentals of the Group

Despite COVID lockdowns and the resulting Chinese economy and property market slowdown, the Group recorded a net profit of RMB1,475 million in 2022, with profit attributable to shareholders of RMB906 million. The lower profits are attributable to the support given to our commercial asset tenants during the extended lockdown in Shanghai, as well as the Renminbi depreciation during the year. Notwithstanding the challenges, the Group recorded a solid operational performance. Further, demand for the Group's properties for sale remained strong, with the year's contracted property sales amounting to RMB27.2 billion (2021: RMB30.3 billion). For the commercial portfolio, total rental and related income (including joint ventures and associates) was RMB2,802 million, representing a decline of 4% year-on-year.

The Group is committed to meeting its financial obligations. In June 2022, the Group used its internal resources to redeem the USD600,000,000 6.40% senior perpetual capital securities, resulting in a 13% increase in the net gearing ratio. During the year, the Group has repaid/refinanced a total of RMB 6,797 million of borrowings (excluding the perpetual capital securities). Our net gearing nonetheless remains healthy, at 45% as of 31 December 2022, with cash and bank deposits of RMB13,368 million. This demonstrates our effective planning and cashflow management, which has allowed the Group to remain financially sound amidst substantial volatility in the capital market and real estate sector.

The Board has recommended a final dividend of HKD0.064 per share, which, together with the interim dividend of HKD0.036 per share, translates into a full-year dividend of HKD0.10 per share (2021: HKD0.12).

A Challenging 2022

Global and local factors led to our businesses facing unprecedented challenges throughout 2022. The Russia-Ukraine war has created global market instability. There was also a sharp rise in inflation globally, to which central banks have responded by raising interest rates to levels not seen for many years. China-US tensions, meanwhile, have begun to reshape global supply chains, impacting GDP growth prospects. China's economy had a challenging year in 2022, mainly due to COVID outbreaks and lockdowns that depressed business activities and affected consumer confidence.

The retail and property development sectors have been badly impacted by these events, while the attendant changes in working patterns have affected office space demand. Residential property development has been affected by the slowing economy and rising inflation, with transaction prices falling for many developments. This, in turn, has exacerbated liquidity problems for many developers, especially those with high levels of gearing or floating-rate US dollar debt. A sharp correction of China's property market is unavoidable.

In this challenging environment, the Group has been protected by its presence in the more resilient first and strong second-tier cities, especially Shanghai, which has seen stable demand. More importantly, our strong brand and long-standing approach to urban regeneration that builds thriving communities have made Shui On Land stand out among industry peers. This, combined with a flight to quality and sustainability by consumers, has contributed to the sustained appeal of our developments, even under the current difficult conditions.

Sales consequently performed well during 2022. The residential projects we launched, namely Park Vera at Rui Hong Xin Cheng in Shanghai and Wuhan Tiandi La Riva III, were fully sold on launch. Panlong Tiandi at Qingpu in Shanghai was oversubscribed by 3.5 times. For the year, accumulated contracted property sales amounted to RMB27,219 million, comprising residential property sales of RMB25,783 million and commercial property sales of RMB1,436 million. In addition, as of 31 December 2022, the Group had recorded a total of RMB1,427 million of subscribed sales, which is expected to be turned into contracted property sales in 2023 and beyond.

Through our focus on creative, cultural content, and business innovation, we create thriving premium communities which offer diverse social experiences and a sense of belonging. We continually invest in upgrading our commercial portfolio to maintain its attractiveness, with the newly-enhanced Xintiandi Style II opened in Shanghai in January 2023. Our strength in community operations and flexible leasing strategy, with landmark commercial projects in core locations, has enabled us to weather the storm, with both the retail and office properties showing resilience during the year, as evidenced by the high occupancy levels of our properties. Although the retail sector is facing challenges, we see improving levels of traffic at Shanghai Xintiandi and our other retail properties. Equally, in our office portfolio, we enjoy occupancy levels that are better than the market average.

The Group's competitive advantages and long track record in urban renewal have also helped us to acquire new sites as a trusted partner. The latest example is the site at Yangpu in Shanghai, where we have recently won the right to develop in partnership with Shanghai Yangshupu Real Estate Co., Ltd.. This is a historical residential district, which we will adapt for modern residential use whilst respecting its legacy and culture. We have increasingly engaged in similar partnerships to make better use of our expertise as part of our long-standing "Asset Light" strategy. We are confident we will excel in this new project, given our proven capabilities in delivering urban regeneration, cultural preservation, and innovative solutions.

Strengthening Our ESG Commitments

Our commitment to sustainable urban development and creating a blueprint for "future-fit" business development has its roots in our broader understanding of the responsibility we all bear towards the planet and the lives of future generations. This is manifested in the Group's corporate environmental, social, and governance (ESG) policies, in which we have been a pioneer among property companies in Hong Kong and mainland China. Our 5C Sustainability Strategy stretches to 2030 and is regularly reviewed to identify changes to our operations that would benefit society and the environment. Each year, the Group's Sustainability Report examines in detail the progress we are making toward our targets.

In the Interim Report we updated our commitment to the Science Based Targets and Below 1.5°C initiatives, highlighting some of our achievements in the first half of the year, including carbon neutral certification at Wuhan Tiandi and moves towards this at Shanghai Xintiandi, as well as the Urban Land Institute Asia Pacific awards for Excellence to Rui Hong Xin Cheng and the Group's inclusion in the Bloomberg Gender-Equality Index.

Since then, we have made further strides towards our goals. We are partnering with tenant and supplier networks to create a green ecosystem by pioneering the introduction of a "Green Lease" and a Green Pledge with 100 supply partners. Such leases incorporate environmental criteria alongside the traditional lease obligations, thereby firmly embedding environmental and climate change goals into everyday operations. We have now become the first company in China to conclude a Deep Green Lease with the US Green Building Council, the Leadership in Energy and Environmental Design rating system developer and owner. This is an important new milestone for our 5C Strategy and cements our position as a leading force for positive change in property development and management in China.

The lockdown in Shanghai inevitably brought the social aspect of ESG to the fore in 2022. Shanghai is where we are headquartered and is home to the bulk of the Group's assets. We support our office and retail tenants through an exceptional array of services for both staff and customers. During the lockdown, we overcame considerable logistical challenges to deliver thousands of food packages, not only to tenants but to their companies and employees. In addition, we donated RMB5 million for COVID testing in the city. We have been monitoring developments following the easing of restrictions to see how we can play a positive role in the return to greater normality.

Market turmoil, meanwhile, has highlighted the importance of sound corporate governance. This has always been a bedrock of how we think about the business and underpins the prudent financial management that has safeguarded the Group's stability in recent years. We aim to be a trusted partner to all stakeholders, increasing disclosure and transparency across the board to maintain our leadership in this regard. Our inclusion in the Bloomberg Gender-Equality Index 2023, achieving a higher score than last year, reflects how we have invested in a broad spectrum of talent to enhance our corporate governance.

The Year Ahead

Looking ahead, I remain cautious about the global situation. Although inflation has fallen back slightly in the US and some other countries, for now, the trend in interest rates remains upwards. The de-coupling of China from global supply chains is modest at present but is gathering pace in the face of heightened geo-political tensions. There is, however, a welcome step forward to exiting from COVID. The Chinese government took swift action to tackle the pandemic, and in December 2022, the epidemic prevention and control policy was relaxed. In the shorter term, this change led to a rapid increase in infections and hospitalisations. However, after infections peaked, sentiment recovered quickly and has continued to improve. Consumption rebounded strongly during the Spring Festival in January, with sales revenue for national consumption-related industries increasing by 12.2%, compared with the Spring Festival holiday of the previous year. The 20th National Congress of the Communist Party of China has also clarified the direction of reform for the socialist market economy, adhering to a high level of opening up and accelerating the implementation of a new development pattern, under which domestic demand is the main driver of growth, complemented by international demand. The government has introduced a series of measures to promote economic development and to maintain economic growth within a reasonable range in the next five years. This is a positive development that will help the overall economic recovery and drive growth over the medium term.

In the property market, buyers remain cautious, and some developers continue to experience liquidity squeezes. The market is expected to enter a period of consolidation. However, it was proposed at the annual Central Economic Work Conference that real estate should continue to be recognised as a pillar industry of the national economy. In response to the current downside risks, the government has put in place policies to improve the liability-to-asset ratio among developers, guide market expectations and restore confidence. For example, Wuhan recently eased restrictions and increased eligibility for home purchases. There are already signs of a slight rebound in property transactions.

Shui On Land has been resilient despite the unprecedented market dislocation. To ensure we remain so, we will maintain our prudent financial management and focus on achieving an appropriate balance between profit and growth. Our strong residential sales income, and the stable recurrent income stream generated by our office and retail properties, will help ensure that our balance sheet remains strong. We will thus be in a good position to capture new growth opportunities that the market correction will provide in Tier-1 cities like Shanghai and other strategic locations, including the fast-growing Tier-2 cities of the Yangtze River Delta and Greater Bay Area. Shanghai remains our core market. As an international financial and trade centre, Shanghai will continue to be an influential global hub, leading the development of the Yangtze River Delta, linking all parts of the nation, and acting as a connector for the domestic and international markets.

Appreciation to All Our Stakeholders

In challenging times such as these, the strategic advice given by our experienced Board members is especially valued, and I take this opportunity to thank them. On behalf of the Board, I wish to extend our appreciation to our shareholders, business partners, and customers for their steadfast support of Shui On Land throughout the year. Importantly, my heartfelt thanks go to our management team and our employees. Their unstinting efforts throughout 2022 to ensure we implemented our strategy successfully were of vital importance to the Group's ability to weather the storm. As we look forward to 2023, I am confident we can continue to rely on such dedication as we navigate the uncertain seas ahead.

VINCENT H. S. LO
Chairman
Hong Kong, 23 March, 2023

"Our professional management team continuously strives to develop pioneering sustainable premium urban communities – to infuse innovation, heritage and vibrancy into urban life."

STEPHANIE B. Y. LO
Executive Director

Management Team
From left to right : **Mr. Douglas H. H. SUNG, Mr. Vincent H. S. LO, Ms. Jessica Y. WANG, Ms. Stephanie B. Y. LO, Mr. Allan B. ZHANG, Mr. Matthew Q. GUO**

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Vincent H. S. LO

Ms. Stephanie B. Y. LO

BOARD OF DIRECTORS

Executive Directors

Mr. Vincent H. S. LO, GBM, GBS, JP,

aged 74, has served as our Chairman since the inception of our Company in February 2004. Mr. Lo leads the Board of Directors in deciding on the Company's direction and to set corporate strategies. Mr. Lo was the Chief Executive Officer of our Company from 2004 to 16 March 2011. He is also the Chairman of the Shui On Group, which he founded in 1971, Chairman of SOCAM Development Limited, a director of Shui On Company Limited, the controlling shareholder of the Company, and a Non-executive Director of Great Eagle Holdings Limited. Mr. Lo was previously a Non-executive Director of Hang Seng Bank Limited.

Mr. Lo was awarded the Grand Bauhinia Medal (GBM) in 2017, the Gold Bauhinia Star (GBS) in 1998, and appointed Justice of the Peace in 1999 by the Government of the Hong Kong Special Administrative Region (HKSAR). He was named Businessman of the Year at the Hong Kong Business Awards in 2001, and won the Director of the Year Award from The Hong Kong Institute of Directors in 2002 and Chevalier des Arts et des Lettres by the French government in 2004. Mr. Lo was honoured with "Ernst & Young China Entrepreneur of The Year 2009" and also "Entrepreneur of The Year 2009" in the China Real Estate Sector. Mr. Lo was made an Honorary Citizen of Shanghai in 1999 and Foshan in 2011. In 2012, the 4th World Chinese Economic Forum honoured Mr. Lo with the Lifetime Achievement Award for Leadership in Property Sector. In 2022, Mr. Lo was named "Life Trustee" by Urban Land Institute.

In addition to his business capacity, Mr. Lo has been active in community services. He participated in the preparatory works of the establishment of the Hong Kong Special Administrative Region. He served as Chairman of the Hong Kong Trade Development Council and The Airport Authority Hong Kong. He currently serves as Member of the Board of Directors of Boao Forum for Asia, Honorary President of the Council for the Promotion & Development of Yangtze, Economic Adviser of the Chongqing Municipal Government, Honorary Life President of the Business and Professionals Federation of Hong Kong and the Honorary Court Chairman of The Hong Kong University of Science and Technology.

Ms. Stephanie B. Y. LO,

aged 40, is an Executive Director of the Company, and the Vice Chairman and Executive Director of Shui On Xintiandi Limited, a wholly-owned subsidiary of the Company. She is responsible for the development of Shui On Xintiandi's commercial strategy and project positioning. Ms. Lo oversees positioning and strategy for the Group's projects and leads the Human Resources Department and the Corporate Administration Services Department of the Company. Ms. Lo also takes the lead on corporate development, business and product innovation of the Group and also assists the Chairman of the Company in leading the future development of the Company. Ms. Lo joined the Group in August 2012 and has over 19 years of working experience in property development industry in the PRC, architecture, and interior design as well as other art enterprises. Prior to joining the Group, Ms. Lo worked for various architecture and design firms in New York City, which include Studio Sofield –

Ms. Jessica Y. WANG

Mr. Douglas H. H. SUNG

a firm well-known for its capabilities in retail design. She holds a Bachelor of Arts degree in Architecture from Wellesley College in Massachusetts. She currently serves as a Member of The Fourteenth Shanghai Committee of Chinese People's Political Consultative Conference. She has been selected as a Young Global Leader of the World Economic Forum in 2020. Ms. Lo is the daughter of Mr. Vincent H. S. LO (the Chairman of the Company), a Director of Shui On Company Limited (the controlling shareholder of the Company) and was appointed as a Non-executive Director of SOCAM Development Limited with effect from 1 January 2019.

Ms. Jessica Y. WANG,

aged 48, was appointed as the Executive Director and Chief Executive Officer of the Company in January 2022. Ms. Wang was the Managing Director – Project Development & Asset Management of Shui On Management Limited. Ms. Wang is responsible for various functions of project development and sales and marketing of the Group, and also oversees the asset management function. Ms. Wang is also responsible for the business development of the Group, which includes land acquisitions and other new property investment activities. Ms. Wang joined the Group in August 1997 and has over 28 years of working experience in the property development industry in the PRC. Prior to joining the Group, Ms. Wang worked in sales and marketing at a real estate company in Shanghai.

Ms. Wang holds a Bachelor of Engineering degree from the Shanghai University of Technology and an Executive Master of Business Administration (EMBA) degree from the Fudan University in Shanghai. She has completed the Senior Executive Leadership Program from the Harvard Business School. Ms. Wang is a member of the Standing Committee of People's Congress of Hong Kou District, Shanghai, Chairman of Real Estate Working Committee of Shanghai Association of Foreign Investment, Vice President and Director of Shanghai Real Estate Chamber of Commerce & Chairman of Commerce Real Estate Committee, Vice President of Shanghai Real Estate Trade Association and Vice Chairman of Shanghai Hongkou Federation of Industry and Commerce.

Mr. Douglas H. H. SUNG,

aged 56, is an Executive Director, Chief Financial Officer, and Chief Investment Officer of the Company. He takes the lead on the Group's investment platforms and finance management. As Chief Investment Officer, Mr. Sung is responsible for developing and executing the Group's investment strategy, diversifying the funding sources, and strengthening its investment capabilities and performance. He also assists the Board in the development of corporate strategies and the establishment of financial performance benchmarks. Mr. Sung joined our Group in January 2016 and has over 20 years of experience in the Asia real estate industry, ranging from research, capital market, direct investment, and fund management. Prior to joining the Company, Mr. Sung was the Managing Director and Head of Real Estate of Verdant Capital Group and the Managing Director and Portfolio Manager of JPMorgan Greater China Property Fund.

Mr. Sung holds a Bachelor of Architecture degree from the University of Southern California and a Master in Design Studies (Real Estate Emphasis) degree from Harvard University.

Professor Gary C. BIDDLE

Dr. Roger L. McCARTHY

Independent Non-executive Directors

Professor Gary C. BIDDLE,

aged 71, has served as an Independent Non-executive Director of our Company since May 2006. Professor Biddle is Professor of Financial Accounting at University of Melbourne and Visiting Professor at Columbia University Business School, University of Hong Kong (HKU), and London Business School. Professor Biddle earned his MBA and PhD degrees at University of Chicago. He previously served as professor at University of Chicago, University of Washington, Hong Kong University of Science and Technology (HKUST) and at HKU, and as visiting professor at China Europe International Business School (China), Fudan University (China), University of Glasgow (UK), IMD (Switzerland), and Skolkovo Business School (Russia). In academic leadership, Professor Biddle served as Dean and Chair Professor at HKU, and as Academic Dean, Department Head, Council member, Court member, Senate member, and Chair Professor at HKUST. He co-created the EMBA-Global Asia program and taught the first class and decade of the Kellogg-HKUST EMBA program, both recently ranked #1 in the world by Financial Times and QS. Professionally, he is a member of the AICPA, Australian Institute of Company Directors, CPA Australia, and HKICPA. Professor Biddle has served as editor and editorial board member of premier academic journals and as American Accounting Association Executive Board member, Vice-President, and President-Elect nominee, on the Accounting Hall of Fame Selection Committee, Financial Reporting Review Panel of the Financial Reporting Council of Hong Kong, HKICPA Council, Accreditation and Financial Reporting Standards Committees of HKICPA, Hong Kong Institute of Directors Training Committee, and as President and co-founding Council Member of the Hong Kong Academic Accounting Association. Professor Biddle is a leading expert in financial and management accounting (teaching both), value creation, economic forecasting, corporate governance, and performance metrics, including EVA®. His research appears in leading academic journals and in the financial press including CNBC, CNN, SCMP, The Economist, and The Wall Street Journal. He has over 10,000 Google Scholar citations and ranks among the top 0.10% in career research downloads among all social scientists (SSRN). Professor Biddle has won 30 teaching honours, including three "Professor of Year" awards from the world's top-ranked EMBA programs. He also proudly serves as Non-Executive director of Kingdee International Software Group Company Limited, as Independent Non-Executive Director of Real Pet Food Company (New Hope Group) and of Belite Bio, Inc. and he previously served as Remuneration Committee Chair of Chinachem Group.

Dr. Roger L. McCARTHY,

aged 74, has served as an Independent Non-executive Director of our Company since May 2006. Dr. McCarthy is the principal of McCarthy Engineering. He has also been elected an Officer, Treasurer, and member of the Governing Council of the US National Academy of Engineering (NAE). He also holds a seat on the Governing Board of the US National Research Council (NRC) and is a member of the Board of Directors of The National Academies Corporation (TNAC). Dr. McCarthy was formerly CEO and Chairman of Exponent, Inc. (NASDAQ symbol "EXPO"). He was also Chairman of Exponent Science and Technology Consulting Co., Ltd. (Hangzhou) (毅博科技諮

Mr. David J. SHAW

Mr. Anthony J. L. NIGHTINGALE

詢(杭州)有限公司), a wholly-owned subsidiary of Exponent, Inc., which he founded in 2005 to expand Exponent, Inc.'s services to the PRC. Dr. McCarthy holds five academic degrees: an Arts Bachelor (A.B.) in Philosophy and a Bachelor of Science in Mechanical Engineering (B.S.E.M.E.) from the University of Michigan; and an S.M. degree in Mechanical Engineering, the professional degree of Mechanical Engineer (Mech.E.), and a Ph.D. in Mechanical Engineering all from the Massachusetts Institute of Technology ("MIT"). He graduated from the University of Michigan Phi Beta Kappa, summa cum laude, the Outstanding Undergraduate in Mechanical Engineering in 1972. He was a National Science Foundation fellow. In 1992, Dr. McCarthy was appointed by the first President Bush to the President's Commission on the National Medal of Science. Dr. McCarthy is a Senior Fellow at the B. John Garrick Institute for the Risk Sciences at UCLA. Dr. McCarthy delivered the 2008 commencement address for the University of Michigan's College of Engineering.

Mr. David J. SHAW,

aged 76, has served as an Independent Non-executive Director of our Company since May 2006. Mr. Shaw acted as the Group Adviser to the Board of HSBC Holdings plc from June 1998 until 30 September 2013 and retired from the HSBC Group in 2015. Mr. Shaw is a solicitor admitted in England and Wales and Hong Kong. He was a partner of Norton Rose from 1973 until 1998 and during that period spent approximately 20 years working in Hong Kong. Mr. Shaw obtained a law degree from Cambridge University. He is also an Independent Non-executive Director of Kowloon Development Company Limited.

Mr. Anthony J. L. NIGHTINGALE, CMG, SBS, JP,

aged 75, has been appointed as an Independent Non-executive Director of our Company since 1 January 2016. He was the Managing Director of Jardine Matheson Holdings Limited. He is currently a non-executive director of Jardine Matheson Holdings Limited and other Jardine Group companies, including DFI Retail Group Holdings Limited and Hongkong Land Holdings Limited. He is also a non-executive Director of Vitasoy International Holdings Limited and a commissioner of PT Astra International Tbk. During the past 3 years, he was a director of Jardine Strategic Holdings Limited, Mandarin Oriental International Limited, Prudential plc, and Jardine Cycle & Carriage Limited.

Mr. Nightingale is a chairperson of The Sailors Home and Missions to Seafarers. He is the former chairman of the Hong Kong General Chamber of Commerce and was appointed a member of The HKSAR Chief Executive's Council of Advisers on Innovation and Strategic Development (2017 to 2022), an ABAC Representative of Hong Kong, China, from 2005 to 2017 and the Hong Kong representative to the APEC Vision Group from 2018 to 2019.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Shane S. TEDJARATI

Ms. Ya Ting WU

Mr. Shane S. TEDJARATI,

aged 60, was appointed as an Independent Non-executive Director of the Company on 18 January 2021. He is the Chairman and Chief Executive Officer of Tribridge Group and has served as Senior Advisor of Honeywell International Inc. ("Honeywell") (NYSE: HON) since 1 January 2022. He was President of Global High Growth Regions in Honeywell and was an officer of the company from September 2004 to December 2021. Mr. Tedjarati was responsible for driving the business expansion of Honeywell in high growth regions of the world: Asia, Africa, Latin America, the Middle East and Eastern Europe. Prior to joining Honeywell, Mr. Tedjarati spent 20 years in information technology and management consulting fields and was the regional managing director for Deloitte Consulting (Greater China) from July 1999 to August 2004, where he worked with Chinese state-owned enterprises and multinational corporations to help them formulate and execute strategies for sustainable growth in China and abroad. Mr. Tedjarati studied Mathematics and Computer Science at McGill University, Canada; Masters of Business Administration at University of Surrey, United Kingdom; and Executive Program in e-Commerce at the Wharton School of Management of the University of Pennsylvania. Mr. Tedjarati is an accomplished aviator and holds the highest levels of FAA pilot certifications (Airline Transport License) and jet type ratings.

Mr. Tedjarati is a Henry Crown Fellow of The Aspen Institute and also co-founder of its two flagship programs – the Middle East Leadership Initiative and the China Fellowship Program. He is a special advisor to Chongqing and Wuhan Mayors, member of the advisory board of Antai College of Economics and Management at Shanghai Jiao Tong University and industry Co-Chair of China Leaders for Global Operations, a dual master's degree program by Massachusetts Institute of Technology and Shanghai Jiao Tong University, and Advisory Council Member of the University of Berkeley AMENA Centre for Entrepreneurship and Development.

Mr. Tedjarati has lived in Greater China (Hong Kong and Shanghai) for more than 25 years and speaks six languages including Mandarin Chinese.

Ms. Ya Ting WU,

aged 48, was appointed as an Independent Non-executive Director of our Company on 27 January 2021. She is the Chief Executive Officer of Fengmao Trade (Shanghai) Co., Ltd. ("Fengmao"), a joint venture between Richemont/Yoox Net-a-Porter Group and Alibaba Group. Ms. Wu joined Fengmao in July 2019 and Unilever Group in September 1998. Ms. Wu took on different roles across different countries while she was with Unilever Group; she was employed by Unilever China Co. Ltd. as the Vice President of Digital and E-Commerce for Unilever North Asia. She has more than 22 years of working experience in the consumer goods industry and luxury fashion industry with successful track record of business delivery across 6 countries of which more than 10 years within Mainland China.

Mr. Albert Kong Ping NG

Ms. Wu served as an Advisory Board Member of Schneider Electric Taiwan Company Limited in 2015 and served to the Board of European Chamber of Commerce Taiwan and British Chambers of Commerce in Taipei in 2016. Ms. Wu holds a degree in Business Administration and Finance from Solvay Business School, Belgium and an MBA in Finance from European AMSEC.

Mr. Albert Kong Ping NG,

aged 65, has been appointed as an Independent Non-executive Director of our Company since 11 October 2022. Mr. Ng was the chairman of Ernst & Young China, the managing partner of Ernst & Young in Greater China, and a member of Ernst & Young's Global Executive Committee. He has over 30 years of professional experience in accounting in Hong Kong and Mainland China. Prior to joining Ernst & Young, Mr. Ng served as Managing Partner of Arthur Andersen in Greater China, Managing Partner of the China Operation of PricewaterhouseCoopers, and the managing director of Citigroup China Investment Banking.

Mr. Ng is currently an Honorary Advisor of the Hong Kong Business Accountants Association and a member of the Advisory Board of the School of Accountancy and the MBA Programs of The Chinese University of Hong Kong. Mr. Ng is a member of the Audit Committee of The Chinese University of Hong Kong, Shenzhen and a Council Member of the Education Foundation of The Chinese University of Hong Kong, Shenzhen.

Mr. Ng is an Independent Non-executive Director of Ping An Insurance (Group) Company of China, Ltd. (a company listed on the Shanghai Stock Exchange (stock code: 601318) and the Hong Kong Stock Exchange (stock code: 02318)), China International Capital Corporation Limited (a company listed on the Shanghai Stock Exchange (stock code: 601995) and the Hong Kong Stock Exchange (stock code: 03908)), an Independent Director of Alibaba Group Holding Limited (a company listed on the New York Stock Exchange (stock code: BABA) and the Hong Kong Stock Exchange (stock code: 09988)), and an Independent Non-executive Director of Beijing Airdoc Technology Co., Ltd. (a company listed on the Hong Kong Stock Exchange (stock code: 02251)).

Mr. Ng is a member of the Hong Kong Institute of Certified Public Accountants (HKICPA), Chartered Accountants of Australia and New Zealand (CAANZ), CPA Australia (CPAA), and the Association of Chartered Certified Accountants (ACCA). He obtained his Bachelor of Business Administration degree and his Master of Business Administration degree from The Chinese University of Hong Kong.

Senior Management

Mr. Allan B. ZHANG,

aged 44, was appointed as Chief Executive Officer of Shui On Xintiandi Limited ("Shui On Xintiandi") effective from 1 January 2022. He was previously the Chief Operating Officer at Shui On Xintiandi and has served as Executive Director of Shui On Management Limited ("SOM") since January 2016. Mr. Zhang joined the Group in 2004.

Mr. Zhang leads the operations and management of the Shui On Xintiandi business as well as the expansion of the Group's commercial assets in the PRC. In his previous roles, Mr. Zhang led the development of commercial products such as development research, product development, and project design development functions. He was also responsible for the Company's overall development project in Shanghai Taipingqiao area and successfully led the development and community building of Wuhan Tiandi as well as KIC in Shanghai.

Mr. Zhang has over 19 years of experience in the PRC property development, urban regeneration, and commercial asset management industries. He is a member to the People's Congress of Shanghai Huangpu District.

Mr. Zhang graduated from Tongji University in Shanghai, PRC with a Bachelor's degree in materials engineering and a master's degree in materials physics and chemistry. He is currently pursuing the Kellogg-HKUST Executive MBA Program jointly offered by the Kellogg School of Management at Northwestern University and The Hong Kong University of Science and Technology.

Mr. Matthew Q. GUO,

aged 48, re-joined the Group in July 2022 as an Executive Director of SOM. He leads the Positioning and Product Development Department and IT and Cybersecurity Department of the Company. He also oversees Wuhan, Foshan, Chongqing and Nanjing projects. Mr. Guo joined the Group in 1997 and has over 24 years of working experience in the property development industry in the PRC. Mr. Guo was the Project Director of the Wuhan Tiandi project, Executive Director of SOM and Managing Director of Feng Cheng Property Management before he left the Group in 2018. He was also involved in other projects of the Group including Shanghai Xintiandi, Taipingqiao Park, The Lakeville Phase I and the Yangpu Knowledge and Innovation Community project in Shanghai. Mr. Guo holds a Bachelor's degree in urban planning from Tongji University in Shanghai.

Ms. Jenny H. LI,

aged 44, was appointed as the Senior Director of Property Development of the Company with effect from 1 January 2022. She leads the Cost Management Department, Project Management Department, Development Planning & Design Department, and Shui On Construction business of the Company, and coordinates and manages various professional functional departments of project development. She joined the Group in 2001 and has over 22 years of working experience in the real estate industry in the PRC. Ms. Li holds a Bachelor degree of Engineering in Civil Engineering from Tongji University in Shanghai and an Executive Master of Business Administration (EMBA) degree from the Fudan University in Shanghai. Ms. Li also holds the Professional Certificate of Senior Engineer. She currently serves as a Member of the Committee of Chinese People's Political Consultative Conference of Huangpu District, Shanghai.

Mr. Albert K. B. CHAN,

aged 63, joined the Group in 1997, is the Director of Development Planning and Design. He was also appointed as the Chief Sustainability Officer of our Group effective from 1 January 2022. From 1997, he has led the masterplanning and design of multiple award winning "Tiandi" community developments for the Company. From 1998 to 2001, he led the design effort for the Shanghai Xintiandi development. Mr. Chan leads the Sustainable Development Department of the Company and is responsible for the objectives and initiatives in sustainability of the Group (including the Company and Shui On Xintiandi).

Prior to joining the Group, Mr. Chan worked at the New York City Department of Design and Construction and at Cooper, Robertson + Partners. Mr. Chan holds a B.Arch from the University of Minnesota, a M.Arch from the University of California, Berkeley, a M.S in Urban Design from Columbia University, and an MBA from New York University. He is a Global Trustee of the Urban Land Institute (ULI), and chaired the ULI Mainland China Council from 2017 to 2019. He is a member of the Board of Directors of American Institute of Architects (AIA) Shanghai/Beijing Chapter. He co-chairs the jury for the China Real Estate Design Competition since 2020. He has been appointed as a member of International Panel of Experts of Urban Redevelopment Authority (URA), Singapore effective 2022-2025.

Mr. David P. K. WONG,

aged 67, was appointed as the Chief Economist of our Group effective from 1 January 2022. He is responsible for macroeconomic analysis and the research on development strategies of the Group (including the Company and Shui On Xintiandi). He is also the Director of Development Research. Mr. Wong joined the Group in 1996 and has over 30 years of working experience in the Chinese property markets. Before joining the Group, he was Assistant Chief Economist of Hong Kong Trade Development Council. Mr. Wong holds a Bachelor of Science degree from the University of Minnesota and a Master degree in Economics from the University of California, Berkeley. He is a member of Urban Land Institute and China Strategic Thinkers.

Ms. Rachel Y. Q. LEI,

aged 43, was appointed as the Senior Director of Commercial of Shui On Xintiandi with effect from 1 January 2022. She is responsible for the day-to-day operation and management of the Ruihong Tiandi project. She continues to oversee the Operation Excellence of Shui On Xintiandi head office and Chongqing Tiandi project. Ms. Lei joined the Group in 2001 and has over 21 years of working experience in the real estate industry in the PRC. Ms. Lei obtained both a Bachelor's degree in Journalism and a Bachelor's degree in Finance from Shanghai Jiao Tong University in July 2001. She is a member of the Association of Chartered Certified Accountants.

Mr. Clarence C. F. LEE,

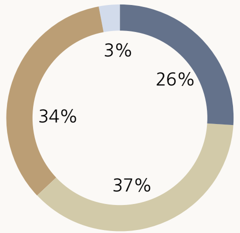
aged 48, joined our Group in August 2018 and was appointed as the Senior Director of Commercial of Shui On Xintiandi effective from 1 January 2022. He is primarily responsible for the Company's central retail leasing function and retail & office leasing for Shanghai Taipingqiao. Mr. Lee obtained a Bachelor's degree in Computer Science from The University of Hong Kong in December 1998.

MANAGEMENT DISCUSSION AND ANALYSIS

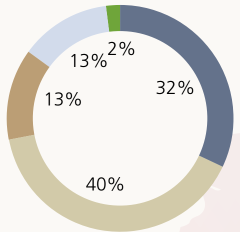
To be a Pioneer of

Sustainable Premium Urban Communities

Landbank
as of 31 December 2022



	million sq.m.
Residential	1.8
Office	2.5
Retail	2.3
Hotel/ Serviced Apartments	0.2
Total Leasable and Saleable GFA	6.8
Attributable GFA	4.2



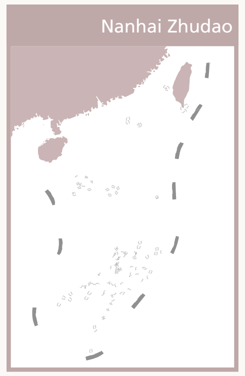
	million sq.m.
Shanghai	2.2
Wuhan	2.7
Chongqing	0.9
Foshan	0.9
Nanjing	0.1
Total Leasable and Saleable GFA	6.8
Attributable GFA	4.2

Total landbank GFA
9,308,000 sq.m.

No. of brands
2,800+

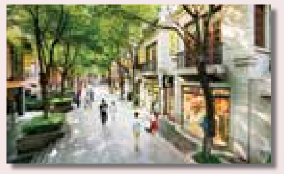
No. of iTiandi membership
3,611,000+

Leading player in Shanghai commercial real estate with GFA of
1,719,000 sq.m.



Wuhan

Wuhan Tiandi

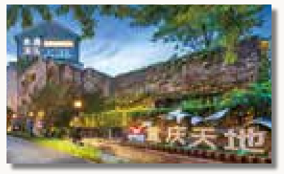


Wuhan Changjiang Tiandi

Optics Valley Innovation Tiandi

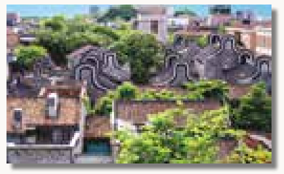
Chongqing

Chongqing Tiandi



Foshan

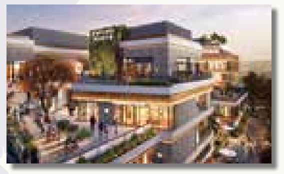
Foshan Lingnan Tiandi



Nanjing

INNO Zhujiang Lu

Baiziting Tiandi



International Finance Center ("IFC")

Shanghai

Shanghai Taipingqiao

Rui Hong Xin Cheng

THE HUB

Shanghai Panlong Tiandi

KIC

INNO KIC

HONG SHOU FANG

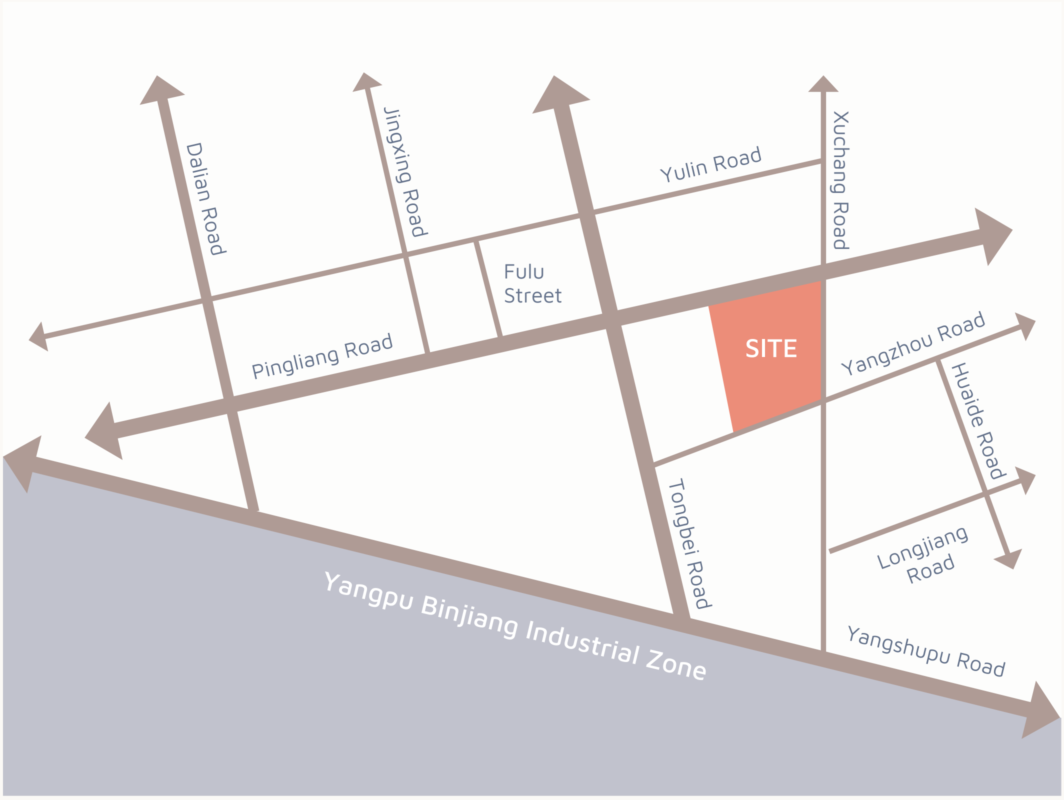
Shanghai Yangpu Binjiang

PROJECT PROFILES
2022 HIGHLIGHTS

NEW ACQUISITION

Shanghai Yangpu Binjiang

A heritage preservation and development project that involves the development of a high-end low-density residential community, comprising 89 units with unit sizes ranging from 170 – 400 sq.m.. Sited in the Yangpu Riverside Zone, which is part of the "Central Activities Zone" outlined in the "Shanghai Master Plan 2017-2035", the project is in close proximity to the Huangpu River and the inner-ring road elevated expressway with convenient access to three metro lines. Yangpu Riverside Zone is positioned as



Acquisition Date	December 2022
Property	Block 6, Pingliang Street, Yangpu District, Shanghai
Site area	16,993.8 sq.m.
Gross floor area ("GFA")	23,791.32 sq.m.
Land Usage	Residential
Terms	70 Years
Consideration	RMB2,376 million
Group interest	60%
Joint Venture Partner	Shanghai Yangshupu Real Estate Co., Ltd

the pilot area for the Internet industry's development and is currently home to the headquarters of several key internet industry players. Given its location and development potential, the development will appeal to high-net-worth individuals, benefiting from anticipated rising demand for high-end residential development.

PROJECT PROFILES
2022 HIGHLIGHTS

NEW PROJECT LAUNCH

Rui Hong Xin Cheng

Ocean One (Lot 7) has a total GFA of 161,000 sq.m. for residential and 2,000 sq.m. for retail shops. The final batch was launched in January 2022, and all residential units have been launched and subscribed. The tower structures have been completed and will be ready for handover in 2023. Park Vera (Lot 167A), with a total GFA of 86,000 sq.m. for residential, was launched in June 2022. As of 31 December 2022, all 609 units have been contracted with a sales amount of RMB10,291 million.

Shanghai Panlong Tiandi

Jingyuan (Lot 11) and Zhenyuan (Lot A05-04 & Lot A03-02), with a total GFA of 76,000 sq.m. (including underground GFA of 5,000 sq.m.), were launched in July 2022. We received over 2,000 subscriptions for the 571 units to be launched, and according to government policy, 1,062 customers entered the final ballot process with an entry score of 91.22, which was a record-high score for Shanghai. As of 31 December 2022, a total of 551 units have been contracted, translating into a sales amount of RMB4.7 billion.

Ocean One (RHXC Lot 7)

Wuhan Tiandi

La Riva III (Lot B12) has a total GFA of 72,000 sq.m. for residential and 1,000 sq.m. for retail shops. The Group launched 65 residential units in November 2022, with all units sold out on the launch day.

PROJECT PROFILES

PROJECTS UNDER DEVELOPMENT

Wuhan Changjiang Tiandi

Acquisition Date	December 2021
Property	Land parcels A, B and C in Wuchang District, Wuhan
Site area	332,381 sq.m.
Estimated GFA	1.21 million sq.m.
Land Usage	Mix used
Consideration	RMB17,031 million
Group interest	50%
JV Partner	Wuhan Urban Construction Group

This land parcel is in the ancient city of Wuchang in Wuhan, facing the Yangtze River in the west and the Second Ring Road in the south. It is also situated just 1.5 kilometres away from the Yellow Crane Pavilion. The land has rich ecological and historical resources, being sited on the original site of the Wuhan shipyard and serves as a representation of Wuhan's industrial and cultural heritage.

The project comprises a large-scale master planned district that includes the development of residential, office, and commercial buildings, international schools, and other public utilities.

HONG SHOU FANG

Acquisition Date	November 2019
Site area	15,258 sq.m.
Total above ground GFA	62,000 sq.m. (Office 48,000 sq.m. + Retail 14,000 sq.m.)
Land Usage	Grade A office + "Tiandi" style retail
Total Land Cost	RMB1,860 million
Group interest	100%

The Hong Shou Fang project is a "Urban Regeneration" project located at the gateway of Changshou Road, the most prosperous commercial street of Putuo District, Shanghai. The site is located just 2 kilometres from Nanjing West Road, a prominent Shanghai CBD area. The site is directly linked to Changshou Road Station, the interchange station of Metro Lines 7 & 13.

Shanghai Panlong Tiandi

Acquisition Date	October 2019 and May 2020
Site area	90,059 sq.m.+ 33,618 sq.m.+ 56,937.6 sq.m.
Total GFA	176,251.50 sq.m. + 74,017.80 sq.m. + 48,660.18 sq.m.
Residential GFA	259,000 sq.m.
Culture and recreation/ restaurant and hotel GFA	42,000 sq.m.
Greeneries and public open space GFA	230,000 sq.m.
Total Land Cost	RMB3,881.5 million + RMB1,666 million + RMB429.6 million
Group interest	80%

This project is in Shanghai's Qingpu District, which is part of the Hongqiao CBD. It is next to the Shanghai Metro Line 17 Panlong Station and is just two train stops or 3 km from the Hongqiao Transportation Hub.

PORTFOLIO OVERVIEW

SHANGHAI

Shanghai Taipingqiao

The Taipingqiao project has a total GFA of 1.2 million sq.m. and is in Huangpu District, the main commercial centre of Shanghai's Puxi region (along the west side of the Huangpu River). The project is connected by Shanghai Metro Lines 1, 8, 10, 13 and 14, all of which are in active operation.

The Taipingqiao project, which began its multi-phase development in 1996, comprises retail, office, residential and cultural properties.

Shanghai Xintiandi, a historic restoration zone successfully rejuvenated and reshaped into a lifestyle community, offers a wide selection of terrace restaurants and retail options, which is today a must-go destination in Shanghai. As Shanghai's premier lifestyle destination, Shanghai Xintiandi continues to attract new tenants from across the world. Shanghai Xintiandi has also enjoyed steady rental growth since its opening in 2001. Shui On Plaza comprises an office tower with a retail podium. Xintiandi Style II, located south of Shanghai Xintiandi, is a fashion-themed shopping mall featuring many domestic fashion brands. It underwent an asset enhancement initiative ("AEI") program in October 2021. The AEI was completed at the end of 2022 and soft-opened in January 2023.

Lakeville, a notable premium residential project first launched in 2002, has a total GFA of approximately 423,000 sq.m. sold across five phases and delivered to buyers as of 31 December 2022. The ASP of this project reached over RMB165,000 per sq.m..

In June 2021, the Group formed a joint venture with Shanghai Yongye Enterprise (Group) Co., Ltd. on a 50/50 partnership basis to undertake property development in Huangpu District, Shanghai. The total site area of approximately 24,000 sq.m. will enable the Group to further expand its footprint in the world-renowned Shanghai Xintiandi area.

5 Corporate Avenue and Hubindao is a Grade-A office building with a total GFA of 52,000 sq.m. for office use and 27,000 sq.m. for retail use. The building was completed in 2013. The Group holds an effective interest of 44.55%.

CPIC Xintiandi Commercial Center (Lots 123, 124 and 132) will be developed into a commercial complex with three towers of premium Grade-A office buildings with a total GFA of 192,000 sq.m., together with a street style all-weather shopping and leisure/entertainment area for a total GFA of 84,000 sq.m.. The groundbreaking of the development was held in September 2019. The Group has an effective interest of 25%.

Rui Hong Xin Cheng

The Rui Hong Xin Cheng ("RHXC") project is located within the inner ring of Shanghai in Hongkou District (the "District"). The District, which has a long history and is currently undergoing urban renewal, enjoys excellent connectivity to the Lujiazui CBD and Pudong commercial district via four metro lines: Shanghai Metro Lines 4, 8, 10 and 12, as well as two tunnels: Xinjian Road Tunnel and Dalian Road Tunnel. RHXC is being revitalised to become a fashionable urban living destination, and will become an integrated community comprising office buildings, shopping centres, hotels, culture & entertainment space and residential properties with a total GFA of 1.72 million sq.m..

For the residential segment, the Group has developed, sold and delivered a total GFA of approximately 866,000 sq.m., completed in eight phases from 1998 to 2021.

Ocean One (Lot 7) (Phase 9) has a total GFA of 163,000 sq.m.. The final batch was launched in January 2022 and all its units have been fully subscribed. The structure of all towers have been completed and will be ready for handover in 2023. The Group holds a 49.5% effective interest in Lot 7.

Park Vera (Lot 167 A) (Phase 10) has a total GFA of 86,000 sq.m. for residential and 1,000 sq.m. for retail purposes. The residential units were launched in June 2022 and all units have been fully subscribed. The structure of all towers have been completed and will be ready for handover in 2023. The Group holds a 49.0% effective interest in Lot 167.

Hall of the Sun and Ruihong Corporate Avenue (Ruihong Tiandi Lot 10), which has a total leasable GFA of 330,000 sq.m., is a commercial complex comprising two Grade-A office buildings and a shopping mall. Thereinto, Hall of the Sun was opened in September 2021, while Ruihong Corporate Avenue greeted its first tenant in October 2021. With a total leasable GFA of 185,000 sq.m., Hall of the Sun is home to over 100 F&B tenants, and has attracted numbers of brands to launch their first or flagship stores.

Hall of the Moon (Ruihong Tiandi Lot 3), which has a total leasable GFA of 64,000 sq.m., held its grand opening in June 2017, providing attractive features including various culture and entertainment experience along with nightlife offerings.

Hall of the Stars (Ruihong Tiandi Lot 6) with a total leasable GFA of 19,000 sq.m. commenced operations in 2015, and is positioned as a parent-child experiential shopping street with an integrated mix of dining, retail, personal care and children-related services.

The Group holds a 49.5% effective interest in the properties.

In 2022, the RHXC project won the 2022 Urban Land Institute ("ULI") Asia-Pacific Awards for Excellence.

PORTFOLIO OVERVIEW

Knowledge and Innovation Community

The Knowledge and Innovation Community ("KIC") project is strategically located in Wujiaochang City Sub-Center, Yangpu District. It's in the immediate vicinity of major universities and colleges, and well connected by Shanghai Metro Line 10.

KIC, with a total GFA of 501,000 sq.m., is an international knowledge community that aims to fully integrate office park, college campus and residential neighborhood, as well as to inspire the spirit of "live-work-play-learn". Upon its 20th Anniversary, KIC has become a landmark of creativity, innovation, and entrepreneurship in Shanghai. Over 500 pioneering start-ups, burgeoning unicorns, mature industrial leaders, together with adjacent universities constitute a vibrant eco-system here, bursting out new ideas, creating new opportunities, motivating new businesses. Technology, Media, Telecom ("TMT") and professional service are KIC's main industries. Notable corporations resident at the KIC include DELLEMC, Ebao, VMware, SUNMI, ATRenew, Agora, AECOM and Deloitte.

As KIC's most dynamic commercial block, University Avenue offers a wide selection of gourmet cuisines, cafes, featured bookshops and retail stores. Other than its well-known street view and outdoor seating, diversified events and displays through the year also add to KIC's LOHAS atmosphere.

KIC won the 2019 ULI Global Awards for Excellence, and 2019 ULI Asia-Pacific Awards for Excellence.

The Group has a 44.27% effective interest in the remaining lots, except for KIC Lot 311 in which the Group has an effective interest of 50.49%.

INNO KIC

INNO KIC is in the Xinjiangwan CBD of Yangpu District, Shanghai, with an above-ground construction area of 45,800 sq.m..

INNO KIC is one of the multiple projects created by SHUI ON WORKX, aiming to provide a complete life-cycle workspace solution for start-ups, small-to-medium and large enterprises. As of 31 December 2022, Block B with 20,000 sq.m. has been leased to Ping An, while the vice building of Block A with 3,900 sq.m. has been leased to Atour Hotel. The project introduces a new business social platform that integrates work, entrepreneurship, learning, and leisure, covering the four major product modules of INNO SOCIAL, INNO STUDIO, INNO WORK, and INNO OFFICE, as well as a service system of SHUI ON WORKX mobile application, and a platform of INNO SPACE that provides incubation and corporate policy consultancy services. The ultimate objective of this project is to create a diversified working ecosystem that promotes the growth and development of enterprises. The Group holds a 100% interest in this project.

In 2019, the INNO KIC project won the 2019 Urban Regeneration Advance Award.

THE HUB

THE HUB has a total GFA of 308,000 sq.m. and is strategically located at the heart of the Shanghai Hongqiao Central Business District (Hongqiao CBD) and is also the only site that is directly connected to the Hongqiao Transportation Hub, thus facilitating convenient accesses to major transportation nodes such as the High-Speed Railway Station, Hongqiao International Airport Terminal 2, as well as three operating metro lines. In line with the country's call of advocating a "High-quality and high-standard opening up to the wider world", the Hongqiao hub will play an important and strategic role in connecting international and domestic markets, while leading the integrated development of the Yangtze River Delta.

Construction of THE HUB commenced in 2011 and was completed in the second half of 2015. It is today a new business, cultural and lifestyle landmark, comprising a large retail component, offices and a performance and exhibition centre. THE HUB enjoys irreplaceable market positioning, via a unique and seamless blend of shopping, entertainment and F&B with the performing arts, as well as child & family-friendly experiences.

Four office towers with a total leasable GFA of 90,000 sq.m. are regional headquarters and branch offices of leading companies in various industries that have been moving in since late 2014, including Fortune 500 companies such as Roche Diagnostics (Greater China Headquarters) and Shell (Downstream Business Headquarters).

The combined retail portfolio has a total GFA of 173,000 sq.m. including THE HUB shopping mall, Xintiandi sunken plaza, the office retail space and a performance centre. Tenants have been operating since the second half of 2015. The shopping mall, which has a total GFA of 125,000 sq.m., accommodates over 200 shops and offers a strong tenant mix with many brands making their first appearance in China and/or Shanghai.

In 2021, THE HUB project won the 2021 ULI Global Awards for Excellence, and also obtained WELL Health-Safety Rating for Facility Operations and Management.

Optics Valley Innovation Tiandi

The Optics Valley Innovation Tiandi, which has a total GFA of 1.28 million sq.m., is in the central area of Optics Valley Central City. Optics Valley is located in Wuhan East Lake High-tech Development Zone, ranking third among the 114 high-tech zones in China in 2016, and is one of the National Innovation Demonstration and Free Trade Zones in China. Optics Valley Central City serves as the engine of the national innovation city and is positioned to be a world-class innovation centre. The Group has a 50% effective interest in the project.

Construction work of the first phase residential (Lot R1), which has a total GFA of 122,000 sq.m. was delivered by the end of 2022. The second phase (Lot R5), which has a total GFA of 112,000 sq.m. was delivered to the buyers since the first half of 2021. Lot R6, which has a total GFA of 36,000 sq.m. commenced pre-sale in November 2021, and the units were delivered to buyers in December 2022. The construction for Lots R7 and R8, which have a total saleable GFA of 73,000 sq.m., was commenced in November 2021 and is planned for sale in 2023.

WUHAN

Wuhan Tiandi

The Wuhan Tiandi project has a total GFA of 1.37 million sq.m. and is in the city centre of Hankou District, occupying a prime location on the Yangtze River waterfront, promising unparalleled views of the Yangtze River and the scenic Jiangtan Park.

The Wuhan Tiandi project is a large-scale, mixed-use redevelopment comprising two major sites.

Wuhan Xintiandi (Lot A4) commenced operations in 2007 and has since become a well-recognised landmark of Wuhan, benefiting from a careful balance of preserving local historical architecture while injecting new commercial value.

Horizon South (Lots A1/A2/A3), which has a total GFA of 121,000 sq.m., commenced operations in September 2016. It is a one-stop shopping centre with nearly 200 global fashion brands that not only promotes cutting-edge and modern fashion, but also provides a wide range of product and service offerings to consumers. Horizon North (Lot B4 retail), which has a total GFA of 72,000 sq.m., held a grand opening in November 2019. It is positioned as a family-oriented retail destination that services the residents of the Wuhan Tiandi Community and the surrounding neighborhoods. The property is directly connected to the Light Rail Line 1.

The office towers at Lots A2/A3/A5, which have a total GFA of 156,000 sq.m., have been sold to buyers since 2011. 1 Corporate Avenue, Wuhan is a high-rise office tower located in the Wuhan Tiandi Community, which consists of a 73-storey Grade-A office building. It was completed in 2021 and has started pre-leasing.

Residential developments in Wuhan Tiandi have been well received by the market. As of 31 December 2022, a total GFA of 623,000 sq.m. residential units were sold and delivered to buyers. La Riva III (Lot B12), which has a total residential GFA of 72,000 sq.m. launched its first batch in November 2022.

In 2021, the Wuhan Tiandi project won the 2021 ULI Asia Pacific Awards for Excellence.

OTHER MAJOR CITIES

NANJING

The Group also seizes opportunities to manage third-party assets, so as to leverage on, and introduce new asset management services to properties in prime locations that have preservation elements.

These asset management initiatives include Nanjing INNO Zhujiang Lu, the first asset light project of the Group applying the INNO office concept. Nanjing INNO Zhujiang Lu has a total GFA of 17,000 sq.m., under a long-term lease contract with a third-party landlord. The property has been under pre-leasing since early 2018 and commenced operation at the end of 2018.

Nanjing Baiziting Tiandi, the Group's second asset light project in Nanjing, has a total GFA of 67,000 sq.m. of retail, culture and leisure space.

In February 2021, the Group's 50/50 joint venture with Grosvenor Group completed the acquisition of a mixed-use Grade-A landmark property, located at No. 1 Hanzhong Road, Qinhuai District, Nanjing, the capital city of Jiangsu Province. Nanjing IFC comprises a 45-storey Grade-A office tower, a 7-storey retail podium, and 181 underground parking lots. This acquisition is one of Grosvenor Asia Pacific's most significant investments to-date and also a milestone for the Group to grow its presence in Nanjing, in addition to its Nanjing INNO Zhujiang Lu and Baiziting Tiandi projects.

CHONGQING

Chongqing Tiandi

Located in Yuzhong District, Chongqing Tiandi is an urban renewal project with a total plan GFA of 2.8 million sq.m..

Chongqing Xintiandi is a 49,000 sq.m. historic restoration zone within Chongqing Tiandi, which has been successfully rejuvenated and reshaped into a lifestyle community. Operational since 2010, Chongqing Xintiandi offers a wide selection of terrace restaurants and retail outlets.

Chongqing 1, 3-5 and 6-8 Corporate Avenue are commercial properties within the Chongqing Tiandi development. With a total office use GFA of 351,000 sq.m., these properties have been sold to buyers between 2011 and 2013. The commercial properties also comprise ancillary retail space of 79,000 sq.m., of which the Group continues to hold a 99% effective interest in, providing retail, food and beverage, as well as entertainment facilities to the office tenants and residents in the neighborhood.

The residential phases 1 to 9 within the development have been completed and progressively delivered to customers since 2008.

On 26 May 2017, the Group sold a 79.2% effective interest in the portfolio of 11 parcels at the Chongqing Tiandi ("Chongqing Partnership Portfolio") for a total consideration of RMB4,133 million. The transaction was completed on 29 June 2017. Accordingly, the Group now holds an effective interest of 19.8% in the partnership portfolio.

FOSHAN

Foshan Lingnan Tiandi

The Foshan Lingnan Tiandi project is strategically located in the old town centre of the Chancheng District, which is Foshan's traditional downtown area and public transportation hub. The project enjoys good connectivity with two subway stations of the Guangzhou-Foshan metro line directly linked to the project site. This includes the Guangfo Metro Line 1, which is connected to Guangzhou, and an extended line that commenced operations in 2018, running from Xilang Station to Lijiao Station and passing through the Zhujiang River. The master plan of the Foshan Lingnan Tiandi project covers areas with a total GFA of 1.5 million sq.m..

The project is a large-scale urban redevelopment comprising office, retail, hotel, cultural facilities and residential complexes in an integrated community. The project benefits from having two national-grade heritage sites located within its community. This includes the centerpiece of Foshan's cultural heritage – Zumiao, an immaculately preserved ancient Taoist temple, and the Donghuali, a well-known historic area.

Lingnan Tiandi is the historic restoration zone of the project, which has a total GFA of 55,000 sq.m.. Lingnan Tiandi has been restored in three phases and successfully rejuvenated and reshaped into a lifestyle community, offering a wide selection of terrace restaurants and retail outlets. NOVA, located adjacent to Lingnan Tiandi, sits at the centre of the Chancheng District of Foshan, with direct access to Zumiao Metro Station. As a mixed-use commercial complex with offices and retail, it serves the urban middle-class population of the city with trendy retail, entertainment and lifestyle offerings. Lot E office is an office building that sits on top of NOVA. It caters primarily to domestic companies and small and medium enterprises, providing convenient office accommodations with easy accessibility.

Since 2011, the Group has developed and delivered residential units with a total GFA of approximately 389,000 sq.m.. The Masterpiece (Lot 13A), with a total GFA of 50,000 sq.m. for residential use and 1,000 sq.m. for retail space, was launched for pre-sale in late 2019. As of 31 December 2022, all residential units have been handed over to the buyers.

In 2019, the Foshan project won the 2019 ULI Asia-Pacific Excellence Award and Global Excellence Award.

BUSINESS HIGHLIGHTS

Resilient performance despite a difficult operating environment

2022 was a very challenging year with global and local factors leading to unprecedented impacts on our business. Geopolitical tensions, continuing COVID-19 outbreaks leading to subsequent lockdowns in Shanghai and other major cities in China, together with heightened inflationary and liquidity uncertainties, have placed a high degree of pressure on the Chinese economy and, in particular, the property industry. Amidst such a difficult operating environment, the Group is pleased to stay profitable, achieving a net profit of RMB1,475 million in 2022, with profit attributable to shareholders at RMB906 million.

Strong fundamentals with a stable balance sheet

The Group redeemed the USD600,000,000 6.40% senior perpetual capital securities in June 2022 with internal resources. Our net gearing ratio stayed at a healthy level of 45% (31 December 2021: 30%), with the redemption of the senior perpetual capital securities resulting in a 13% increase. Cash and bank deposits remained stable at RMB13,368 million. We aim to maintain a prudent stance in the management of our balance sheet.

Downward pressure from the COVID-19 outbreak, but the overall operational performance was satisfactory

Partly due to the delays in construction and handover of residential units, the Group's revenue for 2022 decreased by 11% to RMB15,565 million (2021: RMB17,555 million), while contracted property sales decreased by 10% year-on-year to RMB27.2 billion. As of 31 December 2022, the Group's total locked-in sales, including that of joint ventures and associates, was RMB40.9 billion for delivery and to be recognised in the financial year 2023 and beyond. The commercial portfolio, impacted by rental concessions granted to tenants, saw total rental and related income (including joint ventures and associates) of RMB2,802 million, representing a decrease of 4% year-on-year.

Dividend declared

The Board has recommended a final dividend for the year of HKD0.064 per share (2021: HKD0.084). Together with an interim dividend of HKD0.036 per share, the full-year dividend for 2022 amounted to HKD0.10 per share (2021: HKD0.12).

Gradual recovery is likely following government's supportive measures

We remain cautious of developments in the global environment under ongoing geopolitical tensions. However, recent relaxation in China's COVID-19 restrictions and government support for the domestic credit market should improve business sentiment and gradually restore confidence in the real estate market.

Shui On Land is a leading commercial property-focused developer, owner, and asset manager in China, anchored by a prime city centre portfolio in Shanghai. We believe in the creation of long-term value through the design, development, and management of unique live-work-play-learn communities. Our "Asset Light Strategy" facilitates our strategic transformation, enabling us to enhance the Group's financial strength and diversify our capital base while seeking new investment opportunities.

The Group has two main businesses, namely property development, and property investment and management. Since our inception, we have been focusing on developing large-scale, mixed-use real estate projects in prime locations. After over 26 years of investing and building in China, the Group owns and manages a significant investment property portfolio under its wholly owned subsidiary Shui On Xintiandi ("SXTD"). Our two businesses are complementary to each other, which enables the Group to provide comprehensive, high-quality products and services across the spectrum of residential, retail, and office sectors both for sale and for long-term investment.

Our motto is "to be a pioneer in developing and operating sustainable premium urban communities". Since the inception of Shui On Land, sustainable development has been part of our DNA, and we are committed to caring for the environment, preserving and rejuvenating China's cultural heritage, as well as to build and sustain vibrant communities. Sustainability is core to our business strategy and not a separate initiative. We employ a people-centric, sustainable approach to designing and building master-planned communities and have a widely-recognised track record in sustainable development.

KEY ACHIEVEMENTS IN 2022

- In 2022, we achieved contracted sales of RMB27,219 million. This includes the launch of Shanghai RHXC Ocean One (Lot 7), Shanghai RHXC Park Vera (Lot 167A), and Shanghai Panlong Tiandi Jingyuan (Lot 11). RMB1,427 million of subscribed sales as of 31 December 2022 is expected to be turned into contracted property sales in 2023 and beyond.

- Despite the negative impact of COVID-19, our commercial property portfolio has delivered resilient recurrent rental income. Including properties held by joint ventures and associates, our total rental and related income decreased by 4% year-on-year to RMB2,802 million in 2022, of which 73% was contributed by our portfolio located in Shanghai.

- In February 2022, the Group signed a MoU with SPD Bank Shanghai Branch with an amount of RMB10 billion. SPD Bank is to provide M&A financing services and leverage its financial services and products in ESG to support the Group's robust and diversified ESG efforts.

- In March 2022, the Group signed a MoU with the Bank of Shanghai with an amount of RMB10 billion on real estate financing and ESG and sustainable financing.

- In May 2022, the Group announced its participation in the "Business With Purpose 2022" platform. We have since signed a green pact with 100 supply eco-partners and signed the industry's first deep green lease with the USGBC in November 2022. These initiatives aim to deepen green practices, create a green ecosystem, and provide a platform for our tenants and customers to implement sustainable urban development solutions.

- In June 2022, the Group redeemed the USD600,000,000 6.40% senior perpetual capital securities callable in 2022.

- In November 2022, the Group formed a joint venture with Shanghai Yangshupu Real Estate Co., Ltd., and the joint venture subsequently, in December 2022, won a bid for the land use rights of the land parcel located in Yangpu District at a total consideration of RMB2,376 million. The total site area for the land parcel is 16,993.8 sq.m. with a total GFA of 23,791.32 sq.m. for residential and other facilities use. The Group holds a 60% effective interest in the project.

Urban Solutions Provider

Dedicated to Creating
Sustainable Premium Urban
Communities in China

PROPERTY DEVELOPMENT

"Our strong brand and long-standing approach to urban regeneration have made Shui On Land stand out among industry peers. We will continue to look at opportunities in Shanghai and other first tier and strong second tier cities within the Yangtze River Delta and the Greater Bay Area."

JESSICA Y. WANG
Chief Executive Officer
Shui On Land

2022 was a challenging year in many ways with slowing economy and continuous policy control on real estate market in China, which led to a difficult operating environment for many privately-owned enterprises. This has escalated the importance of high quality – quality in the use of materials, building specifications, services, and even including the way of how the business is managed so to ensure high standard of quality control.

Despite all the challenges in the year, our property sales performance saw strong support by many home buyers as all of the residential units of Shanghai RHXC, Shanghai Panlong Tiandi and Wuhan Tiandi were sold when the projects were launched. This is an evident demonstration of the strength of our brand of consistent high quality and a reflection of our continuous effort on delivering best-in-class products over the years.

With the gradual recovery in the market, we will continue to focus on delivering quality products and utilise our expertise on urban regeneration to build better communities. In terms of investment, we will look for opportunities that provide us a quicker turnover and strategically replenish our landbank in Shanghai, other tier-1 cities and strong tier-2 cities in the Yangtze River Delta and the Great Bay Area.

PROPERTY SALES PERFORMANCE

Recognised Property Sales

For 2022, the total recognised property sales were RMB12,972 million (after the deduction of applicable taxes). The decrease was partly due to the delay in the construction and handover of residential units to buyers resulting from the COVID-19 lockdown in Shanghai in Q2 2022. The average selling price ("ASP") (including carparks) increased by 45% to RMB67,900 per sq.m. compared to 2021, as most of the sales this year were recorded from Shanghai Taipingqiao and Panlong Tiandi with higher ASPs.

The table below summarises by project the recognised property sales (stated after the deduction of applicable taxes) for 2022 and 2021:

	2022			2021		
Project	Sales revenue	GFA sold	ASP[1]	Sales revenue	GFA sold	ASP[1]
	RMB' million	sq.m.	RMB per sq.m.	RMB' million	sq.m.	RMB per sq.m.
Shanghai Taipingqiao						
Residential (Lot 118)	**5,375**	**35,700**	**165,000**	5,936	39,500	164,500
Shanghai RHXC						
Residential (Lot 1)	**16**	**200**	**87,500**	3,391	33,900	109,100
Retail (Lot 1)	**88**	**1,200**	**80,000**	–	–	–
Shanghai Panlong Tiandi	**5,472**	**97,400**	**61,400**	3,227	57,200	61,700
Wuhan Tiandi						
Residential	**436**	**9,100**	**52,400**	4,115	104,800	43,000
Office	**26**	**1,300**	**21,500**	–	–	–
Wuhan Optics Valley Innovation Tiandi						
Residential	**840**	**40,200**	**22,800**	2,124	112,600	20,600
Foshan Lingnan Tiandi						
Residential	**10**	**400**	**27,500**	205	8,800	25,600
Retail	–	–	–	12	1,500	8,700
Chongqing Tiandi[2]						
Residential	–	–	–	2,491	152,500	21,700
Retail/Office (Loft)	**286**	**23,100**	**12,600**	45	2,200	22,300
SUBTOTAL	**12,549**	**208,600**	**65,700**	**21,546**	**513,000**	**45,900**
Carparks	**423**	–	–	476	–	–
GRAND TOTAL	**12,972**	**208,600**	**67,900**	**22,022**	**513,000**	**46,900**
Recognised as:						
– property sales in revenue of the Group	**11,695**			13,638		
– revenue of associates	**408**			6,260		
– revenue of joint ventures	**869**			2,124		
GRAND TOTAL	**12,972**			**22,022**		

Notes:

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

2 ASP of Chongqing residential sales is based on net floor area, a common market practice in the region. Office (Loft) and ancillary retail space of RMB279 million and carparks sales of RMB25 million were contributed by the Chongqing Tiandi partnership portfolio and were recognised as revenue of associates in 2022. The Group holds a 19.8% interest in the partnership portfolio.

Contracted Property Sales, Subscribed Sales, and Locked-in Sales

The Group's contracted property sales decreased by 10% to RMB27,219 million in 2022, compared to RMB30,270 million in 2021, with residential property sales accounting for 95% and the remainder contributed by the sale of commercial units. The ASP of residential property sales increased by 11% to RMB70,900 per sq.m. in 2022, compared to RMB63,800 per sq.m. in 2021. The increase was mainly due to changes in the project mix. In 2022, a higher proportion of contracted property sales was generated from higher ASP projects in Shanghai.

As of 31 December 2022:

i) a total subscribed sales of RMB1,427 million was recorded, among which RMB760 million and RMB194 million were from Wuhan Tiandi La Riva III (Lot B12) and Shanghai Panlong Tiandi Jingyuan (Lot 11), respectively. These are subject to formal sales and purchase agreements in the coming months.

ii) a total locked-in sales of RMB40.9 billion was recorded and available for delivery to customers and recognition as profit in 2023 and beyond.

The table below provides an analysis by project of contracted sales (stated before the deduction of applicable taxes) for 2022 and 2021:

Project	2022 Contracted amount	2022 GFA sold	2022 ASP	2021 Contracted amount	2021 GFA sold	2021 ASP
	RMB' million	sq.m.	RMB per sq.m.	RMB' million	sq.m.	RMB per sq.m.
Residential property sales:						
Shanghai Taipingqiao	**810**	**4,800**	**168,800**	6,051	36,600	165,300
Shanghai RHXC (Lot 1)	**–**	**–**	**–**	599	5,500	108,900
Shanghai RHXC (Lot 7)	**8,113**	**70,600**	**114,900**	10,424	90,600	115,100
Shanghai RHXC (Lot 167)	**10,291**	**85,900**	**119,800**	–	–	–
Shanghai Panlong Tiandi	**4,823**	**69,700**	**69,200**	7,370	119,900	61,500
Wuhan Tiandi	**384**	**6,500**	**59,100**	80	1,700	47,100
Wuhan Optics Valley Innovation Tiandi	**216**	**9,500**	**22,700**	1,665	75,200	22,100
Foshan Lingnan Tiandi	**2**	**100**	**20,000**	71	2,800	25,400
Chongqing Tiandi[1]	**658**	**26,600**	**30,200**	3,347	134,500	30,300
Carparks	**486**	**–**	**–**	550	–	–
SUBTOTAL	**25,783**	**273,700**	**94,200**	**30,157**	**466,800**	**64,600**
Commercial property sales:						
Shanghai RHXC (Lot 1)	**96**	**1,200**	**80,000**	–	–	–
Foshan Lingnan Tiandi	**–**	**–**	**–**	12	1,500	8,000
Chongqing Tiandi[1]						
Office (Loft)	**913**	**78,400**	**11,600**	4	300	13,300
Retail	**134**	**7,900**	**17,000**	97	5,900	16,400
Wuhan Optics Valley Innovation Tiandi	**293**	**22,600**	**13,000**	–	–	–
SUBTOTAL	**1,436**	**110,100**	**13,000**	**113**	**7,700**	**14,700**
GRAND TOTAL	**27,219**	**383,800**	**70,900**	**30,270**	**474,500**	**63,800**

Note:

1 ASP of Chongqing residential sales is based on net floor area, a common market practice in the region. Chongqing Tiandi partnership portfolio is a project developed by associates of the Group. The Group holds a 19.8% interest in the partnership portfolio.

Residential GFA Available for Sale and Pre-sale in 2023

The Group has approximately 291,000 sq.m. of residential GFA spanning six projects available for sale and pre-sale in 2023, which are summarised below:

Project	Product			Available for sale and pre-sale in 2023
		GFA in sq.m.	Group's interests	Attributable GFA in sq.m.
Shanghai Taipingqiao Lot 118	High-rises	3,000	99%	3,000
Shanghai Panlong Tiandi	High-rises/Townhouses	3,500	80%	2,800
Wuhan Tiandi	High-rises	65,100	100%	65,100
Wuhan Optics Valley Innovation Tiandi	High-rises	73,900	50%	37,000
Wuhan Changjiang Tiandi	High-rises	124,900	50%	62,500
Chongqing Tiandi	High-rises	20,600	19.80%	4,100
TOTAL		**291,000**		**174,500**

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

PROPERTY DEVELOPMENT

Residential Development Saleable Resources as of 31 December 2022

Project	Approximate Saleable Residential GFA	Estimated Gross Saleable Resource	The Group's interests	Estimated Attributable Sales
	sq.m.	RMB' billion		RMB' billion
Shanghai Taipingqiao Lot 118	3,000	0.5	99%	0.5
Shanghai Taipingqiao Lot 122	80,600	19.2	50%	9.6
Shanghai Panlong Tiandi	3,500	0.3	80%	0.2
Shanghai Yangpu Binjiang[2]	22,000	4.5	60%	2.7
SHANGHAI SUBTOTAL	**109,100**	**24.5**		**13.0**
Wuhan Changjiang Tiandi[2]	753,900	40.1	50%	20.0
Wuhan Tiandi	102,600	6.0	100%	6.0
Wuhan Optics Valley Innovation Tiandi	169,600	4.3	50%	2.2
Chongqing Tiandi	20,600	0.4	19.80%	0.1
OTHER CITIES SUBTOTAL	**1,046,700**	**50.8**		**28.3**
GRAND TOTAL	**1,155,800**	**75.3**		**41.3**

Notes:

1 This table represents saleable resources not yet recorded as contracted sales as of 31 December 2022.

2 Figures are preliminary estimates subject to further revision of the project plan.

Residential Properties under Development

Shanghai Taipingqiao – Ville V (Lot 118) has a total GFA of 78,000 sq.m. for residential use. The Group launched the second phase, comprising 106 units, in October 2021 with a total GFA of 36,000 sq.m.. A total amount equivalent to RMB5.4 billion was handed over and recognised as revenue in 2022.

Shanghai RHXC – Ocean One (Lot 7) has a total GFA of 161,000 sq.m. for residential and 2,000 sq.m. for retail shops. The final batch was launched in January 2022, and all residential units have been launched and subscribed. The tower structures have been completed and will be ready for handover in 2023. Park Vera (Lot 167A), with a total GFA of 86,000 sq.m. for residential, was launched in June 2022. As of 31 December 2022, all 609 units have been contracted with a sales amount of RMB10,291 million.

Shanghai Panlong Tiandi – Jingyuan (Lot 11) and Zhenyuan (Lot A05-04 & Lot A03-02), with a total GFA of 76,000 sq.m. (including underground GFA of 5,000 sq.m.), were launched in July 2022. We received over 2,000 subscriptions for the 571 units to be launched, and according to government policy, 1,062 customers entered the final ballot process with an entry score of 91.22, which was a record-high score for Shanghai. As of 31 December 2022, 551 units have been contracted, translating into a sales amount of RMB4.7 billion.

Wuhan Tiandi – La Riva II (Lot B10) comprises high-rise residential apartments with a total GFA of 114,000 sq.m.. As of 31 December 2022, all units have been delivered to buyers. As for Lot B12, the basement construction has been completed with a total GFA of 72,000 sq.m. for residential and 1,000 sq.m. for retail shops. The Group launched 65 units in November 2022, with all units sold out on launch day.

Wuhan Optics Valley Innovation Tiandi – The site was acquired in 2017. Lot R6, with a saleable GFA of 36,000 sq.m., started pre-sale in November 2021, and the units were delivered to buyers in December 2022. The construction for Lots R7 and R8, which have a total saleable GFA of 73,000 sq.m., was commenced in November 2021 and is planned for sale in 2023.

Wuhan Changjiang Tiandi – The site was acquired in December 2021 with an estimated saleable GFA of 753,900 sq.m. for residential. Development work for Phase I commenced in October 2022, and pre-sale is targeted to start in the second half of 2023. The Group holds a 50% interest in the development.

Chongqing Tiandi – Glory Mansion (Lot B13) Phase I, with a total GFA of 153,000 sq.m., was completed and handed over in 2021. Glory Mansion Phase II, with a total GFA of 95,000 sq.m., comprises a GFA of 33,000 sq.m. completed in 2022, of which 19,000 sq.m. was sold, and the remaining GFA of 62,000 sq.m. under construction. Glorious River (Lots B5 & B10) with a total GFA of 173,000 sq.m. and Quiet Mansion (Lot B24-6) with a total GFA of 71,000 sq.m. were under construction. The Group holds a 19.8% interest in the partnership portfolio.

Commercial Properties under Development as of 31 December 2022

Project	Office GFA	Retail GFA	Total GFA	The Group's Interests	Attributable GFA
	sq.m.	sq.m.	sq.m.		sq.m.
CPIC Xintiandi Commercial Center[1]	192,000	84,000	276,000	25.00%	69,000
Shanghai Taipingqiao Lot 122	–	19,000	19,000	50.00%	9,500
Shanghai RHXC Lot 7	–	2,000	2,000	49.50%	1,000
Shanghai RHXC Lot 167A	–	1,000	1,000	49.00%	500
Shanghai RHXC Lot 167B	107,000	12,000	119,000	49.00%	58,300
Shanghai HONG SHOU FANG[2]	48,000	14,000	62,000	100.00%	62,000
SHANGHAI SUBTOTAL	**347,000**	**132,000**	**479,000**		**200,300**
Wuhan Tiandi	70,000	4,000	74,000	100.00%	74,000
Wuhan Optics Valley Innovation Tiandi	365,000	340,000	705,000	50.00%	352,500
Wuhan Changjiang Tiandi	56,000	232,000+30,000[3]	318,000	50.00%	159,000
Foshan Lingnan Tiandi	450,000	108,000+ 80,000[3]	638,000	100.00%	638,000
Chongqing Tiandi	328,000	170,000+ 25,000[3]	523,000	19.80%	103,600
OTHER CITIES SUBTOTAL	**1,269,000**	**989,000**	**2,258,000**		**1,327,100**
GRAND TOTAL	**1,616,000**	**1,121,000**	**2,737,000**		**1,527,400**

Notes:

1 The construction of the office towers is planned for completion from 2023 to 2024 in phases, and the shopping mall is planned to be completed in 2024.

2 Construction work commenced in the second half of 2020 and is planned for completion in 2023.

3 Hotel use.

INVESTMENT PROPERTIES

A Leading Player in Commercial Real Estate

Project	Office GFA	Retail GFA	Total GFA	Attributable GFA	Asset Value as of 31 December 2022	% of ownership
	sq.m.	sq.m.	sq.m.	sq.m.	RMB'billion	
COMPLETED PROPERTIES						
Shanghai Taipingqiao Community						
Shanghai Xintiandi, Xintiandi Style II, Xintiandi Plaza, Shui On Plaza	36,000	104,000	140,000	127,800	**12.87**	100%/99%/80%/80%
5 Corporate Avenue, Hubindao	52,000	27,000	79,000	35,200	**6.72**	44.55%
THE HUB	90,000	173,000	263,000	263,000	**8.92**	100%
Ruihong Tiandi Community						
Hall of the Moon, Hall of the Stars, The Palette 3	–	111,000	111,000	55,000	**3.99**	49.5%
Hall of the Sun, Ruihong Corporate Avenue	145,000	185,000	330,000	163,400	**11.75**	49.5%
Shanghai KIC	186,000	67,000	253,000	117,300	**8.57**	44.27%/50.49%
INNO KIC	41,000	4,000	45,000	45,000	**1.47**	100%
Nanjing IFC	72,000	28,000	100,000	50,000	**3.03**	50%
Wuhan Tiandi Community	165,000	239,000	404,000	404,000	**9.28**	100%
Foshan Lingnan Tiandi Community	16,000	143,000	159,000	159,000	**4.43**	100%
Chongqing Tiandi Community	–	131,000	131,000	130,000	**1.53**	99%
Shanghai Panlong Tiandi	–	41,000	41,000	32,800	**1.17**	80%
SUBTOTAL	**803,000**	**1,253,000**	**2,056,000**	**1,582,500**	**73.73**	
LAND & PROPERTIES UNDER DEVELOPMENT						
Shanghai Taipingqiao Community						
CPIC Xintiandi Commercial Center	192,000	84,000	276,000	69,000	**19.45**	25%
Shanghai RHXC						
Ruihong Tiandi Lot 167B	107,000	12,000	119,000	58,300	**5.12**	49%
Shanghai HONG SHOU FANG	48,000	14,000	62,000	62,000	**2.41**	100%
Foshan Lot A	190,000	64,000	254,000	254,000	**1.89**	100%
SUBTOTAL	**537,000**	**174,000**	**711,000**	**443,300**	**28.87**	
GRAND TOTAL	**1,340,000**	**1,427,000**	**2,767,000**	**2,025,800**	**102.60**	

Valuation of Investment Properties

As of 31 December 2022, the carrying value of the Group's investment properties at valuation (excluding hotels for operation and self-use properties) was RMB96,513 million with a total GFA of 2,635,700 sq.m.. The properties located in Shanghai, Wuhan, Foshan, Nanjing and Chongqing, respectively, contributed 79%, 10%, 6%, 3% and 2% of the carrying value.

The table below summarises the carrying value of the Group's investment properties at valuation as of 31 December 2022, together with the change in fair value for 2022:

Project	Leasable GFA	Increase /(decrease) in fair value for 2022	Carrying value as of 31 December 2022	Fair Value gain/(loss) to carrying value	Attributable carrying value to the Group
	sq.m.	RMB'million	RMB'million	%	RMB'million
SXTD PORTFOLIO[2]					
Completed investment properties					
Shanghai Taipingqiao Community					
Shanghai Xintiandi and Xintiandi Style II	80,000	33	8,126	0.4%	8,106
Shui On Plaza and Xintiandi Plaza	52,200	(10)	4,095	(0.2%)	3,318
5 Corporate Avenue, Hubindao (associate)	79,000	(27)	6,720	(0.4%)	2,994
THE HUB	263,000	(48)	8,921	(0.5%)	8,921
Shanghai KIC	248,000	22	8,418	0.3%	3,889
INNO KIC	45,000	(8)	1,468	(0.5%)	1,468
Wuhan Tiandi Community	239,000	79	6,613	1.2%	6,613
Foshan Lingnan Tiandi Community	142,000	43	4,174	1.0%	4,174
Chongqing Tiandi Community	128,000	7	1,503	0.5%	1,488
Nanjing IFC (joint venture)	100,000	7	3,030	0.2%	1,515
SUBTOTAL	**1,376,200**	**98**	**53,068**	**0.2%**	**42,486**
Investment property – sublease of right-of-use assets					
Nanjing INNO	17,000	(10)	84	(11.9%)	84
SXTD PORTFOLIO TOTAL	**1,393,200**	**88**	**53,152**	**0.2%**	**42,570**
OTHER INVESTMENT PROPERTIES					
Shanghai RHXC	500	–	8	–	8
Shanghai Panlong Tiandi	41,000	10	1,169	0.8%	935
1 Corporate Avenue, Wuhan	165,000	–	2,670	–	2,670
Chongqing Street shops	3,000	(6)	28	(21.4%)	28
Shanghai HONG SHOU FANG	62,000	(226)	2,405	(9.4%)	2,405
Foshan Lot A	254,000	–	1,892	–	1,892
Ruihong Tiandi Community (joint venture)	441,000	30	15,743	0.2%	7,793
CPIC Xintiandi Commercial Center (joint venture)	276,000	(492)	19,446	(2.5%)	4,862
OTHER INVESTMENT PROPERTIES TOTAL	**1,242,500**	**(684)**	**43,361**	**(1.6%)**	**20,593**
GRAND TOTAL	**2,635,700**[1]	**(596)**	**96,513**	**(0.6%)**	**63,163**
GRAND TOTAL (excluding associates and JV)	**1,739,700**[1]	**(114)**	**51,574**	**(0.2%)**	**45,999**

Notes:

1 Self-use properties (total GFA 15,000 sq.m.) are classified as property and equipment in the consolidated statement of financial position, and the respective leasable GFA is excluded from this table. Carpark and other facilities spaces are also not included in this table.

2 The completed investment properties will be transferred to SXTD upon completion of the restructuring.

BUSINESS REVIEW
LANDBANK

As of 31 December 2022, the Group's landbank was 9.3 million sq.m. (comprising 6.8 million sq.m. of leasable and saleable area and 2.5 million sq.m. for clubhouses, car parking spaces, and other facilities) spanning fourteen development projects located in the prime areas of five major PRC cities, namely: Shanghai, Nanjing, Wuhan, Foshan, and Chongqing. The leasable and saleable GFA attributable to the Group was 4.2 million sq.m.. Of the total leasable and saleable GFA of 6.8 million sq.m., approximately 2.3 million sq.m. was completed and held for sale and/or investment. Approximately 2.1 million sq.m. was under development, and the remaining 2.4 million sq.m. was held for future development.

In December 2022, the Group succeeded in the bid for land use rights in Shanghai Yangpu District at a total consideration of RMB2,376 million. The land site has a total GFA of 23,791.32 sq.m. with a term of use of 70 years. The Group holds a 60% effective interest in this site. The project is a heritage preservation and development project that involves the development of a high-end low-density residential community. Sited in the Yangpu Riverside Zone, a part of the "Central Activities Zone" outlined in the "Shanghai Master Plan 2017-2035", the land is located near the Huangpu River and Inner-ring road Elevated Expressway with convenient access to three metro lines.

The Group's total landbank as of 31 December 2022, including that of its joint ventures and associates, is summarised below:

Project	Approximate/Estimated leasable and saleable GFA Residential	Office	Retail	Hotel/ serviced apartments	Subtotal	Clubhouse, carpark, and other facilities	Total	Group's interests	Attributable leasable and saleable GFA
	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.		sq.m.
COMPLETED PROPERTIES:									
Shanghai Taipingqiao	3,000	88,000	131,000	–	**222,000**	91,000	**313,000**	99.00%[1]	167,000
Shanghai RHXC	–	145,000	297,000	–	**442,000**	226,000	**668,000**	99.00%[2]	219,000
Shanghai KIC	–	164,000	67,000	22,000	**253,000**	142,000	**395,000**	44.27%[3]	117,000
THE HUB	–	90,000	173,000	–	**263,000**	72,000	**335,000**	100.00%	263,000
Shanghai Panlong Tiandi	15,000	–	41,000	4,000	**60,000**	80,000	**140,000**	80.00%	48,000
INNO KIC	–	41,000	4,000	–	**45,000**	18,000	**63,000**	100.00%	45,000
Wuhan Tiandi	–	165,000	239,000	–	**404,000**	306,000	**710,000**	100.00%	404,000
Wuhan Optics Valley Innovation Tiandi	2,000	119,000	17,000	–	**138,000**	169,000	**307,000**	50.00%	69,000
Foshan Lingnan Tiandi	–	16,000	156,000	43,000	**215,000**	112,000	**327,000**	100.00%	215,000
Chongqing Tiandi	–	12,000	133,000	–	**145,000**	339,000	**484,000**	99.00%[4]	132,000
Nanjing IFC	–	72,000	28,000	–	**100,000**	18,000	**118,000**	50.00%	50,000
SUBTOTAL	20,000	912,000	1,286,000	69,000	2,287,000	1,573,000	3,860,000		1,729,000
PROPERTIES UNDER DEVELOPMENT:									
Shanghai Taipingqiao	98,000	192,000	103,000	–	**393,000**	158,000	**551,000**	25.00%[5]	127,000
Shanghai RHXC	247,000	107,000	15,000	–	**369,000**	132,000	**501,000**	49.50%[6]	182,000
Shanghai HONG SHOU FANG	–	48,000	14,000	–	**62,000**	21,000	**83,000**	100.00%	62,000
Shanghai Panlong Tiandi	76,000	–	–	–	**76,000**	32,000	**108,000**	80.00%	61,000
Wuhan Tiandi	72,000	–	1,000	–	**73,000**	36,000	**109,000**	100.00%	73,000
Wuhan Optics Valley Innovation Tiandi	73,000	183,000	52,000	–	**308,000**	200,000	**508,000**	50.00%	154,000
Wuhan Changjiang Tiandi	136,000	–	–	–	**136,000**	55,000	**191,000**	50.00%	68,000
Foshan Lingnan Tiandi	–	–	1,000	–	**1,000**	–	**1,000**	100.00%	1,000
Chongqing Tiandi	237,000	328,000	105,000	25,000	**695,000**	252,000	**947,000**	19.80%	138,000
SUBTOTAL	939,000	858,000	291,000	25,000	2,113,000	886,000	2,999,000		866,000
PROPERTIES FOR FUTURE DEVELOPMENT:									
Wuhan Tiandi	39,000	70,000	3,000	–	**112,000**	–	**112,000**	100.00%	112,000
Wuhan Optics Valley Innovation Tiandi	97,000	182,000	288,000	–	**567,000**	–	**567,000**	50.00%	284,000
Wuhan Changjiang Tiandi	651,000	56,000	232,000	30,000	**969,000**	49,000	**1,018,000**	50.00%	484,000
Foshan Lingnan Tiandi	28,000	450,000	107,000	80,000	**665,000**	–	**665,000**	100.00%	665,000
Chongqing Tiandi	–	–	65,000	–	**65,000**	–	**65,000**	19.80%	13,000
Shanghai Yangpu Binjiang[7]	22,000	–	–	–	**22,000**	–	**22,000**	60.00%	13,000
SUBTOTAL	837,000	758,000	695,000	110,000	2,400,000	49,000	2,449,000		1,571,000
TOTAL LANDBANK GFA	1,796,000	2,528,000	2,272,000	204,000	6,800,000	2,508,000	9,308,000		4,166,000

Notes:

1 The Group has 99.00% interests in all the remaining lots, except for Shanghai Xintiandi, Shui On Plaza including Xintiandi Plaza, 15th floor in Shui On Plaza, 5 CA, and Lot 116, in which the Group has effective interests of 100.00%, 80.00%, 100.00%, 44.55%, and 98.00%, respectively.

2 The Group has 99.00% effective interests in all the remaining lots, except for The Palette 3, Hall of the Stars, Hall of the Moon, Parkview, Hall of the Sun, and Ruihong Corporate Avenue, in which the Group has effective interests of 49.50%.

3 The Group has 44.27% effective interests in all the remaining lots, except for Shanghai KIC Lot 311, in which the Group has effective interests of 50.49%.

4 The Group has 99.00% effective interests in all the remaining lots, except for Lot B15, Lot B14, and Lot B13 Phase I&II, in which the Group has effective interests of 19.80%.

5 The Group has a 25.00% interest in Lots 123, 124 & 132 for office and retail uses and a 50.00% interest in Lot 122.

6 The Group has a 49.50% effective interest in Lot 7 for residential use and a 49.00% interest in Lot 167.

7 The GFA of Shanghai Yangpu Binjiang is a preliminary estimate subject to further revision of the project plan.

COMMERCIAL ASSETS

A Leading Investor and Manager

of premium, sustainable, commercial properties in China

"Shui On Xintiandi will continue to pioneer commercial developments that emphasise our core competencies in building communities embracing culture, heritage, lifestyle and sustainability, and creating dynamic and experiential eco-systems for both clients and consumers alike."

ALLAN B. ZHANG
Chief Executive Officer
Shui On Xintiandi

Managed under the wholly-owned subsidiary, Shui On Xintiandi, our commercial assets contribute to a significant part to the Group's business. As one of the largest private commercial real estate owners in Shanghai, our properties create thriving communities that promote a "live-work-play-learn" lifestyle focusing on premium clientele.

Shui On Xintiandi ("SXTD"): The Group's Flagship Commercial Business Unit

SXTD is the Group's property investment and management arm. It has three major business segments of the Group:

i) Property investment, comprising investment, ownership, and operation of commercial properties and provision of other rental-related services;

ii) Property management, comprising commercial and residential property management services; and

iii) Real estate asset management, comprising commercial asset management services.

Selected Financial Information[1]

RMB'million	2022	2021	Year-on-Year Growth/(Decline)
Revenue	**2,702**	2,865	(6%)
Comprised of:			
– Property investment[2]	**2,040**	2,221	(8%)
– Property management	**512**	500	2%
– Real estate asset management	**130**	93	40%
– Others	**20**	51	(61%)
Gross profit	**1,924**	2,071	(7%)
Operating profit	**1,452**	1,629	(11%)
Underlying profit[3]	**575**	602	(4%)
Net assets	**34,026**	33,416	2%
Net gearing ratio, at the end of year	**11.5%**	14.8%	(3.3ppt)

Notes:

1 Figures are unaudited and prepared on a pro-forma basis.

2 The difference between revenue from the property investment of SXTD and the consolidated rental and related income of the Group was mainly due to the income from 1 Corporate Avenue in Wuhan and the temp shop in Foshan Lingnan Tiandi.

3 Underlying profit is a non-IFRS financial measure and represents the net profit attributable to shareholders that excludes fair value changes and the effect of foreign exchange.

Property Investment

As of 31 December 2022, SXTD owns and manages eleven completed investment properties and two joint venture projects, namely 5 Corporate Avenue and Hubindao in Shanghai and Nanjing IFC, respectively.

Property investment contributed approximately 75% of SXTD's total revenue in 2022. Our retail and office investment properties accounted for 58% and 42% of rental income from property investment (including 5 Corporate Avenue and Hubindao and Nanjing IFC), respectively.

The retail market has been negatively affected by the COVID-19 outbreak and lockdown in Shanghai in Q2 2022 and continuous outbreaks throughout 2022. The retail portfolio occupancy averaged 89% as of 31 December 2022, while retail rental reversion was slightly negative, given the weak market sentiment. Following the relaxation of pandemic-related restrictions, sales, and shopper traffic in our portfolio for the first two months of 2023 have recovered to over 90% of the levels seen in the same period in 2022.

Despite the pressure from the economic slowdown and the oversupply of offices in Shanghai, our office portfolio saw a relatively stable performance, which bears testimony to our service quality and the prime locations of our properties. Office rental reversion remained positive in the year, while the occupancy rate across the portfolio maintained an average of 89% as of 31 December 2022. In particular, the occupancy rate of our office properties in Shanghai achieved an average of 92%.

Performance of Investment Properties

The table below provides an analysis of the rental and related income and occupancy rate of the investment properties of the Group:

Project	Product	Leasable GFA	Rental & related income[6] RMB'million		Changes	Occupancy rate		Changes
		sq.m.	**2022**	2021	%	**31 Dec 2022**	31 Dec 2021	ppt
Shanghai Taipingqiao Community								
Shanghai Xintiandi	Office/ Retail	54,000	**360**	454	(21%)	**91%**	100%	(9)
Xintiandi Style II	Retail	26,000[1]	**31**	51	(39%)	**60%[2]**	79%	(19)
Shui On Plaza & Xintiandi Plaza	Office/ Retail	56,000	**174**	180	(3%)	**93%**	99%	(6)
THE HUB	Office/ Retail	263,000	**384**	422	(9%)	**88%**	95%	(7)
Shanghai KIC	Office/ Retail	248,000	**441**	487	(9%)	**90%**	97%	(7)
INNO KIC	Office/ Retail	45,000	**60**	63	(5%)	**91%**	97%	(6)
Wuhan Tiandi Community	Retail	239,000	**333**	320	4%	**90%**	93%	(3)
Foshan Lingnan Tiandi Community	Office/ Retail	144,000	**189**	187	1%	**90%**	96%	(6)
Chongqing Tiandi Community	Retail	128,000	**68**	57	19%	**96%**	94%	2
TOTAL RENTAL AND RELATED INCOME[7]		**1,203,000**	**2,040**	**2,221**	**(8%)**			
Shanghai Taipingqiao Community	Office/ Retail	79,000	**234**	270	(13%)	**92%**	96%	(4)
5 Corporate Avenue, Hubindao[3] (classified as associate income)								
Nanjing IFC[4]								
(classified as joint venture income)	Office/ Retail	100,000	**122**	122	–	**73%**	60%	13
GRAND TOTAL		**1,382,000[5]**	**2,396**	**2,613**	**(8%)**			

Notes:

1 A total leasable GFA of 19,000 sq.m. AEI was completed in December 2022 and was re-opened in January 2023.

2 Drop in occupancy rate in 2022 was due to AEI works, and tenants were vacated since 2021.

3 The Group holds a 44.55% effective interest in the property. Rental and related income attributable to SXTD were RMB104 million in 2022 and RMB120 million in 2021.

4 The acquisition of Nanjing IFC was completed in February 2021. The Group holds a 50% effective interest in the property. Rental and related income attributable to SXTD was RMB61 million for both 2022 and 2021.

5 A total GFA of 9,000 sq.m. located at Shanghai Shui On Plaza and Shanghai KIC were occupied by SXTD and were excluded from the above table.

6 Excluding property management income from commercial properties included in the Property Management segment.

7 The difference between revenue from the property investment of SXTD and the consolidated rental and related income of the Group was mainly due to the income from 1 Corporate Avenue in Wuhan and the temp shop in Foshan Lingnan Tiandi.

Rental and related income decreased by 8% to RMB2,040 million in 2022 compared to RMB2,221 million in 2021. The decrease was driven by an adverse impact on rental and related income due to the COVID-19-related lockdowns and the related tenant support.

Including the properties of 5 Corporate Avenue and Hubindao, and Nanjing IFC, the total rental and related income decreased by 8% year-on-year to RMB2,396 million in 2022, of which 70% of the rental and related income was contributed by the portfolio located in Shanghai, with the remaining from other cities in China.

Retail Tenant Mix

As of 31 December 2022

	By occupied GFA
Food & beverage	29.3%
Fashion & beauty	26.7%
Services	14.4%
Entertainment	13.7%
Children & family	9.4%
Showroom	2.4%
Hotel & service apartment	2.1%
Supermarkets & hypemarkets	2.0%
TOTAL	100%

Office Tenant Mix

As of 31 December 2022

	By occupied GFA
High-tech & TMT	24.4%
Biological, pharmaceutical & medical	14.3%
Banking, insurance & financial services	10.5%
Professional services	10.0%
Automation & manufacturing	7.2%
Consumer products & services	6.6%
Commercial	5.4%
Services	5.2%
Real estate & construction	4.2%
Education, culture & innovation	4.1%
Others	8.1%
TOTAL	100%

Our Projects and Latest Updates

Shanghai Taipingqiao Community

Shanghai Taipingqiao Community is a large-scale, flagship community project, which is situated in the heart of Shanghai and was developed with the goal of preserving the region's historical architecture while transforming the area to meet urban development needs. Located in Huangpu District, the project is connected by Shanghai Metro Lines 1, 8, 10, 13 and 14, fronting the popular Huai Hai Middle Road business district. The Group began the multi-phase development of Taipingqiao in 1996, which comprises various commercial, office, and residential plots. The Shanghai Taipingqiao Community comprises various commercial and office properties, including Shanghai Xintiandi, Xintiandi Style II, Shui On Plaza, Xintiandi Plaza, 5 Corporate Avenue, and Hubindao. Our flagship project, Shanghai Xintiandi, is at the heart of the Shanghai Taipingqiao Community. Featuring the preservation of cultural heritage, Shanghai Xintiandi has been successfully established as an iconic landmark that offers a combined experience of old Shanghai culture and modern lifestyles and has made the community a premier lifestyle destination for citizens and visitors in Shanghai. Not only does Shanghai Xintiandi continue to attract consumers and new tenants from across the world, but it also serves as a popular venue for hosting international festivals and local events, such as Shanghai Fashion Week and XINTIANDI Performing Art Festival.

Xintiandi Style II's rental income and occupancy rate declined during the year due to an ongoing AEI that commenced in October 2021. The AEI was completed at the end of 2022. Xintiandi Style II soft opened in January 2023 with a brand-new concept and positioning to cater to the lifestyle-focused preferences of the growing young premium clientele.

THE HUB

Located at the heart of the Hongqiao CBD, THE HUB is the only commercial complex that is directly connected to the Hongqiao Transportation Hub, offering convenient access to major transportation nodes such as the Shanghai High-Speed Rail Terminal, the Shanghai Hongqiao International Airport, five underground Metro lines, long-haul bus station, and the future maglev terminal. THE HUB features four office towers, a Xintiandi commercial zone, a shopping facility, and a performance and exhibition centre. At its strategic location in Hongqiao CBD, the gateway to the Yangtze River Delta region, THE HUB has attracted regional headquarters and branch offices of leading companies in various industries, including Fortune 500 companies.

Shanghai KIC

Shanghai KIC is a mixed-use technology innovation and knowledge community strategically located in Wujiaochang of Yangpu District, in the immediate vicinity of major universities and colleges, including Fudan University, Shanghai University of Finance and Economics, and Tongji University. The project combines office space with research and development, education, training, investment, and incubator services, to tailor to the needs of tenants in knowledge-based industries. In addition to office space and services, KIC includes retail and mixed-use areas, including University Avenue and KIC Village Zone, which offer the community a wide selection of gourmet cuisines, coffee shops, bookstores, galleries, and creative retail stores. Through the KIC project, we have facilitated the transformation of the Yangpu District from an industrial and manufacturing area into a community for knowledge and innovation. The KIC project has thus been regarded as a landmark of innovation and entrepreneurship in Shanghai.

INNO KIC

Located adjacent to Shanghai KIC in the Xinjiangwan CBD of Yangpu District, INNO KIC is one of the first projects created by SHUI ON WORKX, our multiform office solution aiming to provide a complete life-cycle workspace solution for start-ups as well as small-to-medium and large enterprises. The complex introduces a new business social platform that integrates work, entrepreneurship, learning, and leisure, with the aim of delivering flexible business solutions and providing a diversified working ecosystem that promotes the growth and development of enterprises.

Wuhan Tiandi Community

Wuhan Tiandi Community is a large-scale, mixed-use community project comprising retail, food and beverage, and entertainment facilities. It sits in the city centre of Hankou District, occupying a prime location on the Yangtze River waterfront, providing unparalleled views of the Yangtze River and the scenic Jiangtan Park.

Despite the impact of COVID-19 and the lockdown happening in the year, the project has recorded a 4% increase in rental and related income in 2022 due to the successful repositioning. We have optimised its tenant mix and food & beverage offerings, introducing new tenants focusing on young premium customers such as Knowin and Harmay. It has become a retail and social destination in Wuhan that offers lifestyle experiences to a young premium clientele.

Foshan Lingnan Tiandi Community

Foshan Lingnan Tiandi Community is a large-scale, integrated urban regeneration community comprising retail, office, hotel, cultural facilities, and residential complexes. Strategically located in the old town centre of central Chancheng District, the project enjoys good connectivity with two subway stations of the Guangzhou-Foshan metro line. The project preserves traditional Lingnan-style architecture while blending cosmopolitan elements and modern facilities into a lifestyle destination, offering the city's residents and tourists a wide section of terrace restaurants and retail options.

Chongqing Tiandi Community

Chongqing Tiandi Community is situated on the south bank of the Jialing River in the Yuzhong District of Chongqing, one of the most populous cities in the world and the leading industrial and commercial hub of southwest China. It has a unique landscape and creates a commercial and residential community around a man-made lake and the surrounding hillsides.

The project has recorded strong rental growth and reached 96% occupancy after repositioning to target young premium clientele and offers a wide range of retail, food, and beverages as well as entertainment facilities to the office tenants and residents in the neighbourhood.

Nanjing IFC

We acquired a mixed-use Grade-A landmark property in Nanjing with Grosvenor on a 50/50 basis in February 2021. Nanjing IFC is predominantly an office building occupied by a diverse mix of high-quality tenants, including MetLife, AIA, and KFC. The property has completed an AEI that will increase its growth potential.

Property Management

We provide premium property management services for the commercial properties within the Group's portfolio and selective commercial and residential properties owned by third parties. In 2022, the total GFA under management for commercial and residential properties were 4.2 million sq.m. and 4.9 million sq.m. respectively. Property management contributed approximately 19% of SXTD's revenue in 2022. During the year, the segment's increased revenue was due to an increase in GFA under management compared to 2021.

Real Estate Asset Management

We provide real estate asset management services for commercial projects. The real estate asset management services include but are not limited to feasibility studies, tenancy positioning, leasing, marketing and branding, and account and finance management. After construction, 1 Corporate Avenue in Wuhan and Shanghai Panlong Tiandi were added to our asset management portfolio. Valuation of the two projects totaled RMB3.8 billion, with a total GFA of 206,000 sq.m.. As of 31 December 2022, our asset management projects include 5 Corporate Avenue and Hubindao, Nanjing IFC, commercial properties in the Ruihong Tiandi Community, 1 & 2 Corporate Avenue in Wuhan, Shanghai Panlong Tiandi and Nanjing INNO. The total valuation of the projects we managed amounted to RMB30.3 billion, with a total GFA of 886,000 sq.m. as of 31 December 2022. The business segment contributed approximately 5% of SXTD's revenue in 2022.

FINANCIAL REVIEW

The Group's ***revenue*** for 2022 decreased by 11% to RMB15,565 million, compared to RMB17,555 million in 2021, due mainly to a decrease in property sales.

Property sales for 2022 were RMB11,695 million (2021: RMB13,638 million), mainly comprised of RMB5,584 million from Shanghai Panlong Tiandi, RMB5,566 million from Taipingqiao Ville V, and RMB462 million from Wuhan Tiandi La Riva II. As a comparison, property sales in 2021 were primarily contributed by Taipingqiao Ville V, Wuhan Tiandi La Riva II, and Shanghai Panlong Tiandi, which amounted to RMB5,935 million, RMB4,115 million and RMB3,227 million, respectively.

Rental and related income from property investment for 2022 was RMB2,070 million (2021: RMB2,259 million). During 2022, the operations and performances of the Group's Shanghai properties were affected by the COVID-related lockdowns in the second quarter of 2022 and the large-scale COVID-19 outbreak at the end of the year. Rental and related income from the Group's Shanghai properties, which accounted for 70% (2021: 73%) of the total, decreased by 12% to RMB1,439 million (2021: RMB1,643 million). The rental and related income from the Group's non-Shanghai properties totalled RMB631 million in 2022 (2021: RMB616 million), representing a 2% year-on-year increase.

Property management income for 2022 increased by 4% to RMB508 million (2021: RMB490 million), of which RMB330 million (2021: RMB318 million) was from our services rendered to commercial properties, with the remaining income of RMB178 million (2021: RMB172 million) from residential properties.

Construction income generated by the construction business advanced to RMB958 million in 2022 (2021: RMB835 million).

Gross profit for 2022 declined by 7% to RMB6,649 million (2021: RMB7,173 million) alongside the decrease in revenue, while ***gross profit margin*** grew to 43% (2021: 41%).

Other income for 2022 increased by 56% to RMB376 million (2021: RMB241 million), mainly comprised of bank interest income and interest income from joint ventures.

Selling and marketing expenses for 2022 increased by 10% to RMB212 million (2021: RMB192 million) as a result of higher selling and promotional activities in the second half year of 2022.

General and administrative expenses, which are comprised of staff costs, depreciation charges, and advisory costs incurred, were stable at RMB907 million in 2022 (2021: RMB928 million).

A decrease in fair value of investment properties totalled RMB114 million in 2022 (2021: increase of RMB35 million). The investment property portfolio in Shanghai recorded a valuation loss of RMB227 million, and the investment property portfolio outside Shanghai recorded a gain of RMB113 million. The decline in the fair value of our investment property portfolio in Shanghai reflected the negative financial effects of the pandemic. The section on "Investment Properties" in the Business Review Section provides detailed descriptions of these properties.

Other gains and losses recorded a net loss of RMB27 million in 2022 (2021: net loss of RMB334 million), comprised of:

Gains/(losses)	2022 RMB'million	2021 RMB'million
Cost arising from hedging activities	**(175)**	(213)
Gain/(loss) from fair value change of derivative financial instruments	**331**	(16)
Loss from a change of certain hedging arrangements	**(169)**	–
Write-off of receivables	**–**	(84)
Loss from fair value change of liability arising from a rental guarantee arrangement	**–**	(50)
Others	**(14)**	29
TOTAL	**(27)**	**(334)**

Share of results of associates and joint ventures recorded a net loss of RMB151 million in 2022 (2021: net gain of RMB620 million). The loss in 2022 was mainly attributable to the decrease in fair value of investment properties, which totaled RMB107 million, and an operating loss in commercial properties amounting to RMB111 million, mainly due to prolonged city lockdowns in Shanghai and the depreciation of the RMB against the USD in 2022. In comparison, net gains on investment property revaluation contributed RMB236 million in 2021, mainly comprised RMB173 million from RHXC commercial properties and RMB57 million from 5 Corporate Avenue and Hubindao. Gains from property sales in 2022 amounted to RMB105 million (2021: RMB407 million), of which RMB103 million (2021: RMB293 million) was from Wuhan Optics Valley Innovation Tiandi.

Finance costs, inclusive of exchange differences, totalled RMB2,127 million in 2022 (2021: RMB895 million). Total interest costs increased by 7% to RMB1,951 million (2021: RMB1,827 million) due to the rising average cost of debt of 5.53% in 2022 (2021: 5.16%). Of the abovementioned interest costs, 17% (2021: 37%) or RMB332 million (2021: RMB684 million) was capitalised as the cost of property development, with the remaining 83% (2021: 63%) of interest costs relating to mortgage loans on completed properties and borrowings for general working capital purposes were accounted for as expenses. The lower capitalised interest also caused the increase in finance costs in 2022. An exchange loss of RMB495 million (2021: exchange gain of RMB255 million) was recorded as a result of the depreciation of the RMB against the HKD and the USD in 2022.

Taxation totalled RMB1,932 million in 2022 (2021: RMB3,463 million). The year-on-year decrease was partly due to lower property sales profit. PRC Enterprise Income Tax has been provided for at the applicable income tax rate of 25% on the assessable profits during the year. Land appreciation tax was levied at progressing rates ranging from 30 percent to 60 percent on the appreciation value, which is the proceeds of property sales less deductible expenditures, including costs of land, development, and construction.

Profit for the year 2022 was RMB1,475 million (2021: RMB2,208 million).

Profit attributable to shareholders of the Company for 2022 was RMB906 million (2021: RMB1,636 million).

The core earnings of the Group are as follows:

	2022 RMB'million	2021 RMB'million	Change %
Profit attributable to shareholders of the Company	**906**	1,636	(45%)
Decrease / (increase) in fair value of investment properties, net of tax	**100**	(33)	
Share of results of associates and joint ventures – fair value loss / (gain) of investment properties, net of tax	**107**	(236)	
	207	(269)	
Non-controlling interests	**10**	7	
Net effect of changes in the valuation	**217**	(262)	
Profit attributable to shareholders of the Company before revaluation	**1,123**	1,374	(18%)
Add: Profit attributable to owners of perpetual capital securities	**116**	234	
CORE EARNINGS OF THE GROUP	**1,239**	**1,608**	**(23%)**

Earnings per share for 2022 was RMB11.3 cents, calculated based on a weighted average of approximately 8,035 million shares in issue in 2022 (2021: earnings per share RMB20.3 cents, calculated based on a weighted average of approximately 8,044 million shares in issue).

Dividends payable to shareholders of the Company must comply with certain covenants under the senior notes and bank borrowings.

Having considered the Group's financial position, the Board has resolved to recommend the payment of a 2022 final dividend of HKD0.064 per share (2021: HKD0.084 per share).

Major Acquisition

In November 2022, the Group formed a joint venture with Shanghai Yangshupu Real Estate Co., Ltd. In December 2022, the joint venture successfully won the bid for the land use rights of a land parcel located in Yangpu District, at a total consideration of RMB2,376 million, with a total site area of 16,993.8 sq.m. and a total GFA of 23,791.32 sq.m.. The land is permitted for residential use for a term of a grant of 70 years. For details, please refer to the circular issued by the Company dated 20 January 2023.

Liquidity, Capital Structure, and Gearing Ratio

On 20 June 2022, the Group fully redeemed all the outstanding perpetual capital securities with an aggregate principal amount of USD600 million.

The structure of the Group's borrowings as of 31 December 2022 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	7,245	1,018	1,288	2,450	2,489
Bank borrowings – HKD	2,343	1,543	692	108	–
Bank borrowings – USD	10,669	5,508	4,778	383	–
Senior notes – USD	13,255	3,491	3,541	6,223	–
TOTAL	**33,512**	**11,560**	**10,299**	**9,164**	**2,489**

Cash and bank deposits totalled RMB13,368 million as of 31 December 2022 (31 December 2021: RMB17,284 million), which included RMB2,192 million (31 December 2021: nil) of deposits pledged to banks and RMB1,691 million (31 December 2021: RMB2,165 million) of restricted bank balances which can only be applied to designated property development projects of the Group.

As of 31 December 2022, the Group's net debt was RMB20,144 million (31 December 2021: RMB14,579 million), and its total equity was RMB44,401 million (31 December 2021: RMB49,178 million). The Group's net gearing ratio was 45% as of 31 December 2022 (31 December 2021: 30%), calculated based on the excess of the sum of senior notes and bank borrowings net of bank balances and cash (including pledged bank deposits and restricted bank balances) over the total equity. The increase in the net gearing ratio was mainly due to the redemption of the USD600 million perpetual securities with our cash in hand, which resulted in a 13% increase in the net gearing ratio. Our stable financials should enable the Group to better withstand future volatile macroeconomic conditions.

As of 31 December 2022, HKD/USD borrowings, including senior notes (unhedged), net off HKD/USD cash and bank deposits, amounted to approximately RMB13,519 million in equivalent, comprising approximately 40% of the total borrowings (31 December 2021: 40%).

The total undrawn banking facilities available to the Group amounted to approximately RMB2,196 million as of 31 December 2022 (31 December 2021: RMB1,730 million).

Pledged Assets

As of 31 December 2022, the Group had pledged investment properties, property and equipment, right-of-use assets, properties under development for sale, receivables, and bank deposits totalling RMB35,536 million (31 December 2021: RMB34,433 million) to secure the Group's borrowings of RMB10,662 million (31 December 2021: RMB9,319 million).

Capital and Other Development Related Commitments

As of 31 December 2022, the Group had contracted commitments for development costs, capital expenditure, and other investments of RMB5,771 million (31 December 2021: RMB8,999 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.

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, some 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 31 December 2022, the Group has entered into approximately USD1,530 million and HKD300 million forward contracts and USD100 million call spread contracts to hedge the USD and HKD currency risk against RMB. The Group continues to closely monitor 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 one to fifteen years for project construction and mortgage loans. Increases in interest rates would raise interest expenses relating to the outstanding variable rate borrowings and the cost of new debt. Fluctuations in interest rates may also lead to significant fluctuations in the fair value of the debt obligations.

On 31 December 2022, 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"), Secured Overnight Financing Rate ("SOFR") 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 0.28% to 2.75%; 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 HKD1,250 million and USD200 million respectively. The Group closely monitors 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 2022, 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

The Group provided guarantees of RMB1,983 million on 31 December 2022 (31 December 2021: RMB2,672 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 the earlier of receiving the building ownership certificates of the respective properties by the banks from the customers or 90 days after the customers are allowed to apply for the building ownership certificates.

MARKET OUTLOOK

The global economy remains in a volatile and uncertain state after a turbulent year of COVID-19 resurgences and rising geopolitical tension accentuated by the war in Ukraine. Rising inflation has prompted the Federal Reserve to raise interest rates higher than expected, and monetary policy is expected to remain tight in 2023. Against this backdrop, the International Monetary Fund projects global economic growth to slow from 3.4% in 2022 to 2.9% in 2023. Economic growth in China slowed to 3.0% in 2022 amid multiple COVID-19 outbreaks and a steep property market correction. However, the lifting of the "zero-COVID" policy and ensuing border reopening should enable China's economy to stage a moderate rebound, notwithstanding the slow progress in alleviating property developers' financing crunch, and debt defaults.

At the Central Economic Work Conference held in mid-December 2022, the authorities noted the weak market sentiment. They signaled that the stabilization of consumer confidence will be a policy imperative in 2023. Measures to support job creation and increase household income will be rolled out to spur consumption, and financing will be made available to facilitate the completion of pre-sold property projects. On the investment front, infrastructure projects earmarked for the 14th Five-Year Plan will be expedited through issuance of special purpose bonds and by attracting private sector participation.

China's residential property market encountered the deepest downturn since the start of housing reform in 1998. Country-wide residential sales revenue and ASP plummeted 28.3% and 2.0% respectively in 2022, while real estate investment registered a fall of 10%. To defuse the risk of a systemic crisis, property market control policy has been eased, and local governments are tasked with stabilizing housing sales to support economic recovery. Home purchase restrictions have been relaxed for many cities, and mortgage rate cuts have become prevalent. The scope of developers financing has been broadened to encompass domestic bonds and equity issuance, and the borrowing caps for property development have been relaxed to support land sales and real estate investment.

Business activities were battered by COVID-19 disruptions due to prolonged city lockdowns in Shanghai, which dealt a severe blow to corporate expansion plans and undermined Shanghai's office market performance. According to Jones Lang LaSalle ("JLL"), the net take-up of Shanghai Grade A office declined 65.2% to 523,900 sq.m., with rents falling by 1.1% in 2022. The lifting of the COVID-19 control policy has resulted in improved traffic mobility and a rebound of business activities in early 2023. It is expected that commercial office leasing demand will pick up in the second half year when economic recovery gains traction. However, the office market still faces excess supply which will be a drag on rental growth performance. The overall Grade A office rental is forecast to fall by 0.4% in 2023.

Retail sales in Shanghai suffered a 9.1% contraction to RMB1.6 trillion in 2022 due to pandemic-related lockdowns. Consumption spending is set to recover with the reversal of COVID-19 containment policies, but the restoration of consumer confidence is expected to take time in view of the scarring impact from subdued income growth. In 2022, prime retail rental in Shanghai declined 6.8%, and rentals for prime retail space are projected to remain flat throughout 2023 based on JLL's projection.

Shanghai's economy shrunk by 0.2% in 2022 due to pandemic disruptions impacting the manufacturing supply chain and a slowdown in consumption and the services sector. The government aims to strengthen the city's competitiveness through enhancing its international reinsurance centre and global asset management centre functions. For 2023, Shanghai targets to attain economic growth of 5.5%. To achieve this goal, the government has rolled out a plan to develop four industry clusters, comprising artificial intelligence, new-energy vehicles, semiconductors, and high-end equipment. In addition, a 16-point real estate rescue program has been implemented to restore household and investor confidence.

In 2022, Chongqing achieved GDP growth of 2.6%, with secondary and tertiary sector growth rising 3.3%, and 1.9% respectively. The municipality's resident population increased by 9,000 to 32.1 million in 2022. Chongqing has set a GDP growth target of 6% for 2023, and its development will focus on enhancing ecological civilization, social governance, and quality of education. The government aims to further strengthen its economic development through accelerating employment growth.

Wuhan maintained a resilient 4.0% GDP growth in 2022, with fixed asset investment charting a strong 10.8% growth. The government plans to boost investment in infrastructure and advanced manufacturing, targeting to achieve GDP growth of 6.5% in 2023. Efforts will be devoted to boost the development of the modern service sector and the emerging digital economy. The city has obtained approval to construct a national science and technology innovation centre, which will be a boost to future employment growth.

Foshan's economic growth dropped to 2.1% in 2022, dragged by respective declines in fixed asset investment and retail sales growth of 3.6% and 1.0 %. Foshan residential sales area contracted by 30.5% in 2022, prompting the city to lift home purchase restrictions in December fully. This policy should help to boost demand and ensure a gradual recovery of residential transactions this year. The provincial government issued an urban spatial development guideline to support further integration of Guangzhou and Foshan economies. Foshan government has set its GDP growth target for 2023 at 6%.

Nanjing's GDP growth slowed to 2.1% in 2022 amid a severe property downturn, with residential sales area registering a 39.3% decline. The residential market is expected to stabilize following the removal of purchase restrictions. Nanjing has remained a favored location for home buyers from Jiangsu Province and the adjacent cities in Anhui Province. The economy stands to benefit from central government approval to construct a National Integrated Circuit Design Automation Technology Innovation Center. This project is expected to create ample job opportunities, attracting inflows of talents and investment.

The global economy faces immense financial fragilities and uncertainties in a year of slowing US and EU growth. An escalation of the Ukraine crisis and ongoing episodes of property developers' debt defaults constitute risks that could affect the economic outlook. China's property downturn has been a drag on the economy, and government policies will remain accommodative to ease funding bottleneck hampering land sales and property development. However, the debt problems for cash-strapped developers are deeply entrenched, and the process of debt restructuring will require time to resolve. At the 2023 "Two Sessions", the government has set an annual GDP growth target of "around 5%" which reflects deep concerns confronting the economic outlook this year. We remain cautious and will closely monitor the pace of market recovery to pursue suitable mergers and acquisitions opportunities that may arise.

CORPORATE GOVERNANCE REPORT

The Board of Directors of the Company (the "Board") is pleased to present the Corporate Governance Report for the year ended 31 December 2022.

Corporate Governance Values, Strategy, and Practices of the Company

The Company and its subsidiaries (the "Group") have embraced the "Shui On Spirit – Integrity • Dedication • Innovation • Excellence" with a commitment to innovation, quality, and excellence. The Group is dedicated to delivering excellent products and services. The Group sustains its vision by integrating quality into all its operations and aspiring to world-class standards of excellence in management, planning, execution, and corporate governance, and guiding them to sustainable growth.

The Company has a strong commitment to ethics and integrity and the Board endeavours to instill integrity into every aspect of the Company's business. Implementation of various policies and training (e.g., Code of Conduct and Business Ethics, Irregularity Reporting Policy), and experience-sharing sessions, the culture and spirit of the Group are being reinforced across the Group's value of acting lawfully, ethically, and responsibly.

The Board believes that good corporate governance is essential to the success of the Company, the enhancement of shareholder value, and stakeholders' confidence in the Company. Good corporate governance practices have enabled the Company to leverage its competitive advantages from many perspectives. The trust and support of the Company's stakeholders drive its continuing success and growth. The Company has experienced these benefits during its on-shore and off-shore fund-raising, as well as when entering into long-term strategic partnerships with renowned companies. From an ethical perspective, we believe our integrity has won the trust of the PRC Government, which has, in consequence, granted the Company more opportunities involving large-scale metropolitan development projects.

The Company reviews its corporate governance practices from time to time to ensure it complies with all the applicable code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and aligns with its latest developments. The Board has reviewed the corporate governance practices of the Company along with the adoption and improvement of various procedures and documentation, which are detailed in this report. During the year ended 31 December 2022, the Company has applied the principles of and complied with all the applicable code provisions of the CG Code except for a deviation as specified in the section headed "Communications with Shareholders and Investors/Investor Relations" below.

Board of Directors

The Board is responsible for the leadership and control of the Company and oversees the Company's businesses, strategic decisions, and performance. The Board has reserved for its decision or consideration matters concerning the Company's overall strategy, annual operating budget, annual and interim results, recommendations on Directors' appointments or re-appointments, material contracts and transactions as well as other significant policies and financial matters.

The Board has delegated the daily operations and administration of the Company to the management. The respective functions of the Board and the management of the Company are published on the Company's website and are reviewed from time to time as appropriate. The Board had the full support of the senior management of the Company in discharging its responsibilities during the year ended 31 December 2022.

In addition, to assist in fulfilling its duties, the Board has established five Board committees with defined terms of reference, namely the Audit and Risk Committee, the Remuneration Committee, the Nomination Committee, the Sustainability Committee, and the Strategy Committee. It has delegated various responsibilities to these committees as set out in their respective terms of reference.

Board Mechanism in Accessing Independent Views and Input

All Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, to ensure that the Board procedures and all applicable rules and regulations are followed. Coupled with "Independent Element on the Board" as set out below under the Board Diversity Policy, the Company has always ensured independent views and input are available to the Board. To enable the Directors, in the discharge of their duties, to have independent professional advice in appropriate circumstances, the Company has always procured the services of external legal advisors, valuers, and financial advisors to provide independent views on notifiable transactions. Directors have different channels for accessing or seeking independent professional views, and advice. Independent Non-executive Directors ("INEDs") are entitled to engage independent advice while discharging their duties. The Board reviewed that the relevant mechanism is effective.

Board Composition

Ms. Jessica Y. WANG ("Ms. Wang") was appointed as an Executive Director and the Chief Executive Officer of the Company with effect from 1 January 2022.

Mr. Albert Kong Ping NG ("Mr. Ng") was appointed as an INED of the Company on 11 October 2022.

At the date of this report, the Board comprises eleven members in total, with four Executive Directors and seven INEDs:

EXECUTIVE DIRECTORS
Mr. Vincent H. S. LO *(Chairman of the Board, Co-chair of the Strategy Committee, and member of the Remuneration Committee)*
Ms. Stephanie B. Y. LO *(Member of the Nomination Committee, the Sustainability Committee, and the Strategy Committee)*
Ms. Jessica Y. WANG *(Chief Executive Officer and member of the Sustainability Committee)*
Mr. Douglas H. H. SUNG *(Chief Financial Officer, Chief Investment Officer, and member of the Strategy Committee)*

INEDs
Professor Gary C. BIDDLE *(Chairman of the Audit and Risk Committee and member of the Remuneration Committee, the Nomination Committee, and the Strategy Committee)*
Dr. Roger L. McCARTHY *(Member of the Audit and Risk Committee and the Sustainability Committee)*
Mr. David J. SHAW *(Member of the Audit and Risk Committee)*
Mr. Anthony J. L. NIGHTINGALE *(Chairman of the Remuneration Committee and member of the Strategy Committee)*
Mr. Shane S. TEDJARATI *(Chairman of the Nomination Committee and Co-chair of the Strategy Committee)*
Ms. Ya Ting WU *(Chairman of the Sustainability Committee)*
Mr. Albert Kong Ping NG *(Member of the Audit and Risk Committee and the Strategy Committee)*

As a commitment to good corporate governance, the Company's Articles of Association stipulate that subject to the provisions contained therein, the Board shall include a majority of INEDs. The Company has seven INEDs representing more than half of the Board members. The number of INEDs who have appropriate professional qualifications or accounting or related financial management expertise exceeds the requirement as stipulated under Rule 3.10 of the Listing Rules. The Board has received from each INED an annual confirmation of his/her independence and considers that all the INEDs are independent under the guidelines in Rule 3.13 of the Listing Rules.

Notwithstanding that three out of seven INEDs have served the Company for more than nine years, the Board has assessed and reviewed the annual confirmation of independence based on the criteria set out in Rule 3.13 of the Listing Rules and affirmed that they remain independent and free of any relationship which could materially interfere with the exercise of their independent judgment.

The existing Directors, including the INEDs, bring a broad spectrum of valuable business experience, knowledge, and professionalism to the Board to ensure its efficient and effective functioning. INEDs are invited to serve on the Board committees of the Company. Their active participation in the Board and the Board committees' meetings brings independent judgment on issues relating to the Company's strategies, performance, and management processes, considering the interests of shareholders of the Company. Site visits to the Company's projects are arranged occasionally to allow members of the Board to keep abreast of project developments. Due to the outbreak of coronavirus disease 2019 (COVID-19), no site visit has been arranged for 2022.

The Board reviews its structure, size, and composition regularly to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company. The Board believes that its current composition reflects the necessary balance of skills and experience desirable for effective leadership of the Company and independence in decision-making.

To enhance the Board's function and effectiveness, the Board conducted an evaluation of the performance of the Board and the Board committees for 2022. Each of the Board members provided an evaluation of identified areas and also suggestions for improvement. The Company will continue to strive to improve its Board performance through this and other processes.

The list of current Directors and a description of their roles and functions were published on the websites of the Company and the Stock Exchange. Brief biographical details of the Directors are set out in the "Biographies of Directors and Senior Management" section on pages 16 to 23. Except that Ms. Stephanie B. Y. LO ("Ms. Lo") is the daughter of Mr. Vincent H. S. LO ("Mr. Lo"), none of the Directors has any relationship (including financial, business, family, or other material/relevant relationship(s)) with any other Directors.

Chairman and Chief Executive

With effect from 1 January 2022, Ms. Wang was appointed as the Chief Executive Officer of the Company. The roles of the Chairman and the Chief Executive of the Company are separated and currently performed by Mr. Lo and Ms. Wang, respectively. The division of responsibilities between the Chairman and the Chief Executive is established and set out in writing, a copy of which has been published on the Company's website.

Board Diversity

The Board has adopted a board diversity policy (the "Board Diversity Policy"), a copy of which is publicly available on the Company's website (www.shuionland.com/en-us/corporate/Policies). The Company understands the increasing importance of diversity at the Board level, and its implementation and effectiveness are reviewed by the Nomination Committee annually.

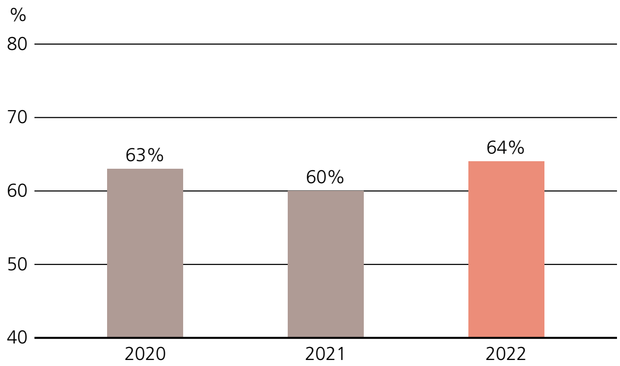
Under the policy, in designing the composition of the Board and during the selection of candidates, the Nomination Committee considers various diversity indicators, including but not limited to independence, gender, age, cultural and educational background, professional and industry experience, skills, knowledge, nationality, ethnicity and other qualities essential to the Company's business. Decisions are made based on merit and the contribution that the selected candidates will bring to the Board, having due regard to the benefits of diversity on the Board and the needs of the Board, and without focusing on a single diversity aspect.

Independent Element on the Board

Under the Board Diversity Policy, the Board shall include a balanced composition of executive and non-executive directors (including INEDs) so that there is a strong independent element on the Board which can effectively exercise independent judgment. The Company's Articles of Association stipulate that the Board shall comprise a majority of INEDs.

As of 31 December 2022, seven out of eleven Directors, representing approximately 64% of the board composition, are INEDs. The followings are the proportion of INEDs in the board composition, compared with the same period of 2020 and 2021:

Proportion of INEDs in the Board Composition (approximately)



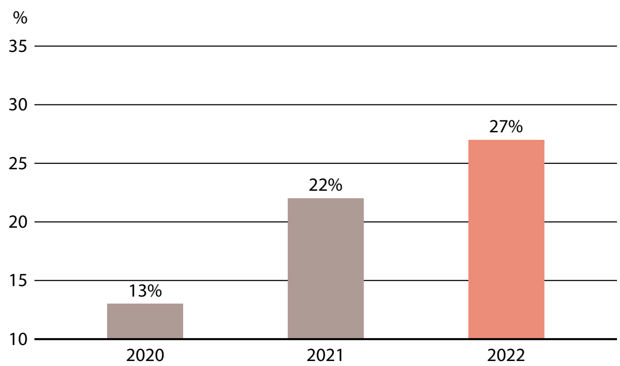
Gender

Under the Board Diversity Policy, the Board is committed to maintaining an environment of respect for people regardless of their gender in all business dealings. The Board would ensure that appropriate balance of gender diversity is achieved with reference to stakeholders' expectation and international and local recommended best practices.

To the extent appropriate, the Board targets to appoint or maintain gender diversity and targets to refrain from having a single gender in respect of the Board.

Since Ms. Lo was appointed as an Executive Director in August 2018, the Board has already achieved gender diversity as per the Listing Rules requirement. Ms. Ya Ting WU ("Ms. Wu") and Ms. Wang were appointed as the Directors of the Company in January 2021 and January 2022, respectively. As of 31 December 2022, three out of eleven Directors, representing approximately 27% of the board composition, were females. The followings are the proportion of females in the board composition, compared with the same period of 2020 and 2021:

Proportion of females in the Board Composition (approximately)



Skills and Experience

Under the Board Diversity Policy, the Board shall possess a balance of skills appropriate for the business of the Company. The composition of the Board has a mix of finance, legal, and management backgrounds and experiences in a range of activities, including varied industries or expertise covering economic, environmental, and social topics. With their respective background and experience, our Directors offer varying perspectives to the Board. The table below highlights the key attributes and experiences of our Board:

Industry Experience

- Real estate
- Investment
- Customer and Retail

Apart from being a director of the Company, some of our INEDs have relevant industry experience.

- Mr. Anthony J. L. NIGHTINGALE ("Mr. Nightingale") has experience in property investment, management, and development.
- Ms. Wu has extensive business experience and a successful track record in the China consumer goods and luxury fashion industries.

Risk Management

The risk management experience of an INED plays a pivotal role in risk oversight and managing the most significant risks facing the Company.

- Dr. Roger L. McCARTHY ("Dr. McCarthy") is a Senior Fellow at the B. John Garrick Institute (the "Institute") for the Risk Sciences at the University of California, Los Angeles (UCLA). Disciplines considered within the scope of the Institute include quantitative risk assessment and management, reliability and resilience engineering, system performance assessment, and the social sciences. As Dr. McCarthy is a distinguished engineer who has achieved a position of international prominence in one or more of the risk sciences, he has knowledge and experience in developing, promoting, and applying risk management.

Professional

- Accounting and Finance
- Legal

Valuable input from the Board with professional backgrounds in different fields.

- Professor Gary C. BIDDLE ("Professor Biddle") is Professor of Financial Accounting at University of Melbourne and Visiting Professor at Columbia University Business School, University of Hong Kong (HKU), and London Business School and is a leading expert in financial and management accounting (teaching both), value creation, economic forecasting, corporate governance, and performance metrics, including EVA®.
- Mr. Ng is a member of the Hong Kong Institute of Certified Public Accountants (HKICPA), Chartered Accountants of Australia and New Zealand (CAANZ), CPA Australia (CPAA), and the Association of Chartered Certified Accountants (ACCA). Mr. Ng has extensive experience in the accounting profession in Hong Kong and China.
- Mr. David J. SHAW ("Mr. Shaw") is a solicitor admitted in England and Wales and Hong Kong.

Experience in China markets and economic, political, and regulatory development

Certain of our INEDs have focused experience in China markets and economic development.

- Mr. Shane S. TEDJARATI ("Mr. Tedjarati") has extensive experience in management and strategies for sustainable growth in China and abroad.
- Mr. Ng is a pioneer in China investment advisory and has guided many multinational companies on investing in China.
- Dr. McCarthy was the founder and Chairman of Exponent Science and Technology Consulting Co., Ltd. (Hangzhou) (毅博科技諮詢(杭州)有限公司), in 2005, as a wholly owned subsidiary of Exponent, Inc., which expanded Exponent, Inc.'s services to China.

Diversity in Senior Management and Employees

The Company is committed to creating a diverse and inclusive working environment for all employees. A working environment, where diversity is considered as its strength and discrimination of any kind is prohibited, has been created.

As of 31 December 2022, female comprises approximately 47% of the Group's workforce (including senior management). As announced in January 2022 and 2023, the Company has been included in the 2022 and 2023 Bloomberg Gender-Equality Index, a modified market capitalisation-weighted index that aims to track the performance of public companies committed to transparency in gender-data reporting. In August 2022, the Company conducted an employee engagement survey which included questions addressing diversity and inclusion.

Appointment, Re-election, and Removal of Directors

The procedures and process of the appointment, re-election, and removal of Directors are governed by the Company's Articles of Association, a copy of which has been published on the Company's website for public inspection. The Board, with the recommendation of the Nomination Committee, is responsible for reviewing the Board composition, developing and formulating the relevant procedures for the nomination and appointment of Directors, monitoring the appointment of Directors, and assessing the independence of INEDs.

Non-executive Directors of the Company, including INEDs, are subject to retirement by rotation at least once every three years. The re-election of Directors is pursuant to the Company's Articles of Association, the Listing Rules, and any other applicable laws.

All Directors appointed to fill a casual vacancy should be subject to election by shareholders at the first annual general meeting after their appointment. Every Director, including those appointed for a specific term, is subject to retirement by rotation at least once every three years.

The Company's Articles of Association also allow a qualified shareholder to propose a person, other than a retiring Director of the Company or a person recommended by the Directors, for election as a Director of the Company. The detailed requirements and procedure for such action have been published on the Company's website.

Induction, Training, and Continuing Development for Directors

Each newly appointed Director will receive a comprehensive, formal, and tailored induction on the first occasion of his/her appointment to ensure that he/she has a proper understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

The Directors are continually updated on legal and regulatory developments, as well as business and market changes, to facilitate the discharge of their responsibilities. During the year ended 31 December 2022, the Directors attended training sessions organised by the Company and perused two ESG-related articles provided by the Company.

NAME OF DIRECTORS	ATTENDING BRIEFINGS / SEMINARS / CONFERENCES RELEVANT TO THE BUSINESS OR DIRECTORS' DUTIES	READING REGULATORY UPDATES OR ESG-RELATED MATERIALS
EXECUTIVE DIRECTORS		
Mr. Vincent H. S. LO	✓	✓
Ms. Stephanie B. Y. LO	✓	✓
Ms. Jessica Y. WANG	✓	✓
Mr. Douglas H. H. SUNG	✓	✓
INEDs		
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	✓	✓
Mr. Albert Kong Ping NG (Appointed on 11 October 2022)	✓	–

In addition, individual Directors participated in forums and workshops organised by external professional consultants for continuous professional development. All Directors have provided the Company with their training records for the year ended 31 December 2022.

Board and Board Committees' Meetings and Shareholders' Meetings

Number of Meetings and Directors' Attendance

The Company held the annual general meeting on 26 May 2022 ("2022 AGM") and five Board meetings during the year. Directors' attendance records at Board and Board committees' meetings and the 2022 AGM are set out below:

	Meetings attended / held during their tenure						
Name of Directors	Board meetings	2022 AGM	Audit and Risk Committee meetings	Remuneration Committee meetings	Nomination Committee meeting	Strategy Committee meetings	Sustainability Committee meetings
EXECUTIVE DIRECTORS							
Mr. Vincent H. S. LO	5/5	✓	N/A	2/2	N/A	3/3	N/A
Ms. Stephanie B. Y. LO	5/5	✓	N/A	N/A	1/1	3/3	2/2
Ms. Jessica Y. WANG	5/5	✓	N/A	N/A	N/A	N/A	N/A
Mr. Douglas H. H. SUNG	5/5	✓	N/A	N/A	N/A	3/3	2/2
INEDs							
Professor Gary C. BIDDLE	5/5	✓	5/5	2/2	1/1	3/3	N/A
Dr. Roger L. McCARTHY	5/5	✓	5/5	N/A	N/A	N/A	2/2
Mr. David J. SHAW	3/5	–	4/5	N/A	N/A	N/A	N/A
Mr. Anthony J. L. NIGHTINGALE	5/5	✓	N/A	2/2	N/A	3/3	N/A
Mr. Shane S. TEDJARATI	4/5	✓	N/A	N/A	1/1	3/3	N/A
Ms. Ya Ting WU	5/5	✓	N/A	N/A	N/A	N/A	2/2
Mr. Albert Kong Ping NG*	1/1	N/A	1/1	N/A	N/A	1/1	N/A

* Mr. Ng was appointed as an INED of the Company on 11 October 2022.

Practice and Conduct of Meetings

In observance of the CG Code and to facilitate the maximum attendance of Directors, regular Board and Board committees' meetings are scheduled at least one year in advance. Draft agendas of each meeting are made available to Directors in advance to ensure that all Directors are given an opportunity to include matters in the agendas for regular Board and Board committees' meetings.

Notices of regular Board and Board committees' meetings are served to all Directors at least 14 days before the meetings. Board papers together with appropriate, complete, and reliable information are sent to all Directors at least three days before each Board and Board committees' meeting, or such other period as specified in the terms of reference of the relevant Board committees, to keep the Directors abreast of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management whenever necessary.

The senior management attends all regular Board meetings and, when necessary, other Board and Board committees' meetings to advise on business developments, financial and accounting matters, statutory compliance, corporate governance, and other significant aspects of the Company. An informal meeting between the Chairman and INEDs was held in 2022, without the presence of the executive directors/management, to evaluate the performance of the Board and the management.

The Company Secretary is responsible for taking and keeping minutes of all Board and Board committees' meetings. The minutes shall be open for Directors' inspection at any reasonable time on reasonable notice by any Director. Draft and final versions of minutes are normally sent to Directors for comment and records, respectively, within a reasonable time after such meetings.

According to current Board practice, any material transaction that involves a conflict of interest for a substantial shareholder or a Director will be considered and dealt with by the Board at a duly convened Board meeting. The interested Directors shall abstain from voting and shall not be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

Board Committees

The Board has established five Board committees with defined terms of reference, namely the Audit and Risk Committee, the Remuneration Committee, the Nomination Committee, the Sustainability Committee, and the Strategy Committee, for overseeing particular aspects of the Company's affairs.

The terms of reference of the Board committees, which set out the Board committees' respective duties, are in line with the CG Code and are approved by the Board. The terms of reference of the Board committees are reviewed from time to time to cope with the latest amendments to the Listing Rules and needs of the Company.

The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, can seek independent professional advice in appropriate circumstances at the Company's expense.

Audit and Risk Committee

The Audit and Risk Committee is currently comprised entirely of INEDs, namely Professor Biddle (Chairman of the Audit and Risk Committee), Dr. McCarthy, Mr. Shaw, and Mr. Ng (appointed on 11 October 2022). None of the members of the Audit and Risk Committee have any present relationship with the Company's existing external auditor. Mr Ng was the China Chairman of Ernst & Young.

To review the Company's financial statements and reports and consider any significant or unusual items raised by the qualified accountant, compliance officer, internal auditor, or external auditor before submission to the Board.

To review and monitor the relationship with the external auditor by reference to the work performed by the auditor, their fees, and terms of engagement, and make recommendations to the Board on the appointment, re-appointment and removal of the external auditor.

To review the adequacy and effectiveness of the Company's financial controls, risk management and internal control systems and associated procedures.

To develop and review the Company's policies and practices on corporate governance and make recommendations to the Board.

The terms of reference of the Audit and Risk Committee are published and available on the websites of the Company (www.shuionland.com/en-us/corporate/Committee) and the Stock Exchange.

The Audit and Risk Committee held five meetings during the year ended 31 December 2022. The Audit and Risk Committee also held separate private meetings with the external auditor and the internal auditor during the year to discuss pertinent issues of the Company.

During the year ended 31 December 2022 and up to the date of this report, the Audit and Risk Committee had reviewed the Group's interim results for the six months ended 30 June 2022 and annual results for the years ended 31 December 2021 and 2022, including the accounting principles and practices adopted by the Company. No material uncertainties relating to events or conditions that may cast doubt upon the Company's ability to continue as a going concern had been found.

The Audit and Risk Committee also reviewed the auditor's remuneration and made a recommendation to the Board on the re-appointment of the auditor. The Audit and Risk Committee has the same view as the Board regarding the selection, appointment, resignation, or dismissal of external auditors.

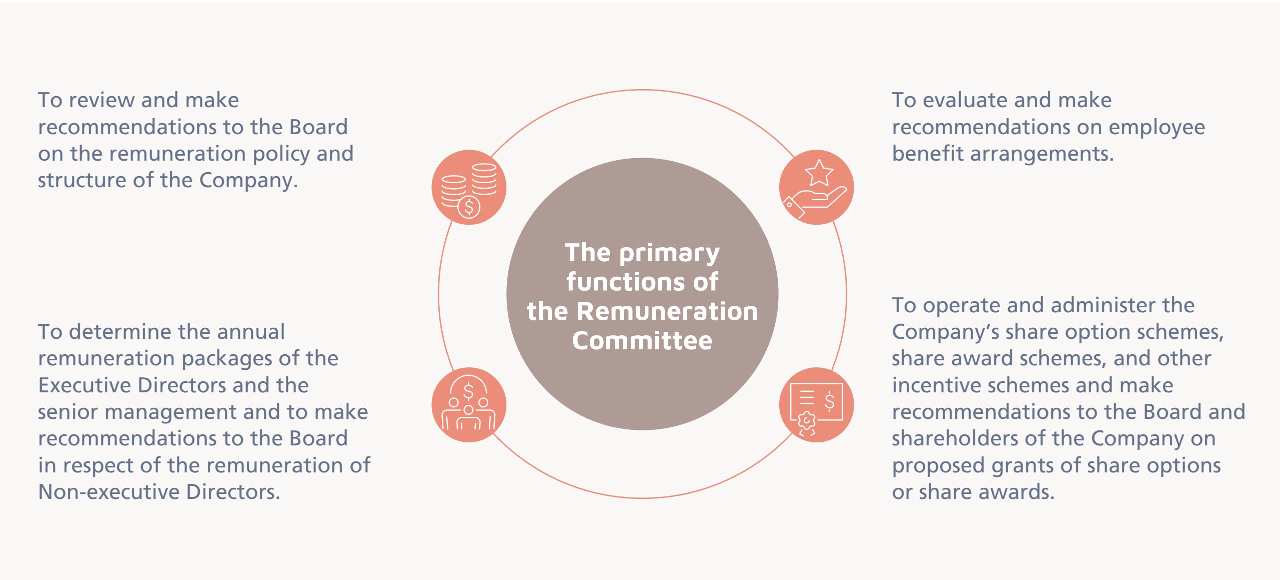
The Audit and Risk Committee received regular updates on Cybersecurity and Personal Information Protection Program from the IT and Cybersecurity Department ("ITCD"). It made recommendations on the practices, tests, and policies for strengthening cybersecurity and personal data protection during the relevant Audit and Risk Committee meetings. Details of the work of ITCD can be found under "Cybersecurity & Personal Data Protection".

In addition, the Internal Audit and Risk Department ("IARD") provided a summary of the independent risk and control assessment to the Audit and Risk Committee in accordance with the approved risk-based audit plan. As the members of the Audit and Risk Committee were unable to visit the Company's projects due to the outbreak of COVID-19, the head of the IARD updated them on major project progress during the private meetings.

The Audit and Risk Committee also reviewed the Company's policies and practices on corporate governance, the training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, and the Company's compliance with the CG Code and disclosure in the Corporate Governance Report as stipulated under code provision A.2.1 of the CG Code.

Remuneration Committee

The Remuneration Committee currently consists of three members, namely Mr. Nightingale (Chairman of the Remuneration Committee), Mr. Lo, and Professor Biddle. The majority of the members of the Remuneration Committee are INEDs.



The terms of reference of the Remuneration Committee are published and available on the websites of the Company (www.shuionland.com/en-us/corporate/Committee) and the Stock Exchange.

The Human Resources Department is responsible for collecting and administering human resources data and making recommendations to the Remuneration Committee for its consideration. The Remuneration Committee shall report to the Board about these recommendations on remuneration policy, structure, and packages.

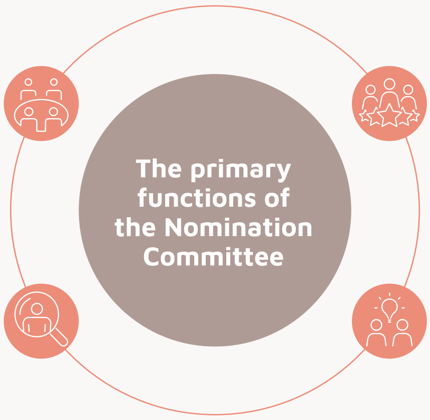
The Remuneration Committee held two meetings during the year ended 31 December 2022. During the year under review, the Remuneration Committee reviewed the remuneration policy and structure of the Company, the current remuneration package of Executive Directors, INEDs, and senior management, and the incentive plans for the employees of the Group.

Nomination Committee

The Nomination Committee currently consists of three members, namely Mr. Tedjarati (Chairman of the Nomination Committee), Professor Biddle, and Ms. Lo. The majority of the members of the Nomination Committee are INEDs.

To review the structure, size, and composition (including the skills, knowledge, and experience) of the Board at least annually.

To assess the independence of INEDs.



To identify individuals suitably qualified to become members of the Board and select or make recommendations to the Board on the selection of individuals nominated for directorship.

To have a policy concerning the diversity of Board members or to annually review the policy on Board diversity (and its implementation) as may be adopted by the Board from time to time.

The terms of reference of the Nomination Committee are published and available on the websites of the Company (www.shuionland.com/en-us/corporate/Committee) and the Stock Exchange.

The Nomination Committee held one meeting during the year ended 31 December 2022. During the year under review and up to the date of this report, the Nomination Committee had (i) assessed the independence of INEDs and made a recommendation to the Board on the re-appointment of Directors; (ii) reviewed the structure, size, and composition of the Board concerning the Board Diversity Policy to complement the Company's strategy; (iii) reviewed the Board Diversity Policy to ensure that it aligns with the Listing Rules and the CG Code.

Nomination Process

Appointment and re-appointment of Directors are made following the Company's Articles of Association, the Listing Rules, and other applicable rules and regulations. In assessing the suitability of candidates, the Nomination Committee has a policy for the nomination of directors, which is the "Nomination Policy".

Nomination Policy

The Nomination Committee shall consider, among other criteria, the following factors in assessing the suitability of individuals nominated for directorship:

a) Reputation for integrity;

b) Accomplishment, experience, and reputation in the real estate industry, in particular for individuals nominated for executive directorship;

c) Time commitment and attention to the businesses of the Company and its subsidiaries;

d) Diversity of perspectives, including but not limited to the measurable objectives stated in the Company's Board Diversity Policy, details of which can be found on pages 73 to 75;

e) Independence, in particular for individuals nominated for independent non-executive Directors;

f) Expertise and experience relating to economic, environmental, and social topics;

g) Any other relevant factors as may be determined by the Nomination Committee from time to time as appropriate.

For the nomination of members of the Board committees, after consultation with the respective chair of the Board committee, the Nomination Committee will present to the Board a specific proposal for election or re-election of individual members as Board committee members.

Concerning the appointment of Mr. Ng as an INED of the Company in October 2022, the Nomination Committee took into consideration of (i) Mr. Ng's extensive experience in the accounting profession in Hong Kong and China, and (ii) Mr. Ng being a pioneer in China investment advisory and has guided many multinational companies on investing in China. After consideration, the Nomination Committee resolved that Mr. Ng has the character, integrity, independence, and experience to fulfill his role effectively and recommended to the Board the appointment of Mr. Ng as an INED of the Company and a member of the Audit and Risk Committee and the Strategy Committee of the Company.

Sustainable Development

The Group's sustainability governance structure has been revamped to facilitate effective implementation of the "5C" sustainable development strategy, including Clean, Culture, Community, Care, and Corporate Governance. The Board has overall responsibility for our sustainable development efforts. The Sustainability Committee, consisting of selected Directors, meets regularly to discuss and decide on sustainability goals. The Sustainability Committee directly monitors and guides our overall sustainability performance and may delegate certain of its responsibilities to the Sustainable Development Executive Committee. The responsibility for specific proposals and the implementation of specific goals at the operational level is delegated to five cross-departmental C Working Teams. Each team holds the key performance indicators ("KPIs") of the goals, meets regularly to drive implementation, and solves problems as they arise. KPIs are cascaded to relevant companies and departments for execution. The Sustainable Development Executive Committee and each C Working Team report its progress and status to the Sustainability Committee for review regularly, and the Sustainability Committee provides consolidated reports to the Board. Details of the "Sustainability Report" are set out on pages 108 to 128.

Employees' Awareness of Sustainable Development

To enhance employees' awareness of the Company's corporate vision and strategy in pursuing sustainable development, employees' participation is an essential element. In 2022, approximately 99% out of the relevant employees of the Group completed ESG-related training, which was approximately 60 minutes in duration organised by the Company's Sustainable Development Department. A passing score is required by the participating employee to complete the training.

ESG-related KPIs

In January 2022, the Chief Sustainability Officer was appointed. He leads the Sustainable Development Department in the management of sustainability tasks and is responsible for the formation and monitoring of the Group's sustainability strategies. The Chief Sustainability Officer, the members of the Sustainable Development Executive Committee, and each C Working Team member all have ESG-related KPIs. The achievement of respective ESG-related KPIs is linked to the compensation of the Chief Sustainability Officer and the members of the Sustainable Development Executive Committee and each C Working Team.

Sustainability Committee

The Sustainability Committee currently consists of four members, namely Ms. Wu (Chairman of the Sustainability Committee), Dr. McCarthy, Ms. Lo, and Ms. Wang (appointed on 25 August 2022). Mr. Douglas H. H SUNG ("Mr. Sung") ceased to be a member of the Sustainability Committee on 25 August 2022. Half of the members of the Sustainability Committee are INEDs.

The primary duties of the Sustainability Committee

To propose and recommend to the Board on the Company's sustainable development strategies, priorities, initiatives, and goals.

To oversee, review, and suggest any changes and improvements to the Company's strategies, policies, and practices in respect of the sustainable development strategy of the Group ("SD Strategy") from time to time and make recommendations to the Board for approval and support the alignment of the SD Strategy to business objectives.

To monitor and review on an annual basis the performance of the Company in achieving targets or key initiatives recommended by the Sustainable Development Executive Committee.

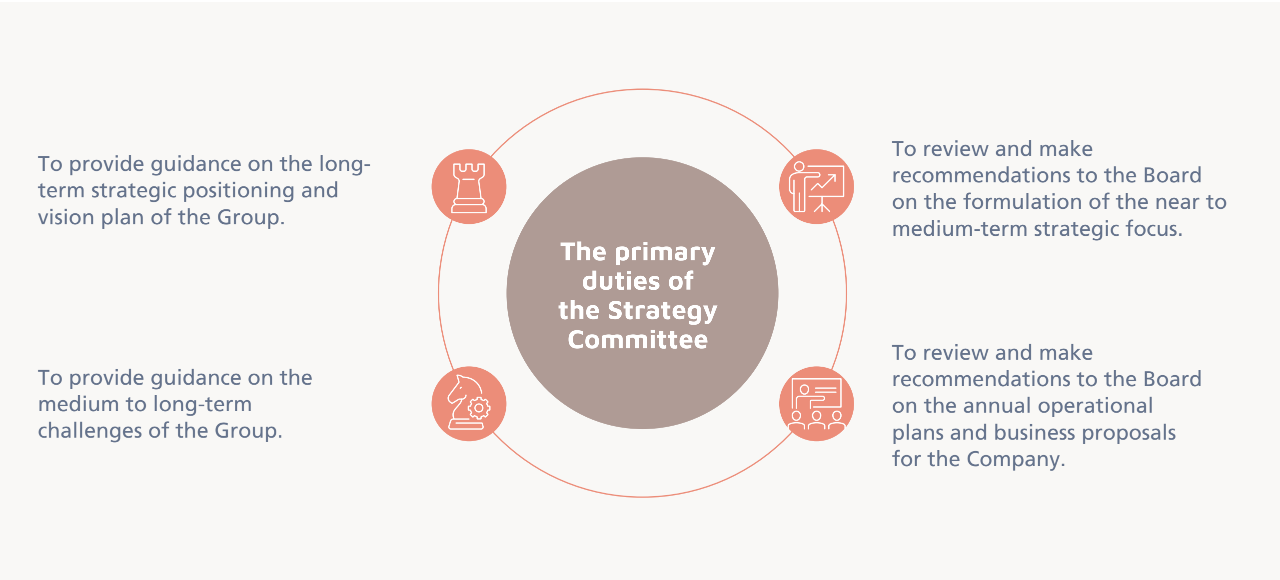
To review and report to the Board any significant risks, opportunities, or investments in connection with the implementation of the SD Strategy and any material matters (whether financial or otherwise) arising from such review.

The terms of reference of the Sustainability Committee are publicly available on the websites of the Company (www.shuionland.com/en-us/corporate/Committee) and the Stock Exchange.

The Sustainability Committee held two meetings in 2022. During the year under review, the Sustainability Committee had (i) reviewed the 2021 strategic focus and sustainability-related KPIs; (ii) formulated the 2022 strategic focus and sustainability related KPIs; (iii) reviewed the Sustainable Development Report 2021; (iv) reviewed 2022 work plan; and (v) reviewed the Science-based Targets for emission reduction.

Strategy Committee

The Strategy Committee currently consists of seven members, namely, Mr. Lo (Co-Chair of the Strategy Committee), Mr. Tedjarati (Co-chair of the Strategy Committee), Professor Biddle, Mr. Nightingale, Ms. Lo, Mr. Sung, and Mr. Ng (appointed on 11 October 2022). The majority of the members of the Strategy Committee are INEDs.



The terms of reference of the Strategy Committee are publicly available on the websites of the Company (www.shuionland.com/en-us/corporate/Committee) and the Stock Exchange.

The Strategy Committee held three meetings in 2022. During the year under review, the Strategy Committee has (i) assessed the China property market; (ii) considered the strategy and action planning proposed by the management team; (iii) considered macro-economy development and China real estate market update; (iv) recommended the Company's business vision; and (v) reviewed the Company's strategic planning and short-term focus.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the Directors.

Specific enquiry has been made of all the Directors, and the Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2022.

To comply with the CG Code, the Company has established and adopted a Code for Securities Transactions by Relevant Employees (as defined by the Listing Rules), on terms no less exacting than the Model Code, to regulate dealings in the securities of the Company by certain employees of the Company or any of its subsidiaries who are considered to be likely in possession of unpublished inside information in relation to the Company or its securities because of their offices or employment.

No incident of non-compliance with the Model Code by the Directors and the Code for Securities Transactions by Relevant Employees was noted by the Company during the year ended 31 December 2022.

Responsibilities in respect of the Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2022.

The Board is responsible for overseeing the preparation of the financial statements of the Company and reviewing the same to ensure that such financial statements give a true and fair view of the state of affairs of the Company and relevant statutory requirements and applicable accounting standards are complied with.

The management provides such explanation and information to the Board to enable the Board to make an informed assessment of the financial information and position of the Company that is put forward to the Board for approval.

The statement of the external auditor of the Company about its reporting responsibilities in regard to the financial statements is set out in the "Independent Auditor's Report" on pages 129 to 132.

Risk Assessment and Management

Strategic Planning

In 2022, the Company continued the implementation of its asset-light business model, and at the same time replenished its landbank. This business strategy has allowed the Company to expand its commercial portfolio with long-term strategic partners, capture new business opportunities and create more shareholder value.

The Company continued to develop its competitive advantages in innovation and to strive for excellence. Strategic action plans were developed, implemented, and monitored by relevant executives and management to improve services and enhance the customer experience to achieve an operational model that is market-driven and customer-focused. The Company also developed balanced scorecards to measure individual performance against these corporate objectives.

Resources Planning and Cost Controls

During the year ended 31 December 2022, the Company's main resource planning focus remained on fund-raising through various means to expedite the completion of maturing projects, on strengthening its ability to manage its retail resources to meet future challenges, and on replenishing its quality landbank in Shanghai and Wuhan. This was carried out successfully, enabling the Company to increase its focus on delivering the targets in its business plan.

Management continues to focus on controlling costs over the short and long term, enhancing the Company's cost-conscious culture and behaviour, as well as reviewing and monitoring the Company's expenditures.

Enterprise Risk Management

The Company has had a risk identification and management process in place from virtually its initial public listing. The Company has elected to formalise its existing risk management system with a Risk Management Policy to reference its conformance explicitly to the guidance set forth in Appendix 14 of the Listing Rules.

In 2022, the Company reviewed and refined its risk governance structure with reference to the "Three Lines Model" issued by The Institute of Internal Auditors. The Company's Three Lines Model specifies duties and responsibilities to enhance collaboration, communication, and governance within the Group. The second line roles are strengthened and monitored by the Executive Committee ("EXCOM"), Chief Executive Officers and risk management working team. This team is to assist Chief Executive Officers in overall planning and communication between the business project teams, setting the standards and methods for risk identification and assessment, and compiling the principal risks to the EXCOM.

The Company's risk management framework is a "Top-Down" strategic risk management approach combined with "Bottom-Up" operational risk management approach. The Company recognises that most of its corporate risk stems from uncontrollable events in its business and operating environments, which can only be addressed by Board level policy. Thus, the most effective enterprise risk management is facilitated by solid oversight exercised by the Board of Directors, the Audit and Risk Committee and the EXCOM in the establishment and maintenance of the risk management policy, framework, and program. These oversight components provide leadership and guidance that the business needs to focus, balance risk and reward, and steer the Company in the planned direction. This approach ensures clarity about the most extreme/high risks involved in shaping the Company's objectives and performance, supports risk-related decisions at the Board/EXCOM, and ensures effective communication amongst the management and operations teams with a view to identifying and reporting new risks of potentially strategic importance to senior management.

The project directors and functional department heads of the Company are responsible for operational risk assessment. The operational risk assessment comprises risk identification, risk assessment and prioritisation, risk response, risk monitoring, and risk reporting. The Audit and Risk Committee requires relevant management to present risk assessment/management updates of their responsible functions periodically. For example, the Chief Executive Officer would regularly provide an update on business performance to the Audit and Risk Committee. Additionally, the ITCD was required to present updates on information technology security and compliance with relevant laws and regulations on data privacy in each Audit and Risk Committee meeting. The head of the IARD also discusses the emerging risks faced by the Company and new management initiatives with the Audit and Risk Committee members. Details about the Group's risk management framework and risk assessment, including principal risks, risk mitigation and ESG-related risk management measures, are set out in the "Risk Management Report" on pages 91 to 95.

Internal Controls

During the year ended 31 December 2022, management and the IARD conducted reviews of the effectiveness of the Company's system of internal controls, including those of its subsidiaries and major associates. The Audit and Risk Committee reviewed the summary report prepared by the internal auditors on the effectiveness of the Company's system of internal controls and reported its summary results to the Board covering all material controls, including financial, operational, and compliance controls and risk management functions. The Board also considered the adequacy of resources, staff qualifications and experience, training programs, and budget of the Company's accounting, internal audit, and financial reporting functions as well as those relating to the Company's ESG performance and reporting.

The Company is in the process of updating its policies and procedures to reflect ongoing organisational changes.

Internal Audit and Risk

During the year ended 31 December 2022, the head of the IARD functionally reported to Ms. Lo and had functional reporting line to the Audit and Risk Committee. The internal audit charter allows the internal auditors unrestricted access to all functions, records, property, and personnel, while maintaining appropriate confidentiality in performing their work.

The IARD is a corporate member of the Institute of Internal Auditors Hong Kong Limited, which is an affiliate of the Institute of Internal Auditors Inc. ("IIA") headquartered in the United States of America. The IARD subscribes to and is guided by, the International Standards for the Professional Practice of Internal Auditing ("Standards") developed by the IIA and has incorporated these Standards into its audit practices.

The IARD helps the Company accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of the risk management, internal control, and governance processes. The IARD performs internal audit services in accordance with the Standards as well as the Code of Ethics issued by the Institute of Internal Auditors. In addition, it applies the Internal Control – Integrated Framework and Enterprise Risk Management –

Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). The IARD shares the relevant concepts and COSO principles with management to help enhance the internal control and risk management system of the Company. It formulates a risk-based internal audit plan based on interviews and discussions with management and staff for the Audit and Risk Committee's approval.

During the year ended 31 December 2022, the IARD issued reports to the Chairman and relevant management personnel covering various operational and financial processes and projects of the Company. It provides summary reports to the Audit and Risk Committee together with the status of the implementation of their recommendations in each Audit and Risk Committee meeting.

To help further enhance the effectiveness of the risk management system of the Company and refine the work related to risk management, the IARD has taken the following initiatives:

- Conduct risk management training at each project when performing audits.
- Review the risk inventory with relevant management/staff.
- Perform various data analyses to identify abnormal cases/red-flag items and pass the information to Corporate Finance and/or relevant business departments for follow up.

The IARD has continued to work on its risk management initiatives and also assisted senior management in refining the ethics-related processes and practices. In particular, the IARD has embedded ethics trainings in all audit sections and risk interviews with management and continuously assessed the "control environment" and "tone at the top" with a view to enhance the Company's ethical culture.

Ethical Corporate Culture

The Company has established various policies, including its Code of Conduct and Business Ethics to govern business ethics and best practices. The Company emphasises integrity as an important foundation of its corporate culture and a strategic choice, and leverages it as one of its competitive advantages.

The Company's Code of Conduct and Business Ethics regulates, including but not limited to, (i) conflicts of interests (external work, business relationships with family members and interested parties, corporate opportunities); (ii) business practices (discrimination and harassment, confidentiality, proper use of company assets); (iii) business relationships (fair dealing, gifts and hospitality, external contributions); (iv) financial dealings (financial records, controls and reporting) and applies to all wholly-owned subsidiaries of the Group.

The IARD embedded ethics considerations in each audit assignment and assessed "control environment" to ensure ethical values are integrated into all business segments and processes. Ethics training sessions were organised with the assistance of the Ethics Committee and the IARD and were delivered to management, new employees, suppliers, and various departments and project teams during 2022.

Ethical Training Provided to Management

In December 2022, the Ethics Committee organised a one-hour training for the management (including Executive Directors and department/project heads of the Company) regarding the ethical business culture, integrity, and anti-corruption reflecting guidance from the Hong Kong Independent Commission Against Corruption and the Company's Code of Conduct and Business Ethics. All the relevant management participated in this training.

Ethical Training Provided to New Employees

All new employees will undergo an introduction to ethics in their orientation conducted by the Ethics Committee Chairman and the head of the IARD, as well as completing a declaration of their commitment to abide by the Company's Code of Conduct and Business Ethics. In addition, they are required to join an online ethics training session upon completion of their probationary period.

Ethical Training Provided to Employees

For the year 2022, 100% of the employees of the Group participated in the online training, which was around 30 minutes in duration, regarding the Code of Conduct and Business Ethics. After the training, all employees must complete an online declaration of compliance with the Company's Code of Conduct and Business Ethics in all their business dealings.

Ethical Training Provided to Suppliers

In 2022, the Company invited all key suppliers to participate in a one-hour webinar to introduce the Company's Code of Conduct and Business Ethics as well as the Supplier Code of Conduct. All the invited suppliers attended this webinar.

Under the Company's Code of Conduct and Business Ethics, the Company uses only those agents, representatives, consultants, contractors, subcontractors, business partners, resellers, sales and marketing agents, or suppliers who have met or exceeded the Company's high standards and entered into the appropriate written agreements in strict compliance with the Company's Code of Conduct and Business Ethics.

Furthermore, all non-public information about the Company should be considered confidential information. Directors and employees who have access to confidential information about the Company or any other entity are not permitted to use or share that information for trading purposes in the Company or the other entity's securities or for any other purpose except the conduct of the Company's business. Using non-public information for personal financial benefit or sharing this information with others who might make an investment decision based on this information is both unethical and illegal.

The Company's Code of Conduct and Business Ethics was updated to provide guidance on evolving ethics-related scenarios with effect from 1 January 2022, the details of which are publicly available on the Company's website (www.shuionland.com/en-us/corporate/CodeOfConductBusinessEthics).

Anti-Fraud Measures

An Irregularity Reporting System (or whistle-blowing system) was introduced for reporting violations of the Company's Code of Conduct and Business Ethics and for making complaints about integrity-related matters from staff, vendors, customers and/or business partners. A telephone hotline (86-21-53829390) and special e-mail addresses (irsx@shuion.com.cn and irs@shuion.com.cn) were set up to enable any such complaints to reach the Chairman of the Audit and Risk Committee or the Chairman of the Ethics Committee. At each Audit and Risk Committee meeting, a summary report of the complaints received and their follow-up actions are tabled for review. The summary report included the complaints and incident reporting involving any suspected ethical issues and conflict of interest issues, and relevant disciplinary and remedial actions. The Audit and Risk Committee continues to oversee the ethical conduct of the Company's businesses.

To enhance anti-fraud awareness, news clippings on reported fraud cases in the real estate industry are collated and sent by the IARD to key executives quarterly. In addition, the Fraud Risk Management Guide issued by COSO has been adopted to assist management in preventing and managing fraud risks associated with all business processes. An annual fraud risk self-assessment is conducted using a standard questionnaire.

The Ethics Committee also issued an Irregularity Reporting Policy. This policy clarifies the Company's treatment and procedures for handling potential reported violations, but at the same time tries to discourage abuse by disgruntled employees or ex-employees. Persons making appropriate complaints under this policy are assured of protection against unfair dismissal, victimisation, or unwarranted disciplinary action, even if the concerns turn out to be unsubstantiated. The Irregularity Reporting Policy has been published and is available on the Company's website (www.shuionland.com/en-us/corporate/CodeOfConductBusinessEthics).

ITCD – ESG Initiatives

Cybersecurity & Personal Data Protection

To ensure compliance with the China cybersecurity law, the Group has acquired a multi-level protection scheme for critical system applications. The Group has ensured information security and personal privacy management compliance by obtaining ISO27001 ISO certification in 2022.

The ITCD has also conducted regular training and phishing drills to raise cybersecurity awareness among staff in the Group.

The ITCD also worked with various business units in updating and enforcing personal privacy protection statements in compliance with the personal information protection law in China. As part of its sustainable development goal, the Group will continue to strengthen its efforts in ensuring cybersecurity and personal data protection in its operation and business development.

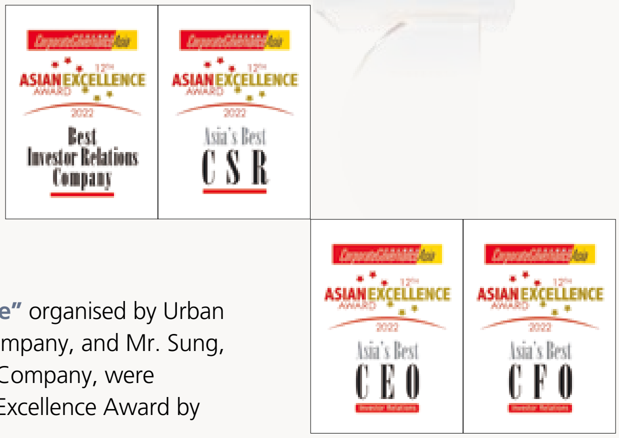
ESG Considerations in Supplier Sourcing and Product Procurement

In line with the Group's sustainable development goals, the ITCD considered sustainable development factors such as energy saving, carbon emission during its supplier sourcing of printer and data storage equipment, and product procurement process of office-use computers. The ITCD selects suppliers with environmentally friendly accreditation, such as Energy Star and China Environmental Labelling, where components and packaging used in products are recyclable and represented to meet environmental requirements.

Key Awards in 2022

In 2022, the Company received the following awards:

- **2022 CLS ESG Awards**
  by Cailian Press
- **Asia's Best Investor Relations Company**
  by Corporate Governance Asia Magazine
- **Asia's Best CSR**
  by Corporate Governance Asia Magazine
- **ESG Leading Enterprise Awards 2022**
  by Bloomberg Businessweek – Chinese Edition
- **2022 Best Corporate Governance and ESG Rewards – Special Mention for ESG in the Non-Hang Seng Index (Medium Market Capitalization) Category**
  by Hong Kong Institute of Certified Public Accountants
- **HKIRA 8th Investor Relations Awards 2022 – Best IR Company (Small Cap)**
  by Hong Kong Investor Relations Association
- **2022 Top Ten Best Corporate Governance Cases**
  by Cailian Press



Mr. Lo, Chairman of the Board, was awarded **"ULI Life Trustee"** organised by Urban Land Institute. Ms. Wang, the Chief Executive Officer of the Company, and Mr. Sung, the Chief Financial Officer and Chief Investment Officer of the Company, were respectively awarded **"Best CEO"** and **"Best CFO"** in the Asia Excellence Award by Corporate Governance Asia.

External Auditor and Auditor's Remuneration

The remuneration paid/payable to the external auditor of the Company in respect of audit and audit-related services and non-audit services for the year ended 31 December 2022 is as follows:

Services rendered for the Company	Fee paid/payable (HKD 'M)
Audit and audit-related services:	
Annual audit of the financial statements of the Company and its subsidiaries	5.1
Review of interim report for the six months ended 30 June 2022	1.4
Audit of the financial statements of Shui On Xintiandi Limited and its subsidiaries for initial public offering reporting periods	2.7
Non-audit services:	
Issue of letters of indebtedness statement and working capital statement in respect of the major transactions	0.7
TOTAL	**9.9**

Annual Remuneration of Directors and Senior Management

The remuneration of the Directors and the senior management of the Company is determined in accordance with the Company's remuneration policy and structure and in consideration of the criteria set out in the "Remuneration Committee" section on page 78.

Under code provision E.1.5 of the CG Code, the remuneration of the members of the senior management by band for the year ended 31 December 2022 is set out below:

Annual remuneration by band	Number of individuals
RMB2,000,001 – RMB4,000,000	1
RMB4,000,001 – RMB6,000,000	3
RMB6,000,001 – RMB8,000,000	2
RMB8,000,001 and above	1

Details of the remuneration of the Directors for the year ended 31 December 2022 are set out in Note 10 to the consolidated financial statements.

Starting 1 January 2022, the director's fee is fixed at HKD400,000 per annum for each INED. The additional fee for serving on Board committees will be (i) HKD150,000 per annum and HKD300,000 per annum for acting as a member of and the Chairman of the Audit and Risk Committee, respectively; (ii) HKD80,000 per annum and HKD150,000 per annum for acting as a member of and the Chairman of the Nomination Committee; (iii) HKD80,000 per annum and HKD150,000 per annum for acting as a member of and the Chairman of the Remuneration Committee, respectively; (iv) HKD120,000 per annum and HKD175,000 per annum for acting as a member of and the Chairman of the Sustainability Committee; and (v) HKD120,000 per annum and HKD175,000 per annum for acting as a member of and the Chairman of the Strategy Committee, respectively.

The current remuneration package of Executive Directors (excluding Mr. Lo) and senior management consists of basic remuneration and performance-linked remuneration. Basic remuneration is a fixed remuneration that is determined for each position in consideration of their duties, responsibilities, individual performance and market conditions. The performance-linked remuneration, including an annual discretionary bonus, is a short-term incentive that is determined in accordance with the actual business results of the Company as well as individual performance in the previous financial year.

Dividend Policy

Declaration of dividend by the Company is subject to compliance with applicable laws and regulations, including the laws of the Cayman Islands and the Company's Articles of Association. In deciding whether to propose a dividend and in determining the dividend amount, the Board takes into account several factors, including the Group's financial condition and cashflow, as well as prevailing economic and market conditions.

Dividend payable to shareholders of the Company is also subject to compliance with certain covenants under the senior notes and perpetual capital securities issued, details of which can be found on page 66.

Communications with Shareholders and Investors/Investor Relations

The Company believes that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Company's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which enables shareholders and investors to make the most informed investment decisions.

The Shareholders' Communication Policy is reviewed and updated by the Company every year to ensure its implementation and effectiveness. The Company's shareholders can exchange their views with the Board of Directors in the Company's annual general meeting in person, and shareholders can communicate their opinions electronically via the designated platform. In addition, channels of communication are stated in the Shareholders' Communication Policy for the shareholders or investors to direct their views or queries to the Company. The updated Shareholders' Communication Policy has been published and is available on the Company's website.

The Company uses various channels and platforms, including its annual and interim results announcements, press conferences, and analyst briefings, as well as various industry conferences, to ensure the timely release of important messages.

To enhance the transparency of corporate information and comply with the relevant regulatory regime, the Company also publishes announcements of contracted sales figures quarterly through the electronic publication system of the Stock Exchange as well as the website of the Company for equal, timely and effective access by the public. These quarterly sales updates announcements are prepared based on internal management records.

The connected and major transactions are reviewed and assessed by the Board or an independent Board committee as required before submission at shareholders' meetings for approval and/or public disclosure (if necessary).

Information released by the Company to the Stock Exchange is concurrently published on the Company's website, which is regularly updated with corporate developments. Key events regarding financial results, business developments, and operations are also announced on a timely basis to investors through the corporate website. Request forms for site visits and management meetings, as well as contact details of persons on the investor relations team, can also be found on the Company's website.

To maintain and improve the visibility of the Company in the financial community, the Company held regular roadshows and participated in investor conferences during 2022, including UBS Greater China Conference, UBS APAC Property Conference, Bank of America 2022 Asian Credit Conference and Nomura Asian Corporate Day. The management and the investor relations team discussed the Company's business updates and strategies with over a hundred investors in conference calls and video meetings.

The general meetings of the Company provide the best opportunity for the exchange of views between the Board and the shareholders. The 2022 AGM was in the form of a hybrid meeting. In addition to the traditional physical attendance at the 2022 AGM, shareholders could attend, participate and vote in the 2022 AGM through an online platform. The use of a hybrid method enabled the Company to better encourage shareholder participation, protect shareholder rights to attend general meetings, and enhance transparency as well as maintaining social distance to reduce the risks and concerns arising from the COVID-19 pandemic.

The Chairman of the Board as well as the Chairmen of the Audit and Risk Committee, the Remuneration Committee, the Nomination Committee, the Sustainability Committee, and the Strategy Committee or, in their absence, other members of the respective Board committees and, where applicable, the independent Board committee, are available to answer questions at the shareholders' meetings. The Chairman of the independent Board committee (if any) is also available to answer questions at any general meeting for approval of a connected transaction or any other transaction subject to independent shareholders' approval.

Most of the Directors and the external auditor were present at the 2022 AGM, and the meeting provided a useful forum for shareholders to exchange views with the Board. Code provision C.1.6 of the CG Code stated that independent non-executive directors and other non-executive directors should also attend general meetings to gain and develop a balanced understanding of the views of shareholders. Mr. Shaw, who is an INED, could not attend the 2022 AGM due to the time difference. Save for the above, all the INEDs attended the 2022 AGM.

The Company continues to enhance communications and relationships with its investors. Designated members of the senior management of the Company maintain regular dialogue with institutional investors and analysts to keep them abreast of the Company's development. Enquiries from investors are dealt with in an informative and timely manner.

Shareholders' Rights

To safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including individual Directors' election.

The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meetings are contained in the Company's Articles of Association.

Poll results are made available by way of an announcement, which is published in accordance with the Listing Rules.

Under Article 66 of the Company's Articles of Association, shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right to require an Extraordinary General Meeting of the Company ("EGM") to be called by the Board by written requisition to the Board or the Company Secretary of the Company. Shareholders should specify the business they wish to discuss at the EGM in the written requisition. Shareholders may put forward proposals at general meetings of the Company in the same manner as set out above.

The Board shall arrange to hold the EGM within 2 months after the deposit of such requisition. If within 21 days of deposit of the written requisition the Board fails to proceed to convene the EGM, the shareholders themselves may do so in the same manner, and all reasonable expenses incurred by the shareholders shall be reimbursed to the shareholders by the Company.

Shareholders may at any time direct their enquiries about the Company to the Board by writing to the Company's place of business in Hong Kong at 34/F, Shui On Centre, 6-8 Harbour Road, Wan Chai, Hong Kong, or by email to sol.ir@shuion.com.cn. The contact details are available on the Company's website (www.shuionland.com/en-us/investor/Contact).

Shareholders may also put forward their enquiries to the Board at the general meetings of the Company.

Company Secretary

Mr. UY Kim Lun, our Company Secretary, is an employee of the Company and is appointed by the Board. The Company Secretary is responsible for facilitating the Board's processes and communications among Board members, with the shareholders and with the management. During the year ended 31 December 2022, Mr. Uy had undertaken not less than 15 hours of relevant professional training to update his skills and knowledge.

Constitutional Documents

During the year ended 31 December 2022, a new constitutional document of the Company was adopted at the 2022 AGM with the primary objective to allow all general meetings to be held as a physical meeting in any part of the world and at one or more locations, or as a hybrid meeting or as an electronic meeting; to further recognise the use of electronic communication and/or facilities by the Company in addition to traditional and/or mechanical means; to conform to the core shareholder protection standards set out in the amended Appendix 3 of the Listing Rules; and to make other house-keeping amendments.

Corporate Governance Enhancement

Enhancing corporate governance is not simply a matter of applying and complying with the CG Code but involves promoting and developing an ethical and healthy corporate culture. The Company is committed to maintaining a high standard of corporate governance within a sensible framework, with an emphasis on the principles of transparency, integrity, accountability, sustainable development, and independence. We will continue to review and, where appropriate, improve our current practices on the basis of our experience, regulatory changes and developments. With the revised CG Code becoming effective from 1 January 2022, the Company has followed the evolving trends and will strive to meet or exceed the revised CG Code. We have also experienced the trust of our shareholders, especially our minority shareholders, noting that they and the investment analyst community have lent the Company their full support based on their recognition of our efforts to enhance corporate governance. All views and suggestions from our shareholders to promote transparency are welcome.

RISK MANAGEMENT REPORT

The Company is committed to the continual improvement of its risk management and internal control systems to ensure the long-term sustainability of its business.

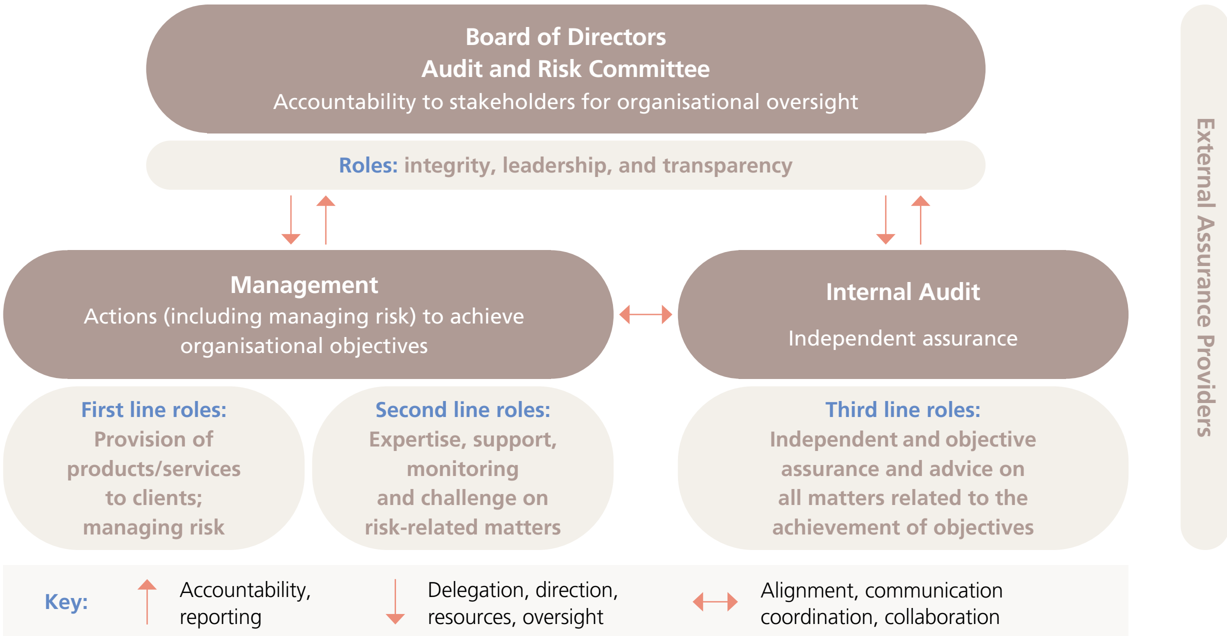
Before its initial public offering, the Company established and has since continually operated a risk identification and management system under the responsibility of the Audit and Risk Committee. Our approach and methodology in establishing the risk management mechanism are tailored to the Company's complex business, as it operates in numerous locations throughout the PRC and amid a fast-changing business environment. The Company has elected to formalise its existing risk management system with a Risk Management Policy to reference its conformance explicitly to the guidance set forth in Appendix 14 of the Listing Rules.

Risk Management Framework

The Group's risk management framework comprises a risk governance structure and a risk management process.

(i) Risk Governance Structure

Three Lines Model



First Line Roles

The corporate and project heads of the Group participate in the implementation and monitoring of the risk management process, identify the risks associated with the Group's business activities, manage and conduct risk assessment, and put in place measures to mitigate the risks.

Second Line Roles

The EXCOM of the Company assists the Board and the Audit and Risk Committee in overseeing the risk management system on an ongoing basis, ensuring that the risk management culture is fostered and endeavoring to implement an effective system for the Group's daily operation.

The respective Chief Executive Officer of the Company and Shui On Xintiandi Limited ("SXTD") takes ownership and accountability for risk management within the Group. They oversee the risk management activities, identify, and report the principal risks and relevant risk mitigations to EXCOM.

In the process, the risk management working team (comprising the corporate development department colleagues) assists the Chief Executive Officers to:

(i) formulate the principal risk mitigation plans and core management tasks, and deliver such plans and tasks to key corporate and project teams for implementation;

(ii) strengthen the management mechanism by setting key risk indicators; and

(iii) regularly monitor the status of risk mitigation measures and the effectiveness of their implementation and adjust the risk priorities as appropriate.

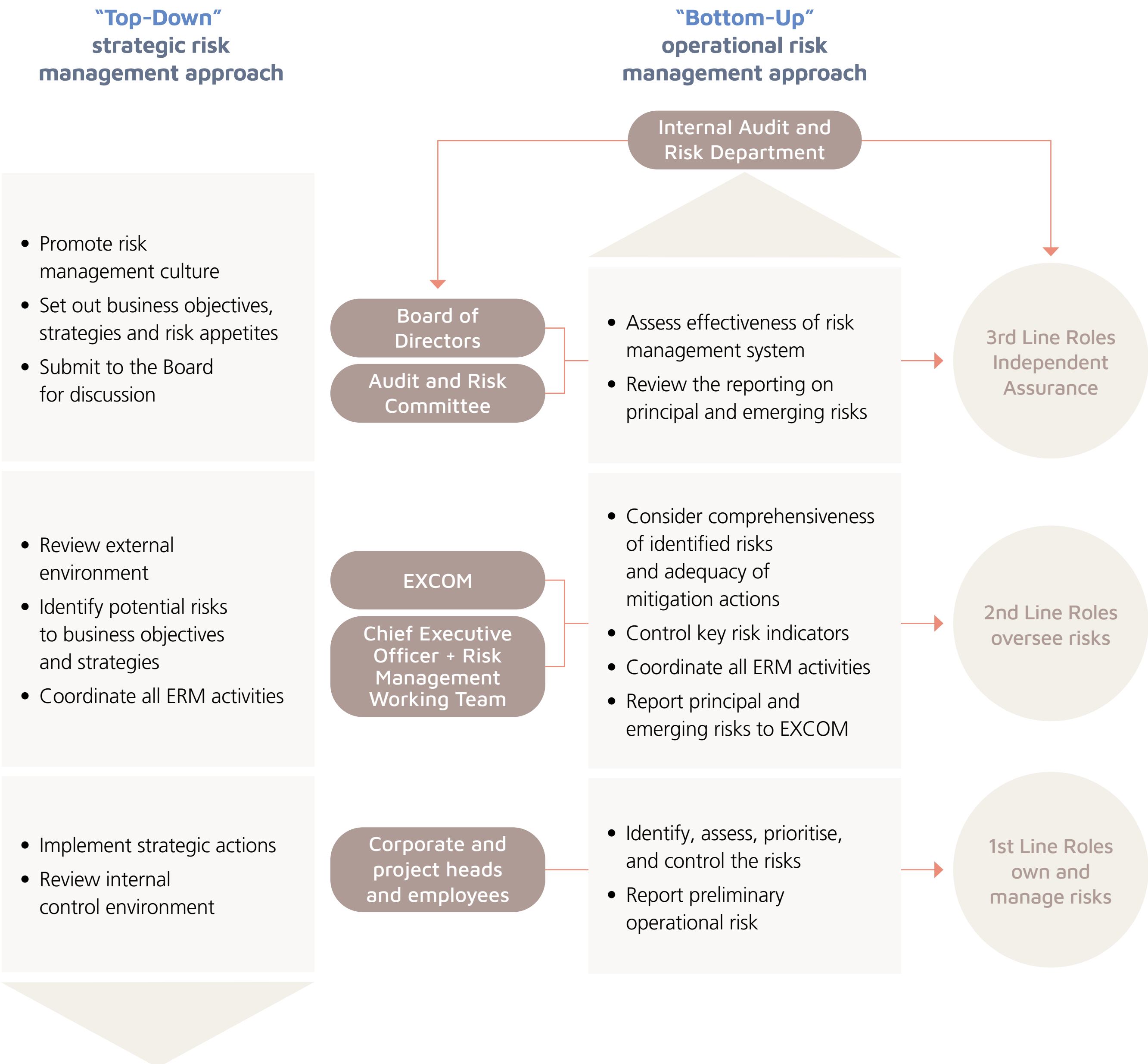
Third Line Roles

Under the third line roles, the Board is ultimately responsible for overseeing the Group's risk management and internal control systems and their effectiveness. The Audit and Risk Committee has been delegated the responsibility by the Board of overseeing the corporate governance roles in the Group's financial, operational, compliance, risk management, and internal controls.

The Internal Audit and Risk Department (the "IARD") carries out the role of an independent assessor by following the Enterprise Risk Management – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO") and the Three Lines Model issued by the Institute of Internal Auditors. It performs analysis and independent appraisal to assess the adequacy and effectiveness of the Company's risk management framework. As ESG-related risks have been rapidly evolving in recent years, it has applied the Enterprise Risk Management ("ERM") framework to monitor ESG-related risks following the relevant guidelines issued by the COSO. The IARD reports the results of the independent risk and control assessment to the EXCOM and provide a summary to the Audit and Risk Committee.

(ii) Risk Management Process

The Company has developed a risk management process to manage the strategic and operational risks of the Group. The "Top-Down" strategic risk management approach and the "Bottom-Up" operational risk management approach are used to identify, evaluate, and manage the Group's principal risks.



(a) Risk Identification

The corporate and project heads, as risk owners, are responsible for identifying the preliminary risks that arise in their daily operations. Risks identified during the risk identification process are reflected in the risk inventory collated by the risk coordinators. The risk management working team assists in identifying the principal risks based on communication with the relevant corporate and project heads and the risk inventories compiled by the risk coordinators. The risk coordinators assist in coordinating the overall risk inventories of the Group, and track the risks recorded in the risk registration list.

(b) Risk Assessment and Prioritisation

All risks identified will be assessed and prioritised by the risk management working team. Such risks will be continually evaluated, and the top risks of the Group are prioritised.

(c) Risk Response

The risk management working team will assist Chief Executive Officers to formulate the principal risk mitigation plans and core management tasks, coordinate all enterprise risk management activities, and coordinate key corporate/project teams to formulate crisis emergency management plans. The relevant corporate and project teams shall implement the risk mitigation plans and continuously monitor the implementation of the risk mitigation plans.

(d) Risk Monitoring

The Audit and Risk Committee is regularly updated on the risk assessment and management process. The IARD would review the risk mitigation measures and report their effectiveness to the management for further action, if necessary.

(e) Risk Reporting

An annual risk assessment is conducted to manage the Company's risk profile effectively. A continuous update is made to the Board at the scheduled meetings throughout the year based on the key control results reported by the management. On an annual basis, the management and the IARD provide confirmation to the Board on the effectiveness of the risk management system.

Principal Risks

A list of risks covering both strategic and operational risks is identified by the risk management process. The principal risks were identified and extracted from the list. Through the integrated top-down and bottom-up risk management process, the Company strives to manage and mitigate the risks in a timely manner. Below is a summary of the current principal risks.

Strategic Risks

RISK DESCRIPTION	RISK MITIGATIONS
Government control policies and regulations • Change of government control policies and regulations will affect the Company's decision making, turnover and profits	The management team is proactive in keeping appropriate liaisons with the relevant government authorities. We are also keeping up to date with the upcoming new regulations and policies. The impact of the changes in policies and regulations is assessed, and the management team closely works together to take advantage of or mitigating any adverse impact from the changes.
Succession • Succession to the Chairman is very important in maintaining exceptionally good government relationships and driving the strategies of the Company	• Through a Board-level Strategy Committee to assist the Company in formulating its business strategies. • With the identification of separate Chief Executive Officers of the Company and SXTD and the appointment of Ms. Lo as the vice chairman of SXTD, our succession plan at senior management has been strengthened.
Competition • Facing fierce competition from other property developers and commercial property players in major cities. The competition may affect the Group's ability to acquire land reserves and attract and retain tenants/customers.	• Provide regular and comprehensive reports to the EXCOM and strengthen and facilitate the Company's strategy development. • Partner with a suitable co-developer to enhance our competitive advantage in land acquisition in the current property market. • Evaluate and fine-tune the existing leasing strategy or develop new community and office product strategy to build the core competitiveness. • Research on spatial dynamics and industry trends to support the Company's growth strategy and support company acquisition activities.

Financial Risks

RISK DESCRIPTION	RISK MITIGATIONS
Liquidity • Poor cash flow management will increase liquidity risk and also cause damage to the Company's reputation and credibility	The Company takes an active role in managing its liquidity through a prudent budget and financing plan, fund arrangements, and capital expenditure plan.
Financing/Interest and Exchange Rates • Recession caused by COVID-19, withdrawal of monetary stimulus by global central banks or change of bank regulatory policy could cause tight market liquidity and could lead to a surge in bond yields and the price of our bank loan, raising the cost of refinancing. • Currency risk derived from capital investment and revenue/debt currency mismatch due to our onshore business with major funding sources from offshore.	Closely monitor the most recent regulations and market sentiment. Work closely with market players to keep current on the market trends. Closely monitor the global central bank policies and the impact of policy tightening on the Renminbi exchange rate and our funding cost.
Default • Non-compliance with bond and loan covenants could result in cross default among our debt instruments and could accelerate the repayment of our debts.	Active compliance measures are taken by the management. Closely work with external banks in the ongoing monitoring process.

Cybersecurity Risks

RISK DESCRIPTION	RISK MITIGATIONS
IT & Cybersecurity • Failure to maintain proper systems or database access could result in a data breach	• Create and maintain adequate security measures to safeguard against threats, including information security policies and procedures. • Provide and strengthen employee training on information security. • Establish an information security management system and personal privacy management system to enhance data protection under the current rules and regulations.

Emerging Risks

RISK DESCRIPTION	RISK MITIGATIONS
COVID-19 Impact • Adverse impact of COVID-19 has caused delays in construction and affected our operations. **Sustainability – Climate Change** • Severe impact of extreme climate (typhoons, floods, etc.) on project operation and management, as well as traffic flow.	• Keep active communication with the government. • Monitor construction sites to establish an emergency plan. Adjust construction and sales strategy to minimise delay impact. • Closely monitor macro-economic performance and office & retail market conditions and adjust our strategy as appropriate. • Prepare emergency contingency plans for typhoons and rainstorms. Active insurance coverage management. • Utilise appropriate construction and material in combating adverse impact from extreme weather.

Relevant policies and controls have also been long established to ensure that assets are safeguarded against improper use or disposal. Relevant regulations are complied with and the financial and accounting records are prepared and maintained according to relevant accounting standards and regulatory reporting requirements. Major risks that may impact the Group's performance are identified and managed appropriately. It should be acknowledged that the risk management framework can only provide reasonable, but not absolute, assurance against material misstatement or loss. It is designed to manage rather than eliminate the risk of failure in achieving the business goals of the Company.

The ever-evolving landscape of ESG-related risks continues to have a significant impact on the Group's business operations, and these risks have been incorporated into the enterprise risk management framework to better identify the full spectrum of ESG- related risks. For details, please refer to the "Sustainability Report" on pages 108 to 128.

DIRECTORS' REPORT

The Directors present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2022.

Principal Activities

The Company acts as an investment holding company. The activities of its subsidiaries, associates and joint ventures are set out in Notes 45, 17 and 18, respectively to the consolidated financial statements.

Business Review

A fair review of the business of the Group during the year and the discussions on the Group's future business development are provided in Chairman's Statement, Project Profiles, Business Review, Financial Reviews, and Market Outlook, respectively from pages 8 to 13, pages 28 to 41, pages 44 to 63, pages 64 to 67 and pages 68 to 69 of this Annual Report. Description of possible risks and uncertainties that the Group may be facing can be found in Financial Review on pages 64 to 67. Also, the financial risk management objectives and policies of the Group can be found in Notes 40 and 41 to the consolidated financial statements. Particulars of important event affecting the Group that has occurred since the end of the financial year ended 31 December 2022 are provided in Note 43 to the consolidated financial statements. Indications of likely future development in the business of the Company can be found in Business Review and Financial Review on pages 44 to 63 and pages 64 to 67. An analysis of the Group's performance during the year using financial key performance indicators is provided in Financial Review on pages 64 to 67. The discussions on the Group's environmental policies, relationships with its key stakeholders, and compliance with relevant laws and regulations which have a significant impact on the Group are contained in Chairman's Statement, Corporate Governance Report, Sustainability Report, and this Directors' Report on pages 8 to 13, pages 70 to 90, pages 108 to 128 and pages 96 to 107 of this Annual Report.

Results and Appropriations

The results of the Group for the year ended 31 December 2022 are set out in the consolidated statement of profit or loss on page 133.

An interim dividend of HKD0.036 per share was paid to the shareholders on 23 September 2022.

The Board has resolved to recommend the payment of a final dividend of HKD0.064 per share for the year ended 31 December 2022 (2021: HKD0.084 per share), amounting to approximately RMB459 million (2021: RMB574 million) in aggregate. Subject to shareholders' approval of the final dividend at the forthcoming annual general meeting ("AGM") to be held on 24 May 2023, the final dividend is expected to be paid on or about 16 June 2023 to shareholders whose names appear on the register of members of the Company on 2 June 2023.

To qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on 2 June 2023.

Investment Properties

Details of the movements in the investment properties of the Group during the year are set out in Note 13 to the consolidated financial statements.

Property and Equipment

Details of the movements in the property and equipment of the Group during the year are set out in Note 14 to the consolidated financial statements.

Five-Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 227 of this Annual Report.

Share Capital

Details of the movements in the share capital of the Company during the year ended 31 December 2022 are set out in Note 28 to the consolidated financial statements.

Distributable Reserves of the Company

The Company's reserves available for distribution to shareholders as of 31 December 2022 were RMB19,778 million (2021: RMB20,106 million).

Directors

The Directors of the Company during the year ended 31 December 2022 and up to the date of this report were:

EXECUTIVE DIRECTORS:
Mr. Vincent H. S. LO
Ms. Stephanie B. Y. LO
Ms. Jessica Y. WANG (appointed on 1 January 2022)
Mr. Douglas H. H. SUNG

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
Mr. Albert Kong Ping NG (appointed on 11 October 2022)

In accordance with Article 102 of the Articles of Association of the Company (the "Articles of Association"), Mr. Vincent H. S. LO, Mr. Douglas H. H. SUNG, Mr. Anthony J. L. NIGHTINGALE, and Mr. David J. SHAW will retire from office by rotation at the AGM. Except for Mr. David J. SHAW who will not stand for re-election to devote more time to his personal endeavours, the other Directors, being eligible, will offer themselves for re-election at the AGM.

In accordance with Article 97(3) of the Articles of Association, Mr. Albert Kong Ping NG will hold office until the AGM and, being eligible, will offer himself for re-election at the AGM.

Permitted Indemnity

The Articles of Association provide that every Director (including any alternate Director appointed pursuant to the relevant articles) shall be indemnified and secured harmless out of the assets and funds of the Company against all actions, proceedings, costs, charges, expenses, losses, damages or liabilities incurred or sustained by him in or about the conduct of the Company's business or affairs or in the execution or discharge of his duties, powers, authorities or discretions, including without prejudice to the generality of the foregoing, any costs, expenses, losses or liabilities incurred by him in defending (whether successfully or otherwise) any civil proceedings concerning the Company or its affairs in any court whether in the Cayman Islands or elsewhere. The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group.

Directors' Interests in Securities

At 31 December 2022, 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 Securities and Futures Ordinance (the "SFO")) which (i) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (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 (ii) were recorded in the register required to be kept under section 352 of the SFO; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

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

	Number of ordinary shares				
Name of Directors	Personal interests	Family interests	Other interests	Total	Approximate percentage of interests to the issued share capital of the Company (Note 3)
Mr. Vincent H. S. LO ("Mr. Lo")	–	1,849,521 (Note 1)	4,511,756,251 (Note 2)	4,513,605,772	56.23%
Ms. Stephanie B. Y. LO ("Ms. Lo")	–	–	4,511,756,251 (Note 2)	4,511,756,251	56.21%
Ms. Jessica Y. WANG ("Ms. Wang")	670,500	–	–	670,500	0.008%
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, 2,756,414,318 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 63.25% as of 31 December 2022. 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 percentages were compiled based on the total number of issued shares (i.e., 8,027,265,324 shares) of the Company at 31 December 2022.

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

Name of Directors	Number of ordinary shares			Total	Approximate percentage of interests to the issued share capital (Note 3)
	Personal interests	Family interests	Other interests		
Mr. Lo	–	312,000 (Note 1)	236,309,000 (Note 2)	236,621,000	63.33%
Ms. Lo	–	–	236,309,000 (Note 2)	236,309,000	63.25%

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 under Part XV of the SFO.

(2) These shares were beneficially owned by SOCL. SOCL was held under 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 a discretionary beneficiary, 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., 373,606,164 shares) of SOCAM at 31 December 2022.

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

Name of Directors	Name of Associated Corporation	Nature of Interests	Amount of Debentures
Mr. Lo	Shui On Development (Holding) Limited ("SODH")	Founder and discretionary beneficiary of a trust	USD32,100,000 (Note 1)
		Family interests	USD3,400,000 (Note 2)
Ms. Lo	SODH	Discretionary beneficiary of a trust	USD32,100,000 (Note 1)
Mr. Douglas H. H. SUNG ("Mr. Sung")	SODH	Personal interest	USD200,000

Notes:

(1) These debentures were held by SOCL through its controlled corporations, comprising debentures amounting to USD1,000,000 and USD31,100,000 held by SOCAM and SOI, respectively, whereas SOCAM was held by SOCL as to 63.25% at 31 December 2022. SOI was an indirect wholly-owned subsidiary of SOCL. SOCL was held under 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 a discretionary beneficiary, 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 above, at 31 December 2022, none of the Directors or the chief executive of the Company had an interest or short position 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) as recorded in the register of interests required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' Interests in Securities

At 31 December 2022, the persons or corporations (other than a Director or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Name of shareholders	Capacity / Nature of interests	Total number of ordinary shares and underlying shares	Approximate percentage of interests to the issued share capital of the Company (Note 4)
Mrs. Lo	Family and personal interests	4,513,605,772 (Notes 1 & 3)	56.23%
HSBC Trustee	Trustee	4,511,756,251 (Notes 2 & 3)	56.21%
Bosrich	Trustee	4,511,756,251 (Notes 2 & 3)	56.21%
SOCL	Interests of controlled corporation	4,511,756,251 (Notes 2 & 3)	56.21%

Notes:

(1) These shares comprised 1,849,521 shares beneficially owned by Mrs. Lo and 4,511,756,251 shares in which Mr. Lo, the spouse of Mrs. Lo, had a deemed interest under Part XV of the SFO as mentioned in Note (2) below. Accordingly, Mrs. Lo was also deemed to be interested in 4,511,756,251 shares under Part XV of the SFO.

(2) These shares were held by SOCL through its controlled corporations, comprising 1,725,493,996 shares, 2,756,414,318 shares and 29,847,937 shares held by SOP, SOI, and NRI, respectively, whereas SOP was a wholly-owned subsidiary of SOI. NRI was a wholly-owned subsidiary of SOCAM which in turn was held by SOCL as to 63.25% as of 31 December 2022. SOCL was held under 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 a discretionary beneficiary, 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) All the interests stated above represent long positions.

(4) These percentages were compiled based on the total number of issued shares (i.e., 8,027,265,324 shares) of the Company at 31 December 2022.

Save as disclosed above, at 31 December 2022, the Directors are not aware of any other person or corporation (other than a Director or chief executive of the Company), having an interest or short position in the shares or underlying shares of the Company as recorded in the register of interests required to be kept by the Company under Section 336 of the SFO.

Share Option Schemes and Share Award Schemes

Share Option Schemes

The share option scheme of the Company adopted on 8 June 2007 (the "Old Scheme") expired on 7 June 2017 and no further share options can be granted thereunder. However, the rules of the Old Scheme remain in full force and effect to the extent necessary to give effect to the exercise of options granted prior to its expiration or otherwise as may be required in accordance with the rules of the Old Scheme. All outstanding share options granted prior to the expiration of the Old Scheme shall continue to be valid and exercisable in accordance with the rules of the Old Scheme. At 31 December 2022, no share option remained outstanding under the Old Scheme.

A new share option scheme (the "Share Option Scheme") was adopted by the Company on 24 May 2017 for a period of 10 years commencing on the adoption date and ending on 23 May 2027. No share option has been granted under the Share Option Scheme since its adoption.

Particulars of the Old Scheme are set out in Note 35 to the consolidated financial statements.

The following table sets out the movement of the Company's share options during the year under review:

Name or category of eligible participants	Date of grant	Exercise price per share HKD	At 1 January 2022	Reclassi-fication	Granted during the year	Exercised during the year	Lapsed during the year	At 31 December 2022	Period during which the share options are exercisable
DIRECTORS									
Ms. Lo	4 July 2016	1.98	437,000	–	–	–	(437,000)	–	1 June 2017 – 3 July 2022
Ms. Wang (Note)	4 July 2016	1.98	–	437,000	–	–	(437,000)	–	1 June 2017 – 3 July 2022
Mr. Sung	4 July 2016	1.98	437,000	–	–	–	(437,000)	–	1 June 2017 – 3 July 2022
SUB-TOTAL			874,000	437,000	–	–	(1,311,000)	–	
Employees (in aggregate)	4 July 2016	1.98	4,218,600	(437,000)	–	–	(3,781,600)	–	1 June 2017 – 3 July 2022
SUB-TOTAL			4,218,600	(437,000)	–	–	(3,781,600)	–	
TOTAL			5,092,600	–	–	–	(5,092,600)	–	

Note:

Ms. Wang was appointed as an Executive Director of the Company with effect from 1 January 2022, and her share options were reclassified under the category of "Directors" with effect from 1 January 2022.

The summary of the Share Option Scheme is as follows:

(i) Purpose

The purpose of the Share Option Scheme is to provide a strategic driver to enhance shareholder value of the Company through achieving excellent business results and rapid growth; and to build a high performing organisation with loyal staff and other key contributors who are committed to achieving the vision and goals of the Company.

(ii) Qualifying participants

The Board may offer to grant an option to any employees as the Remuneration Committee may recommend and the Board may approve; and any non-executive director, consultant, advisor of the Company or its subsidiaries, or service providers and business partners who have or may contribute to the Group as the Chairman may recommend and the Board may approve.

(iii) Maximum number of shares

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme must not in aggregate exceed 10% of the issued share capital of the Company at the adoption date or 30% of the issued share capital of the Company from time to time. No options may be granted under the Share Option Scheme if this will result in such limit exceeded. At 31 December 2022, the number of shares available for issue in respect thereof is 802,663,018 shares.

(iv) Limit for each participant

The total number of shares of the Company issued and to be issued upon exercise of options (whether exercised or outstanding) granted in any 12-month period to each participant must not exceed 1% of the shares of the Company in issue.

(v) Option period

In respect of any particular option, such time period as the Remuneration Committee may in its absolute discretion determine and specify in relation to any particular grantee in his option agreement during which the option may be exercised (subject to such restriction on exercisability specified therein) but which shall not, in any circumstances, exceed the period prescribed by the Listing Rules from time to time (which is, at the date of adoption of the Share Option Scheme, a period of ten (10) years from the commencement date of the relevant option).

(vi) Acceptance and payment on acceptance

An offer shall remain open for acceptance by the qualifying participant concerned for a period of 30 days from the date of the offer (or such longer period as the Board may specify in writing). HKD1.00 is payable by the grantee to the Company on acceptance of the offer of the option. If such remittance is not made upon acceptance, acceptance of an offer shall create a promise by the relevant grantee to pay to the Company HKD1.00 on demand.

(vii) Subscription price

The subscription price in respect of any particular option shall be at least the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the subscription price reference date; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the subscription price reference date; and (iii) the nominal value of a share.

(viii) Remaining life of the Share Option Scheme

The Board shall be entitled at any time within 10 years commencing on 24 May 2017 to make an offer for the grant of an option to any qualifying participants.

Shares Award Schemes

The connected employee share award scheme (the "Connected Employee Share Award Scheme") and the employee share award scheme (the "Employee Share Award Scheme") (collectively, the "Share Award Schemes") were adopted by the Company on 1 April 2015. The Connected Employee Share Award Scheme was adopted for chief executive officers, directors or employees who are connected persons of the Company. The Employee Share Award Scheme was adopted for employees other than those covered under the Connected Employee Share Award Scheme.

On 1 April 2015, a total of 17,149,000 award shares of the Company were awarded to certain connected employees and employees of the Group respectively at no consideration.

The awarded shares shall vest upon conditions relating to the Group's performance, and the individual performance being met during the period from 2014 to 2016. The key performance measures were taken with reference to the Group's financial performance and strategic growth. The final number of awarded shares were vested in tranches between 2017 and 2019.

During the year ended 31 December 2022, 17,710,250 shares were held by the trust for the Share Award Schemes, comprising 13,725,875 shares for connected employees and 3,984,375 shares for employees, and have not been granted to any connected employees and employees of the Group.

The terms of the Connected Employee Share Award Scheme and the Employee Share Award Scheme are substantially similar. The material terms of the two schemes are summarised as follows:

(i) Purposes

The purposes of the Share Award Schemes are (i) to promote significant and integrated growth in the coming years through financial achievement, attainment of project milestones and ensuring potential for future growth; (ii) to closely align executive interests with the successful transformation of the Company; (iii) to support sustainable development of the Company; and (iv) to provide a performance-driven long term incentive award to motivate and retain key senior management.

(ii) Selected participant

The Remuneration Committee may, from time to time, at its absolute discretion, select (i) any individual being an existing chief executive officer, director or employee of any member of the Group (other than Shui On Xintiandi Group Limited (formerly known as China Xintiandi Limited), Pat Davie (China) Limited, 瑞安建築有限公司 (Shui On Construction Co., Ltd.*) and their respective subsidiaries) who is a connected person of the Company and (ii) any individual being an existing employee or officer of any member of the Group (other than Shui On Xintiandi Group Limited (formerly known as China Xintiandi Limited), Pat Davie (China) Limited, 瑞安建築有限公司 (Shui On Construction Co., Ltd.*) and their respective subsidiaries) (excluding chief executive officers, directors or employees of any member of the Group who are connected persons of the Company) to participate in the Connected Employee Share Award Scheme and the Employee Share Award Scheme, respectively.

* For identification purposes only.

(iii) Administration

The Share Award Schemes shall be subject to the administration of the Remuneration Committee and the Trustee (as defined in the Share Award Schemes) in accordance with the terms of the Share Award Schemes and the terms of the Trust Deeds (as defined in the Share Award Schemes). The human resources department of the Company shall assist the Remuneration Committee in relation to the documentations and administrative procedural matters of the Share Award Schemes.

(iv) Scheme limit

The Company shall not make any further grant of Award (as defined in the Share Award Schemes) which will result in the total number of Award Shares (as defined in Share Award Schemes) granted under the Share Award Schemes to exceed 5% of the total number of issued share capital of the Company from time to time.

The maximum number of Award Shares which may be granted to a Selected Participant but unvested under either of the Share Award Schemes shall not exceed 1% of the total number of issued share capital of the Company from time to time.

(v) Vesting of Awards

The Remuneration Committee shall determine from time to time such vesting conditions or vesting periods for the Award Shares to be vested. Unless otherwise determined by the Board at its discretion, the Award Shares shall vest in accordance with the conditions and timetable as set out in the relevant award letter issued to the Selected Participant at the time of grant. Upon satisfaction of applicable vesting criteria and conditions, the Company shall issue a vesting notice to the Selected Participants for the vesting of Awards and direct the Trustee to transfer and release the relevant Award Shares from the Trust (as defined in the Share Award Schemes) to or for the benefit of the relevant Selected Participant.

(vi) Settlement of Award

The Company shall pay to the Trustee monies and give direction(s) or a recommendation to the Trustee to apply such monies and/or such other net amount of cash derived from shares of the Company held as part of the funds of the Trust to acquire shares of the Company on the market (the "Purchased Shares") and/or allot and issue shares of the Company (the "Subscribed Shares") to the Trustee to satisfy any Award made to Selected Participants, provided that Awards made to (a) Selected Participants who are not connected persons of the Company shall only be satisfied by Subscribed Shares to the extent that a general mandate is available for the Company to allot new Shares, or a specific approval by shareholders of the Company has been obtained for the issue of Award Shares to such Selected Participants in accordance with all applicable laws, rules and regulations (including but not limited to the Listing Rules); and (b) Selected Participants who are connected persons of the Company shall not be satisfied by Subscribed Shares, unless the Company has, where required, obtained the approval by shareholders of the Company for the issue of Award Shares to such Selected Participants in accordance with all applicable laws, rules and regulations (including but not limited to the Listing Rules).

(vii) Duration

Subject to any early termination as may be determined by the Board pursuant to the terms of the Share Award Schemes, the Share Award Schemes shall be valid and effective for a term of 16 years commencing on 1 April 2015.

Arrangement to Purchase Shares or Debentures

Other than the share option holdings disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Management Contract

No contract by which a person undertakes the management and administration of the whole or any substantial part of the Company's business was entered into or subsisted during the year.

Equity-linked Agreement

Other than the share option schemes and share award schemes adopted by the Company as mentioned in this Annual Report, no equity-linked agreement was entered into by the Company during the year or subsisted at the end of the year.

Purchase, Sale, or Redemption/Cancellation of Listed Securities

On 20 June 2017, SODH issued USD600 million in 6.40% senior perpetual capital securities callable 2022 (the "Senior Perpetual Securities"). On 20 June 2022, SODH redeemed all the outstanding Senior Perpetual Securities with an aggregate principal amount of USD600 million. On 21 June 2022, SODH paid the redemption price together with any accrued distribution. Upon redemption, the Senior Perpetual Securities were cancelled.

During the year ended 31 December 2022, the Company repurchased its shares on the Stock Exchange, and these shares were subsequently cancelled by the Company. The summary details of those transactions are as follows:

Month	Number of shares repurchased	Highest price paid per share HKD	Lowest price paid per share HKD	Aggregate consideration paid HKD
July 2022	2,442,000	1.06	1.03	2,559,459.85
August 2022	5,000,000	1.02	0.99	5,021,500.00
September 2022	12,509,000	0.96	0.79	10,621,362.10
October 2022	10,000,000	0.79	0.74	7,692,000.00
November 2022	5,000,000	0.75	0.74	3,725,500.00
Total	**34,951,000**			**29,619,821.95**

The Board believes that the repurchase of shares can enhance earnings per share and overall shareholders' return. The repurchase of shares also reflects the confidence of the Board and the management team in the long-term strategy and growth of the Group. The Board considers that the repurchase of shares is in the best interest of the Company and its shareholders as a whole.

Save as disclosed above, neither the Company nor its subsidiaries have purchased, sold, or redeemed any of the Company's listed securities during the year ended 31 December 2022.

Corporate Governance

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the "Corporate Governance Report" on pages 70 to 90 of this Annual Report.

Connected Transactions

Certain related party transactions, as disclosed in Note 39 to the consolidated financial statements, also constituted connected transactions or continuing connected transactions of the Company but these transactions are fully exempt from the requirements under Chapter 14A of the Listing Rules.

Save as disclosed above, during the year, the Group did not enter into any connected transaction or continuing connected transaction which should be disclosed pursuant to the requirements of Chapter 14A of the Listing Rules.

Directors' Service Contracts

No Director proposed for re-election at the AGM has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Directors' Interests in Transactions, Arrangements, and Contracts of Significance

Save for the related party transactions disclosed in Note 39 to the consolidated financial statements, no transaction, arrangement, and contract to which the Company, or any of the subsidiaries of the Company was a party, and in which a Director of the Company had, at any time during the year, whether directly or indirectly, an interest, (being, in either case, in the opinion of the Directors, a transaction, arrangement, and contract of significance in relation to the Company's business and in which the Director's interest is or was material), subsisted at the end of the year or at any time during the year.

Directors' Interests in Competing Business

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 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 "Directors' Interests in Competing Business", 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 2022, 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.

Save as aforesaid, as of the date of this report, none of the Directors of the Company has an interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

Disclosure under Rule 13.21 of the Listing Rules

On 20 June 2017, a written agreement (the "2022 Trust Deed") was entered into between the Company as guarantor, SODH as issuer and DB Trustee (Hong Kong) Limited ("DB") as trustee of the Senior Perpetual Securities, pursuant to which the Senior Perpetual Securities were issued. The 2022 Trust Deed provides that upon the occurrence of a change of control (as defined in the 2022 Trust Deed), SODH may at its option, redeem in whole but not in part the Senior Perpetual Securities at (i) their applicable early redemption amount (as defined in the 2022 Trust Deed) if such redemption occurs prior to 20 June 2022; or (ii) their principal amount, together with any distribution accrued to the date fixed for redemption (including any arrears of distribution and any additional distribution amount), if such a redemption occurs on or after 20 June 2022. Details of the transaction were set out in the announcement of the Company dated 20 June 2017. On 20 June 2022, SODH redeemed all the outstanding Senior Perpetual Securities with an aggregate principal amount of USD600 million. On 21 June 2022, SODH paid the redemption price together with any accrued distribution. Upon redemption, the Senior Perpetual Securities were cancelled.

On 12 November 2019, a written agreement (the "2023 SODH Indenture") was entered into between the Company as guarantor, SODH as issuer and DB as trustee of the USD300 million in 5.75% senior notes due 2023 issued by SODH (the "2023 SODH Notes"), pursuant to which the 2023 SODH Notes were issued. The 2023 SODH Indenture provides that upon the occurrence of a change of control (as defined in the 2023 SODH Indenture), the Company or SODH will make an offer to repurchase all outstanding 2023 SODH Notes, at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, at the date of repurchase. Details of the transaction were set out in the announcement of the Company dated 12 November 2019. On 24 November 2020, the Company and SODH entered into a purchase agreement with UBS AG Hong Kong Branch in connection with the further issue of USD200 million in 5.75% senior notes due 2023 (the "Additional USD Notes"), which were consolidated and formed a single series with the 2023 SODH Notes. The Additional USD Notes were issued pursuant to the 2023 SODH Indenture. Details of the transaction were set out in the announcement of the Company dated 2 December 2020.

On 3 March 2020, a written agreement (the "2025 SODH Indenture") was entered into between the Company as guarantor, SODH as issuer and DB as trustee of the USD400 million in 5.50% senior notes due 2025 issued by SODH (the "2025 SODH Notes"), pursuant to which the 2025 SODH Notes were issued. The 2025 SODH Indenture provides that upon the occurrence of a change of control (as defined in the 2025 SODH Indenture), the Company or SODH will make an offer to repurchase all outstanding 2025 SODH Notes, at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, at the date of repurchase. Details of the transaction were set out in the announcement of the Company dated 3 March 2020.

On 20 February 2020, SODH commenced the Exchange and Tender Offer to the Eligible Holders of USD500 million in 5.70% senior notes due 2021 (the "2021 Notes") and USD500 million in 6.25% senior notes due 2021 (the "2021 SODH Notes"). On 28 February 2020, the Company determined to accept USD64,972,000 for the exchange of the 2021 Notes and USD24,942,000 for the exchange of the 2021 SODH Notes. Pursuant to the Exchange Offer, USD89,914,000 new notes were issued which formed a single series with the 2025 SODH Notes with the aggregate principal amount of USD489,914,000. Details of the transaction were set out in the announcements of the Company dated 20 February 2020, 21 February 2020, 2 March 2020 and 3 March 2020.

On 24 August 2020, a written agreement (the "2024 SODH Indenture") was entered into between the Company as guarantor, SODH as issuer and DB as trustee of the USD500 million in 6.15% senior notes due 2024 issued by SODH (the "2024 SODH Notes"), pursuant to which the 2024 SODH Notes were issued. The 2024 SODH Indenture provides that upon the occurrence of a change of control (as defined in the 2024 SODH Indenture), the Company or SODH will make an offer to repurchase all outstanding 2024 SODH Notes, at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, at the date of repurchase. Details of the transaction were set out in the announcement of the Company dated 24 August 2020.

On 29 June 2021, a written agreement (the "2026 SODH Indenture") was entered into between the Company as guarantor, SODH as issuer and DB as trustee of the USD400 million in 5.50% senior notes due 2026 issued by SODH (the "2026 SODH Notes"), pursuant to which the 2026 SODH Notes were issued. The 2026 SODH Indenture provides that upon the occurrence of a change of control (as defined in the 2026 SODH Indenture), the Company or SODH will make an offer to repurchase all outstanding 2026 SODH Notes, at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, at the date of repurchase. Details of the transaction were set out in the announcement of the Company dated 29 June 2021.

Any breach of the above obligations will cause a default in respect of the 2023 SODH Notes, the 2024 SODH Notes, the 2025 SODH Notes, and the 2026 SODH Notes, which may trigger cross defaults in other outstanding debts of the Group, in the aggregate amount of approximately RMB7,875 million at 31 December 2022.

Remuneration Policy

The remuneration policy of the Group to reward its employees is based on individual performance, qualifications, and competence displayed.

The emoluments of the Directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance, and comparable market statistics.

Provident and Retirement Fund Schemes

Details of the Group's provident and retirement fund schemes are shown in Note 34 to the consolidated financial statements.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Sufficiency of Public Float

The Company has maintained a sufficient public float during the year ended 31 December 2022, as required under the Listing Rules.

Charitable Donations

During the year, the Group made charitable donations amounting to approximately RMB5.03 million (2021: RMB13.31 million).

Major Customers and Suppliers

For the year ended 31 December 2022, less than 30% of the Group's sales were attributable to the five largest customers combined.

For the year ended 31 December 2022, the aggregate purchases attributable to the Group's five largest suppliers were less than 30% of our total purchases.

Auditor

On 27 May 2020, Messrs. Deloitte Touche Tohmatsu retired as auditor of the Company, and Messrs. Ernst & Young was appointed as auditor of the Company. The consolidated financial statements for the years ended 31 December 2020, 2021, and 2022 were audited by Messrs. Ernst & Young. A resolution will be submitted to the AGM to re-appoint Messrs. Ernst & Young as auditor of the Company.

On behalf of the Board

Vincent H. S. LO
Chairman
23 March 2023

2022 – At a Glance

In 2022, we reviewed our 5C Sustainability Strategy launched in 2020 to assess its effectiveness and alignment with industry best practices and impending global trends. While the full version of the updated Strategy is set to be rolled out in 2023, we would like to take this opportunity to share our key focus areas for the 2030 5C Sustainability Strategy.

For the "Clean" pillar, we would focus on decarbonisation and climate adaptation, promoting biodiversity, and employing the principles of circularity across our portfolio. To better serve the "Community", we would commit to fostering sustainable lifestyle and work solutions, enhancing community wellness and wellbeing, and injecting vibrancy and inclusiveness into the community. As for the "Culture" pillar, we would emphasise on enhancing local culture revitalization, cultivating local creativity, and fostering international culture exchange. To take "Care" of our employees, we would prioritise their wellbeing and health and safety, as well as to advance diversity and inclusion in our workplace. Lastly for the "Corporate Governance" pillar, we would aim to adhere to global best practices for our corporate governance and disclosures, maintaining the highest standards of integrity in our business operations and supply chains, as well as strengthening our built-in resiliency against emergencies and hazards across all business units.

Under the updated 5C Sustainability Strategy, we have also established the below environmental targets:

- Achieving **net-zero emissions** by 2050 and setting up 2030 1.5°C-aligned science-based targets
- Reducing energy intensity by **20%** by 2030 compared to 2019
- Reducing water intensity by **20%** by 2030 compared to 2019
- Diverting **45%** of operational waste and **50%** of construction waste from landfill by 2030

Clean

- Established 2050 **net-zero emissions** target as well as 2030 targets for energy efficiency, water efficiency and waste reduction
- Submitted the 2030 **1.5°C**-aligned science-based targets in July 2022
- Obtained **green and healthy dual certifications** – 12 certifications and pre-certifications in total
- Compared to 2021 levels, achieved **27.5%** decrease in Scope 1 and 2 carbon emissions intensity, **12.2%** decrease in energy intensity, **25%** decrease in water intensity, and **2,116** tonnes of waste diversion from landfill
- Disclosed the **Scope 3** carbon emissions data of our tenants
- Increased the proportion of total electricity consumption from renewable energy to approximately **15%** in 2022 from approximately **10%** in 2021

Community

- Launched the **Deep Green Lease** programme for commercial tenants
- Enhanced the Green Pledge programme and achieved a coverage of **96%** F&B tenants, **77%** retail tenants and **48%** office tenants
- Built community for entrepreneurs and start-ups to strengthen an innovative and entrepreneurial ecosystem

Culture

- Developed the Historical Building Preservation and Revitalization Framework
- Enhanced our signature **"CREATORS 100"** program
- Established the **"RanRan"** Young Artist Incubation Program in collaboration with UCCA

Corporate Governance

- Enhanced our board diversity with the appointment of a **female CEO** and an additional independent non-executive director with accounting qualification and a China-focused background
- Reviewed and updated the **Board Diversity Policy** and released the **Climate Change Policy**
- Updated our **Corporate Governance policies** and enhanced our disclosure by reporting on the employee legal rights and anonymity protection details
- Raised our **transparency** by disclosing senior management's pay ranges
- Aligned our risk management framework with **COSO** principles
- Strengthened our identification and evaluation of **"principal"** risks and formulation of mitigation plans

Care

- Provided mental and physical support to employee households and communities during the **COVID-19** pandemic
- Achieved **22** average hours of employee development training
- Launched **"Your Voice"** employee engagement survey conducted by a third-party consultant to encourage employees to voice out their opinions
- Established the Shui On Volunteer Service Team and Play Social to promote employee wellness outside of the workplace and contributed **over 179,924** volunteer hours

For further details on our sustainability performance, please refer to our standalone Sustainability Report 2022.

Sustainability Benchmarks and Indices

We disclosed relevant data and management approaches in accordance with the requirements of major local and global sustainability-related benchmarks and indices. In 2022, we are very pleased to gain remarkable results in the following benchmarks and indices.

AA-	HKQAA Sustainability Rating and Research
A	MSCI ESG Rating
4 stars	GRESB (SCOV* only)
B	CDP (Climate Change)
Listed	Bloomberg Gender Equality Index
Constituent	Hang Seng Corporate Sustainability Benchmark Index

* The Shui On Land Core-Plus Office Venture

Recognition and Major Awards

AWARD	AWARDED ENTITY	ISSUING ORGANISATION
Bloomberg Gender-Equality Index	Shui On Land	Bloomberg L.P.
ESG Leading Enterprise Awards 2022	Shui On Land	Bloomberg Businessweek/ Chinese Edition
Bloomberg Green ESG Pioneers – Brands	Shui On Xintiandi	Bloomberg Businessweek/ Chinese Edition
2022 ULI Asia Pacific Awards for Excellence	Rui Hong Xin Cheng	Urban Land Institute
2022 Sustainable Business Awards	Shui On Xintiandi	European Chamber
HKIRA 8th Investor Relations Awards 2022 – Best IR Company (Small Cap)	Shui On Land	Hong Kong Investor Relations Association
2022 Best Corporate Governance and ESG Rewards – Special Mention for ESG in the Non-Hang Seng Index (Medium Market Capitalization) Category	Shui On Land	Hong Kong Institute of CPA
2022 Top Ten Best Corporate Governance Cases	Shui On Land	Cailian Press
2022 CLS ESG Awards	Shui On Land	Cailian Press
2022 Green Innovation Cases (Corporate)	Shui On Xintiandi	Cailian Press
Asia's Best Investor Relations Company Asia's Best CSR Asia's Best CFO Asia's Best CEO	Shui On Land	Corporate Governance Asia Magazine
Excellent Case of Green and Low-Carbon Development of Foreign-Invested Enterprises in Shanghai	Xintiandi	Shanghai Municipal Commission of Commerce
China Green Point Award 2022	Xintiandi Near-zero Carbon Demonstration Area	China Business Network
The Best BANG 2023 Best Expected City Landmark	Ruihong Tiandi and Panlong Tiandi	Shanghai BANG

APPROACH TO SUSTAINABILITY

Sustainability Governance

Since the inception of Shui On Land, we have aimed to be a sustainability leader in the real estate and asset management industry of China. Our business model has balanced financial profitability with sustainability, along with social and environmental impact, as well as our contribution to local and regional economies. Sustainability is an important cornerstone of our business and is reflected in our corporate vision to be a pioneer of sustainable premium urban communities.

Our approach to sustainability effectively encompasses all aspects of responsible environmental, social, and governance (ESG) management. We employ a human-centric, sustainable attitude to crafting master-planned communities, and we recognise our roles as an urban property developer and an asset manager to fulfil local, national, and international carbon neutrality and net-zero emissions commitments.

5C Sustainability Strategy – To Be a Pioneer of Sustainable Premium Urban Communities

Throughout our company's history, we have been committed to caring for the environment, preserving cultural heritage, and building and sustaining vibrant communities. We care for our colleagues, partners, and stakeholders, and do our utmost to uphold and raise the quality of our governance. Therefore in 2020, we formulated and launched a 10-year 5C Sustainability Strategy consisting of five pillars that bind our corporate vision and operational practices, namely Clean, Community, Culture, Care, and Corporate Governance – going beyond the standard definition of sustainability as in Environment, Social, and Governance.

Clean

Ambition: Transition towards net-zero emissions, leading with climate change mitigation and adaptation practices and by increasing our capabilities to manage and reduce emissions across our entire portfolio

To achieve this, our priorities are to:

- Build green and healthy communities
- Transition towards net-zero emissions
- Reduce waste in our portfolio
- Develop and adopt company climate change policy to mitigate and adapt to potential risks

Culture

Ambition: To enhance the vibrancy and authenticity of our communities through urban regeneration, architectural heritage conservation, promotion of local creative talents and international cultural exchange

To achieve this, our priorities are to:

- Rejuvenate urban and cultural heritage sites
- Engage, connect, and promote local creativity
- Promote international cultural diversity and exchange

Corporate Governance

Ambition: To become a trusted partner for all stakeholders by nurturing a corporate culture of integrity, transparency, and accountability

To achieve this, our priorities are to:

- Embed sustainability
- Steer the business with integrity
- Strengthen emergency preparedness

Community

Ambition: For all our communities to adopt healthy, sustainable living and to make our communities' sustainability practices among the best in China

To achieve this, our priorities are to:

- Enhance partnerships and engagement for thriving sustainable communities
- Embed health and sustainability into our online-merge-offline community experience
- Strengthen an innovative and entrepreneurial ecosystem
- Integrate health and sustainability into our planning and design of communities

Care

Ambition: To provide all employees with equal opportunities for holistic career development, while maintaining the highest health and safety standards in the workplace and ensuring openness to diversity of thought and innovation – enabling them to be accountable members of society

To achieve this, our priorities are to:

- Provide equal opportunities in training and development
- Create a diverse and inclusive workplace
- Ensure health and safety for all
- Improve employee wellbeing

We review the 5C Sustainability Strategy regularly based on our progress, industry best practices and emerging global trends such as climate resilience to ensure our Strategy is up-to-date and brings the greatest positive impacts. In 2022, we formulated an updated 5C Sustainability Strategy which will be rolled out in 2023. Additional information about the Strategy's roll-out and implementation, including our sustainability governance structure, can be viewed on page 6 in our 2021 Sustainable Development Report as well as the Sustainable Development page of the Company website.

Clean

2022 Highlights

Submitted the 2030 1.5°C-aligned science-based targets in July 2022

Established 2050 net-zero emissions target as well as 2030 targets for energy efficiency, water efficiency and waste reduction

All new development projects aimed for green and healthy dual certifications

12.2% decrease in energy intensity and 27.5% decrease in Scope 1 and 2 carbon emissions intensity from 2021 – a 66.3% decrease from the baseline year 2011

25% decrease in water intensity from 2021 and 2,116 tonnes of waste are diverted from landfill for recycling

Increased the proportion of total electricity consumption from renewable energy to approximately 15% in 2022 from approximately 10% in 2021

We have a long and unique history of pursuing environmental sustainability. Built back in 1997, our master-planned, historical building-infused Shanghai Xintiandi development that incorporates aspects of mixed-use and pedestrian-friendly areas, was and still is a pioneer of sustainable community development. Since then, we have continued to uphold our commitment of developing green and healthy communities with a strong focus on energy efficiency and indoor air quality, while reducing our waste and water, and mitigating climate-related impacts and investing in climate-resilience planning. Applicable environmental laws and regulations have been complied with during the reporting period.

As set out in the 5C Sustainability Strategy, our 2030 ambitions and priorities guide our approach to clean environmental management, details of which are available on the Clean page of our company website.

Transition towards net-zero emissions

Climate change mitigation and adaptation

Reducing our carbon emissions remains among our top priorities and we have adopted effective building technologies and introduced energy-efficiency measures to reduce our carbon emissions. For years our property management team has utilised energy consumption monitoring systems that have embedded energy conservation and emission reduction efforts into daily operations.

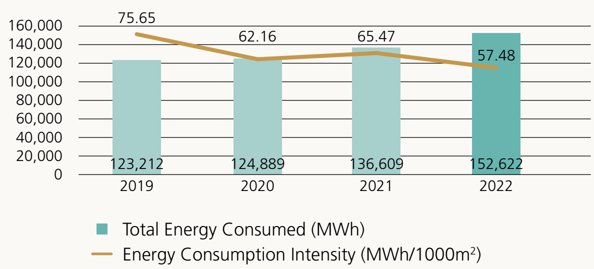
We made great strides by becoming the first real estate developer in Chinese Mainland to commit to the Science-Based Targets initiative (SBTi). This year, we strengthened our commitment to the SBTi to pledge a 2030 emission reduction target of Below 1.5 °C. To align our work with our ambitions and commitments, we have also officially become a TCFD supporter as well as formulated and implemented the TCFD-aligned Climate Change Policy company-wide in 2022. Leveraging the climate change risk assessment conducted externally last year, we will carry out an in-depth climate scenario analysis on project level for all existing assets in 2023, while all large new master-planned projects are required to adopt our new 2050 net zero target and to include clear climate change-related strategies.

Reducing greenhouse gas emissions

To reduce greenhouse gas emissions across our portfolios, we adopt a life cycle perspective to consider carbon reduction at every phase from design to operation, and proactively minimise energy use by leveraging energy-efficient systems. From indoor sunshades to recovering exhaust air – our focus is on building and maintaining buildings that are safe, healthy, and fun for people to live, work, play and enjoy. We also set annual energy efficiency targets to track our progress with the aim to achieve our long-term 2030 goal of reducing energy intensity by 20%.

In 2022 we consumed 152,622 MWh of energy, a 11.7% increase from 2021. Our overall energy intensity decreased to 57.48 MWh/1000m^2, a 12.2% decrease from 2021.

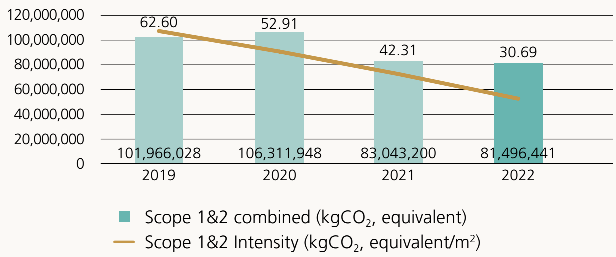
Energy Consumption



We are also committed to increasing the use of renewable energy in our properties. In 2022, we successfully sourced 100% renewable electricity for our Horizon South and 1 Corporate Avenue in Wuhan Tiandi, increasing the proportion of total electricity consumption from renewable energy to approximately 15% in 2022 compared to approximately 10% in 2021.

Tracking our carbon emissions intensity since 2011, we have achieved an 66.3% reduction since then. In 2022, our operations' GHG emission intensity decreased by 27.5% from 2021 levels.

GHG Emissions



To understand and reduce our scope 3 emissions, we have been conducting statistical research on building materials and embodied carbon to assist our reduction of embodied carbon within our operations and establishment of reduction targets. To gain a more comprehensive picture of our downstream tenants' carbon footprint, we have also started to conduct carbon audits for AUM projects' Scope 3 emissions since 2021 and began to disclose the Scope 3 downstream tenant emissions data in 2022.

Building green and healthy communities

We adopt a sustainable building approach that takes life cycle perspective from planning, design to daily operation, fully elaborating SOL's role as a developer to an asset manager. By adopting a range of design strategies including passive design, active design for envelopes, HVAC and MEP system, as well as innovative sustainable technology, we can create buildings that are both cost-effective and cater to the health and well-being of our customers and tenants. Wherever possible, we use eco-friendly materials, minimise construction noise, keep construction induced erosion and sedimentation to a minimum during the construction phase. We also monitor indoor air quality and water efficiency, ensure acoustic and thermal comfort, and encourage natural lighting by façade optimisation during the operations phase.

Green and healthy dual certifications

In 2022, guided by targets from the 5C Sustainability Strategy, we focused our master-planning efforts on attaining certifications covering both green building as well as human health and well-being for all new development projects. At year-end, 100% of our new development projects and over 95% by GFA of existing projects have acquired at least one of the said certifications.

Green and Healthy Building Certifications in 2022

DEVELOPMENT	CERTIFICATION AWARDED
Wuhan Tiandi, Office	WELL, Gold
Rui Hong Xin Cheng Lot 10, Office	WELL-Core and Shell, Gold
Wuhan 1 Corporate Avenue, Office	WELL-Core and Shell, Gold
Panlong Lot A01-01 "Granary"	LEED-Core and Shell, Gold
Nanjing IFC	LEED-Operations and Maintenance, Gold WELL Health-Safety Rating
Rui Hong Xin Cheng Lot 167A, Residential	China Healthy Building Label, Two Star

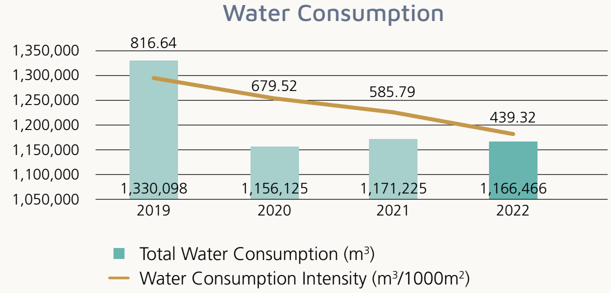
We have also attained WELL and LEED pre-certifications for six other properties with a total of 322,624 square metres.

Indoor air quality

We are committed to maintaining and improving air quality in our development and operation. In 2015, we started monitoring air quality in our buildings to identify problem areas and implement solutions to improve air quality. We started to install air quality sensors in selected office buildings since 2021 and the installation in all our office buildings was completed this year. To reduce TVOC, PM2.5 and other pollutants at source, we required all renovation materials used in our buildings to have China Environment Labellings or Green Building Materials Product Certifications as well as including the management of PM2.5 in the General Specification which is the company-wide technical standard of our buildings. We also regularly monitor for TVOC and other pollutants as well as conduct indoor air quality tests before handing over each new residential unit to customers.

Water conservation

Water efficiency is one of the most important elements of sustainability. As a developer in China, where water stress has become a problem, we have an added responsibility to design for water efficiency and operate our buildings as efficiently and sustainably as possible. We have installed low-flow fittings, water-saving irrigation systems and rainwater recycling systems in our managed buildings as well as designed new projects to achieve water efficiency rates beyond building regulations. We have also installed online water meters, piping equipment as well as energy and water consumption monitoring systems throughout our assets to track our water usage and explore water-saving opportunities.



In 2022, we consumed 1,166,466 m^3 of water and our overall water intensity decreased by 25% to 439.32 $m^3/1000\ m^2$.

Reduce waste in our portfolio

We seek to reduce, reuse, and recycle our waste whenever feasible, aiming to minimise our contribution to landfills. Our waste is always handled according to applicable national and provincial laws and regulations, and we aim to go beyond legal requirements as best we can. We separate waste at the source and send paper, plastic, tin, and other recyclable products to recycling as well as actively search for waste recyclers that handle low-value waste.

In 2022, we generated 66,249 tonnes of non-hazardous waste. We saw a decrease of 11% compared to 2021 and diverted 2,116 tonnes of recyclable materials from landfill.

We also implemented a company-wide waste management data collection and tracking system where we are improving the collection of data for the:

- total amount of waste created;
- amount of each type of waste, per square metre;
- year-on-year comparison of these data for the past year, plus such data by region, and by month, with a filtering function for different comparisons.

We will also increase the frequency of data collected from our F&B operations to a monthly basis and aim to use the information to calculate averages by project and by region. It is through these efforts that we aim to gain a better understanding of how much waste our projects create and devise long-term plans to mitigate these impacts.

Community

2022 Highlights

70+ suppliers signed the Green Pact and committed to building sustainable supply chains

Rui Hong Xin Cheng won the 2022 ULI Asia Pacific Awards for Excellence, marking the ninth ULI Awards for Excellence we have received

95.2% overall residential customer satisfaction rate

100% of strategic suppliers and main contractors attended our inaugural annual Supplier and Contractor Forum for training on business ethics and our 5C Sustainability Strategy

96% F&B tenants, 77% retail tenants and 48% office tenants participated in our Green Pledge programme to promote low carbon living

At Shui On Land, it is our ambition to create and shape communities that thrive today and for years to come.

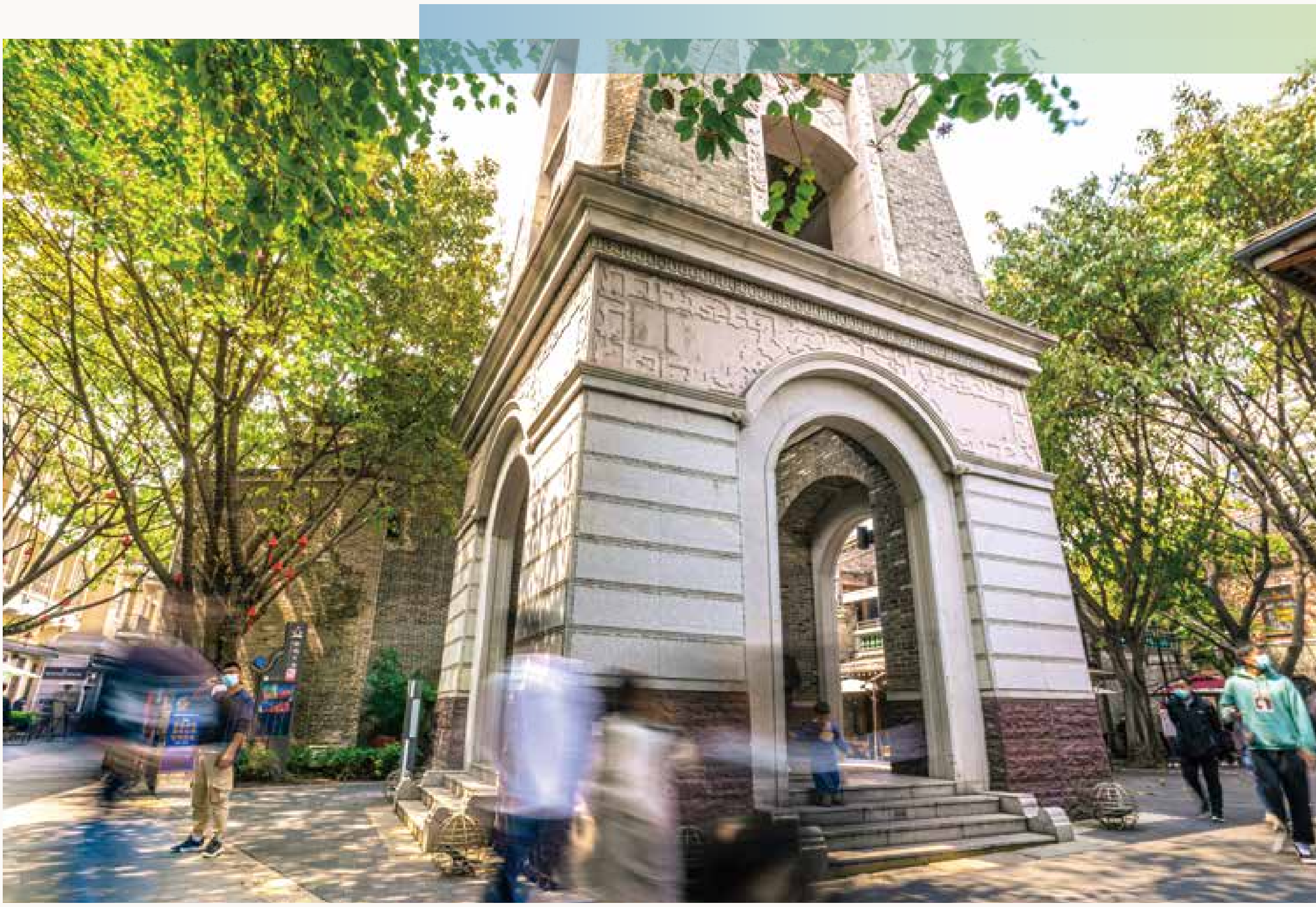
We strive to build communities that are engaging and inspire healthy sustainable living. To achieve this, in every development that we design, build, and manage, we aim to incorporate sustainable design elements that enhance liveability and stimulate highly connected and accessible communities.

We are also motivated to become an industry leader in master-planning and driving innovative and entrepreneurial ecosystems throughout China. We achieve this by addressing the needs of our communities and embedding health and sustainability considerations into every aspect of our service offering. At the same time, we strive for industry best practices in tenant and customer safety and well-being and to fully engage everyone in our value chain on our sustainability journey. We make this a reality by continually seeking out ways to enhance partnerships and engagement across our value chain so that our entire industry can be elevated together.

As set out in the 5C Sustainability Strategy, our 2030 ambitions and priorities guide our approach to community building, details of which are available on the Community page of our company website.

Embed health and sustainability into the community experience

Our live-work-play-learn community development concept has been specially designed to help bring whole communities together – to build bonds and create happy, healthy shared experiences. Our high-quality building services, diligent after-sales service, and emphasis on health and safety have built a sense of trust and community across our portfolio. Beyond our doors, we aim to embed health and sustainability into the community experience by developing healthy buildings, ensuring tenant and customer wellbeing and safety.



Master-planning

Since the inception of Shui On Land, we are committed to be the industry leaders in master-planning and strive to be a pioneer of sustainable premium urban communities.

Constantly employing a clear vision, an innovative mindset and abundant international experience, our renowned master-plan approach guided by our nine planning principles has enabled us to develop large-scale, mixed-use, sustainable communities that fully unearth and capture local historic and cultural characteristics, while aligning with the development goals of local governments in China. Our human-centric and unique design concepts, as well as outstanding development and operational track record, also equipped us with the uncanny ability to seamlessly blend seemingly disparate elements harmoniously, such as "Live-Work-Learn-Play", to establish integrated and holistic communities that inject fresh vitality into urban settlements and in the process, provide urban regeneration solutions.

Tenant and customer wellbeing and safety

Understanding and responding to our customers' needs and consistently improving the customer experience is the foundation of our customer-service oriented culture. Ensuring the wellbeing and safety of anyone who comes into one of our developments or enjoys our services is our utmost priority. We do our best to anticipate and respond to the needs of our customers and provide products and services that are healthy, more comfortable, and environmentally friendly to the best of our abilities. Therefore, we have internal quality standards and protocols in place to monitor the quality of our property management services regularly.

Cybersecurity

Our Personal Information Security Management System has been put in place to ensure information security and to protect our customers' information, During the reporting year, we obtained the ISO 27001 Information Security Management certification which demonstrated our commitment to safeguarding personal information, and there were no confirmed incidents of violation against data privacy. In 2022, as part of our regular employee training on cybersecurity, all SOL employees completed the Company's cybersecurity online learning that covered five modules which included safety awareness on personal information, work related information, data, phishing emails and malware. We also conducted quarterly phishing email tests and required those who failed to avoid said emails to re-attend the cybersecurity training.

Enhance partnerships and engagement

Supplier collaboration

Every year we partner with over 5,000 suppliers, including construction contractors, professional consultants, and other service providers, whom are vital components of our supply chain and enable our ability to develop quality projects and provide services for our customers. We have implemented stringent supplier selection and evaluation criteria that encompass a range of social, environmental, and quality screening parameters. The Health, Safety and Environment Handbook outlines our social and environmental standards and requirements and is used as evaluation metrics when we select suppliers. To ensure suppliers understand our requirements and standards and have the relevant knowledge on sustainability, supplier training has also been conducted for strategic suppliers and main contractors on a regular basis. In 2022, we organised the Supplier and Contractor Forum, with 100% of strategic suppliers and main contractors attending, to provide them with training on the code of conduct and business ethics as well as to promote the Group's sustainability vision and the 5C Sustainability Strategy.

With the aim to promote green sourcing across our supply chain and help achieve China's dual carbon goals, we rolled out the Green Pact with 70+ suppliers signing in 2022. The Pact invites our suppliers and business partners to support our 2030 5C Sustainability Strategy by considering the environmental impact and resource efficiency upstream and downstream of their supply chain as well as seeking out industry best practices to improve their supply chain's overall efficiency and sustainability.

Tenant engagement

We strive to maintain long-term, mutually beneficial partnerships with our tenants and work closely with them to help integrate sustainability practices into their operations throughout the lifecycle of their tenancies. To better understand their needs, we have developed a holistic system of regularly collecting and analysing tenants' feedback and comments such as circulating tenant satisfaction surveys and convening focus group interviews when needed.

In 2022, Shui On OfficeX and the U.S Green Building Council (USGBC), signed the industry's first Deep Green Lease to release sustainable innovation solutions for commercial tenants, which breaks the conventional office lease contract by forming a community of interests consisting of tenants, owners and customers, and adding financial incentive clauses for tenants' energy consumption content which results in a contract-binding sustainable lease.

We also enhanced the Green Pledge programme rolled out last year, with 96% F&B tenants (ongoing with new tenants), 77% retail tenants and 48% office tenants participating this year to promote low carbon living and environmental responsibility. The programme included encouraging tenants to reduce food packaging and food waste and supporting them to provide a vegetarian "Green menu" that includes plant-based and healthy food options.

Strengthen an innovative and entrepreneurial ecosystem

We recognise the role that innovation plays in addressing critical social and environmental issues. We therefore seek to strengthen the innovation and entrepreneurial ecosystem among the communities in which we operate by nurturing and collaborating with local innovators and entrepreneurs via a range of support platforms. We aim to effectively become a comprehensive one-stop solution for start-ups and entrepreneurs with work-live-learn-play aspirations.

Culture

2022 Highlights

Developed the Historical Building Preservation and Revitalization Framework

Enhanced our signature **"CREATORS 100"** programme

Launched the **"RanRan"** Young Artist Incubation Program in collaboration with UCCA

Organised **over 300** events to connect with the community

We believe that sustaining, expressing, and nurturing our local culture, while also sharing the beauty of Chinese culture with the, creates a sense of common identity and brings us closer to one another. This has inspired us to embed the concept and value of culture into our business model, as we see culture and sustainability as being interrelated and self-reinforcing.

Cultural conservation also provides important social and economic benefits to a community by enhancing the quality of life and increasing the overall wellbeing of both individuals and communities. This has driven our approach to finding win-win solutions for historic preservation and commercial development. We also seek out small-scale replicable urban regeneration and community development projects and support public and private partnerships that link culture and sustainability together, along with other partnerships that promote cultural historical building and development. A key component of our efforts includes celebrating Chinese creativity, which is reflected in our support for local artists, entrepreneurs, and innovators who bring forth Chinese products and partnerships to the community.

As set out in the 5C Sustainability Strategy, our 2030 ambitions and priorities guide our approach to culture, details of which are available on the Culture page of our company website.

Tell stories of our heritage

SOL actively seeks out cultural landmark buildings and communities when planning projects so that we may preserve and rejuvenate our historical building's unique architecture.

To facilitate the process, we began to develop the Historical Building Preservation and Revitalization Framework in 2022. We make every endeavour to conserve the integrity of our historical buildings and the legacy of our ancestors. Beyond structural conservation, it is our perspective that every facade, floor, roof, and space that makes up our buildings, can act as canvases for creative and respectful recognition of those who came before us.

We also believe that infusing intangible cultural heritage elements and local culture features into green and public spaces as well as historical aspects of buildings helps preserve our rich heritage. Our creative and design teams work together to curate culture-focused content (such as festivals, exhibitions, artwork, etc.) for our many existing communities to rejuvenate the public's understanding and appreciation for our heritages.

To enhance public awareness of our culture-focused efforts, we offer facilities (such as exhibition venues, theatres, libraries/bookstores, learning centres, cinemas, sports centres) within our neighbourhoods and communities to benefit local artists and community groups, so that their work can reach a broader audience.

Facilitate international cultural exchange

We value the diversity of thought, ideas, and practices and we are committed to nurturing international cultural exchange activities and events so that we can understand diverse perspectives on a range of topics from around the world.

We achieve this by fostering partnerships with local and international cultural organisations as well as hosting international cultural and urban regeneration events with other local and international cultural groups, such as Shanghai Fashion week and World Music Festival.

Creatively expressing Created in China

China is world-renowned for the diversity of the products that it makes, and the local culture is becoming increasingly proud of the label 'Created in China.' We celebrate the creative expression of Chinese culture, and focus our contributions on the arts, music, dance, food, fashion, festivals, and education-based activities. This is demonstrated through the many collaborations with local artists, designers, and artisans to showcase their works within our developments as well as through online opportunities. We also promote local creators by hiring them for projects and organising events to showcase their work.

With the objective of driving China's creative economy in a sustainable manner, Xintiandi launched the "CREATORS 100" programme to connect 100 pioneering content creators annually. It serves as an innovative platform, enabling them to exchange diverse perspectives and co-create content. This year, we collaborated with more creators on topics which cover sustainability, lifestyle and culture, for example Trash Running, Ambrus Studio, and Green Food Bank. We also raised the proportion of female creators we have collaborated with to 40% to promote diversity in art. In total 101 creators came together on various projects throughout the year including events, talks, in-depth interviews and podcast programmes.

We also launched a new 3-year programme – the "RanRan" Young Artist Incubation Program in collaboration with the UCCA Center for Contemporary Art, intending to create an open platform for young artists to promote exploration and innovation, and expand Shanghai's spiritual connotation by providing opportunities for creative support and professional development.

Care

2022 Highlights

Gender split – 53 male/47 female; Gender pay gap – 90 male/100 female

Launched **"Your Voice"** to encourage employees to voice out their opinions

22 average hours of employee development training covering **99.8%** of total employees

Provided **7,220 hours** of employee health and safety training

Over 179,924 volunteer hours contributed

Shui On Land's vision to be a pioneer of sustainable premium urban communities starts with a great team. We recognise that the future of our business depends on the engagement and dedication of our colleagues to create stakeholder value.

We make this possible by offering our team great a place to work. Regardless of background, ethnicity or gender, we treat every employee fairly by providing them with an equal opportunity to work, and equal access to holistic career training and development. To become an employer of choice, we have prioritised offering our staff a safe and healthy working environment and fostering a diverse and inclusive workplace, where everyone can be motivated to develop their skillsets and deliver the best results. We believe it is imperative to consistently attract, develop, and retain employees effectively – not only to drive performance and innovation – but more importantly, to nurture a caring, talented, healthy, and engaged team. During the reporting period, we have complied with all applicable labour laws and regulations related to employment, equal opportunity, diversity, anti-discrimination and other benefits and welfare.

As set out in the 5C Sustainability Strategy, our 2030 ambitions and priorities guide our approach to care, details of which are available on the Care page of our company website.

Provide equal opportunities in training and development

To encourage our employees to grow alongside us, the Talent Development Committee works with our HR team to curate talent development goals at the organisational level. We facilitate this – and increase the motivation, engagement, and continuous development of our employees – via our training and development initiatives. This helps us employ and retain the best possible professionals with the right competencies for each position.

To consistently nurture an engaging workplace, we encourage employees to continually develop their professional skillsets through a range of training, practical workshops, and mentorship programmes. We launched an interactive O2O learning platform Shui On Academy and continued to develop the SOL Talent Development programme, where all employees receive annual performance and development reviews that include goal setting and performance appraisals.

Aiming to further engage with our employees and encourage them to voice out their opinions, we launched "Your Voice" this year, where they are invited to fill out the annual "Your Voice" employee engagement survey conducted by a third-party consultant. Communication of the findings and improvement actions will then be rolled out with specific action plans identified for each group, department, and project level.

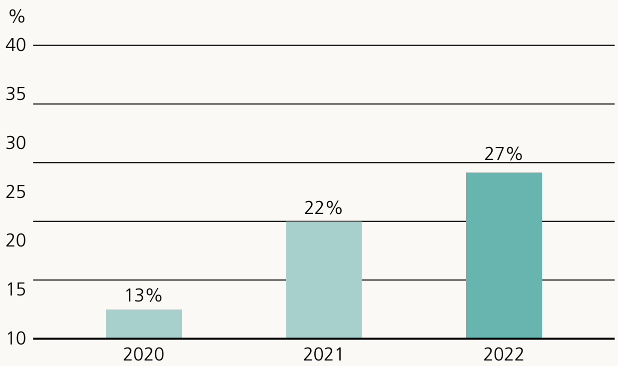
Create a diverse and inclusive workplace

Shui On Land is committed to creating a diverse and inclusive working environment for all employees. We have created a working environment where diversity is considered a strength and we never tolerate any discrimination or harassment related to race, religion, gender, or disability.

To ensure steady progress in this area, we promote equal opportunities in all aspects of employment. We believe that this equal-opportunity approach places people in positions that best suit their abilities. We also offer all employees online unconscious bias training to raise self-awareness of implicit bias and provide tools or strategies to reduce discriminatory behaviours. As such, we are able to recruit, retain, and develop the best people for the job based solely on their abilities to bring solutions-oriented voices to our team. In 2022, we recruited 1 staff with physical disabilities as well as constructed accessible washrooms, resting rooms, nursery rooms, and other facilities in the head office to create an inclusive workplace for our physically challenged staff.

As an industry leader in promoting gender equality that is included in Bloomberg Gender-Equality Index (GEI), we also recognise the importance of gender diversity, and our gender diversity approach begins with our Board. Under the leadership of our Board, we will continue to take steps to promote and enhance gender diversity at all levels of our Company. In 2022, 73% of our Board was male. In January we brought on 1 additional female board member, bringing more gender balance to the Board. In terms of our employees, we achieved an overall gender pay gap of -10%.

Proportion of Females in the Board Composition



Ensure health and safety for all

Response to COVID-19

The COVID-19 pandemic has brought unprecedented impacts around the globe. We have been working hard to safeguard the health and well-being of our employees. To educate and support our team in COVID-19 prevention, we have organised the Prevention of COVID-19 Course Series for our employees, and provided mental and physical support, including online hospital claims services and psychological counselling services for them as well as their families and the community. To deal with any suspected cases among our staff, we have set up an emergency response team to implement employee protection and workplace epidemic prevention actions. We also track the development of cases in real-time as well as regularly review and adjust relevant company policies.

Occupational health and safety

Shui On Land strives towards zero fatalities across the supply chain and is focused on providing our employees with a safe and healthy working environment by providing an injury-free workplace. Health, safety, and wellbeing have been embedded in our core values and continuous improvement of our safety performance is embedded in our daily working habits.

We achieve this by establishing safety plans and procedures, revising our Employee Handbook, and having an EHS management system in place for occupational health and safety risk-related tasks. We also have a Target Zero initiative to promote zero-injuries mentality and continuously develop clear policies and pathways of communication to report near-misses and implement enhancements to prevent potential injuries and damage. Health and safety training is also provided to employees, including an online learning course with three modules covering three working environments: construction sites, commercial properties, and office spaces. All laws and regulations related to occupational health and safety have been complied, and our commitment of going beyond legal requirements is acknowledged by the ISO 45001 Occupational Health and Safety Management System certification we obtained in 2022.

Improve employee wellbeing

At SOL, employee wellbeing is all about leading a balanced life and being physically, mentally, and socially healthy. Our strong team of caring, dedicated, and creative employees has helped us create the business we run today. Their dedication has come from our effective approach to helping our employees strike a healthy balance between their professional and personal lives, creating a flexible workplace that serves the requirements of both the company and the individual.

To promote work-life balance, we launched the iFamily Programme in 2022 which allows employees to apply for flexible working hours and working locations as well as 20 days of special leave for family issues. We have also provided employees and their families with additional health protection by upgrading their insurance coverage and options. A variety of communication channels are established for employees to voice out their questions, concerns, suggestions and new ideas. To promote the wellness of our employees outside of workplace, we regularly organise employee recreational activities and encourage employees to participate in volunteering activities by setting up the Shui On Volunteer Service Team in 2022. Despite pandemic restrictions, our employees dedicated a combined total of 179,924 volunteer hours this year across over 50 sustainable and health-related engagement activities.

Corporate Governance

2022 Highlights

Aligned our risk management framework with **COSO** principles

Updated our **Corporate Governance policies** and enhanced our disclosure by reporting protection details to protect the anonymity and legal rights of employees

Raised our **transparency** by disclosing senior management's pay ranges

Strengthened our identification and evaluation of **"principal" risks** and formulation of mitigation plans

Enhanced our **Board** diversity by appointing a **female CEO** and an additional independent non-executive director with accounting qualification and a China-focused background

We endeavour to become a trusted partner for all stakeholders by nurturing a corporate culture of integrity, transparency, and accountability. To ensure that we continually abide by the highest standards of corporate governance and business ethics, we have integrated them into daily operations to ensure our compliance and beyond. During the reporting period, there were no confirmed incidents of non-compliance concerning corrupt practices.

As set out in the 5C Sustainability Strategy, our 2030 ambitions and priorities guide our approach to corporate governance, details of which are available on the Corporate Governance page of our company website. Learn more about our overall corporate governance practices on the Shui On Land website and from our 2022 Annual Corporate Governance Report.

Embed sustainability

As a company with over 3,000 staff overseeing the management of over 9.3 million square metres of managed space, we see having a robust approach to corporate governance which takes sustainability into account as the only way to be a pioneer of sustainable premium urban communities.

From providing sustainability-related training for employees to establishing establishing sustainability KPIs for the senior management and the 5C Working Teams, we are committed to engaging our employees in our pursuit of sustainability. Our senior management team as well as the 5C Working Teams are responsible for rallying the organisation to understand how to implement the many sustainability-related initiatives reflected in the 5C Sustainability Strategy. Our approach to managing and overseeing sustainability-related issues has been embedded into our business plans and how our teams manage sustainability "tasks" in our operations. This includes ensuring that our corporate governance practices take in account sustainability as we incorporate sustainability-related risks into our enterprise risk management systems.

Making our corporate governance more sustainable

We consider sustainability leadership at our Board and executive levels to be critical to integrating sustainability management and performance into our culture, operations, and business relationships. To effectively implement the 5C Sustainability Strategy, our efforts in 2022 focused on enhancing our overall approach to corporate governance and expanding the scope and capacity of our sustainability governance.

This included:

- Appointing the Chief Sustainability Officer, with effect from 1 January 2022, to head up the Sustainable Development Department and oversee the Sustainable Development Executive Committee
- Disclosing the senior management's pay ranges in the annual report
- Establishing sustainability-related KPIs that are linked to the compensation of the Chief Executive Officer, Chief Sustainability Officer, the members of the Sustainable Development Executive Committee and each Working Team
- Providing sustainability-related training for employees

Incorporating sustainability-related risks into enterprise risk management

We believe strong governance supports a culture of ethical behaviour while minimising business risks. Our Board has the overall responsibility for ensuring effective risk management and internal controls, and for reviewing its effectiveness to safeguard our assets and our shareholders' interests. This has become increasingly important as the ever-evolving landscape of sustainability-related risks continues to have a significant impact on our business operations. We have incorporated these risks into our corporate enterprise risk management (ERM) framework to better identify the full spectrum of sustainability risks as they arise.

In consideration of increasing concerns from stakeholders about our performance on climate risk identification, control, and mitigation, we engaged an external consultant to conduct a climate change risk assessment in 2021 according to the Task Force on Climate-related Financial Disclosures (TCFD) Recommendations and will carry out an in-depth climate scenario analysis on project level for all existing assets in 2023. This year, we have officially become a TCFD supporter as well as formulated and implemented the TCFD-aligned Climate Change Policy company-wide. To further strengthen our knowledge on climate-related financial reporting, the management has also attended CPD-certified TCFD training on climate reporting provided by the HKEX.

Strengthen emergency preparedness

Under the leadership of our Emergency Preparedness team, all our projects adhere to stringent preventive and control measures and standardised services, providing a safe environment for our staff, residents, tenants, and customers.

We reviewed our present risk management system and risk inventory requirements as well as asked respective risk owners to identify and update sustainability issues, climate-related risks, and COVID-19 related risks twice in 2022. The risk management report and risk inventories were presented and approved by the Audit and Risk Committee and the Board in 2022 and we will work on addressing the results throughout 2023.

Steer the business with integrity

By acting with integrity, we have earned the trust of our customers, business partners and other stakeholders. We achieved this by abiding by applicable laws and regulations as well as our own comprehensive corporate governance framework, internal controls, and systems for risk management.

Our Ethics Committee is responsible for handling all matters regarding our conduct and business ethics and formulating anti-corruption training and management. Our Code of Conduct and Business Ethics, which was reviewed in 2022, sets forth the standards by which we, as an organisation and as individuals, should act. We also require all our employees including senior management as well as part-time employees and contractors if any, to attend the Code of Conduct and Business Ethics training and to submit a declaration of understanding and adherence to the Code of Conduct and Business Ethics every year. As for our business partners, suppliers and contractors, we have incorporated details of our anti-corruption policies and procedures into our standard contracts and provided suppliers with "Code of Conduct and Business Ethics" training through the annual Supplier and Contractor Forum.

Raising concerns on ethical practices

All SOL employees are expected to understand and abide by our Code of Conduct and Business Ethics and report any violations using the channels available for this purpose. We have put in place an Irregularities Reporting System (or whistleblowing system) for employees and business partners to report concerns confidentially, via telephone or email. We take allegations seriously and have an Ethics Committee that receives and evaluates these allegations directly, oversees the investigation process conducted by the Internal Audit and Risk Department, and arrives at a conclusion or penalty if necessary. As for allegations against Executive Committee members, executive directors or above, or Ethics Committee members, the Audit and Risk Committee is responsible for the evaluation of the reports. As stipulated in our Whistleblowing Policy, retaliation is not tolerated against employees who report concerns in good faith.

Measures to prevent forced and child labour

Our Human Resources, Legal and Internal Audit and Risk Department remain vigilant in ensuring that our operations to comply with all labour laws and regulations through established processes and control checkpoints. We verify applicants' personal IDs from different channels and ensure all applicants understand the job descriptions and requirements of their position before joining the company. Our Supplier Code of Conduct also requires our business partners to ensure there is no forced or child labour within their operations. During the reporting period, we have complied with applicable labour practice-related laws and regulations.

Performance Data Summary[1]

Relevant figures from past years are disclosed as they were collected or made available. Unless otherwise indicated, data covers Shui On Land, Shui On Xintiandi, Feng Cheng and Shui On Construction. As compared to the previous reporting period, Shui On Xintiandi (previously known as China Xintiandi) is newly added in 2022. The performance of China Xintiandi was disclosed under Shui On Land in 2021. While there is a change in the reporting scope due to changes of business names and business restructuring, the data coverage remains the same for 2021 and 2022.

1 The calculation methodology of environmental and social data is based on the quantitative reporting principle as set out in the HKEX ESG Reporting Guide.

Environmental Performance

Relevant Disclosure	Description	Unit	2019	2020	2021	2022
Emissions						
Emissions from vehicles						
HKEX A1.1	NOx	kg	–	289.63	282.42	157.33
	SOx		1.42	0.95	0.93	0.92
	PM		–	–	–	15.07
Greenhouse gas emissions						
HKEX 1.2; GRI 305-6	Scope 1 (Direct emissions)	$kgCO_2$,equivalent	10,482,469	16,029,391	6,665,586	8,375,910
	Stationary and mobile combustion sources		10,482,469	15,983,770	6,658,150	8,371,500
	Fire extinguishers		–	15,773	3,258	–
	Refrigerant		–	29,848	4,178	4,410
	Scope 2 (Energy indirect emissions from purchased electricity)		91,483,559	90,328,178	76,385,050	73,120,531
	Scope 1 & Scope 2 combined		101,966,028	106,311,948	83,043,200	81,496,441
	Scope 1 & Scope 2 per square metre of floor area	$kgCO_2$,equivalent/m^2	62.6	52.91	42.31	30.69
	Scope 3 (Tenant emissions)	$kgCO_2$,equivalent	–	–	–	99,538,919
Energy						
Energy consumption and intensity						
HKEX A2.1; GRI 302-1; GRI 302-3	Natural gas	MWh	18,171	16,349	18,585	29,678
		m^3	–	1,548,873	1,760,772	2,811,754
	Diesel	MWh	112	536	393	499
		Litre	–	12,442	9,118	11,576
	Gasoline	MWh	733	1,849	1,803	1,817
		Litre	–	50,505	49,251	49,636
	Electricity purchased from the grid (non-renewable)	MWh	104,196	106,156	109,882	104,707
	Electricity purchased from renewable source		–	–	5,946	15,921
	Total energy consumption		123,212	124,889	136,609	152,622
	Intensity of energy consumption	MWh/1000m^2	75.65	62.16	65.47	57.48
Water						
Water consumption and intensity						
HKEX A2.2	Total water consumption	m^3	1,330,098	1,156,125	1,171,225	1,166,466
	Water consumption intensity	m^3/1000m^2	816.64	679.52	585.79	439.32
	Sewage discharge	m^3	1,197,088	1,040,512	1,054,102	1,045,720
Waste						
Hazardous waste						
HKEX A1.3	Hazardous waste produced	kg	–	–	3,699	3,464
	Discharge density of hazardous waste	kg/1,000m^2	–	–	2.04	1.30
Non-hazardous waste						
HKEX A1.4	Total discharge of construction waste	tonnes	39,125	29,711	30,931	27,136
	Dry garbage		–	41,764	22,272	22,473
	Food waste		–	21,933	19,934	14,524
	Total discharge of household garbage		80,144	63,697	43,449	39,116
	Total discharge of non-hazardous waste		119,270	93,407	74,376	66,249
	Recycled materials		–	3,764	1,239	2,116
	Discharge density of non-hazardous waste	tonne/1,000m^2	17.18	13.42	40.91	24.95

Social Performance

Relevant Disclosure	Description	Unit	2019	2020	2021	2022
Workforce – General Employment						
HKEX B1.1 GRI 2-7 GRI 2-8	Employment by gender					
	Male	# employees	1,705	1,662	1,683	1,631
	Female	# employees	1,532	1,479	1,503	1,467
	Total	# employees	3,237	3,141	3,186	3,098
	Employment by contract type					
	Permanent contract					
	Permanent contract by gender					
	Male	# employees	–	–	–	526
	Female	# employees	–	–	–	582
	Permanent contract by region					
	Hong Kong	# employees	–	–	–	6
	Mainland China	# employees	–	–	–	1,102
	Total	# employees	–	876	1,051	1,108
	Temporary contract					
	Temporary contract by gender					
	Male	# employees	–	–	–	1,105
	Female	# employees	–	–	–	885
	Temporary contract by region					
	Hong Kong	# employees	–	–	–	2
	Mainland China	# employees	–	–	–	1,988
	Total	# employees	0	2,265	2,135	1,990
	Employees by employment type					
	Full time					
	Full Time by Gender					
	Male	# employees	–	–	–	1,631
	Female	# employees	–	–	–	1,467
	Full Time by Region					
	Hong Kong	# employees	–	–	–	8
	Mainland China	# employees	–	–	–	3,090
	Total	# employees	–	3,141	3,186	3,098
	Part time					
	Total[1]	# employees	–	–	–	–
	Non-guaranteed hours					
	Total[2]	# employees	–	37	11	–
	Total Employees by age group					
	Under 30 years	# employees	629	570	521	450
	30-50 years	# employees	2,251	2,206	2,301	2,286
	Above 50 years	# employees	357	365	364	362
	Employment by geographical region					
	Hong Kong	# employees	7	8	9	8
	Mainland China	# employees	3,230	3,133	3,177	3,090
	Employment by employee category					
	Senior Management	# employees	126	122	41	45
	Middle Management	# employees	271	289	96	101
	Staff	# employees	2,676	2,550	3,049	2,952
	Operational Staff	# employees	164	180	–	0
Workforce – Turnover						
HKEX B1.2	Employee turnover rate by gender					
	Male	%	23%	21%	23%	19%
	Female	%	20%	17%	20%	16%
	Employee turnover rate by age group					
	Under 30 years	%	27%	24%	44%	31%
	30-50 years	%	21%	17%	17%	15%
	Above 50 years	%	17%	26%	15%	17%
	Employee turnover rate by geographical region					
	Hong Kong	%	–	13%	22%	13%
	Mainland China	%	22%	19%	21%	18%

Relevant Disclosure	Description	Unit	2019	2020	2021	2022
Workforce – OHS						
HKEX B2.1	Number and rate of workplace fatalities					
	Workplace fatalities	# employees	0	1	0	0
	Rate	%	0%	0.03%	0%	0%
HKEX B2.2	Lost days due to work injury					
	Lost days due to work injury	Days	–	289	533	159
GRI 403-9	Work related injuries					
	Fatality as a result of work-related injury	Cases	–	1	0	0
		per 100 employees	–	–	–	–
	High-consequence work-related injury (excluding fatalities)	Cases	–	0	0	0
		per 100 employees	–	–	–	
	Recordable work-related injury	Cases	–	13	27	13
		per 100 employees	–	–	0.85[3]	0.42
Workforce – Training						
HKEX B3.1	Employees trained by gender					
	Male	%	91.4%	94.5%	99.7%	99.8%
	Female	%	81.3%	88.8%	99.8%	99.8%
	Employees trained by employee category					
	Senior Management	%	78.7%	95.9%	73.4%	100%
	Middle Management	%	90.1%	96.9%	96.9%	100%
	Staff	%	86.5%	90.5%	100%	99.8%
	Operational Staff	%	–	100.00%	–	–
HKEX B3.2	Average training hours completed by gender					
	Male	Hours	20.6	26.7	20.3[4]	24.0
	Female	Hours	12.9	16.4	18.3[5]	19.8
	Average training hours completed by employee category					
	Senior Management	Hours	12.1	16.9	7.5	15.5
	Middle Management	Hours	18.2	23.9	16.3	15.7
	Staff	Hours	16.8	21.8	19.6	22.3
	Operational Staff	Hours	–	22.2	–	–
Workforce – Diversity						
GRI 405-1	Diversity of Governance Body and Employee					
	Diversity of governance body					
	By age group					
	Under 30 years old	%	–	0%	0%	0%
	30-50 years old	%	–	11.10%	22.22%	27.27%
	Above 50 years old	%	–	88.90%	77.78%	72.73%
	By gender					
	Male	%	–	88.90%	77.78%	72.73%
	Female	%	–	12.50%[7]	22.22%	27.27%
	Diversity of employee					
	By age group					
	Under 30 years old	%	19.43%	18.15%	16.35%	14.53%
	30-50 years old	%	69.54%	70.23%	72.22%	73.79%
	Above 50 years old	%	11.03%	11.62%	11.42%	11.68%
	By gender					
	Male	%	52.67%	52.91%	52.82%	52.65%
	Female	%	47.33%	47.09%	47.18%	47.35%
Workforce – Employee Benefits						
GRI 401-3	Parental Leave – employees that took parental leave					
	Male	# employees	–	26	34	22
	Female	# employees	–	75	65	67
	Total	# employees	–	101	99	89
	Employees that returned to work after parental leave ended that were still employed 12 months after their return to work					
	Male	# employees	–	26	25	21
	Female	# employees	–	75	46	54
	Total	# employees	–	101	71	75
	Retention rate of employees that took parental leave					
	Male	%	–	100%	96%	105%
	Female	%	–	100%	61%	93%
	Total	%	–	100%	79%	84%

Relevant Disclosure	Description	Unit	2019	2020	2021	2022
Supply Chain – Suppliers						
	Suppliers by geographical region					
HKEX B5.1	From Hong Kong	#	0	52	52	52
	From China		4,299	4,627	5,172	4,943
	From elsewhere		64	67	67	67
	Total		4,363	4,746	5,291	5,062
GRI 204-1	Proportion of spending on local suppliers					
	Products and services purchased locally	%	–	100%	100%	100%
Community Investment						
	Resources Contributed (e.g. money or time) to the Focus Area					
HKEX B8.2	Total charitable donations by employees	RMB	23,800	66,228	–	–[8]
	Total charitable donations by company		3,750,000	13,353,671	13,310,000	5,038,566
	Total charitable Donations (in cash)		3,773,800	13,419,899	13,310,000	5,038,566
	Total hours of employee volunteering contributed	Hours	360	2,192	3,099	199,924[9]
Product Responsibility And Customer Satisfaction						
	Service – related complaints received					
HKEX B6.2	Total complaints received	#	352	285	2,112[10]	2,777
	Complaint handling rate	%	100%	100%	100%	100%
	Customer satisfaction					
	Overall customer satisfaction of the properties	# out of 100	94.1	94.7	94.7	95.1
	Residential customer satisfaction		94.8	95.1	95.3	95.2
	Office building customer satisfaction		94.7	93.8	94.6	92.6
	Shopping mall customer satisfaction		92.8	95.2	94.2	93.7

Governance Performance

Relevant Disclosure	Description	Unit	2019	2020	2021	2022
PRODUCT RESPONSIBILITY AND CUSTOMER SATISFACTION						
Anti-corruption						
	Communication and training about anti-corruption policies and procedures					
GRI 205-2	Communicated about organisation's anti-corruption policies and procedures					
	Governance Body	%	–	100%	100%	100%
	Employee		–	100%	100%	100%
	Business Partners		–	100%	100%	100%
	Trained on organisation's anti-corruption policies and procedures					
	Governance Body	%	–	100%	100%	100%
	Employee	%	–	100%	100%	100%
	Concluded legal gases regarding corrupt practices					
HKEX B7.1 HKEX B7.3	Concluded legal cases regarding corrupt practices brought against the **company**	# of cases	0	0	0	0
	Concluded legal cases regarding corrupt practices brought against any company **employees**		0	0	0	0

1 In general SOL does not hire on a part-time basis.

2 We hired non-guaranteed hours employees including interns in the previous years but not in 2022.

3 The recordable work-related injury rate in 2021 has been restated as a result of an improved calculation methodology in 2022. The rate represents the number of injuries per 100 employees per year. It is calculated as "total number of recordable work-related multiplied by 200,000 and then divided by total hours worked". The factor 200,000 is the annual hours worked by 100 employees, based on 40 hours per week for 50 weeks a year.

4 Average training hours for male in 2021 has been restated due to typo error.

5 Average training hours for female in 2021 has been restated due to typo error.

6 Employee donations did not take place in 2022 due to COVID-19.

7 The proportion of females in the governance body in 2021 has been restated due to typo error.

8 Employee donations did not take place in 2022 due to COVID-19.

9 The significant increase in volunteering hours is due to the establishment of the Shui On Volunteer Service Team in 2022 with 600+ employees participating in volunteering services including delivery of food and necessities to the community during the lockdown period in Shanghai.

10 The number of complaints received in 2021 has been restated due to typo error.

INDEPENDENT AUDITOR'S REPORT

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TO THE SHAREHOLDERS OF SHUI ON LAND LIMITED

(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Shui On Land Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 133 to 226, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standard Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matter

Key audit matter is the matter that, in our professional judgement, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to the matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

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TO THE SHAREHOLDERS OF SHUI ON LAND LIMITED - continued

(Incorporated in the Cayman Islands with limited liability)

Key audit matter- continued

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties stated at fair value	
We identified the valuation of completed investment properties stated at fair value and investment properties under construction or development at fair value as a key audit matter due to the significance of the balances to the consolidated financial statements and the involvement of management's judgement in determining the fair value. As disclosed in note 13 to the consolidated financial statements, the investment properties are located in the People's Republic of China (the "PRC"). The fair values of completed investment properties and investment properties under construction or development at fair value amounting to RMB47,193 million and RMB4,297 million, respectively, were significant as at 31 December 2022, which in aggregate represented 49% of the Group's total assets. A decrease in fair values of RMB104 million was recognised in the consolidated statement of profit or loss for the year then ended. In estimating the fair values of these investment properties stated at fair value, the Group engaged an independent qualified professional valuer to perform the valuation. The related disclosures are included in notes 4 and 13 to the consolidated financial statements.	Our procedures in relation to the valuation of completed investment properties stated at fair value and investment properties under construction or development at fair value included: • Evaluating the competence, capabilities and objectivity of the independent qualified professional valuer; • Obtaining an understanding of the valuation processes and significant assumptions from management of the Group and the valuer; • Involving our internal valuation specialist to assist us in evaluating the estimations used by management of the Group and the valuer, in particular, the valuation models, assumptions, parameters and significant inputs used by management of the Group and the valuer; and • Assessing the key inputs used in the valuation models by comparing the market rent, capitalisation rate and gross development value, on a sample basis, against current market data and entity-specific information.

Other information included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

TO THE SHAREHOLDERS OF SHUI ON LAND LIMITED - continued

(Incorporated in the Cayman Islands with limited liability)

Responsibilities of the directors for the consolidated financial statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit and Risk Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

TO THE SHAREHOLDERS OF SHUI ON LAND LIMITED - continued

(Incorporated in the Cayman Islands with limited liability)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements - continued

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Risk Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Risk Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit and Risk Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Cheung Ng.

Ernst & Young
Certified Public Accountants
Hong Kong

23 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

YEAR ENDED 31 DECEMBER 2022

	Notes	2022 RMB'million	2021 RMB'million
Revenue	5	**15,565**	17,555
Cost of sales		**(8,916)**	(10,382)
Gross profit		**6,649**	7,173
Other income	6	**376**	241
Selling and marketing expenses		**(212)**	(192)
General and administrative expenses		**(907)**	(928)
(Decrease)/increase in fair value of the investment properties	13	**(114)**	35
Other gains and losses	6	**(27)**	(334)
Provision for impairment losses under expected credit loss model		**(80)**	(49)
Share of results of associates and joint ventures		**(151)**	620
Finance costs, inclusive of exchange differences	7	**(2,127)**	(895)
Profit before tax	8	**3,407**	5,671
Tax	9	**(1,932)**	(3,463)
Profit for the year		**1,475**	2,208
Attributable to:			
Shareholders of the Company		**906**	1,636
Owners of perpetual capital securities		**116**	234
Non-controlling shareholders of subsidiaries		**453**	338
		569	572
		1,475	2,208
Earnings per share attributable to the Shareholders of the Company	12		
– Basic		**RMB11.3cents**	RMB20.3cents
– Diluted		**RMB11.3cents**	RMB20.3cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2022

	Notes	2022 RMB'million	2021 RMB'million
Profit for the year		**1,475**	2,208
Other comprehensive income/(expense)			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**(898)**	1
The effective portion of changes in fair value of currency forward contracts designated as cash flow hedges	32	**473**	322
The effective portion of changes in fair value of interest rate swaps designated as cash flow hedges	32	**34**	7
Reclassification from hedge reserve to profit or loss arising from currency forward contracts	32	**(576)**	(386)
Share of other comprehensive (expense)/income of an associate and a joint venture		**(80)**	22
Transfer of hedge reserve upon the change of certain hedging arrangements		**169**	–
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit obligations	34	**(2)**	(2)
Surplus on revaluation of properties transferred from property and equipment to investment properties, net of tax		**14**	–
Other comprehensive expense for the year		**(866)**	(36)
Total comprehensive income for the year		**609**	2,172
Total comprehensive income attributable to:			
Shareholders of the Company		**32**	1,600
Owners of perpetual capital securities		**116**	234
Non-controlling shareholders of subsidiaries		**461**	338
		577	572
		609	2,172

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2022

	Notes	2022 RMB'million	2021 RMB'million
Non-current assets			
Investment properties	13	51,665	51,311
Interests in associates	17	8,010	8,038
Interests in joint ventures	18	13,154	15,472
Property and equipment	14	1,197	1,193
Right-of-use assets	15	46	55
Receivables, deposits, and prepayments	19	298	289
Pledged bank deposits	37	2,192	–
Loan to a non-controlling shareholder	24	22	22
Deferred tax assets	33	282	279
Other non-current assets		106	99
		76,972	76,758
Current assets			
Properties under development for sale	16	4,541	6,699
Properties held for sale	22	1,759	7,217
Receivables, deposits and prepayments	19	1,603	1,889
Loans to/amounts due from associates	17	193	555
Loans to/amounts due from joint ventures	18	4,926	–
Amounts due from related companies	23	411	394
Contract assets	20	322	434
Derivative financial instruments	32	492	–
Bank balances and cash	21	11,176	17,284
Prepaid taxes		26	209
Assets classified as held for sale	36	2,457	2,457
		27,906	37,138
Current liabilities			
Accounts payable, deposits received, and accrued charges	25	5,311	7,965
Contract liabilities	26	5,416	11,056
Bank borrowings	27	8,069	6,424
Senior notes	30	3,491	–
Tax liabilities		4,035	4,617
Amounts due to non-controlling shareholders of subsidiaries	24	204	281
Amounts due to associates	17	557	3,000
Amounts due to joint ventures	18	45	13
Amounts due to related companies	23	357	365
Liability arising from a rental guarantee arrangement		28	175
Lease liabilities		11	13
Derivative financial instruments	32	–	240
		27,524	34,149
Net current assets		382	2,989
Total assets less current liabilities		77,354	79,747
Non-current liabilities			
Bank borrowings	27	12,188	13,323
Senior notes	30	9,764	12,116
Deferred tax liabilities	33	4,799	5,058
Accounts payable, deposits received, and accrued charges	25	560	–
Loans from an associate	17	5,575	–
Lease liabilities		56	64
Defined benefit liabilities	34	11	8
		32,953	30,569
Capital and reserves			
Share capital	28	146	146
Reserves	29	39,004	39,790
Equity attributable to shareholders of the Company		39,150	39,936
Perpetual capital securities	31	–	4,049
Non-controlling interests		5,251	5,193
		5,251	9,242
Total equity		44,401	49,178
Total equity and non-current liabilities		77,354	79,747

The consolidated financial statements on pages 133 to 226 were approved and authorised for issue by the Board of Directors on 23 March 2023 and are signed on its behalf by:

VINCENT H. S. LO
DIRECTOR

DOUGLAS H. H. SUNG
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2022

	Attributable to shareholders of the Company						
	Share capital RMB'million	Reserves RMB'million (note 29)	Retained earnings RMB'million	Sub-total RMB'million	Perpetual capital securities RMB'million (note 31)	Non-controlling interests RMB'million	Total RMB'million
On 1 January 2021	146	17,807	20,624	38,577	4,062	4,094	46,733
Profit for the year	–	–	1,636	1,636	234	338	2,208
Exchange difference arising on translation of foreign operations	–	1	–	1	–	–	1
The effective portion of changes in fair value of currency forward contracts designated as cash flow hedges (note 32)	–	322	–	322	–	–	322
Reclassification from hedge reserve to profit or loss arising from currency forward contracts (note 32)	–	(386)	–	(386)	–	–	(386)
The effective portion of changes in fair value of interest rate swaps designated as cash flow hedges (note 32)	–	7	–	7	–	–	7
Remeasurement of defined benefit obligations (note 34)	–	–	(2)	(2)	–	–	(2)
Share of other comprehensive income of an associate and a joint venture	–	22	–	22	–	–	22
Total comprehensive income for the year	–	(34)	1,634	1,600	234	338	2,172
Lapse of share option	–	(2)	2	–	–	–	–
Transfer out upon disposal of a subsidiary	–	–	–	–	–	(3)	(3)
Capital reduction by non-controlling shareholders of subsidiaries	–	–	–	–	–	(626)	(626)
Dividend declared to non-controlling shareholders of subsidiaries	–	–	–	–	–	(54)	(54)
2021 interim dividend	–	–	(241)	(241)	–	–	(241)
Reclassification of loans from a non-controlling shareholder of subsidiaries	–	–	–	–	–	1,444	1,444
Distribution to owners of perpetual capital securities	–	–	–	–	(247)	–	(247)
On 31 December 2021	146	17,771*	22,019*	39,936	4,049	5,193	49,178
On 1 January 2022	146	17,771	22,019	39,936	4,049	5,193	49,178
Profit for the year	–	–	906	906	116	453	1,475
Exchange difference arising on translation of foreign operations	–	(898)	–	(898)	–	–	(898)
The effective portion of changes in fair value of currency forward contracts designated as cash flow hedges (note 32)	–	473	–	473	–	–	473
Reclassification from hedge reserve to profit or loss arising from currency forward contracts (note 32)	–	(576)	–	(576)	–	–	(576)
The effective portion of changes in fair value of interest rate swaps designated as cash flow hedges (note 32)	–	34	–	34	–	–	34
Remeasurement of defined benefit obligations (note 34)	–	–	(2)	(2)	–	–	(2)
Transfer of hedge reserve upon the change of certain hedging arrangements	–	169	–	169	–	–	169
Surplus on revaluation of properties transferred from property and equipment to investment properties, net of tax	–	6	–	6	–	8	14
Share of other comprehensive expense of an associate and a joint venture	–	(80)	–	(80)	–	–	(80)
Total comprehensive income for the year	–	(872)	904	32	116	461	609
Shares repurchased	–	(26)	–	(26)	–	–	(26)
Lapse of share option	–	(3)	3	–	–	–	–
Repayment of equity loans from a non-controlling shareholder of subsidiaries	–	–	–	–	–	(138)	(138)
Capital reduction by non-controlling shareholders of subsidiaries	–	–	–	–	–	(220)	(220)
Dividend declared to non-controlling shareholders of subsidiaries	–	–	–	–	–	(45)	(45)
Distribution to owners of perpetual capital securities	–	–	–	–	(128)	–	(128)
Redemption of perpetual capital securities	–	38	–	38	(4,037)	–	(3,999)
2022 interim dividend	–	–	(256)	(256)	–	–	(256)
2021 final dividend	–	–	(574)	(574)	–	–	(574)
On 31 December 2022	146	16,908*	22,096*	39,150	–	5,251	44,401

* These reserve accounts comprise the consolidated reserves of RMB39,004 million (2021: RMB39,790 million) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2022

	Notes	2022 RMB'million	2021 RMB'million
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**3,407**	5,671
Adjustments for:			
Depreciation of property and equipment		**115**	105
Net foreign exchange difference		**22**	(13)
Share of results of associates and joint ventures		**151**	(620)
Finance costs, inclusive of exchange differences	7	**2,127**	895
Cost arising from hedging activities	6	**175**	213
Interest income		**(341)**	(222)
Loss on disposal of property and equipment		**–**	1
Decrease/(increase) in fair value of investment properties		**114**	(35)
Provision for impairment on properties held for sale		**1**	50
Provision for impairment losses under expected credit loss model		**80**	49
Loss from fair value change of liability arising from a rental guarantee arrangement	6	**–**	50
(Increase)/decrease in fair value of financial instruments	6	**(331)**	16
Depreciation of right-of-use assets		**9**	30
Loss from a change of certain hedging arrangements	6	**169**	–
		5,698	6,190
Decrease in receivables, deposits and prepayments		**280**	545
Decrease/(increase) in contract assets		**112**	(129)
Decrease in properties under development for sale and held for sales		**8,046**	5,987
Decrease in amounts due from related companies		**11**	46
Decrease in amounts due to related companies		**(11)**	(12)
(Increase)/decrease in amounts due from joint ventures		**(103)**	20
Increase in amount due to a joint venture		**32**	1
Decrease/(increase) in amounts due from associates		**362**	(24)
Decrease in amount due to an associate		**–**	(71)
Increase in amounts due to non-controlling shareholders of subsidiaries		**50**	–
(Increase)/decrease in prepaid taxes		**(3)**	13
Decrease in contract liabilities		**(5,640)**	(1,851)
(Decrease)/increase in accounts payable, deposits received and accrued charges		**(2,111)**	1,059
Increase in defined benefit liabilities		**–**	1
Cash generated from operations		**6,723**	11,775
Tax paid		**(2,677)**	(1,616)
Net cash generated from operating activities		**4,046**	10,159

	Notes	2022 RMB'million	2021 RMB'million
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		227	169
Additions to investment properties		(647)	(124)
Advances to joint ventures		(1,559)	(1,935)
Investments in associates		–	(21)
Repayments from/(advance to) a non-controlling shareholder of subsidiaries		1	(22)
Repayments from joint ventures		–	262
Investments in joint ventures		(981)	(839)
Decrease of pledged bank deposits		–	1,313
Payments made under a rental guarantee arrangement		(147)	(167)
Dividend received from an associate		59	–
Others		81	(51)
Net cash used in investing activities		(2,966)	(1,415)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of lease liabilities	42(b)	(15)	(33)
Repayment of receipts under securitisation arrangements		–	(513)
Drawdown of bank borrowings		5,308	8,649
Repayments of bank borrowings		(6,104)	(8,955)
Increase in pledged bank deposits		(2,192)	–
Settlement for derivative financial instruments designated as cash flow hedge		(108)	(975)
Decrease in senior notes	30	–	(3,592)
Interest paid		(1,739)	(1,769)
Payment of dividends		(830)	(241)
Distribution to owners of perpetual capital securities		(128)	(247)
Dividend payment to non-controlling shareholders of subsidiaries		(55)	(36)
Redemption of perpetual capital securities		(3,999)	–
Capital reduction paid to non-controlling shareholders of subsidiaries		(338)	(398)
Repayment to a non-controlling shareholder of subsidiaries		(138)	(32)
Loans from an associate		3,050	2,250
Shares repurchased		(26)	–
Net cash used in financing activities		(7,314)	(5,892)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(6,234)	2,852
Cash and cash equivalents at the beginning of the year		17,284	14,483
Effect of foreign exchange rate changes, net		126	(51)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	21	11,176	17,284

1. Corporate and group information

Shui On Land Limited (the "Company") was incorporated on 12 February 2004 as an exempted company with limited liability in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 4 October 2006. The directors of the Company consider that its parent and ultimate holding company is Shui On Company Limited ("SOCL"), a private limited liability company incorporated in the British Virgin Islands ("BVI") and its ultimate controlling party is Mr. Vincent H.S. LO, who is also the Chairman and Executive Director of the Company.

The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information section of the annual report.

The Company acts as an investment holding company. The principal activities of the Company's major subsidiaries are set out in note 45. The Company and its subsidiaries are hereinafter collectively referred to as the Group.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the disclosure requirements of the Hong Kong Companies Ordinance.

The Group's financial statements have been prepared on a historical cost basis, except for certain investment properties, derivative financial instruments and liabilities arising from a rental guarantee arrangement that have been measured at fair value. The consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest million except where otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (that is existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;
(b) rights arising from other contractual arrangements; and
(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 Changes in accounting policies and disclosures

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 3	*Reference to the Conceptual Framework*
Amendment to IFRS 16	*COVID-19-Related Rent Concessions beyond 30 June 2021*
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to IFRS standards 2018-2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

The nature and impact of the revised IFRSs that are applicable to the Group are described below:

(a) Amendments to IFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements with reference to the Conceptual Framework for Financial Reporting* (the "Conceptual Framework") issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no business combinations during the year, the amendments did not have any impact on the financial position and performance of the Group.

(b) Amendment to IFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021, with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021 and applied the practical expedient to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the COVID-19 pandemic.

(c) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant, and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by IAS 2 Inventories, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant, and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant, and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

(d) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant, and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations on 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

2.2 Changes in accounting policies and disclosures – continued

The nature and impact of the revised IFRSs that are applicable to the Group are described below: – continued

(e) *Annual Improvements to IFRSs 2018-2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are applicable to the Group are as follows:

- IFRS 9 *Financial Instruments* clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

2.3 Issued but not yet effective IFRSs

The Group has not early applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[2]
IFRS 17	*Insurance Contracts*[1]
Amendments to IFRS 17	*Insurance Contracts*[1,4]
Amendment to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 – Comparative Information*[5]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current (the "2020 Amendments")*[2]
Amendments to IAS 1	*Non-current Liabilities with Covenants (the "2022 Amendments")*[2]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to IAS 8	*Definition of Accounting Estimates*[1]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

1 Effective for annual periods beginning on or after 1 January 2023
2 Effective for annual periods beginning on or after 1 January 2024
3 No mandatory effective date yet determined but available for adoption
4 As a consequence of the amendments to IFRS 17 issued in October 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023
5 An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of IFRS 17

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 Issued but not yet effective IFRSs – continued

Amendments to IAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. In 2022, the IASB issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 1 Disclosure of Accounting Policies require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to IFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently revisiting the accounting policy disclosures to ensure consistency with the amendments.

Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 12 narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted.

The Group has applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. Upon initial application of these amendments, the Group will recognise deferred tax for all temporary differences related to leases at the beginning of the earliest comparative period presented. During the year, the Group has performed a detailed assessment on the impact of amendments to IAS 12. The amendments are not expected to have any significant impact on the Group's financial statements.

3. Material accounting policies

Fair value measurement

The Group measures its investment properties, derivative financial instruments and liability arising from a rental guarantee arrangement at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

3. Material accounting policies - continued

Related parties

A party is related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes, or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. After initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property and equipment" for owned property and/or accounts for such property in accordance with the policy stated under "Right-of-use assets" for property held as a right-of-use asset up to the date of change in use, any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property and equipment" below. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its carrying amount is recognised in the statement of profit or loss.

3. Material accounting policies - continued

Non-current assets held for sale

The Group classifies non-current assets (principally investment property) and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale (except for investment property measured at fair value) are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale is expected to be completed within one year from the date of the classification. Events or circumstances may extend the period to complete the sale beyond one year. An extension of the period required to complete a sale does not preclude an asset (or disposal group) from being classified as held for sale if the delay is caused by events or circumstances beyond the entity's control and there is sufficient evidence that the entity remains committed to its plan to sell the asset (or disposal group).

Investment property held for sale continues to be measured at fair value.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Land and buildings	Over the shorter of the term of the lease, or 50 years
Hotel properties	Over the shorter of the term of the lease, or 50 years
Furniture, fixtures, equipment and motor vehicles	10% to 33⅓%

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Properties under development for sale

Properties under development for sale which are intended to be sold upon completion of development are classified as current assets. Properties under development for sale are carried at lower of cost and net realisable value. Cost is determined on a specific identification basis including allocation of the related development expenditure incurred and where appropriate, borrowing costs capitalised. Net realisable value represents the estimated selling price for the properties less estimated cost to completion and costs necessary to make the sales.

Properties under development for sales are transferred to properties held for sale upon completion of development activities, which is when the relevant completion certificates are issued by the respective government authorities.

3. Material accounting policies - continued

Properties held for sale

Properties held for sale are classified as current assets. Properties held for sale are stated at the lower of cost and net realisable value. Cost is determined on a specific identification basis including allocation of the related development expenditure incurred and where appropriate, borrowing costs capitalised. Net realisable value represents the estimated selling price for the properties less estimated cost to completion and costs necessary to make the sales.

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets, financial assets, investment properties and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

3. Material accounting policies - continued

Impairment of non-financial assets - continued

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income, or fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Rental and other trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 *Revenue from Contracts with Customers* in accordance with the policies set out for "Revenues from contracts with customers" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income ("FVTOCI"), it needs to give rise to cash flows that are 'solely payments of principal and interest ("SPPI")' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss ("FVTPL"), irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at FVTOCI are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at FVTPL.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

3. Material accounting policies - continued

Financial instruments - continued

Financial assets - continued

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at FVTOCI (debt instruments)

For debt investments at FVTOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

Financial assets designated at FVTOCI (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as investments designated at FVTOCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at FVTOCI are not subject to impairment assessment.

Financial assets at FVTPL

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at FVTOCI. Dividends on equity investments classified as financial assets at FVTPL are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at FVTPL.

3. Material accounting policies - continued

Financial instruments - continued

Financial assets - continued

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

3. Material accounting policies - continued

Financial instruments - continued

Financial assets - continued

General approach - continued

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For rental and other trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. For a rental receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the rental receivable in accordance with IFRS 16.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include accounts and other payable, amount due to a joint venture, loans from/amounts due to associates, amounts due to related companies, loans from a non-controlling shareholder of subsidiaries, amounts due to non-controlling shareholders of subsidiaries, bank borrowings, senior notes, lease liabilities and liability arising from a rental guarantee arrangement.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognized in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognized in the statement of profit or loss does not include any interest charged on these financial liabilities.

3. Material accounting policies - continued

Financial instruments - continued

Financial Liabilities - continued

Financial liabilities at amortised cost

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. After initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as interest rate swaps, to hedge its risks associated with interest rates. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

3. Material accounting policies - continued

Derivative financial instruments and hedge accounting - continued

Initial recognition and subsequent measurement - continued

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or
- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment; or
- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The amounts accumulated in other comprehensive income are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in other comprehensive income for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment to which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in other comprehensive income is reclassified to the statement of profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect the statement of profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in other comprehensive income must remain in accumulated other comprehensive income if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to the statement of profit or loss as a reclassification adjustment. After the discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated other comprehensive income is accounted for depending on the nature of the underlying transaction as described above.

3. Material accounting policies - continued

Derivative financial instruments and hedge accounting - continued

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e. the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.
- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.
- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	20 to 50 years
Leased properties	17 months to 3 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

When the right-of-use assets relate to interests in leasehold land held as properties under development for sales or properties held for sale, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "properties under development for sales" or "properties held for sale". When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for "investment properties".

3. Material accounting policies - continued

Leases - continued

Group as a lessee - continued

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (for example, a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of premises (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

When the Group is an intermediate lessor, a sublease is classified as a finance lease or operating lease with reference to the right-of-use asset arising from the head lease.

3. Material accounting policies - continued

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same tax authority.

3. Material accounting policies - continued

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e. translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currency of certain overseas subsidiaries is USD or HKD. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of the transactions are used.

The resulting exchange differences are recognised in other comprehensive income and accumulated in equity under the heading of "Exchange reserve" (attributed to non-controlling interests as appropriate). On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the rate of the closing date.

Equity-settled share-based payment transactions

Share options granted to employees (including directors of the Company)

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the date of grant and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss, such that the cumulative expenses reflects the revised estimates, with a corresponding adjustment to share option reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained earnings.

3. Material accounting policies - continued

Equity-settled share-based payment transactions – continued

Share awards granted to employees (including directors of the Company)

For share award schemes, the fair value of services received, determined by reference to the fair value of awarded shares granted at the grant date, is expensed on a straight-line basis over the vesting period, with a corresponding increase in share award reserve. The cost of acquisition of the Company's shares held for the share award scheme, if any, is recorded as treasury shares (shares held for share award scheme). At the time when the awarded shares are vested, the amount previously recognised in share award reserve and the amount of the relevant treasury shares will be transferred to retained earnings.

At the end of each reporting period, the Group revises its estimates of the number of awarded shares that are expected to ultimately vest based on the best available estimate of the management. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to the share award reserve.

Retirement benefit costs

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- service cost (including current service cost);
- net interest expense or income; and
- remeasurement.

The Group presents the first two components of defined benefit costs in profit or loss in "retirement benefits costs".

The retirement benefit obligation recognised in the consolidated statement of financial position includes the actual deficit or surplus in the Group's defined benefit plans.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries) after deducting any amount already paid.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

3. Material accounting policies - continued

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

Revenue from lease

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Rendering of services

Revenue from the provision of property management and real estate asset management service is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

Construction services

Revenue from the provision of construction services is recognised over time, using an input or output method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.

Claims to customers are amounts that the Group seeks to collect from the customers as reimbursement of costs and margins for scope of works not included in the original construction contract. Claims are accounted for as variable consideration and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. The Group uses the expected value method to estimate the amounts of claims because this method best predicts the amount of variable consideration to which the Group will be entitled.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

3. Material accounting policies - continued

Revenue recognition - continued

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e. transfers control of the related goods or services to the customer).

Contract costs

Other than the costs which are capitalised as property under development for sale, property held for sale, property and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Bank balances and cash

For the purpose of the consolidated statement of financial position, bank balances and cash comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

4. Material accounting judgements and estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities.

Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Revenue recognition from sales of properties at a point in time

Control of the asset is transferred over time when the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Significant judgment is required in determining whether the terms of the Group's contracts with customers in relation to properties create an enforceable right to payment for the Group. The Group has considered the relevant local laws that apply to those relevant contracts and opinion from external legal counsel. Based on the assessment of the Group's management, the terms of the relevant sales contracts do not create an enforceable right to payment for the Group. Accordingly, the sales of properties is considered to be performance obligation satisfied at a point in time.

Perpetual capital securities and equity loans from a non-controlling shareholder of subsidiaries

Pursuant to the terms of the Perpetual Capital Securities (as defined in note 31) a subsidiary of the Company, as an issuer of the Perpetual Capital Securities, can at its option redeem the Perpetual Capital Securities, and at its discretion defer distributions on the Perpetual Capital Securities. However, in those cases, the Group and the issuer will not be able to declare or pay any dividends to their ordinary shareholders if any distributions on the Perpetual Capital Securities are unpaid or deferred. In the opinion of the directors of the Company, this restriction does not result in the Group having the obligation to redeem the Perpetual Capital Securities or to pay distributions on the Perpetual Capital Securities. Accordingly, the Perpetual Capital Securities are classified as equity instruments.

Pursuant to the terms of the equity loans from a non-controlling shareholder of subsidiaries, the loans are interest-free, and not demanded for payments by the non-controlling shareholder of subsidiaries unless the Group's subsidiaries are in a position to repay and the repayment is mutually agreed between the Group's subsidiaries and the non-controlling intermediate holding companies, or upon the winding up of the Group's subsidiaries. In the opinion of the directors of the Company, the foregoing terms have not resulted in the Group bearing the obligation to repay the equity loans from the non-controlling shareholder of subsidiaries. Accordingly, the equity loans from the non-controlling shareholder of subsidiaries are classified as equity instruments, as the Group has no contractual obligation to deliver cash or another financial asset to the non-controlling shareholder of subsidiaries or to exchange financial assets or financial liabilities with the non-controlling shareholder of subsidiaries under conditions that are potentially unfavourable to the Group and to deliver a variable number of its own equity instruments as the equity loans from the non-controlling shareholder of subsidiaries are non-derivatives.

4. Material accounting judgements and estimates - continued

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Fair value measurements and valuation processes

The Group's certain assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the management of the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. At the end of the reporting period, the management of the Group works closely with the qualified external valuers to establish and determine the appropriate valuation techniques and inputs for Level 2 and Level 3 fair value measurements. The management of the Group will first consider and adopt Level 2 inputs where inputs can be derived from observable quoted prices in the active market. When Level 2 inputs are not available, the management of the Group will adopt valuation techniques that include Level 3 inputs. Where there is a material change in the fair value of an asset or a liability, the causes of the fluctuations will be reported to the directors of the Company for appropriate actions to be taken.

Information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities are disclosed in notes 13, 32, 41 (c).

Land appreciation tax

The Group is subject to land appreciation tax in the People's Republic of China (the "PRC"). However, the implementation and settlement of the tax varies amongst different tax jurisdictions in various cities of the PRC and the Group has not finalised its land appreciation tax calculation and payments with local tax authorities for the properties already sold in the PRC. Accordingly, significant judgement is required in determining the amount of the land appreciation tax and its related income tax provisions. The Group recognised the land appreciation tax based on management's best estimates. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax provisions in the periods in which such tax is finalised with local tax authorities.

Estimated impairment of properties under development for sale and properties held for sale

Properties under development for sale and properties held for sale are stated at lower of the cost and net realisable value. The net realisable value is the estimated selling price of the completed units (based on the current prevailing market conditions) less estimated selling expenses and estimated cost of completion (if any), which are determined based on best available information. Where there is any decrease in the estimated selling price arising from any changes to the property market conditions in the PRC, a further loss will be recognised on the properties under development for sale and properties held for sale in the consolidated statement of profit or loss.

5. Revenue and Segment Information

A. Disaggregation of revenue from contracts with customers

	2022 RMB'million	2021 RMB'million
Property development:		
Property sales	**11,695**	13,638
	11,695	13,638
Property management:		
Property management fee income	**508**	490
	508	490
Construction	**958**	835
Others	**334**	333
	13,495	15,296
Geographical markets		
Shanghai	**12,378**	10,519
Wuhan	**897**	4,292
Foshan	**132**	428
Chongqing	**66**	48
Nanjing	**22**	9
	13,495	15,296
Timing of revenue recognition		
At a point in time	**11,695**	13,638
Over time	**1,800**	1,658
	13,495	15,296

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

	2022 RMB'million	2021 RMB'million
Revenue recognised that was included in contract liabilities at the beginning of the reporting year:		
Sale of properties	**10,516**	11,566
	10,516	11,566

5. Revenue and segment information - continued

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

For the year ended 31 December 2022

	RMB'million
Property development:	
Property sales	11,695
Property management:	
Property management fee income	508
Construction	958
Others	334
Revenue from contracts with customers	13,495
Property investment	
(property investment segment)	
Rental income from investment properties (Note)	1,876
Rental-related income	194
	15,565

Note:

	2022 RMB'million
For operating leases:	
Fixed lease payment	1,821
Variable lease payments that do not depend on an index or a rate	55
	1,876

5. Revenue and segment information - continued

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

For the year ended 31 December 2021

	RMB'million
Property development:	
Property sales	13,638
Property management:	
Property management fee income	490
Construction	835
Others	333
Revenue from contracts with customers	15,296
Property investment	
(property investment segment)	
Rental income from investment properties (Note)	2,005
Rental-related income	254
	17,555

Note:

	2021 RMB'million
For operating leases:	
Fixed lease payment	1,897
Variable lease payments that do not depend on an index or a rate	108
	2,005

Property sales

Revenue from sales of residential properties is recognised at a point in time when the completed property is transferred to the customer, being at the point that the customer obtains the control of the completed property and the Group has present right to payment and collection of the consideration is probable.

The Group receives 30%-100% of the contract value as deposits from customers or receipts in advance from customers upon signing the sale and purchase agreement for sales of properties. Such advance payment schemes result in contract liabilities being recognised throughout the property construction period.

Construction services

The Group provides building construction services to customers. Such services are recognised as a performance obligation satisfied over time as the Group creates or enhances an asset that the customer controls as the asset is created or enhanced. Revenue is recognised for these construction services based on the stage of completion of the contract using input or output method.

The Group's construction contracts include payment schedules which require stage payments over the construction period once certain specified milestones are reached.

A contract asset, net of contract liability related to the same contract, is recognised over the period in which the construction services are performed representing the Group's right to consideration for the services performed because the rights are conditioned on the Group's future performance in achieving specified milestones. The contract assets are transferred to trade receivables when the rights become unconditional. The Group typically achieves specified milestones and thus has the right to bill the customers when the progress certificate, settlement letter or payment notice is obtained.

5. Revenue and segment information - continued

Property management services

Revenue from property management services is recognised over time when such services are rendered. The property management service fees are billed to the clients periodically.

Rental and rental related income

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leases.

C. Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2022 and the expected timing of recognising revenue are as follows:

	Sales of properties RMB'million
Within one year	**5,416**
More than one year but not more than two years	**–**
More than two years	**–**
	5,416

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as of 31 December 2021 and the expected timing of recognising revenue are as follows:

	Sales of properties RMB'million
Within one year	11,056
More than one year but not more than two years	–
More than two years	–
	11,056

D. Operating segments

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

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

Property development – development and sale of properties
Property investment – offices and commercial/mall leasing
Property management – provision of daily management service of properties
Construction – construction, interior fitting-out, renovation and maintenance of building premises

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

5. Revenue and segment information - continued

For the year ended 31 December 2022

	Reportable segment						
	Property development RMB'million	Property investment RMB'million	Property management RMB'million	Construction RMB'million	Total RMB'million	Others RMB'million	Consolidated RMB'million
SEGMENT REVENUE							
Segment revenue of the Group	11,695	2,070	508	958	15,231	334	15,565
SEGMENT RESULTS							
Segment results of the Group	4,119	1,354	67	209	5,749	25	5,774
Interest income							341
Share of results of associates and joint ventures							(151)
Finance costs, inclusive of exchange differences							(2,127)
Other gains and losses							(27)
Provision for impairment losses under expected credit loss model							(80)
Unallocated income							36
Unallocated expenses							(359)
Profit before tax							3,407
Tax							(1,932)
Profit for the year							1,475
OTHER INFORMATION							
Amounts included in the measure of segment profit or loss or segment assets:							
Capital additions of completed investment properties and property and equipment	96	118	–	–	214	–	214
Development costs for investment properties under construction or development	–	680	–	–	680	–	680
Depreciation of property and equipment	76	19	–	–	95	20	115
Depreciation of right-of-use assets	3	2	–	–	5	4	9
Decrease in fair value of investment properties	–	(114)	–	–	(114)	–	(114)
FINANCIAL POSITION							
ASSETS							
Segment assets	7,648	54,724	43	399	62,814	649	63,463
Interests in associates							8,010
Interests in joint ventures							13,154
Loans to/amounts due from joint ventures							4,926
Loans to/amounts due from associates							193
Amounts due from related companies							411
Unallocated corporate assets							14,721
Consolidated total assets							104,878
LIABILITIES							
Segment liabilities	9,083	1,412	175	556	11,226	33	11,259
Unallocated corporate liabilities							49,218
Consolidated total liabilities							60,477

5. Revenue and segment information - continued

For the year ended 31 December 2021

	Reportable segment						
	Property development RMB'million	Property investment RMB'million	Property management RMB'million	Construction RMB'million	Total RMB'million	Others RMB'million	Consolidated RMB'million
SEGMENT REVENUE							
Segment revenue of the Group	13,638	2,259	490	835	17,222	333	17,555
SEGMENT RESULTS							
Segment results of the Group	4,524	1,679	92	146	6,441	42	6,483
Interest income							222
Share of results of associates and joint ventures							620
Finance costs, inclusive of exchange differences							(895)
Other gains and losses							(334)
Provision for impairment losses under expected credit loss model							(49)
Unallocated income							20
Unallocated expenses							(396)
Profit before tax							5,671
Tax							(3,463)
Profit for the year							2,208
OTHER INFORMATION							
Amounts included in the measure of segment profit or loss or segment assets:							
Capital additions of completed investment properties and property and equipment	69	87	–	–	156	–	156
Capital additions of right-of-use assets	9	–	–	–	9	–	9
Development costs for investment properties under construction or development	–	241	–	–	241	–	241
Depreciation of property and equipment	61	32	–	–	93	12	105
Depreciation of right-of-use assets	23	1	–	–	24	6	30
Increase in fair value of investment properties	–	35	–	–	35	–	35
FINANCIAL POSITION							
ASSETS							
Segment assets	14,908	54,709	6	512	70,135	526	70,661
Interests in associates							8,038
Interests in joint ventures							15,472
Amounts due from associates							555
Amounts due from related companies							394
Unallocated corporate assets							18,776
Consolidated total assets							113,896
LIABILITIES							
Segment liabilities	16,910	951	130	614	18,605	24	18,629
Unallocated corporate liabilities							46,089
Consolidated total liabilities							64,718

5. Revenue and segment information - continued

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

For monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than interests in associates, interests in joint ventures, amounts due from associates, amounts due from joint ventures, amounts due from related companies, deferred tax assets, derivative financial instruments, pledged bank deposits, bank balances and cash, prepaid taxes and other unallocated corporate assets; and
- all liabilities are allocated to reportable segments other than amounts due to associates, liability arising from a rental guarantee arrangement, lease liabilities, amount due to a joint venture, amounts due to related companies, amounts due to non-controlling shareholders of subsidiaries, tax liabilities, deferred tax liabilities, derivative financial instruments, defined benefit liabilities, bank borrowings, senior notes and other unallocated corporate liabilities.

Over 90% of the Group's revenue and contribution to operating profit is attributable to customers in the PRC for both years. Accordingly, no analysis of geographical segment is presented.

No geographical segment information of the Group's non-current assets is shown as the assets are substantially located in the PRC.

During the year ended 31 December 2022 and 2021, there were no revenues from transactions with a single external customer that account for 10% or more of the revenue of the Group.

6. Other income, other gains and losses

	2022 RMB'million	2021 RMB'million
Other income		
Interest income from banks	**226**	179
Interest income from loans to joint ventures (note 39)	**115**	43
Grants received from local government	**28**	17
Others	**7**	2
	376	241
Other gains and losses		
Cost arising from hedging activities	**(175)**	(213)
Gain/(loss) from fair value change of derivative financial instruments	**331**	(16)
Loss from a change of certain hedging arrangements	**(169)**	–
Write-off of receivables	**–**	(84)
Loss from fair value change of liability arising from a rental guarantee arrangement	**–**	(50)
Others	**(14)**	29
	(27)	(334)

7. Finance costs, inclusive of exchange differences

	2022 RMB'million	2021 RMB'million
Interest on bank borrowings	1,100	951
Interest on senior notes (note 30)	745	839
Interest on loans from an associate	102	33
Interest expenses from lease liabilities	4	4
Total interest costs	1,951	1,827
Less: Amount capitalised to investment properties under construction or development and properties under development for sale	(332)	(684)
Interest expenses charged to profit or loss	1,619	1,143
Net exchange loss/(gain) on bank borrowings and other financing activities	495	(255)
Others	13	7
	2,127	895

Borrowing costs capitalised during the year were calculated by applying a capitalisation rate of approximately 5.7% (2021: 5.7%) per annum to expenditure on the qualifying assets.

8. Profit before tax

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

	2022 RMB'million	2021 RMB'million
Auditor's remuneration		
– audit services	5	5
Depreciation of property and equipment	115	105
Depreciation of right-of-use assets	9	30
Employee benefits expenses		
Directors' emoluments		
Fees	4	2
Salaries, bonuses, and other benefits	43	27
	47	29
Other staff costs		
Salaries, bonuses, and other benefits	891	857
Retirement benefits cost	47	35
	938	892
Total employee benefits expense	985	921
Less: Amount capitalised to investment properties under construction or development and properties under development for sale	(85)	(113)
	900	808
Provision for impairment losses		
Receivables	80	49
Cost of properties sold recognised as an expense	7,295	8,835
The net impact of provision for impairment losses on properties held for sale (included in "cost of sales")	1	50
Lease payments relating to short-term leases and low-value leases	12	3

9. Tax

	2022 RMB'million	2021 RMB'million
Hong Kong profits tax		
– Charge for the year	19	12
PRC enterprise income tax ("EIT")		
– Charge for the year	926	1,275
PRC withholding tax		
– Charge for the year	284	65
PRC land appreciation tax ("LAT")		
– Charge for the year	970	1,916
Deferred tax (note 33)		
– (Credit)/charge for the year	(267)	195
	1,932	3,463

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the years.

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

The PRC EIT Law requires withholding tax to be levied on the distribution of profits earned by PRC entities for profits generated after 1 January 2008 at a rate of 5% for Hong Kong resident companies, and at a rate of 10% (5% if obtained the Hong Kong residents) for companies incorporated in BVI and Republic of Mauritius ("Mauritius"), which are the beneficial owners of the dividend received. As of 31 December 2022 and 31 December 2021, the deferred tax was provided for in respect of the temporary differences attributable to such profits, except to the extent that the Group is able to control the timing of the reversal of such temporary differences and it is probable that such temporary differences would not be reversed in the foreseeable future.

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

The tax charge for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss as follows:

	2022 RMB'million	2021 RMB'million
Profit before tax	3,407	5,671
PRC EIT at 25%	852	1,418
PRC LAT	970	1,916
Tax effect of PRC LAT	(243)	(479)
Net effect of withholding tax at 5% on the distributable profit of the Group's PRC subsidiaries	203	251
Tax effect of share of results of associates and joint ventures	38	(155)
Expenses not deductible for tax	601	719
Income not subject to tax	(8)	(13)
Tax losses not recognised	69	51
Utilisation of tax losses previously not recognised	(41)	(34)
Effect of different applicable tax rate	(509)	(211)
Tax charge for the year	1,932	3,463

10. Directors' emoluments and five highest paid employees

Directors' remuneration for the year, disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance, is as follows:

Name of Director	**Notes**	**Fees**	**Salaries**	**Other benefits**	**Performance related incentive payments-cash bonus**	**Retirement benefit cost**	**Share-based payment expenses**	**2022 Total**
		RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Mr. Vincent H.S. LO	(a)	–	–	–	–	–	–	–
Ms. Stephanie B.Y.LO	(b)	–	5,241	8	4,385	226	–	9,860
Ms. Jessica Y. WANG	(c)	–	6,780	48	5,352	133	–	12,313
Mr. Douglas H.H. SUNG	(d)	–	8,094	7,150	6,116	–	–	21,360
Professor Gary C. BIDDLE	(e)	846	–	–	–	–	–	846
Dr. Roger L. McCARTHY	(e)	578	–	–	–	–	–	578
Mr. David J. SHAW	(e)	475	–	–	–	–	–	475
Mr. Anthony John Liddell NIGHTINGALE	(e)	578	–	–	–	–	–	578
Mr. Shane S.TEDJARATI	(e)(g)	625	–	–	–	–	–	625
Ms. Ya Ting WU	(e)(h)	496	–	–	–	–	–	496
Mr. Albert Kong Ping NG	(e)(i)	130	–	–	–	–	–	130
Total for year 2022		3,728	20,115	7,206	15,853	359	–	47,261

Name of Director	Notes	Fees	Salaries	Other benefits	Performance related incentive payments-cash bonus	Retirement benefit cost	Share-based payment expenses	2021 Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Vincent H.S. LO	(a)	–	–	–	–	–	–	–
Ms. Stephanie B.Y.LO	(b)	–	4,917	8	4,104	211	4	9,244
Mr. Douglas H.H. SUNG	(d)	–	6,247	5,809	5,284	–	4	17,344
Sir John R.H. BOND	(f)	135	–	–	–	–	–	135
Professor Gary C. BIDDLE	(e)	534	–	–	–	–	–	534
Dr. Roger L. McCARTHY	(e)	362	–	–	–	–	–	362
Mr. David J. SHAW	(e)	332	–	–	–	–	–	332
Mr. Anthony John Liddell NIGHTINGALE	(e)	410	–	–	–	–	–	410
Mr. Shane S.TEDJARATI	(e)(g)	329	–	–	–	–	–	329
Ms. Ya Ting WU	(e)(h)	292	–	–	–	–	–	292
Total for year 2021		2,394	11,164	5,817	9,388	211	8	28,982

Notes:
(a) An executive director and the chairman of the Company
(b) An executive director and managing director of the Company
(c) Ms. Jessica Y. WANG was appointed as an executive director and the chief executive officer of the Company effective from 1 January 2022.
(d) An executive director, managing director of the Company, chief financial officer and chief investment officer
(e) Independent non-executive directors of the Company
(f) Sir John R.H.BOND retired from office and ceased to be independent non-executive director effective from 27 May 2021.
(g) Mr. Shane S TEDJARATI was appointed as an independent non-executive director of the Company effective from 18 January 2021.
(h) Ms. Ya Ting WU was appointed as an independent non-executive director of the Company effective from 27 January 2021.
(i) Mr. Albert Kong Ping NG was appointed as an independent non-executive director of the Company effective from 11 October 2022.

10. Directors' emoluments and five highest paid employees – continued

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

The five highest paid employees of the Group during the year included three directors (2021: two directors), details of whose remuneration are set out above. Details of the remuneration for the year of the remaining two (2021: three) highest paid employees who are not a director of the Company are as follows:

	2022 RMB'million	2021 RMB'million
Salaries	**9**	16
Other benefits	**3**	3
Performance related incentive payments	**4**	9
	16	28

The emoluments of the remaining highest paid employees were within the following bands:

	2022 Number of employees	2021 Number of employees
Emolument bands		
HKD9,000,001 – HKD9,500,000	**1**	1
HKD9,500,001 – HKD10,000,000	**1**	–
HKD10,000,001- HKD10,500,000	**–**	1
HKD13,500,001 – HKD14,000,000	**–**	1
	2	3

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

Certain executive directors of the Company are entitled to cash bonus payments which are determined based on the Group's and directors' personal performance.

11. Dividends

	2022 RMB'million	2021 RMB'million
Dividends recognised as distribution during the year:		
Interim dividend paid in respect of 2022 of HKD0.036 per share (2021: interim dividend paid in respect of 2021 of HKD0.036 per share)	**256**	241
Final dividend paid in respect of 2021 of HKD0.084 per share (2021: No final dividend for 2020)	**574**	–
	830	241

A final dividend for the year ended 31 December 2022 of HKD0.064 per share (2021: HKD0.084 per share), amounting to HKD514 million (equivalent to RMB459 million translated using the exchange rate of 0.89327 as of 31 December 2022) in the aggregate, was proposed by the Directors of the Company on 23 March 2023 and is subject to the approval of the shareholders at the forthcoming annual general meeting.

12. Earnings per share

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

	2022 RMB'million	2021 RMB'million
Earnings		
Earnings for the purpose of basic/diluted earnings per share, being profit for the year attributable to shareholders of the Company	**906**	1,636

	2022 'million	2021 'million
Number of shares		
The weighted average number of ordinary shares for basic earnings per share (note (a))	**8,035**	8,044
Effect of dilutive potential ordinary shares (note (c))	**–**	–
The weighted average number of ordinary shares for diluted earnings per share	**8,035**	8,044
Basic earnings per share (note (b))	**RMB11.3 cents**	RMB20.3 cents
	HKD13.1 cents	HKD24.5 cents
Diluted earnings per share (note (b))	**RMB11.3 cents**	RMB20.3 cents
	HKD13.1 cents	HKD24.5 cents

Notes:

(a) The weighted average number of ordinary shares shown above has been arrived at after deducting the weighted average effect on 17,710,250 (2021: 17,710,250) shares held by a share award scheme trust as set out in note 35.

(b) The Hong Kong dollar figures presented above are shown for reference only and have been arrived at based on the exchange rate of RMB1.000 to HKD1.1590 for 2022 and RMB1.000 to HKD1.2046 for 2021, being the average exchange rates that prevailed during the respective years.

(c) There were no dilution effects from outstanding share options as the exercise prices of each of these share options were higher than the average market price of the Company's shares per share for the years ended 31 December 2022 and 2021.

13. Investment properties

	Completed investment properties	Investment properties under construction or development at fair value	Investment properties under construction or development at cost	Investment property sublease of right-of-use assets	Total
	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
On 1 January 2021	42,787	6,785	1,545	103	51,220
Increase/(decrease)	87	843	(602)	–	328
Transfer from properties held-for-sale	2,712	–	–	–	2,712
Increase/(decrease) in fair value of the investment properties recognised in profit or loss	99	(54)	–	(10)	35
Transfer due to refurbishment	(1,186)	1,186	–	–	–
Transfer to assets classified as held-for-sale (note 36)	–	(2,457)	–	–	(2,457)
Transfer out upon disposal of a subsidiary	–	–	(527)	–	(527)
On 31 December 2021	44,499	6,303	416	93	51,311
On 31 December 2021					
– Stated at fair value	44,499	6,303	–	93	50,895
– Stated at cost	–	–	416	–	416
On 1 January 2022	**44,499**	**6,303**	**416**	**93**	**51,311**
Increase/(decrease)	**118**	**680**	**(325)**	**1**	**474**
Increase/(decrease) in fair value of the investment properties recognised in profit or loss	**147**	**(251)**	**–**	**(10)**	**(114)**
Transfer upon completion	**2,435**	**(2,435)**	**–**	**–**	**–**
Transfer to property and equipment	**(45)**	**–**	**–**	**–**	**(45)**
Transfer from property and equipment	**39**	**–**	**–**	**–**	**39**
On 31 December 2022	**47,193**	**4,297**	**91**	**84**	**51,665**
On 31 December 2022					
– Stated at fair value	**47,193**	**4,297**	**–**	**84**	**51,574**
– Stated at cost	**–**	**–**	**91**	**–**	**91**

13. Investment properties – continued

The Group is in the process of obtaining land use rights certificates in respect of investment properties under construction or development with the aggregate amount of RMB79 million (2021: RMB79 million). The directors of the Company believe that the relevant land use rights certificates will be granted in due course and the absence of land use rights certificates does not impair the value of the relevant properties.

The fair values of the Group's completed investment properties and investment properties under construction or development at fair value as at 31 December 2022 and 31 December 2021, and the fair values of properties at the dates of transfer to/from investment properties have been arrived at on the basis of valuations carried out on those dates by Knight Frank Petty Limited, independent qualified professional valuers not connected to the Group.

For completed investment properties and investment properties sublease of right-of-use assets, the valuations have been arrived at by using income approach – term and reversion method by capitalising the net income shown on tenancy schedules, and the market rentals of all lettable units of the properties which are assessed by reference to the rentals achieved in the lettable units as well as other lettings of similar properties in the neighbourhood. The capitalisation rate adopted is made by reference to the yield rates observed by the valuers for similar properties in the locality and adjusted based on the valuers' knowledge of the factors specific to the respective properties.

For investment properties under construction or development that are measured at fair value, the valuations have been arrived at assuming that the investment properties will be completed in accordance with the development proposals and the relevant approvals for the proposals have been obtained. The key inputs in the valuations include the market value of the completed investment properties, which are estimated with reference to sales evidence of similar properties in the nearest locality, with adjustments made to account for differences in locations and other factors specific to the respective properties based on the valuers' judgement. Costs of development are also taken into account including construction costs, finance costs and professional fees, as well as developer's profit margin which reflects the remaining risks associated with the development of the properties at the valuation date and the return that the developer would require for bringing them to completion status, which is determined by the valuers based on its analysis of recent land transactions and market value of similar completed properties in the respective locations.

In estimating the fair value of the properties, the management of the Group has taken into consideration the highest and best use of the properties.

13. Investment properties – continued

The major inputs used in the fair value measurement of the Group's major investment properties as at 31 December 2022 and 31 December 2021 are set out below:

Investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique and key inputs	Significant unobservable input(s)	Relationship of unobservable inputs to fair value	Sensitivity
Completed investment properties					
Completed investment properties located in Shanghai with an aggregate carrying amount of RMB32,205 million (2021: RMB29,707 million)	Level 3	Income Capitalisation Approach The key inputs are: (1) Capitalisation rate; and (2) Daily market rent.	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, and prevailing market condition, of a range from 4.25% to 7.75% (2021: from 3.75% to 7.75%).	The higher the capitalisation rate, the lower the fair value.	A slight increase in the capitalisation rate used would result in a significant decrease in fair value, and vice versa.
			Daily market rent, taking into account the time, location, and individual factors, such as frontage and size, between the comparables and the property, at an average of a range from RMB2.9 to RMB18.8 (2021: from RMB3.0 to RMB17.8) per square metre ("sqm") per day on gross floor area basis.	The higher the daily market rent, the higher the fair value.	A significant increase in the daily market rent used would result in a significant increase in fair value, and vice versa.
Completed investment properties located in Wuhan with an aggregate carrying amount of RMB9,283 million (2021: RMB9,150 million)	Level 3	Income Capitalisation Approach The key inputs are: (1) Capitalisation rate; and (2) Daily market rent.	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, and prevailing market condition, of a range from 5.5% to 7.0% (2021: from 5.25% to 7.0%).	The higher the capitalisation rate, the lower the fair value.	A slight increase in the capitalisation rate used would result in a significant decrease in fair value, and vice versa.
			Daily market rent, taking into account the time, location, and individual factors, such as frontage and size, between the comparables and the property, at an average of a range from RMB3.8 to RMB7.1 (2021: from RMB4.1 to RMB6.8) per sqm per day on gross floor area basis.	The higher the daily market rent, the higher the fair value.	A significant increase in the daily market rent used would result in a significant increase in fair value, and vice versa.
Completed investment properties located in Foshan with an aggregate carrying amount of RMB4,174 million (2021: RMB4,120 million)	Level 3	Income Capitalisation Approach The key inputs are: (1) Capitalisation rate; and (2) Daily market rent.	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, and prevailing market condition, of a range from 5.0% to 5.5% (2021: from 5.0% to 5.5%).	The higher the capitalisation rate, the lower the fair value.	A slight increase in the capitalisation rate used would result in a significant decrease in fair value, and vice versa.
			Daily market rent, taking into account the time, location, and individual factors, such as frontage and size, between the comparables and the property, at an average ranging from RMB1.9 to RMB5.5 (2021: from RMB1.9 to RMB5.5) per sqm per day on gross floor area basis.	The higher the daily market rent, the higher the fair value.	A significant increase in the daily market rent used would result in a significant increase in fair value, and vice versa.

13. Investment properties – continued

Investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique and key inputs	Significant unobservable input(s)	Relationship of unobservable inputs to fair value	Sensitivity
Completed investment properties – continued					
Completed investment properties located in Chongqing with an aggregate carrying amount of RMB1,531 million (2021: RMB1,522 million)	Level 3	Income Capitalisation Approach The key inputs are: (1) Capitalisation rate; and (2) Daily market rent.	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, and prevailing market condition, of a range from 5.25% to 5.5% (2021: 4.25% to 5.5%).	The higher the capitalisation rate, the lower the fair value.	A slight increase in the capitalisation rate used would result in a significant decrease in fair value, and vice versa.
			Daily market rent, taking into account the time, location, and individual factors, such as frontage and size, between the comparables and the property, at an average of a range from RMB1.1 to RMB2.3 (2021: from RMB1.2 to RMB2.3) per sqm per day on gross floor area basis.	The higher the daily market rent, the higher the fair value.	A significant increase in the daily market rent used would result in a significant increase in fair value, and vice versa.
Investment properties under construction or development that are measured at fair value					
Investment properties under construction or development located in Shanghai with an aggregate carrying amount of RMB2,405 million (2021: RMB4,422 million)	Level 3	Market-based Approach The key inputs are: (1) Gross development value;	Gross development value on completion basis, taking into account the time, location, and individual factors, such as frontage and size, between the comparables and the property, of RMB2,850 million (2021: RMB5,794 million).	The higher the gross development value, the higher the fair value.	A significant increase in gross development value used would result in a significant increase in fair value, and vice versa.
Investment properties under construction or development located in Foshan with an aggregate carrying amount of RMB1,892 million (2021: RMB1,881 million)	Level 3	Market-based Approach The key inputs are: (1) Gross development value;	Gross development value on completion basis, taking into account the time, location, and individual factors, such as frontage and size, between the comparables and the property, of RMB5,080 million (2021: RMB5,080 million).	The higher the gross development value, the higher the fair value.	A significant increase in gross development value used would result in a significant increase in fair value, and vice versa.

There were no transfers in or out of Level 3 during both years.

At 31 December 2022, the Group's investment properties with a total carrying amount of RMB32,491 million (2021: RMB33,764 million) were pledged to secure banking facilities granted to the Group (note 37).

14. Property and equipment

	Land and buildings RMB'million	Hotel properties RMB'million	Hotels under development RMB'million	Furniture, fixtures, equipment and motor vehicles RMB'million	Total RMB'million
AT COST					
On 1 January 2021	1,020	635	51	621	2,327
Additions	28	–	–	41	69
Disposals	(108)	–	–	(215)	(323)
On 31 December 2021 and 1 January 2022	940	635	51	447	2,073
Additions	–	–	–	96	96
Surplus on revaluation	19	–	–	–	19
Transfer from completed investment properties (note 13)	45	–	–	–	45
Transfer to completed investment properties (note 13)	(46)	–	–	–	(46)
Disposals	–	–	–	(6)	(6)
On 31 December 2022	958	635	51	537	2,181
ACCUMULATED DEPRECIATION					
On 1 January 2021	254	310	–	528	1,092
Charge for the year	32	12	–	61	105
Disposals	(108)	–	–	(209)	(317)
On 31 December 2021 and 1 January 2022	178	322	–	380	880
Charge for the year	27	12	–	76	115
Transfer to completed investment properties (note 13)	(7)	–	–	–	(7)
Disposals	–	–	–	(4)	(4)
On 31 December 2022	198	334	–	452	984
CARRYING VALUES					
On 31 December 2022	760	301	51	85	1,197
On 31 December 2021	762	313	51	67	1,193

14. Property and equipment – continued

The carrying amounts of owner-occupied leasehold land and buildings of RMB712 million (2021: RMB710 million) and hotel properties of RMB301 million (2021: RMB313 million) at the end of the reporting year included both the leasehold land and building elements in property and equipment, as in the opinion of the directors of the Company, allocations of the carrying amounts between the leasehold land and buildings elements cannot be made reliably. The land portions of the remaining owner-occupied properties were included in right-of-use assets.

During the year ended 31 December 2022, the directors of the Company conducted an impairment review on the property and equipment and no impairment loss was recognised for the year ended 31 December 2022 (2021: nil).

15. Leases

The Group as a lessee

RIGHT-OF-USE ASSETS	Leasehold land RMB'million	Leased properties RMB'million	Total RMB'million
On 1 January 2021	40	36	76
Depreciation charge	(1)	(29)	(30)
Additions	2	7	9
On 31 December 2021 and 1 January 2022	41	14	55
Depreciation charge	**(1)**	**(8)**	**(9)**
On 31 December 2022	**40**	**6**	**46**

The Group leases various premises for its operations. Lease contracts are entered into for fixed term of 17 months to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

Restrictions or covenants on leases

In addition, lease liabilities of RMB8 million are recognised with related leased properties as at 31 December 2022. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Lease committed

As at 31 December 2022, the Group entered into a lease for office that have not yet commenced, with non-cancellable period of fifteen years, excluding period under extension options, the total future undiscounted cash flows over the non-cancellable period amounted to RMB383 million.

15. Leases – continued

The Group as a lessor

Property rental income in respect of the investment properties earned of RMB1,876 million (2021: RMB2,005 million) (note 5). The investment properties held have committed tenants for the next one to thirteen years at fixed rentals. Included in the property rental income, certain leases contain contingent rental income recognised during the year ended 31 December 2022 amounting to RMB55 million (2021: RMB108 million). These contingent rentals are generally based on specified percentages of revenue of the tenants. The terms of the leases generally require the tenants to pay security deposits.

At 31 December 2022 and 2021, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2022 RMB'million	2021 RMB'million
Within one year	**1,877**	1,880
After one year but within two years	**1,504**	1,379
After two years but within three years	**812**	843
After three years but within four years	**480**	482
After four years but within five years	**297**	305
After five years	**326**	433
	5,296	5,322

16. Properties under development for sale

	2022 RMB'million	2021 RMB'million
At beginning of the year	**6,699**	21,247
Additions	**1,164**	3,273
Transfer to properties held for sale	**(3,322)**	(17,821)
At end of the year	**4,541**	6,699

Included in the properties under development for sale as at 31 December 2022 is carrying value of RMB1,644 million (2021: RMB1,352 million) which represents the carrying value of the properties expected to be realised after twelve months from the end of the reporting year.

At 31 December 2022, the Group's property under development for sale with a total carrying amount of RMB687 million (2021: RMB497 million) was pledged to secure banking facilities granted to the Group (note 37).

17. Interests in associates/amounts due from/loans from/amounts due to associates

	2022 RMB'million	2021 RMB'million
Interests in associates		
– Cost of investments, unlisted	**7,615**	7,615
– Share of post-acquisition results, net of effect on elimination of unrealised intercompany transactions	**417**	426
– Share of other comprehensive expense of an associate	**(22)**	(3)
	8,010	8,038
Amounts due from associates – current		
– Unsecured, interest free and repayable on demand	**193**	555
Amounts due to associates – current		
– Unsecured, interest free and repayable on demand	**557**	452
– Unsecured, fixed rate at 3.80% to 3.85% and repayable within one year	**–**	2,548
	557	3,000
Loans from associates – non-current		
– Unsecured, fixed rate at 3.65% to 3.85% and repayable within three years	**5,575**	–
	5,575	–

Particulars of the Group's associates as at 31 December 2022 and 31 December 2021 are as follows:

Name of associate	Proportion of voting rights held by the Group		Proportion of nominal value of issued ordinary share capital/ registered capital held by the Group		Place of incorporation/ registration and operations	Principal activities
	2022	2021	**2022**	2021		
Colour Bridge Development Holdings Limited ("Colour Bridge")	**49.5%**	49.5%	**49.5%**	49.5%	BVI	Investment holding
重慶瑞安天地房地產發展有限公司 (Chongqing Shui On Tiandi Real Estate Development Company Limited) ("Chongqing Shui On Tiandi")	**20%**	20%	**19.8%**	19.8%	PRC	Property development and other activities
Top Fountain Limited ("Top Fountain")	**45%**	45%	**45%**	45%	BVI	Investment holding

17. Interests in associates/amounts due from/loans from/amounts due to associates – continued

The summarised consolidated financial information of Colour Bridge for the years ended 31 December 2022 and 31 December 2021 is set out below:

	2022 RMB'million	2021 RMB'million
Current assets	**16,569**	20,463
Non-current assets	**199**	190
Current liabilities	**6,713**	10,869
Non-current liabilities	**114**	1
Net assets	**9,941**	9,783
Revenue	**105**	3,667
Profit and total comprehensive income for the year	**158**	77

Reconciliation of the above summarised consolidated financial information to the carrying amount of the interest in Colour Bridge recognised in the consolidated financial statements:

	2022 RMB'million	2021 RMB'million
Net assets of Colour Bridge	**9,941**	9,783
Less: Non-controlling interests of Colour Bridge	**(43)**	(40)
Equity attributable to shareholders of Colour Bridge	**9,898**	9,743
Proportion of the Group's ownership interest in Colour Bridge	**50%**	50%
Group's share of net assets in Colour Bridge	**4,949**	4,871
Less: Elimination of unrealised intercompany transactions	**(60)**	(49)
Carrying amount of the Group's interest in Colour Bridge	**4,889**	4,822

The summarised consolidated financial information of Chongqing Shui On Tiandi for the years ended 31 December 2022 and 31 December 2021 is set out below:

	2022 RMB'million	2021 RMB'million
Current assets	**14,625**	13,467
Non-current assets	**2**	2
Current liabilities	**8,485**	7,338
Non-current liabilities	**–**	–
Net assets	**6,142**	6,131
Revenue	**305**	2,593
Profit and total comprehensive income for the year	**11**	315

17. Interests in associates/amounts due from/loans from/amounts due to associates – continued

Reconciliation of the above summarised financial information to the carrying amount of the interest in Chongqing Shui On Tiandi recognised in the consolidated financial statements:

	2022 RMB'million	2021 RMB'million
Net assets of Chongqing Shui On Tiandi	**6,142**	6,131
Proportion of the Group's ownership interest in Chongqing Shui On Tiandi	**19.8%**	19.8%
Carrying amount of the Group's interest in Chongqing Shui On Tiandi	**1,216**	1,214

The summarised consolidated financial information of Top Fountain for the years ended 31 December 2022 and 31 December 2021 is set out below:

	2022 RMB'million	2021 RMB'million
Current assets	**309**	247
Non-current assets	**6,804**	6,751
Current liabilities	**205**	2,524
Non-current liabilities	**2,734**	87
Net assets	**4,174**	4,387
Revenue	**267**	299
(Loss)/profit for the year	**(43)**	154
Total comprehensive (expense)/income for the year	**(86)**	170

Reconciliation of the above summarised financial information to the carrying amount of the interest in Top Fountain recognised in the consolidated financial statements:

	2022 RMB'million	2021 RMB'million
Net assets of Top Fountain	**4,174**	4,387
Less:		
Non-controlling interests of Top Fountain	**(41)**	(39)
Equity attributable to shareholders of Top Fountain	**4,133**	4,348
Proportion of the Group's ownership interest in Top Fountain	**45%**	45%
Group's share of net assets in Top Fountain	**1,860**	1,957
Other adjustment	**45**	45
Carrying amount of the Group's interest in Top Fountain	**1,905**	2,002

18. Interests in joint ventures/loans to/amounts due from joint ventures/amounts due to a joint venture

	2022 RMB'million	2021 RMB'million
Investment in joint ventures		
– Cost of investment, unlisted	10,874	9,893
– Impairment provision	(376)	(376)
– Share of post-acquisition results, net of effect on elimination of unrealised intercompany transactions	99	591
– Share of other comprehensive (expense)/income of a joint venture	(6)	55
	10,591	10,163
Loans to joint ventures – non-current		
– Unsecured, fixed rate at 5.39% to 7.00% (note (a))	918	2,156
Amounts due from joint ventures – non-current		
– Unsecured, interest free (note (b))	1,645	3,153
	13,154	15,472
Loans to joint ventures – current		
– Unsecured, fixed rate at 5.39% to 7.00% (note (a))	4,690	–
Amounts due from joint ventures-current		
– Unsecured, interest-free and repayable on demand	236	–
	4,926	–
Amounts due to joint ventures – current		
– Unsecured, interest free and repayable on demand	45	13
	45	13

Notes:
(a) An amount of RMB5,608 million is repayable based on the dates set out on the drawdown notice of the loan including RMB4,690 million within one year and RMB918 million within two years.
(b) In the opinion of the directors, all amounts due from joint ventures are unlikely to be repaid in the foreseeable future.

18. Interests in joint ventures/loans to/amounts due from joint ventures/amounts due to a joint venture – continued

Particulars of the Group's joint ventures as at 31 December 2022 and 31 December 2021 are as follows:

Name of joint ventures	Proportion of voting rights held by the Group		Proportion of nominal value of issued ordinary share capital/registered capital held by the Group		Place of incorporation/registration and operations	Principal activities
	2022	2021	**2022**	2021		
上海瑞永景房地產開發有限公司 ("Shanghai Rui Yong Jing")# (Note (a))	**29%**	29%	**25%**	25%	PRC	Property development and other activities
Hua Xia Rising (Hong Kong) Limited	**50%**	50%	**50%**	50%	Hong Kong	Investment holding
上海景綽企業發展有限公司 ("Shanghai Jingchuo")# (Note (b))	**49%**	49%	**49%**	49%	PRC	Property management and other activities
上海復基房地產有限公司 ("Shanghai Fuji")# (Note(c))	**50%**	50%	**50%**	50%	PRC	Property development and other activities
Great Market Limited (Note (d))	**60%**	60%	**58%**	58%	Hong Kong	Investment holding
Sino Profit Development Limited (Note (e))	**50%**	50%	**50%**	50%	Hong Kong	Investment holding
武漢城建瑞臻房地產開發有限公司 ("Wuhan Ruizhen")# (Note (f))	**50%**	50%	**50%**	50%	PRC	Property development and other activities
上海濱昌置業有限公司 ("Shanghai Binchang")# (Note(g))	**60%**	–	**60%**	–	PRC	Property development and other activities
Commercial properties business (Note (h))	**50%**	50%	**49.5%**	49.5%	PRC	Property development and other activities

(a) In 2018, pursuant to joint venture agreement, the Group through a wholly owned subsidiary established Shanghai Rui Yong Jing with strategic partners for carrying out property development project in Shanghai, the PRC.
Pursuant to joint venture agreement, the Group and the other equity owners (the "JV Partners 2" who are two independent third parties and own 70%, 5% equity interest in Shanghai Rui Yong Jing, respectively) are considered to have joint control over Shanghai Rui Yong Jing as all major decisions require unanimous approval of all directors of Shanghai Rui Yong Jing.

(b) Pursuant to the joint venture agreement and articles of association of Shanghai Jingchuo, the Group, through a wholly owned subsidiary, and the other equity owners (the "JV Partners 3" who are two independent third parties and own 20%, 31% equity interest in Shanghai Jingchuo, respectively) are considered to have joint control over Shanghai Jingchuo as major decisions that relate to the relevant activities of Shanghai Jingchuo require unanimous consent from the Group and the JV Partners 3.

(c) In June 2021, the Group, through an indirect wholly-owned subsidiary, established Shanghai Fuji with Shanghai Yongye Enterprise (Group) Co., Ltd) to carry out the property development project at the lands in Huangpu District, Shanghai. All major decisions of this joint venture require unanimous approval of all directors of this joint venture company.

(d) On 14 May 2019, the Group entered into an agreement with Shui On Building Materials Limited (an indirect wholly-owned subsidiary of SOCAM Development Limited ("SOCAM"), in relation to the sale and purchase of 58% of the issued share capital of Great Market Limited and the assignment of the sale shareholder loan for a total consideration of RMB148 million. The acquisition was completed on 28 June 2019. Upon completion, Great Market Limited became a joint venture of the Group as decisions on relevant activities of Great Market Limited required unanimous consent from the Group and the other equity holder (the "JV" Partner 4").

(e) On 22 December 2020, the Group, through a wholly owned subsidiary, entered into an agreement with an independent third party (the "JV Partner 5") in relation to the formation of Sino Profit Development Limited ("Sino Profit"). Pursuant to the joint venture agreement, the Group and the JV Partner 5 are considered to have joint control over Sino Profit as major decisions require the approval of all directors from the Group and the JV Partner 5.

(f) In December 2021, the Group, through an indirect wholly-owned subsidiary established Wuhan Ruizhen with Wuhan Real Estate Group Co. Ltd.# for the acquisition and the development of certain lands in Wuchang District, Wuhan City. All major decisions of this joint venture company require unanimous approval of all directors of this joint venture company.

(g) In November 2022, the Group, through an indirect wholly-owned subsidiary, established Shanghai Binchang with Shanghai Yangshupu Real Estate Co., Ltd.# for the acquisition and development of a parcel of land in Yangpu District, Shanghai City. All major decisions of this joint venture company require unanimous approval of all directors of this joint venture company.

(h) The Group has interest in certain commercial properties business which is principally engaged in property development and management of commercial units in Shanghai.

\# English name is for identification only

18. Interests in joint ventures/loans to/amounts due from joint ventures/amounts due to a joint venture – continued

Summarised financial information in respect of the Group's material joint ventures, Commercial properties business and Shanghai Rui Yong Jing is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with IFRSs.

The joint ventures are accounted for using the equity method in these consolidated financial statements.

Interests pertaining to Commercial properties business:

	2022 RMB'million	2021 RMB'million
Current assets	546	354
Non-current assets	15,656	15,577
Current liabilities	496	904
Non-current liabilities	6,851	6,116

The above amounts of assets and liabilities include the following:

	2022 RMB'million	2021 RMB'million
Cash and cash equivalents	401	279
Current financial liabilities (excluding trade and other payables and provisions)	19	27
Non-current financial liabilities (excluding trade and other payables and provisions)	6,233	5,597

	2022 RMB'million	2021 RMB'million
Revenue	472	317
(Loss)/profit and total comprehensive (expense)/income for the year	(56)	275

The above profit for the year includes the following:

	2022 RMB'million	2021 RMB'million
Depreciation and amortisation	8	7
Interest income	5	3
Interest expense	320	234

Reconciliation of the above summarised financial information to the carrying amount of the interest in Commercial properties business recognised in the consolidation financial statements:

	2022 RMB'million	2021 RMB'million
Net assets of Commercial properties business	8,855	8,911
Proportion of the Group's ownership interest in Commercial properties business	49.5%	49.5%
Carrying amount of the Group's interest in Commercial properties business	4,383	4,411

18. Interests in joint ventures/loans to/amounts due from joint ventures/amounts due to a joint venture – continued

Shanghai Rui Yong Jing

	2022 RMB'million	2021 RMB'million
Current assets	**962**	878
Non-current assets	**19,446**	19,196
Current liabilities	**123**	160
Non-current liabilities	**4,532**	3,703

The above amounts of assets and liabilities include the following:

	2022 RMB'million	2021 RMB'million
Cash and cash equivalents	**161**	55
Non-current financial liabilities (excluding trade and other payables and provisions)	**4,339**	3,456
Loss and total comprehensive expense for the year	**(458)**	(175)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Shanghai Rui Yong Jing recognised in the consolidation financial statements:

	2022 RMB'million	2021 RMB'million
Net assets of Shanghai Rui Yong Jing	**15,753**	16,211
Proportion of the Group's ownership interest in Shanghai Rui Yong Jing	**25%**	25%
Group's share of net assets in Shanghai Rui Yong Jing	**3,937**	4,053
Transaction costs capitalized	**3**	3
Carrying amount of the Group's interest in Shanghai Rui Yong Jing (note)	**3,940**	4,056

Note:
The Group's original investment costs in Shanghai Rui Yong Jing comprise the historical costs invested into the land by the Group before establishment of a joint venture with strategic partners in July 2018 and the proportion payment for bidding of the land. The amount of the share of fair value of the net assets value of Shanghai Rui Yong Jing below the original investment costs of RMB376 million was recognised as an impairment provision of investment in a joint venture as of 31 December 2022 and 31 December 2021.

Aggregate information of joint ventures that are not individually material:

	2022 RMB'million	2021 RMB'million
The Group's share of profit from continuing operations	**24**	347
The Group's share of other comprehensive (expense)/income	**(61)**	16
The Group's share of total comprehensive (expense)/income	**(37)**	363

Aggregate carrying amount of the Group's interests in these individually not material joint ventures:

	2022 RMB'million	2021 RMB'million
Investment in joint ventures	**2,447**	1,696

19. Receivables, deposits, and prepayments

	2022 RMB'million	2021 RMB'million
Non-current portion comprise:		
Trade receivables(note(b))		
– rental receivables	298	289
Current portion comprise:		
Trade receivables(note(b))		
– rental receivables	140	87
– goods and services	160	143
– operating lease receivables	84	26
Prepayments of relocation costs (note(a))	640	682
Receivables from the disposal of an associate and a joint venture	123	197
Other deposits, prepayments and receivables	434	427
Value-added tax recoverable	22	327
	1,603	1,889

Notes:
(a) The balances represent the amounts that will be compensated by the government upon the relocation is completed.
(b) Trade receivables comprise:
(i) receivables arising from sales of properties which are due for settlement in accordance with the terms of the relevant sale and purchase agreements;
(ii) operating lease receivables which are due for settlement upon issuance of monthly debit notes to the tenants;
(iii) receivables arising from construction revenue of which a credit term of 40 days is granted to the customers; and
(iv) rental receivables attributable to the rent-free period and have been calculated and amortised on a straight-line base over the lease terms.

As of 31 December 2022 and 31 December 2021, trade receivables from contracts with customers amounted to RMB160 million and RMB143 million, respectively.

Included in the Group's receivables, deposits, and prepayments are trade receivable balances of RMB682 million (2021: RMB545 million), of which 65% (2021: 80%) are not yet past due, 14% (2021: 14%) are past due less than 90 days, and 21% (2021: 6%) are past due over 90 days, as compared to when revenue was recognised.

Out of the past due balances, RMB145 million (2021: RMB35 million) has been past due 90 days or more and is not considered as in default since the directors of the Company consider that such balances could be recovered based on repayment history, the financial conditions and the current credit worthiness of each customer.

Details of ECL allowance for the year ended 31 December 2022 are set out in Note 41 (b).

20. Contract assets

	2022 RMB'million	2021 RMB'million
Construction	322	434

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditional on the Group's future performance in achieving specified milestones at the reporting date on construction. The contract assets are transferred to trade receivables when the rights become unconditional.

The Group's construction contracts include payment schedules which require stage payments over the construction period once certain specified milestones are reached. The Group typically achieves specified milestones and thus have the right to bill the customers when the progress certificate, settlement letter or payment notice is obtained.

Details of ECL allowance for the year ended 31 December 2022 are set out in Note 41 (b).

21. Bank balances and cash

	2022 RMB'million	2021 RMB'million
Bank and cash -unrestricted	9,485	15,119
Bank balances -restricted	1,691	2,165
	11,176	17,284

Restricted bank balances as at 31 December 2022 include monies placed by the Group with banks amounting to RMB1,691 million (31 December 2021: RMB2,165 million) which can only be applied to designated property development projects of the Group.

Bank balances and restricted bank balances carry interest at market rates which range from 0.00% to 3.90% (2021: 0.00% to 2.125%) per annum.

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB9,676 million (31 December 2021: RMB15,279 million). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

22. Properties held for sale

The Group's properties held for sale are situated in the PRC. All the properties held for sale are stated at the lower of cost or net realisable value.

23. Amounts due from/to related companies

	2022 RMB'million	2021 RMB'million
Amounts due from related companies comprise:		
Fellow subsidiaries	**411**	394
Amounts due to related companies comprise:		
Fellow subsidiaries	**357**	365

All of the amounts due from related companies are non-trade in nature, unsecured and interest-free. In the opinion of the directors of the Company, the amounts due from related companies are expected to be repaid within twelve months after the end of the reporting period and accordingly the amounts are classified as current assets.

Amounts due to related companies are non-trade nature, unsecured, interest free and repayable on demand.

Details of ECL allowance for the year ended 31 December 2022 are set out in Note 41 (b).

24. Amounts due to non-controlling shareholders/loan to a non-controlling shareholder

	2022 RMB'million	2021 RMB'million
Amounts due to non-controlling shareholders	**204**	281
Loan to a non-controlling shareholder	**22**	22

Notes:
(a) The amounts due to non-controlling shareholders are unsecured, interest-free and repayable on demand.
(b) The loan to a non-controlling shareholder of RMB22 million as of 31 December 2022 (2021: RMB22 million) bearing interest at rates of 3.7% to 3.8% (2021: 3.8%) is unsecured and repayable within four years.

25. Accounts payable, deposits received, and accrued charges

	2022 RMB'million	2021 RMB'million
Current portion comprise:		
Trade payables	**3,103**	3,875
Land and relocation cost payables	**783**	1,310
Deed tax and other tax payables	**81**	69
Deposits received in advance for the rental of investment properties	**382**	970
Value-added tax payables	**109**	596
Value-added tax arising from contract liabilities	**322**	663
Other payables and accrued charges	**531**	482
	5,311	7,965
Non-current portion comprise:		
Land and relocation cost payables	**45**	–
Deposits received in advance for the rental of investment properties	**515**	–
	560	–

25. Accounts payable, deposits received, and accrued charges – continued

Included in the Group's accounts payable, deposits received, and accrued charges are trade payable balances of RMB3,103 million (2021: RMB3,875 million), of which 92% (2021: 94%) are aged less than 30 days, 7% (2021: 1%) are aged between 31 to 90 days, and 1% (2021: 5%) are aged more than 90 days, based on invoice date.

26. Contract liabilities

	2022 RMB'million	2021 RMB'million
Sales of properties	**5,416**	11,056

Revenue of RMB10,516 million and RMB11,566 million was recognised during the year ended 31 December 2022 and 2021 respectively that was included in the contract liabilities at the beginning balance of the reporting year.

The Group receives 30%-100% of the contract value as deposits from customers or receipts in advance from customers upon signing the sale and purchase agreement for sales of properties. Such advance payment schemes result in contract liabilities being recognised throughout the property construction period. No contract liabilities as at 31 December 2022 are expected to be realised after twelve months from the end of the reporting year.

27. Bank borrowings

	2022 RMB'million	2021 RMB'million
Bank borrowings repayable within a period of*:		
– Not more than 1 year or on demand	**8,069**	6,424
– More than 1 year, but not exceeding 2 years	**6,758**	6,492
– More than 2 years, but not exceeding 5 years	**2,941**	4,303
– More than 5 years	**2,489**	2,528
	20,257	19,747
Less: Amount due within one year shown under current liabilities	**(8,069)**	(6,424)
Amount due after one year	**12,188**	13,323

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

At 31 December 2022, the Group's bank borrowings amounting to RMB10,662 million (2021: RMB9,319 million) were secured by the pledge of assets as set out in note 37.

27. Bank borrowings – continued

The carrying amounts of the Group's bank borrowings are analysed as follows:

Denominated in	Interest rate	2022 RMB'million	2021 RMB'million
RMB	Loan prime rate ("LPR") plus 0% to 1.565%/90% to 125% of LPR (2021: LPR plus 0% to 1.14%/90% to 125% of LPR)	**7,245**	7,232
HKD	Hongkong interbank offered rate ("HIBOR") plus 2.9% to 3.7% (2021: HIBOR plus 2.9% to 4.0%)	**2,343**	3,805
USD	London interbank offered rate ("LIBOR") plus 1.3% to 4.0% (2021: LIBOR plus 1.3% to 4.0%)	**8,607**	8,710
USD	Secured overnight financing rate ("SOFR") plus 1.7%	**2,062**	–
		20,257	19,747

As at 31 December 2022, the weighted average effective interest rate on the bank borrowings was 6.23% (2021: 3.84%), and are further analysed as follows:

	2022	2021
Denominated in RMB	**4.5%**	4.8%
Denominated in HKD	**7.8%**	3.6%
Denominated in USD	**7.0%**	3.1%

28. Share capital

	Authorised		Issued and fully paid	
	Number of shares	USD'000	Number of shares	USD'000
Ordinary shares of USD0.0025 each				
On 1 January 2021, 31 December 2021 and 1 January 2022	12,000,000,000	30,000	8,062,216,324	20,155
Shares repurchased	–	–	**(34,951,000)**	**(87)**
31 December 2022	**12,000,000,000**	**30,000**	**8,027,265,324**	**20,068**

	2022 RMB'million	2021 RMB'million
Shown in the consolidated statement of financial position as	**146**	146

During the year ended 31 December 2022, the Company repurchased 34,951,000 of its shares on the Hong Kong Stock Exchange at a total consideration of HKD30 million (equivalent to RMB26 million). The repurchased shares were cancelled, and the total amount paid for the repurchase of HKD30 million (equivalent to RMB26 million) has been debited to share capital and share premium of the Company.

29. Reserves

	Share premium RMB'million	Merger reserve RMB'million	Special reserve RMB'million	Share option reserve RMB'million	Share award reserve RMB'million	Exchange reserve RMB'million	Hedge reserve RMB'million	Other reserves RMB'million	Property revaluation reserves* RMB'million	Total RMB'million
On 1 January 2022	18,078	122	(135)	3	10	(117)	(111)	(183)	104	17,771
Exchange difference arising on translation of foreign operations	–	–	–	–	–	(898)	–	–	–	(898)
The effective portion of changes in fair value of currency forward contracts designated as cash flow hedges (note 32)	–	–	–	–	–	–	473	–	–	473
Reclassification from hedge reserve to profit or loss arising from currency forward contracts (note 32)	–	–	–	–	–	–	(576)	–	–	(576)
The effective portion of changes in fair value of interest rate swaps designated as cash flow hedges (note 32)	–	–	–	–	–	–	34	–	–	34
Transfer of hedge reserve upon the change of certain hedging arrangements	–	–	–	–	–	–	169	–	–	169
Surplus on revaluation of properties transferred from property and equipment to completed investment properties, net of tax	–	–	–	–	–	–	–	–	6	6
Share of other comprehensive expense of a joint venture and an associate	–	–	–	–	–	–	–	(80)	–	(80)
Total comprehensive expense for the year	–	–	–	–	–	(898)	100	(80)	6	(872)
Shares repurchased	(26)	–	–	–	–	–	–	–	–	(26)
Lapse of share option	–	–	–	(3)	–	–	–	–	–	(3)
Redemption of perpetual capital securities	–	–	–	–	–	–	–	38	–	38
On 31 December 2022	18,052	122	(135)	–	10	(1,015)	(11)	(225)	110	16,908

29. Reserves – continued

	Share premium RMB'million	Merger reserve RMB'million	Special reserve RMB'million	Share option reserve RMB'million	Share award reserve RMB'million	Exchange reserve RMB'million	Hedge reserve RMB'million	Other reserves RMB'million	Property revaluation reserves* RMB'million	Total RMB'million
On 1 January 2021	18,078	122	(135)	5	10	(133)	(54)	(190)	104	17,807
Exchange difference arising on translation of foreign operations	–	–	–	–	–	1	–	–	–	1
The effective portion of changes in fair value of currency forward contracts designated as cash flow hedges (note 32)	–	–	–	–	–	–	322	–	–	322
Reclassification from hedge reserve to profit or loss arising from currency forward contracts (note 32)	–	–	–	–	–	–	(386)	–	–	(386)
The effective portion of changes in fair value of interest rate swaps designated as cash flow hedges (note 32)	–	–	–	–	–	–	7	–	–	7
Share of other comprehensive income of joint ventures and an associate	–	–	–	–	–	15	–	7	–	22
Total comprehensive expense for the year	–	–	–	–	–	16	(57)	7	–	(34)
Lapse of share option	–	–	–	(2)	–	–	–	–	–	(2)
On 31 December 2021	18,078	122	(135)	3	10	(117)	(111)	(183)	104	17,771

* The property revaluation reserve arose from a change in use from owner-occupied properties to investment properties carried at fair value.

(a) Merger reserve represents the aggregate of:

(i) the difference between the nominal value of the share capital and share premium on the shares issued by the Company and the aggregate of the share capital and share premium of the holding companies of the subsidiaries acquired;

(ii) the share of profit attributable to the deemed non-controlling shareholders exchanged upon the Group's reorganisation in 2004; and

(iii) the difference between the fair value and the carrying amount of the net assets attributable to the additional interest in the subsidiaries being acquired from a non-controlling shareholder upon the group reorganisation in 2004.

(b) Special reserve comprises:

The difference between the fair value and the carrying amount of the net assets attributable to the additional interest in the subsidiaries being acquired from non-controlling shareholders, which will be recognised in equity upon the earlier of the disposal of the assets, disposal of the subsidiary of the assets which the assets relate, or when the related assets affect profit or loss.

29. Reserves – continued

(c) Other reserves mainly comprise:

(i) An amount of RMB483 million, which represents payable waived in 2004 by Shui On Investment Company Limited ("SOI", a then shareholder of the Company, which was wholly owned by Shui On Company Limited ("SOCL")), in respect of development costs of the same amount originally paid by Shanghai Shui On Property Development Management Co., Ltd., a fellow subsidiary of SOI, and recharged to certain subsidiaries of the Company.

(ii) A credit amount of RMB34 million recognised in the year ended 31 December 2010, which represents the difference between the fair value of the consideration paid and the carrying amount of the net assets attributable to the additional interest of 16.8% in Yang Pu Centre Development Co., Ltd. being acquired from the non-controlling interests in 2010.

(iii) A credit amount of RMB188 million recognised against the other reserve in the year ended 31 December 2012, which arose from the Group's acquisition of additional interest of 4.81% in Foresight Profits Limited ("Foresight") through capital injection in Foresight. Following the acquisition of the entire non-controlling interest in Foresight during the prior year, all balances of non-controlling interest related to Foresight are derecognised and hence the corresponding adjustment of RMB188 million is made to other reserve.

(iv) A credit amount of RMB138 million recognised in the year ended 31 December 2012, which represents the difference between the fair value of the consideration received and the carrying amount of the net assets attributable to the partial disposal of equity interests of 49% in Glory Land Investments Limited ("Glory Land", an indirect wholly owned subsidiary of the Company which is engaged in property development in Foshan, the PRC). The 49% equity interests in Glory Land was acquired during the year ended 31 December 2015 and a debit balance of RMB80 million, representing the difference between the fair value of the consideration paid and the carrying amount of the net assets attributable to such acquisition, was recognised in "other reserves". The net difference of RMB58 million previously recognised in other reserve was transferred to retained earnings.

(v) A debit amount of RMB43 million recognised in the year ended 31 December 2013, which represents the difference between the fair value of the consideration paid and the carrying amount of the net assets attributable to the additional interest in Shanghai Bai-Xing Properties Co., Ltd. ("Bai-Xing"), Shanghai Ji-Xing Properties Co., Ltd. ("Ji-Xing"), Shanghai Tai Ping Qiao Properties Management Co., Ltd. ("TPQM"), Shanghai Xin-tian-di Plaza Co., Ltd. ("XTD Plaza"), Shanghai Xing Bang Properties Co., Ltd. ("Xing Bang") and Shanghai Xing-Qi Properties Co., Ltd. ("Xing-Qi"). RMB9 million in relation to Xing-Bang was derecognised following the disposal of Brixworth International Limited during the year ended 31 December 2015.

(vi) A credit amount of RMB120 million recognised in the year ended 31 December 2014, which represents the difference between the fair value of consideration paid and the decrease in the non-controlling shareholders of subsidiaries.

(vii) A debit amount of RMB57 million recognised in the year ended 31 December 2015, which represents the difference between the fair value of the consideration paid and the carrying amount of the net liabilities attributable to the additional interest in Beaming Leader Limited.

(viii) A debit amount of RMB14 million recognised in the year ended 31 December 2017, which represents the difference between the fair value of the consideration received and the increase in the non-controlling interests of subsidiaries of RMB1,117 million which arose from the Group's partial disposal of equity interests of 49% in Bright Power Enterprises Limited ("Bright Power") and Merry Wave Limited ("Merry Wave") (indirectly wholly-owned subsidiaries of the Company which are engaged in property development in Shanghai, the PRC).

The consideration was finalised and a credit amount of RMB86 million was recognised during the year ended 31 December 2018.

(ix) A debit amount of RMB276 million recognised in the year ended 31 December 2017, which represents the exchange loss on redemption of perpetual capital securities.

29. Reserves – continued

(c) Other reserves mainly comprise: – continued

(x) On 28 December 2018, China Xintiandi Limited (a wholly-owned subsidiary of the Company) entered into an agreement with BSREP CXTD Holdings L.P.("BSREP CXTD") to acquire all the interest held by BSREP CXTD in China Xintiandi Holding Company Limited ("China Xintiandi"), comprising approximately 21.894% of all the issued shares in the capital of China Xintiandi and the outstanding convertible perpetual securities in the principal amount of USD100,000 (the "Sale CPS")(the "Brookfield Transaction"). The total consideration was paid in March 2019.

A debit amount of RMB381 million recognised in the year ended 31 December 2018, which represents the difference between the consideration and the decrease in the non-controlling shareholders of subsidiaries arising from the Brookfield Transaction. A credit amount of RMB7 million recognised in other reserves in the year ended 31 December 2019 due to the change in foreign exchange.

(xi) A debit amount of RMB256 million recognised in the year ended 31 December 2020, which represents the exchange loss on redemption of convertible perpetual capital securities.

(xii) A credit amount of RMB38 million recognised in the year ended 31 December 2022 represents the exchange gain on redemption of perpetual capital securities.

30. Senior notes

	2022 RMB'million	2021 RMB'million
On 1 January	**12,116**	16,063
Issue of new senior notes	**–**	2,525
Less: Transaction costs directly attributable to issue of senior notes	**–**	(3)
Interest charged during the year	**745**	839
Less: Interest paid	**(728)**	(922)
Less: Repayment/redemption of senior notes	**–**	(6,114)
Exchange realignment	**1,122**	(272)
On 31 December	**13,255**	12,116
Less: Amount due within one year shown under current liabilities	**3,491**	–
Amount due after one year	**9,764**	12,116

On 31 December 2022, the effective interest rates on the senior notes ranged from 5.50% to 6.26% (2021: 5.50% to 6.26%) per annum. The senior notes are unsecured and guaranteed by the Company.

31. Perpetual capital securities

Perpetual capital securities issued in 2017

On 20 June 2017, Shui On Development (Holding) Limited ("SODH"), a subsidiary of the Company, issued USD600 million (equivalent to approximately RMB4,085 million) 6.40% guaranteed perpetual capital securities ("2017 Perpetual Capital Securities") at an issue price of 100% of the principal amount. The 2017 Perpetual Capital Securities were guaranteed by the Company on a senior basis for the due payment of all sums which may be payable by SODH under the 2017 Perpetual Capital Securities. Distributions on the 2017 Perpetual Capital Securities are paid semi-annually in arrears in U.S. dollars on 20 June and 20 December in each year, commencing on 20 December 2017 and can be deferred at the discretion of SODH. The 2017 Perpetual Capital Securities have no fixed maturity and are redeemable at SODH's option on or after 20 June 2022 at their principal amounts together with any accrued, unpaid, or deferred distributions. While any distributions are unpaid or deferred, the Company and SODH cannot declare or pay dividends or make distributions or similar periodic payments in respect of, or repurchase, redeem or otherwise acquire any securities of lower or equal rank, which includes the ordinary shares of the Company and SODH.

On 20 June 2022, SODH fully redeemed 2017 Perpetual Capital Securities.

32. Derivative financial instruments

	2022 RMB'million	2021 RMB'million
Currency forward contracts designated as hedging instruments	**28**	(244)
Currency forward contracts not designated as hedging instruments	**442**	–
Interest rate swaps designated as hedging instruments	**22**	4
	492	(240)
For the purpose of financial statement presentation:		
Current assets	**492**	–
Current liabilities	**–**	240

Currency forward contracts and interest rate swaps designated as hedging instruments

As at 31 December 2022 and 31 December 2021, the Group had currency forward contracts and interest rate swaps designated as effective hedging instruments in order to minimise its exposure to foreign currency risk on its USD/HKD senior notes and bank borrowings and cash flow interest rate risk on its floating-rate USD/HKD bank borrowings.

32. Derivative financial instruments – continued

Currency forward contracts and interest rate swaps designated as hedging instruments – continued

The effects of applying hedge accounting on the Group's financial position and performance are as follows:

	2022	2021
a) Currency forward contracts:		
Carrying amount (RMB'million)	28	(244)
Notional amount (original foreign currency) ('million)	USD80	USD1,130 HKD750
Maturity date	30 January 2023- 30 May 2023	8 March 2022- 30 January 2023
Change in foreign exchange risk component of outstanding hedging instruments during the year (RMB 'million)	(28)	244
Change in value of hedged items used to determine hedge effectiveness during the year (RMB 'million)	40	(127)
Strike rate	USD:RMB6.4760-6.7260	USD:RMB6.5400-6.7430 HKD:RMB0.8528-0.8663

	2022	2021
b) Interest rate swaps:		
Carrying amount (RMB'million)	22	4
Notional amount (original foreign currency)('million)	HKD1,250	HKD3,320
	USD200	USD200
Maturity date	17 January 2023-	19 March 2022-
	20 July 2023	20 July 2023
Strike rate(fixed rate range)	HKD:0.28%-2.75%	HKD:0.27%-0.54%
	USD:0.22%-0.235%	USD:0.22%-0.235%

During the year ended 31 December 2022, the fair value gain arising from the currency forward contracts and interest rate swaps of RMB507 million (2021: gain of RMB329 million) was recognised in hedge reserve. An amount of RMB576 million (2021: RMB386 million) has been released from hedge reserve to the profit or loss during the year ended 31 December 2022.

33. Deferred tax assets/liabilities

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the current and prior years:

	Temporary differences resulting from investment properties RMB'million	Tax losses RMB'million	Recognition of sales and related cost of sales RMB'million	Withholding tax on income derived in the PRC RMB'million	Others RMB'million	Total RMB'million
1 January 2021	4,932	(551)	225	92	(114)	4,584
Charge/(credit) to profit or loss	(84)	187	(17)	186	(77)	195
On 31 December 2021 and 1 January 2022	4,848	(364)	208	278	(191)	4,779
Charge/(credit) to profit or loss	**(401)**	**302**	**(43)**	**(81)**	**(44)**	**(267)**
Charge to reserve	**5**	**–**	**–**	**–**	**–**	**5**
On 31 December 2022	**4,452**	**(62)**	**165**	**197**	**(235)**	**4,517**

For the purposes of presentation of the consolidated statement of financial position, certain deferred tax (assets) liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2022 RMB'million	2021 RMB'million
Deferred tax assets	**(282)**	(279)
Deferred tax liabilities	**4,799**	5,058
	4,517	4,779

At the end of the reporting year, the Group has unused tax losses of RMB799 million (2021: RMB2,230 million) available to offset against future profits. A deferred tax asset has been recognised in respect of such tax losses amounting to RMB248 million (2021: RMB1,456 million). No deferred tax asset has been recognised in respect of the remaining tax losses of RMB551 million (2021: RMB774 million) as it is not considered probable that taxable profits will be available against which the tax losses can be utilised. The unrecognised tax losses will expire in the following years ending 31 December:

	2022 RMB'million	2021 RMB'million
2022	**–**	173
2023	**42**	106
2024	**120**	183
2025	**51**	109
2026	**67**	203
2027	**271**	–
	551	774

In the opinion of the directors, the aggregate amount of temporary differences associated with investments in subsidiaries and joint ventures in Mainland China for which deferred tax liabilities have not been recognised was insignificant.

34. Provident and retirement fund schemes

Hong Kong

The Group participates in both a defined benefit plan (the "Plan") which is registered under the Occupational Retirement Schemes Ordinance and a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Schemes Ordinance in December 2000. The Plan was effective in 2004. The assets of the Plan are held separately from those of the Group and are invested in securities and funds under the control of trustees. Employees who were members of the Plan prior to the establishment of MPF Scheme were offered a choice of staying within the Plan or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1 December 2000 are required to join the MPF Scheme.

The MPF Scheme

For members of the MPF Scheme, contributions are made by the employees at 5% of relevant income and by the Group at rates ranging from 5% to 10% of the employees' salaries, depending on the employees' length of services with the Group.

The Group's contributions to the MPF Scheme charged to the consolidated statement of profit or loss as staff costs during the year ended 31 December 2022 is RMB643,000 (2021: RMB305,000).

The Plan

Contributions to the Plan are made by the members at 5% of their salaries and by the Group which are based on recommendations made by the actuary of the Plan. Under the Plan, a member is entitled to retirement benefits which comprise the sum of any benefits transferred from another scheme and the greater of the sum of employer's basic contribution plus the member's basic contribution accumulated with interest at a rate of no less than 6% per annum before 1 September 2003 and 1% per annum in respect of contributions made on or after 1 September 2003 or 1.8 times the final salary times the length of employment with the Group on the attainment of the retirement age of 60. For members who joined the Plan before 1997, the retirement age is 60 for male members and 55 for female members. No other post-retirement benefits are provided.

The actuarial valuations of the plan assets and the present value of the defined benefit obligation are carried out as at 31 December 2022 and 31 December 2021 by Ms. Elaine Hwang and Mr. Leong-Hang Choi of Towers Watson Hong Kong Limited, respectively, who are the Fellow of the Society of Actuaries. The present value of the defined benefit obligations and the related current service cost are measured using the Projected Unit Credit Method.

The Plan exposes the Group to actuarial risks such as investment risk, interest risk and salary risk.

Investment risk	The plan assets are invested in a diversified portfolio of equities, hedge funds, bonds and cash, covering major geographical locations around the world. The diversification of asset classes and geographical location helps to reduce the concentration of risk associated with the plan investments.
Interest risk	The present value of the defined benefit plan liabilities is calculated using a discount rate determined by reference to market corporate bond yields. A decrease in the discount rate will increase the plan liabilities.
Salary risk	The present value of the defined benefit plan liabilities is calculated by reference to the future salaries of members. An increase in the salaries of members will increase the plan liabilities.

34. Provident and retirement fund schemes – continued

Hong Kong – continued

The Plan – continued

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	Valuation at	
	2022	2021
Discount rate per annum	**4.0%**	1.0%
Expected rate of salary increase	**3.5%**	3.5%

The actuarial valuation showed that the market value of plan assets was RMB21 million (2021: RMB24 million) and that the actuarial value of these assets represented 66% (2021: 75%) of the benefits that had accrued to members.

Amounts recognised in profit or loss and other comprehensive income in respect of these defined benefit plans are as follows:

	2022 RMB'million	2021 RMB'million
Service cost and components of defined benefit costs recognised in profit or loss:		
– Current service cost	**1**	1
	1	1
Remeasurement of the net defined benefit liability and components of defined benefit costs recognised in other comprehensive income:		
– Loss on plan assets (excluding amounts included in net interest expense)	**5**	3
– Actuarial gain arising from changes in financial assumptions	**(3)**	(1)
– Actuarial gains and losses arising from experience adjustments	**–**	–
	2	2
Total	**3**	3

The expense for the year is included in the retirement benefits costs in profit or loss.

The remeasurement of the net defined benefit liability is included in other comprehensive income.

34. Provident and retirement fund schemes – continued

Hong Kong – continued

The Plan – continued

The amount included in the consolidated statement of financial position arising from the Group's obligation in respect of its defined benefit plans is as follows:

	2022 RMB'million	2021 RMB'million
Present value of funded defined benefit obligations	32	32
Fair value of plan assets	(21)	(24)
Net liabilities arising from defined benefit obligations	11	8

Movements in the present value of the defined benefit obligations in the current year were as follows:

	2022 RMB'million	2021 RMB'million
On 1 January	32	35
Current service cost	1	1
Interest cost	–	–
Remeasurement gains:		
– Actuarial gains arising from changes in financial assumptions	(3)	(1)
– Actuarial gains and losses arising from experience adjustments	–	–
Contributions from plan participants	–	–
Benefits paid from scheme assets	–	(3)
Transfer out	–	–
Exchange realignment	2	–
On 31 December	32	32

Movements in the present value of the plan assets in the current year were as follows:

	2022 RMB'million	2021 RMB'million
On 1 January	24	30
Remeasurement (loss)/gain:		
– Interest income on scheme assets	–	–
– Loss on plan assets (excluding amounts included in net interest expense)	(5)	(3)
Contributions from the employer	–	1
Contributions from plan participants	–	–
Benefits paid from scheme assets	–	(3)
Transfer out	–	–
Exchange realignment	2	(1)
On 31 December	21	24

34. Provident and retirement fund schemes – continued

Hong Kong – continued

The Plan – continued

The major categories of plan assets at the end of the reporting year are as follows:

	2022 RMB'million	2021 RMB'million
Equities	13	16
Bonds and cash	8	8
	21	24

The fair values of the above equity and debt instruments are determined based on quoted market prices in active markets.

The actual loss on plan assets was of RMB5 million (2021: loss of RMB3 million).

Significant actuarial assumptions for the determination of the defined benefit obligations are discount rate and expected rate of salary increase. No sensitivity analysis is prepared as the financial impact arising from the changes in discount rate and expected rate of salary increase is insignificant.

The management has regularly monitored the investment strategies of the plan assets and there has been no change in the process used by the management to manage its risks from prior periods.

The average duration of the benefit obligation as at 31 December 2022 is 2.9 years (2021: 3.9 years).

The Group expects to make a contribution of RMB6 million (2021: RMB1 million) to the defined benefit plan during the next financial year.

PRC

According to the relevant laws and regulations in the PRC, certain subsidiaries established in the PRC are required to contribute a specific percentage of the payroll of their employees to retirement benefit schemes to fund the retirement benefits of their employees. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the respective schemes.

The Group's contributions to the state-managed retirement benefit schemes charged to the consolidated statement of profit or loss as staff costs during the year ended 31 December 2022 amounted to RMB47 million (2021: RMB35 million).

35. Share-based payment transactions

Share option scheme

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed by the shareholders on 8 June 2007 for the primary purpose of providing incentives to directors, eligible employees and consultants. Under the Scheme, the total number of shares in respect of which options may be granted is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

As at 31 December 2022, there was no outstanding share option (2021: 5,092,600 share options) under the Scheme. The Scheme allows the Board of directors of the Company, when offering the grant of any option, to impose any condition including any performance target which must be met before the option shall vest and become exercisable. The exercise price is determined by the directors of the Company, and will not be less than the highest of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

HKD1.00 is payable by each eligible participant to the Company on acceptance of an offer of options, to be paid within 1 month from the date of the offer.

The movement in the Company's share options is set out below:

		Number of options			
Date of grant	Exercise price HKD	On 1 January 2022	Transfer during the year	Lapsed during the year	On 31 December 2022
4 July 2016	1.98	**5,092,600**	**–**	**(5,092,600)**	**–**
		5,092,600	**–**	**(5,092,600)**	**–**
Categorised as:					
Directors		**874,000**	**437,000**	**(1,311,000)**	**–**
Employees		**4,218,600**	**(437,000)**	**(3,781,600)**	**–**
		5,092,600	**–**	**(5,092,600)**	**–**
Number of options exercisable		**5,092,600**			**–**

		Number of options		
Date of grant	Exercise price HKD	On 1 January 2021	Lapsed during the year	On 31 December 2021
7 July 2015	2.092	3,425,400	(3,425,400)	–
4 July 2016	1.98	5,470,600	(378,000)	5,092,600
		8,896,000	(3,803,400)	5,092,600
Categorised as:				
Directors		874,000	–	874,000
Employees		8,022,000	(3,803,400)	4,218,600
		8,896,000	(3,803,400)	5,092,600
Number of options exercisable		7,728,000		5,092,600

The Scheme expired on 7 June 2017 and no further share options can be granted thereunder. However, the rules of the Scheme remain in full force and effect to the extent necessary to give effect to the exercise of options granted prior to its expiration or otherwise as may be required in accordance with the rules of the Scheme. All outstanding share options granted prior to the expiration of the Scheme shall continue to be valid and exercisable in accordance with the rules of the Scheme. A new share option scheme was adopted by the Company on 24 May 2017.

35. Share-based payment transactions – continued

Share option scheme – continued

The vesting period and the exercisable period of the share options granted to eligible employees and directors on 4 July 2016 are as follows:

	Vesting period	Exercisable period
The first 1/5 of the grant:	From date of grant to 29 June 2017	From 30 June 2017 to 3 July 2022
The second 1/5 of the grant:	From date of grant to 29 June 2018	From 30 June 2018 to 3 July 2022
The third 1/5 of the grant:	From date of grant to 29 June 2019	From 30 June 2019 to 3 July 2022
The fourth 1/5 of the grant:	From date of grant to 29 June 2020	From 30 June 2020 to 3 July 2022
The fifth 1/5 of the grant:	From date of grant to 29 June 2021	From 30 June 2021 to 3 July 2022

During the years ended 31 December 2022 and 2021, no share options have been exercised.

Share award scheme

On 1 April 2015, (1) a connected employee share award scheme and (2) an employee share award scheme were adopted by the Company. The share award scheme is effective for a period of 16 years commencing from 1 April 2015. Pursuant to these two schemes, the Group has set up a trust for the purpose of administering the share award scheme and holding the awarded shares before they vest. The Company shall pay to the trustee monies and give directions or recommendation to the trustee to apply such monies and/or such other net amount of cash derived from shares held as part of the fund of the trusts to acquire shares from the market, and/or to allot and issue shares to the trustee, to satisfy any award made to selected participants. The remuneration committee of the Company shall select eligible persons and determine the number of shares to be awarded. Upon termination of the schemes, the trustee shall sell all unvested shares remaining in the trusts within a reasonable time period as agreed between the trustee and the Company, and remit all cash and net proceeds of such sale and such other funds remaining in the trust to the Company.

During the year ended 31 December 2015, a total of 17,149,000 award shares (which, depending on the performance of the Group, may be adjusted to a maximum of 42,872,500 award shares, i.e. 250% of the award shares granted during the year) and 7,705,000 award shares (which, depending on the performance of the Group, may be adjusted to a maximum of 19,262,500 award shares, i.e. 250% of the award shares granted during the year) of the Company have been awarded to certain connected employees (including directors of the Company and of certain subsidiaries) and employees of the Group respectively at no consideration.

The awarded shares shall vest upon condition relating to the Group's performance and the individual performance being met during the 3-year performance period. The key measures to the performance were taken with reference to the key performance indicators such as the Group's financial performance and the strategic growth.

As at 31 December 2022 and 2021, 17,710,250 shares are allocated at par and held by the trust for the share award schemes.

36. Assets classified as held for sale

On 9 July 2021, Fo Shan Rui Fang Property Development Co., Ltd., a wholly-owned subsidiary of the Company, entered into the Land Resumption Agreement No.7 with Foshan Chancheng District Land Reserve Center and Foshan Chancheng District Zumiao Sub-district Office, pursuant to which Fo Shan Rui Fang Property Development Co., Ltd. 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 million and Fo Shan Rui Kang Tian Di Property Development Co., Ltd., a wholly-owned subsidiary of the Company, entered into the Land Resumption Agreement No.8 with Foshan Chancheng District Land Reserve Center and Foshan Chancheng District Zumiao Sub-district Office, pursuant to which Fo Shan Rui Kang Tian Di Property Development Co., Ltd. has agreed to surrender Land No.8 to Foshan Chancheng District Land Reserve Center, at a consideration by way of cash compensation of RMB1,542 million.

On 31 December 2022, the land resumption was not completed and the Directors of the Company believe that the delay is caused by circumstances beyond the Company's control. The Company remains committed to its plan to sell and surrender the assets and therefore the related assets have been classified as "assets classified as held for sale" as at 31 December 2022 in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinue Operations*.

37. Pledge of assets

The following assets are pledged to banks as securities to obtain certain banking facilities at the end of the reporting year:

	2022 RMB'million	2021 RMB'million
Investment properties	32,491	33,764
Property and equipment	34	76
Right-of-use assets	6	6
Properties under development for sale	687	497
Receivables	126	90
Bank deposits	2,192	–
	35,536	34,433

38. Commitments and contingencies

(a) Capital and other commitments

At the end of the reporting year, the Group has the following commitments:

	2022 RMB'million	2021 RMB'million
Contracted but not provided for:		
Development costs for investment properties under construction or development	296	871
Development costs for properties under development held for sale	255	389
Investment in joint ventures	5,220	7,739
	5,771	8,999

Notes:
(i) On 7 June 2021, the Group, through an indirect wholly-owned subsidiary, was required to make a capital contribution to establish a joint venture with a joint venture partner (Shanghai Yongye Enterprise (Group) Co., Ltd) to carry out the property development project at the lands in Huangpu District, Shanghai.
(ii) On 21 December 2021, the Group was required to make a capital contribution to form a joint venture company with Wuhan Real Estate Group Co., Ltd. to acquire the land use rights of certain lands located in Wuchang District.
(iii) In December 2022, the Group, through an indirect wholly-owned subsidiary, was required to make a capital contribution to establish a joint venture with a joint venture partner (Shanghai Yangshupu Real Estate Co., Ltd) to acquire the land use rights of a certain plot of land located in Yangpu District, Shanghai.

(b) Contingent liabilities

(i) The Group provided guarantees of RMB1,983 million as at 31 December 2022 (31 December 2021: RMB2,672 million) to banks in favour of its customers in respect of the mortgage loans 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 the earlier of receiving the building ownership certificates of the respective properties by the bank from the customers or 90 days after the customers are allowed to apply for the building ownership certificate.

In determining whether financial liabilities should be recognised in respect of the Group's financial guarantee contracts, the directors of the Company exercise judgment in evaluation of the probability of resources outflow that will be required and the assessment of whether a reliable estimate can be made of the amount of the obligation.

In the opinion of the directors of the Company, the fair values of the financial guarantee contracts of the Group are insignificant at initial recognition and the directors consider that the possibility of the default of the parties involved is remote, and accordingly, no value has been recognised in the consolidated statement of financial position as at 31 December 2022 and 31 December 2021. Should the actual outcome be different from expected, provision for losses would be recognised in the consolidated financial statements.

39. Related party transactions

Apart from the related party transactions and balances as stated in notes 17, 18, 23 and 24 the Group has the following transactions with related companies during the year:

	2022 RMB'million	2021 RMB'million
Shui On Company Limited ("SOCL")(note (a)) and its subsidiaries other than those of the Group		
Rental expense	**4**	4
Renovation expense	**2**	2
Service cost reimbursement	**3**	2
Revenue from construction services	**–**	1
SOCAM Development Limited ("SOCAM")(note (b)) and its subsidiaries, being subsidiaries of SOCL		
Revenue from construction services	**1**	6
Rental and buildings management fee income	**1**	–
Great Eagle Holdings Limited (note (c)) and its subsidiaries		
Rental and building management fee income	**4**	5
Associates		
Revenue from construction services	**4**	178
Revenue from real estate asset management service	**33**	31
Interest expense	**102**	33
Rental and building management fee expense	**12**	14
Service cost reimbursement	**6**	–
Joint ventures		
Revenue from project management service	**69**	124
Interest income	**115**	43
Revenue from real estate asset management service	**53**	31
Revenue from construction services	**138**	70
Rental and building management fee income	**2**	1
Revenue from consulting service	**8**	8
Service cost reimbursement	**28**	6
Non-controlling shareholders of subsidiaries		
Management service fee expense	**13**	7
Key management personnel		
Property sales	**33**	–
Short-term benefits	**81**	84
Post-employment benefits	**1**	1
	82	85

Notes: These transactions were carried out in accordance with the terms and conditions mutually agreed by the parties involved.

(a) Shui On Company Limited is a private limited liability company incorporated in the British Virgin Islands and its ultimate controlling party is Mr. Vincent H.S. LO, who is also the Chairman and Executive Director of the Company.

(b) SOCAM Development Limited, a subsidiary of SOCL, is listing on the Stock Exchange.

(c) Great Eagle Holdings Limited is a company listed on the Stock Exchange. Dr. Lo Ka Shui is a substantial shareholder of Great Eagle Holdings Limited, he is an associate of Mr. Vincent H.S.LO, who is the Chairman and Executive Director of the Company.

40. Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes bank borrowings and senior notes disclosed in notes 27 and 30 respectively net of bank balances and cash and pledged bank deposits and equity comprising issued share capital and reserves and non-controlling shareholders of subsidiaries.

The directors of the Company review the capital structure of the Group by using a net gearing ratio, which is calculated based on dividing the net debt by total equity. The review is conducted at least quarterly and before each major financing or investment decision is made.

The net gearing ratios at the end of reporting dates are as follows:

	2022 RMB'million	2021 RMB'million
Bank borrowings	**20,257**	19,747
Senior notes	**13,255**	12,116
Pledged bank deposits	**(2,192)**	–
Bank balances and cash	**(11,176)**	(17,284)
Net debt	**20,144**	14,579
Total equity	**44,401**	49,178
Net gearing ratio	**45%**	30%

41. Financial instruments

a. Categories of financial instruments

	2022 RMB'million	2021 RMB'million
Financial assets		
Derivative financial assets	**492**	–
Financial assets at amortised cost	**22,490**	24,612
Financial liabilities		
Derivative financial liabilities	**–**	240
Financial liabilities at amortised cost	**45,676**	41,266
Financial liabilities at fair value through profit or loss	**28**	175

41. Financial instruments – continued

b. Financial risk management objectives and policies

The Group's major financial instruments include derivative financial instruments, loans to joint ventures, receivables and prepayments of relocation costs, amounts due from associates, amounts due from related companies, amounts due from joint ventures, loan to a non-controlling shareholder, bank balances and cash, pledged bank deposits, accounts and other payable, amount due to a joint venture, loans from/amounts due to associates, amounts due to related companies, amounts due to non-controlling shareholders of subsidiaries, bank borrowings, senior notes, lease liabilities and liability arising from a rental guarantee arrangement.

Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The main risks arising from the Group's financial instruments are currency risk, interest rate risk, credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Currency risk

All of the Group's revenues are denominated in RMB. However, the Group has certain bank balances and debt obligations that are denominated in foreign currency. As a result, the Group is exposed to fluctuations in foreign exchange rates. The foreign currency exposure are managed within approved policy parameters utilising currency forward contracts.

The Group applies hedge accounting for certain currency forward contracts in the consolidated financial statements. The Group determines the economic relationship between the hedged items and the hedging instruments by reviewing their critical terms and performing a quantitative assessment as needed. The Group applies hedge accounting for those currency forward contracts that the risk being hedged for the hedged items and the risk inherent in the hedging instruments are sufficiently aligned.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of the reporting year are as follows:

	2022 RMB'million	2021 RMB'million
HKD		
Assets	**309**	527
Liabilities	**2,320**	3,241
USD		
Assets	**1,190**	1,809
Liabilities	**12,662**	11,840

The Group has entered into such contracts in relation to the foreign currency denominated monetary liabilities amounting to RMB11,620 million (equivalent to USD1,530 million and HKD300 million forward contracts, and USD100 million call spread contracts respectively) (31 December 2021: RMB9,730 million (equivalent to USD1,130 million and HKD750 million of forward contracts, and USD300 million of call spread contracts respectively)).

41. Financial instruments – continued

b. Financial risk management objectives and policies – continued

Currency risk – continued

Sensitivity analysis

The Group is mainly exposed to the currency risk of HKD and USD.

The following paragraphs detail the Group's sensitivity to a 5% increase and decrease in functional currency against the relevant foreign currency. The sensitivity rate used when reporting foreign currency risk internally to key management personnel is 5% and it represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis only includes foreign currency outstanding denominated monetary items assuming the balances at the end of the reporting period outstanding for the whole year and adjusts their translation at the year end for a 5% change in foreign currency rates.

If RMB strengthens/weakens 5% against HKD with all other variables held constant, the effect on the profit or loss of the Group will be RMB12 million (2021: RMB129 million). This is mainly attributable to the exposure for those bank balances and cash and outstanding bank borrowings denominated in HKD which are neither subject to cash flow hedges nor belong to certain overseas subsidiaries, of which functional currency is not RMB, at the end of the reporting year.

If the RMB strengthens/weakens 5% against USD with all other variables held constant, the effect on the profit or loss of the Group will be RMB128 million (2021: RMB478 million). This is mainly attributable to the exposure for those bank balances and cash and bank borrowings and senior notes denominated in USD which are neither subject to cash flow hedges nor belong to certain overseas subsidiaries, of which functional currency is not RMB, at the end of the reporting year.

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's exposure to changes in interest rates is mainly attributable to its bank balances and restricted bank balances (note 21) and bank borrowings (note 27), at variable rates.

The Group's fair value interest rate risk relates primarily to fixed rate, loans from an associate (note 17) and senior notes (note 30).

The management aims at keeping bank borrowings at fixed rates at an appropriate level by entering into interest rate swaps. In order to achieve this result, the Group entered into interest rate swaps to hedge against certain exposures to changes in interest rates of the bank borrowings. The management adopts a policy of ensuring that bank borrowings of the Group at an appropriate portion are effectively hedged on a fixed rate basis, through the use of interest rate swaps.

Details of the Group's interest rate swaps entered into by the Group at the end of the reporting year are set out in note 32.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR, LIBOR, SOFR and LPR arising from the Group's HKD, USD and RMB borrowings.

41. Financial instruments – continued

b. Financial risk management objectives and policies – continued

Interest rate risk – continued

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For variable-rate bank borrowings the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

Bank balances are excluded from sensitivity analysis as the directors of the Company consider that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant.

If interest rates had been 100 basis points higher/lower and all other variables are held constant, the Group's profit/loss for the year would decrease/increase by RMB140 million (2021: RMB91 million). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings, after taking into consideration the effects of the capitalisation of interest costs.

Credit risk and impairment assessment

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position and the amount in relation to financial guarantee issued by the Group as disclosed in note 41.

The Group's credit risk is primarily attributable to its loans to related parties (including loan to a non-controlling shareholder, loans to joint ventures, amounts due from associates, amounts due from related companies and amounts due from joint ventures), receivables and prepayments of relocation costs, other receivables (including receivables from disposal of subsidiaries and receivables from disposal of an associate and a joint venture), contract assets, cash deposits with banks and amount in relation to the financial guarantees provided by the Group.

Receivables and contract assets arising from contracts with customers

In order to minimise the credit risk, the Group has policies in place to ensure that sales are made to purchasers with an appropriate financial strength and appropriate percentage of down payments. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model on trade balances arising from sales of properties and arising from construction revenue based on provision matrix. The credit risk of rental receivables is minimal as the Group has collected rental deposits from the tenants to secure any potential losses from uncollectible debts.

For other receivables, the Group makes periodic individual assessment on the recoverability of other receivables, prepayments of relocation costs and deposits based on historical settlement records, experience and quantitative and qualitative information that is reasonable and supportive forward-looking information. The Group believes that there is no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12-month ECL.

41. Financial instruments – continued

b. Financial risk management objectives and policies – continued

Credit risk and impairment assessment – continued

Loans to related companies

The Group has loans to related parties including loans to joint ventures, loans to a non-controlling shareholder, amounts due from associates, amounts due from related companies, and amounts due from joint ventures. The Group regularly monitors the business performance of the associates and joint ventures. The Group's credit risks in the loans to joint ventures, amounts due from associates/joint ventures/loans to a non-controlling shareholder are mitigated through the value of the assets held by these entities and the power to participate or jointly control the relevant activities of these entities. The credit risk of amounts due from related companies is managed through an internal process. The Group also actively monitors the outstanding amounts owed by each debtor and uses past due information to assess whether credit risk has increased significantly since initial recognition. The Group believes that there is no significant increase in credit risk of loans to a non-controlling shareholder, loans to joint ventures, amounts due from associates, amounts due from joint ventures and amounts due from related companies since initial recognition and the Group provided impairment based on 12-month ECL. For the years ended 31 December 2022 and 2021, the Group assessed the ECL for loans to related companies were insignificant and thus no loss allowance was recognised.

The Group has concentration of credit risk from loans to joint ventures of RMB5,608 million (2021: RMB2,156 million), amounts due from joint ventures of RMB1,881 million (2021: RMB3,153 million), amounts due from related companies of RMB411 million (2021: RMB394 million) and amounts due from associates of RMB193 million (2021: RMB555 million).

Cash deposits with banks

Cash deposits are mainly placed with state-owned financial institutions and reputable banks which are all high-credit-quality financial institutions, therefore the Group's credit risk on liquid funds is limited.

Contingent liabilities in relation to the financial guarantees

For properties that are still under construction, the Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of the properties. If a purchaser defaults on the payment of its mortgage during the term of the guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount under the loan and any accrued interest thereon. Under such circumstances, the Group can retain the customer's deposits and sell the property to recover any amounts paid by the Group to the bank. Unless the selling price drops significantly, which the probability is considered remote, the Group would not be in a loss position in selling those properties out. In this regard, the directors of the Company consider that the Group's credit risk in relation to financial guarantees from mortgage loans is largely mitigated.

Other than concentration of credit risk on some of the loans to related parties as disclosed above, the Group does not have any other significant concentration of credit risk. Receivables consist of a large number of customers and counterparties.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Receivables/contract assets	Other financial assets/ other items
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12-month ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL – not credit-impaired	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written-off	Amount is written-off

41. Financial instruments – continued

b. Financial risk management objectives and policies – continued

Credit risk and impairment assessment – continued

The tables below detail the credit risk exposures of the Group's financial assets, contract assets and financial guarantee contracts which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	**2022 Gross carrying amount RMB'million**	2021 Gross carrying amount RMB'million
Financial assets at amortised cost						
Receivables	19	N/A	Note 3	Lifetime ECL (provision matrix)	**266**	181
Amounts due from associates	17	N/A	Note 1	12-month ECL	**193**	555
Loans to/amounts due from joint ventures	18	N/A	Note 1	12-month ECL	**7,489**	5,309
Amounts due from related companies	23	N/A	Note 1	Lifetime ECL (not credit -impaired)	**411**	394
Loan to a non-controlling shareholder	24	N/A	Note 1	12-month ECL	**22**	22
Other receivables (including receivables from disposal of subsidiaries and receivables from disposal of an associate and a joint venture)	19	N/A	Note 1	Lifetime ECL (credit-impaired)	**243**	247
Prepayments of relocation costs	19	N/A	Note 1	12-month ECL	**640**	682
Pledged bank deposits	37	aaa to a	N/A	12-month ECL	**2,192**	–
Bank balances and cash	21	aaa to a	N/A	12-month ECL	**11,176**	17,284
Other items						
Contract assets	20	N/A	Note 3	Lifetime ECL (provision matrix)	**322**	434
Financial guarantee contracts (Note 2)	38 (b)	N/A	Low risk	12-month ECL	**1,983**	2,672

41. Financial instruments – continued

b. Financial risk management objectives and policies – continued

Credit risk and impairment assessment – continued

Notes:

1. For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

	Past due RMB'million	Not past due/No fixed repayment term RMB'million	Total RMB'million
2022			
Amounts due from associates	–	193	193
Loans to/amounts due from joint ventures	–	7,489	7,489
Amounts due from related companies	–	411	411
Loan to a non-controlling shareholder	–	22	22
Other receivables	243	–	243
Prepayments of relocation costs	–	640	640
	243	8,755	8,998
2021			
Amounts due from associates	–	555	555
Loans to/amounts due from joint ventures	–	5,309	5,309
Amounts due from related companies	–	394	394
Loan to a non-controlling shareholder	–	22	22
Other receivables	247	–	247
Prepayments of relocation costs	–	682	682
	247	6,962	7,209

2. For financial guarantee contracts, the gross carrying amount represents the maximum amount the Group has guaranteed under the respective contracts. The maximum amount that the Group guaranteed under the respective contracts was RMB1,983 million as of 31 December 2022 (2021: RMB2,672 million). At the end of the reporting year, the directors of the Company have performed impairment assessment, and concluded that there has been no significant increase in credit risk since initial recognition of the financial guarantee contracts. Accordingly, the loss allowance for financial guarantee contracts issued by the Group is measured at an amount equal to 12-month ECL. The directors of the Company considered that the 12-month ECL allowance is insignificant at 31 December 2021 and 31 December 2022.
3. For receivables and contract assets, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant outstanding balances or credit-impaired, the Group determines the expected credit losses on these items by using a provision matrix.

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers in relation to its property sales and construction operation because these customers consist of many small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for receivables and contract assets which are assessed based on provision matrix as of 31 December 2022 within lifetime ECL (not credit-impaired).

41. Financial instruments – continued

b. Financial risk management objectives and policies – continued

Credit risk and impairment assessment – continued

	2022 loss rate	2021 loss rate	Receivables and contracts assets 2022 RMB'million	Receivables and contracts assets 2021 RMB'million
Gross carrying amount				
Current (not past due)	0.1%	0.1%	331	493
1-30 days past due	1%	1%	76	55
31-60 days past due	2%	2%	11	17
61-90 days past due	4%	4%	4	3
More than 90 days past due	12.5%	25%	166	47
			588	615

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

During the year ended 31 December 2022, the Group made provision of RMB10 million for impairment allowance for receivables, based on the provision matrix.

The following table shows the movement in lifetime ECL that has been recognised for receivables and contract assets under the simplified approach.

	Lifetime ECL (Not credit-impaired) RMB'million
On 1 January 2021	13
– Impairment losses reversed	(1)
On 31 December 2021 and 1 January 2022	12
– Impairment losses accrued	10
On 31 December 2022	22

41. Financial instruments – continued

b. Financial risk management objectives and policies – continued

Credit risk and impairment assessment – continued

Changes in the loss allowance are mainly due to:

	Year ended 31 December 2022	
	Increase in lifetime ECL	
	Not credit-impaired RMB'million	Credit-impaired RMB'million
Impairment losses provided in reporting year based on provision matrix with a gross carrying amount of RMB588 million and credit-impaired with a gross carrying amount of RMB243 million	**10**	**70**

	Year ended 31 December 2021	
	Increase/(Decrease) in lifetime ECL	
	Not credit-impaired RMB'million	Credit-impaired RMB'million
Impairment losses provided/(reversed) in reporting year based on provision matrix with a gross carrying amount of RMB615 million and credit-impaired with a gross carrying amount of RMB247 million	(1)	50

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and the flexibility using of bank borrowings and senior notes. The Group also monitors the current and expected liquidity requirements and its compliance with lending covenants regularly to ensure it maintains sufficient working capital and adequate committed lines of funding to meet its liquidity requirement.

The following table details the maturities of the Group's financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

For derivative instruments that are settled on a net basis, undiscounted net cash outflows are presented.

41. Financial instruments – continued

b. Financial risk management objectives and policies – continued

Liquidity risk – continued

Liquidity and interest risk tables

	Weighted average effective interest rate %	Within 1 year or on demand RMB'million	More than 1 year but less than 2 years RMB'million	More than 2 years but less than 5 years RMB'million	More than 5 years RMB'million	Total undiscounted cash flows RMB'million	Carrying amount on 31 December 2022 RMB'million
2022							
Non-derivative financial liabilities							
Financial liabilities included in accounts payable, deposits received and accrued charges		4,799	232	220	108	5,359	5,359
Bank borrowings	6.23%	8,968	7,251	3,616	2,673	22,508	20,257
Senior notes	5.8%	4,238	4,037	6,521	–	14,796	13,255
Amounts due to related companies		357	–	–	–	357	357
Loan from/amounts due to a joint venture/associates		811	209	5,732	–	6,752	6,177
Amounts due to non-controlling shareholders		204	–	–	–	204	204
Financial guarantee contracts (note a)		1,983	–	–	–	1,983	–
Lease liabilities		14	8	24	34	80	67
Liability arising from a rental guarantee arrangement (note b)		28	–	–	–	28	28
		21,402	11,737	16,113	2,815	52,067	45,704

	Weighted average effective interest rate %	Within 1 year or on demand RMB'million	More than 1 year but less than 2 years RMB'million	More than 2 years but less than 5 years RMB'million	More than 5 years RMB'million	Total undiscounted cash flows RMB'million	Carrying amount on 31 December 2021 RMB'million
2021							
Non-derivative financial liabilities							
Financial liabilities included in accounts payable, deposits received and accrued charges		5,667	–	–	–	5,667	5,667
Bank borrowings	3.8%	7,055	6,908	4,845	2,641	21,449	19,747
Senior notes	5.8%	691	3,879	9,654	–	14,224	12,116
Amounts due to related companies		365	–	–	–	365	365
Amounts due to a joint venture/ associates		3,013	–	–	–	3,013	3,013
Amounts due to non-controlling shareholders		281	–	–	–	281	281
Financial guarantee contracts (note a)		2,672	–	–	–	2,672	–
Lease liabilities		28	12	24	42	106	77
Liability arising from a rental guarantee arrangement		175	–	–	–	175	175
		19,947	10,799	14,523	2,683	47,952	41,441

Notes:

a. The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on the expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

b. The amounts included above relate to the rental guarantee arrangement entered into by the Group in 2014 which was expired on 31 January 2022. The carrying amount at 31 December 2022 represents the estimated settlement for year 2022.

41. Financial instruments – continued

b. Financial risk management objectives and policies – continued

Liquidity risk – continued

Liquidity and interest risk tables – continued

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

c. Fair value measurement

The fair values of the Group's financial assets and financial liabilities excluding derivative financial instruments are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The Group's derivative financial instruments are measured at fair value at the end of the reporting period and they are grouped under Level 2 financial instruments based on the degree to which the fair value is observable.

The Group's currency forward contracts and call spread contracts amounting to RMB470 million as financial assets (2021: RMB244 million as financial liabilities) are measured at the present value of future cash flows, estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting year) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.

The Group's interest rate swaps amounting to RMB22 million as financial assets (2021: financial assets of RMB4 million) are measured at the present value of future cash flows, estimated based on forward interest rates (from observable forward interest rates at the end of the reporting year) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2021: Nil).

The fair values of the fixed rate interest-bearing loans from an associate (note 17) and loans to joint ventures (note 18) categorized within Level 3 hierarchy have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The amounts of the Group's fixed rate interest-bearing loans from an associate (note 17) and loans to joint ventures (note 18) at 31 December 2022 and 2021 approximated to their fair values.

The fair values of senior notes (note 30) are based on market prices.

41. Financial instruments – continued

c. Fair value measurement – continued

Assets/liabilities for which fair value are disclosed:

As at 31 December 2022

	Fair value measurement using				
	Quoted prices in active markets (Level 1) RMB'million	Significant observable inputs (Level 2) RMB'million	Significant unobservable inputs (Level 3) RMB'million	Total RMB'million	Carrying amounts RMB'million
Loans to joint ventures	–	–	5,608	5,608	5,608
Loans from an associate	–	–	5,575	5,575	5,575
Senior notes	11,497	–	–	11,497	13,255
	11,497	–	11,183	22,680	24,438

As at 31 December 2021

	Fair value measurement using				
	Quoted prices in active markets (Level 1) RMB'million	Significant observable inputs (Level 2) RMB'million	Significant unobservable inputs (Level 3) RMB'million	Total RMB'million	Carrying amounts RMB'million
Loans to joint ventures	–	–	2,156	2,156	2,156
Loans from an associate	–	–	2,548	2,548	2,548
Senior notes	11,712	–	–	11,712	12,116
	11,712	–	4,704	16,416	16,820

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the consolidated financial statements approximate to their fair values.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where there is a material change in the fair value of an asset or a liability, the causes of the fluctuations will be reported to the directors of the Company for appropriate actions to be taken.

42. Notes to the consolidated statement of cash flow

a. Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Amounts due to related companies* RMB'million Note 23	Bank borrowings RMB'million Note 27	Senior notes RMB'million Note 30	Derivative financial instruments RMB'million Note 32	Loans from/ amounts due to non-controlling shareholders** RMB'million Note 24	Loans from/ amounts due to associates*** RMB'million Note 17	Dividends and distributions RMB'million Notes 11 and 31	Lease liabilities RMB'million	Total RMB'million
On 1 January 2022	13	19,747	12,116	–	272	2,548	–	77	34,773
Financing cash flows	–	(796)	–	(108)	(393)	3,050	(958)	(15)	780
Interest paid	–	(991)	(728)	–	–	(20)	–	–	(1,739)
Distributions to owners of perpetual capital securities	–	–	–	–	–	–	128	–	128
Change in fair values	–	–	–	(458)	–	–	–	–	(458)
Foreign exchange realignment	–	1,242	1,122	–	–	–	–	–	2,364
Capital reduction by non-controlling shareholders of subsidiaries	–	–	–	–	220	–	–	–	220
Interest expenses	–	1,100	745	–	–	184	–	3	2,032
Final dividends for 2021	–	–	–	–	–	–	574	–	574
Interim dividends for 2022	–	–	–	–	–	–	256	–	256
Dividends to non-controlling shareholders of subsidiaries	–	–	–	–	45	–	–	–	45
Interest payable	–	(45)	–	–	–	–	–	–	(45)
Cash to be received upon settlement	–	–	–	74	–	–	–	–	74
New leases entered	–	–	–	–	–	–	–	2	2
On 31 December 2022	13	20,257	13,255	(492)	144	5,762	–	67	39,006

42. Notes to the consolidated statement of cash flow – continued

a. Reconciliation of liabilities arising from financing activities – continued

	Amounts due to related companies* RMB'million Note 23	Bank borrowings RMB'million Note 27	Senior notes RMB'million Note 30	Receipts under securitisation arrangement RMB'million	Derivative financial instruments RMB'million Note 32	Loans from/ amounts due to non-controlling shareholders** RMB'million Note 24	Loans from/ amounts due to associates*** RMB'million Note 17	Dividends and distributions RMB'million Notes 11 and 31	Lease liabilities RMB'million	Total RMB'million
On 1 January 2021	13	20,283	16,063	513	–	1,502	276	–	99	38,749
Financing cash flows	–	(306)	(3,592)	(513)	(975)	(430)	2,250	(524)	(33)	(4,123)
Interest paid	–	(836)	(922)	–	–	–	(11)	–	–	(1,769)
Capital reduction by non-controlling shareholders of subsidiaries	–	–	–	–	–	626	–	–	–	626
Distributions to owners of perpetual capital securities	–	–	–	–	–	–	–	247	–	247
Foreign exchange realignment	–	(317)	(272)	–	1,013	–	–	–	–	424
Interest expenses	–	951	839	–	–	–	33	–	4	1,827
Interim dividends for 2021	–	–	–	–	–	–	–	241	–	241
Dividends to non-controlling shareholders of subsidiaries	–	–	–	–	–	18	–	36	–	54
Interest payable	–	(28)	–	–	–	–	–	–	–	(28)
Settle forward payable	–	–	–	–	(38)	–	–	–	–	(38)
New leases entered	–	–	–	–	–	–	–	–	7	7
Equity loans from a non-controlling shareholders of subsidiaries	–	–	–	–	–	(1,444)	–	–	–	(1,444)
On 31 December 2021	13	19,747	12,116	–	–	272	2,548	–	77	34,773

* Out of the total amounts due to related companies for RMB357 million (2021: RMB365 million) as of 31 December 2022, RMB13 million (2021: RMB13 million) are liabilities arising from financing activities.

** Out of the total loans from/amounts due to non-controlling shareholders for RMB204 million (2021: RMB281 million) as of 31 December 2022, RMB144 million (2021: RMB272 million) are liabilities arising from financing activities.

*** Out of the total loans from/amounts due to associates for RMB6,132 million (2021: RMB3,000 million) as of 31 December 2022, RMB5,762 million (2021: RMB2,548 million) are liabilities arising from financing activities.

b. Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2022 RMB'million	2021 RMB'million
Within financing activities	**(15)**	(33)

43. Events after the reporting period

Up to the date of approval of the consolidated financial statement, the Group has been granted new bank loans/credit facilities of USD113.5 million and HKD585 million (equivalent to RMB1,313 million in aggregate translated using the exchange rate of RMB to USD of 6.9646 and exchange rate of RMB to HKD of 0.89327 as at 31 December 2022)with maturity period after 31 December 2023.

44. Statement of financial position of the company

	2022 RMB'million	2021 RMB'million
Non-current assets		
Investments in subsidiaries	**9,235**	8,762
Amount due from subsidiaries	**11,019**	11,840
	20,254	20,602
Current assets/(liabilities)		
Bank balances	**33**	2
Other payable and accrued charges	**–**	(2)
Income tax payable	**(25)**	(12)
	8	(12)
Total assets	**20,262**	20,590
Capital and reserves		
Share capital	**146**	146
Reserves	**20,116**	20,444
Total equity	**20,262**	20,590

Note: Details of the Company's reserves are set out below:

	Share premium RMB'million	Share award reserve RMB'million	Other reserve RMB'million	Share option reserve RMB'million	Retained profit RMB'million	Total RMB'million
On January 2021	18,078	10	507	5	762	19,362
Profit and total comprehensive income for the year	–	–	–	–	1,323	1,323
Lapsed of share options (note 35)	–	–	–	(2)	2	–
2021 interim dividend paid	–	–	–	–	(241)	(241)
On 31 December 2021 and 1 January 2022	18,078	10	507	3	1,846	20,444
Profit and total comprehensive income for the year	**–**	**–**	**–**	**–**	**528**	**528**
Lapsed of share options (note 35)	**–**	**–**	**–**	**(3)**	**3**	**–**
Shares repurchased	**(26)**	**–**	**–**	**–**	**–**	**(26)**
2022 interim dividend paid	**–**	**–**	**–**	**–**	**(256)**	**(256)**
2021 final dividend paid	**–**	**–**	**–**	**–**	**(574)**	**(574)**
On 31 December 2022	**18,052**	**10**	**507**	**–**	**1,547**	**20,116**

45. Particulars of major subsidiaries

Particulars of the Company's major subsidiaries as at 31 December 2022 and 31 December 2021 are as follows:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held 2022 (note a)	Attributable equity interest held 2021 (note a)	Place of operation	Principal activities
Shui On Xintiandi Limited (Cayman Islands)	Cayman Islands 27 October 2011	1,280,312 ordinary shares of USD0.001 each	100%	100%	Hong Kong	Investment Holding
Fo Shan An Ying Property Development Co., Ltd. (Note c)	PRC 8 January 2008	Registered and paid up capital RMB830,000,000	100%	100%	PRC	Property development
Fo Shan Rui Dong Property Development Co., Ltd. (Note c)	PRC 25 April 2008	Registered capital RMB1,410,000,000 paid up capital RMB1,386,000,000	100%	100%	PRC	Property development
Fo Shan Rui Fang Property Development Co., Ltd. (Note c)	PRC 21 May 2008	Registered capital RMB940,000,000 paid up capital RMB795,410,398	100%	100%	PRC	Property development
Fo Shan Rui Kang Tian Di Property Development Co., Ltd. (Note c)	PRC 21 May 2008	Registered and paid up capital RMB790,000,000	100%	100%	PRC	Property development
Fo Shan Shui On Property Development Co., Ltd. (Note c)	PRC 8 January 2008	Registered and paid up capital RMB900,000,000	100%	100%	PRC	Property development
Fo Shan Yi Kang Property Development Co., Ltd. (Note c)	PRC 8 January 2008	Registered and paid up capital RMB1,130,000,000	100%	100%	PRC	Property development
Shanghai Bai-Xing Properties Co., Ltd. (Note c)	PRC 2 February 1999	Registered and paid up capital RMB146,761,000	100%	100%	PRC	Property development and property investment
Shanghai Fu-Xiang Properties Co., Ltd. (Note b)	PRC 19 December 2001	Registered and paid up capital RMB645,000,000	99%	99%	PRC	Property development and property investment
Shanghai Ji-Xing Properties Co., Ltd. (Note c)	PRC 2 February 1999	Registered and paid up capital RMB69,452,000	100%	100%	PRC	Property development and property investment
Shanghai Jiu Hai Rimmer Properties Co., Ltd. (Note b)	PRC 1 November 1994	Registered and paid up capital USD30,000,000	80%	80%	PRC	Property development and property investment
Shanghai Jun Xing Property Co., Ltd (Note b)	PRC 5 March 2009	Registered and paid up capital RMB100,000,000	98%	98%	PRC	Property development
Shanghai Knowledge and Innovation Community Development Co., Ltd (Note b)	PRC 9 June 2010	Registered and paid up capital HKD1,550,000,000	50.49%	50.49%	PRC	Property development and property investment

45. Particulars of major subsidiaries – continued

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held 2022 (note a)	Attributable equity interest held 2021 (note a)	Place of operation	Principal activities
Shanghai Rui Chen Property Co., Ltd. (Note c)	PRC 6 May 1996	Registered and paid up capital RMB100,000,000	100%	100%	PRC	Property development and property investment
Shanghai Rui Qiao Property Development Co., Ltd. (Note c)	PRC 28 December 2010	Registered and paid up capital RMB3,900,000,000	100%	100%	PRC	Property development and property investment
Shanghai Xin-Tian-Di Plaza Co., Ltd. (Note c)	PRC 2 February 1999	Registered and paid up capital RMB98,261,000	100%	100%	PRC	Property development and property investment
Shanghai Xing-Qi Properties Co., Ltd. (Note c)	PRC 2 February 1999	Registered and paid up capital RMB266,653,000	100%	100%	PRC	Property development and property investment
Shanghai Yang Pu Centre Development Co., Ltd. (Note b, e)	PRC 26 August 2003	Registered and paid up capital USD137,500,000	44.268%	44.268%	PRC	Property development and property investment
Shui On Development (Holding) Limited	Cayman Islands 27 July 2005	22 ordinary shares of USD0.01 each	100%	100%	Hong Kong	Investment holding and debt financing
Shui On Land Management Limited	Hong Kong 12 May 2004	1 ordinary share of HKD1	100%	100%	Hong Kong	Provision of management services
Wuhan Shuion Shangqi Real Estate Management Co., Ltd (Note c)	PRC 24 July 2012	Registered and paid up capital USD14,400,000	100%	100%	PRC	Property investment
Wuhan Shui On Tiandi Property Development Co., Ltd. (Note c)	PRC 2 August 2005	Registered and paid up capital USD273,600,000	100%	100%	PRC	Property development and property investment
上海彩興房地產開發有限公司 (Shanghai Cai Xing Properties Development Co., Ltd.*) (Note b)	PRC 16 May 2014	Registered capital RMB600,000,000 paid up capital RMB600,000,000	99%	99%	PRC	Property development
上海豐誠物業管理有限公司 (Shanghai Feng Cheng Property Management Co., Ltd.*) (Note c)	PRC 18 January 2004	Registered and paid up capital RMB37,079,950	100%	100%	PRC	Property management
瑞安管理(上海)有限公司 (Shui On Management Limited*) (Note c)	PRC 14 June 2004	Registered and paid up capital USD58,000,000	100%	100%	PRC	Provision of management services
瑞安建築有限公司 (Shui On Construction Co., Ltd.) (Note b)	PRC 27 April 1985	Registered and paid up capital RMB100,000,000	100%	100%	PRC	Provision of construction services
上海澤辰房地產經營有限公司 (Shanghai Ze Chen Real Estate Co., Ltd.* (Note c)	PRC 1 December 2017	Registered and paid up capital RMB465,000,000	100%	100%	PRC	Property development

45. Particulars of major subsidiaries – continued

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held 2022 (note a)	2021	Place of operation	Principal activities
上海新灣景置業有限公司 (Shanghai Xin Wan Jing Property Co., Ltd.) (Note d)	PRC 28 March 2008	Registered and paid up capital RMB40,000,000	100%	100%	PRC	Property development and property investment
上海九澤置業有限公司 (Shanghai Jiu Ze Property Co., Ltd.*) (Note c)	PRC 29 September 2019	Registered and paid up capital RMB2,000,000,000	100%	100%	PRC	Property development and property investment
上海蟠龙天地有限公司 (Shanghai Panlong Tiandi Co., Ltd.*) (Note d)	PRC 8 May 2017	Registered capital RMB1,300,000,000 paid up capital RMB1,960,000,000	80%	80%	PRC	Property development and property investment
瑞安新天地(上海)商業管理有限公司 (Shui On Xintiandi Commercial Management Ltd*) (Note c)	PRC 25 February 2013	Registered and paid up capital USD10,000,000	100%	100%	PRC	Provision of management services
瑞安投資(上海)有限公司 (Shui On Investment (Shanghai) Limited*) (Note c)	PRC 20 October 2022	Registered capital USD100,000,000	100%	N/A	PRC	Investment holding and debt financing

Notes:
a. The Company directly holds the equity interest in Shui On Development (Holding) Limited. All other equity interests shown above are indirectly held by the Company.
b. This Company is a sino-foreign equity joint venture.
c. This Company is a wholly foreign owned enterprise.
d. This Company is a wholly domestic owned enterprise.
e. This company is a subsidiary of Bright Power Enterprises Limited, in which the Group holds 51% (2021: 51%) of equity interests in 2022.
* For identification purposes

The table below shows details of non-wholly owned subsidiaries of the Company that have material non-controlling interests:

	Proportion of equity interest held by non-controlling shareholders On 31 December		Profit allocated to non-controlling shareholders Year ended 31 December		Accumulated non-controlling interests On 31 December	
	2022	2021	**2022**	2021	**2022**	2021
			RMB'million	RMB'million	**RMB'million**	RMB'million
Name of subsidiary						
Bright Power	**49%**	49%	**66**	84	**1,844**	1,890
Merry Wave	**49%**	49%	**32**	48	**1,311**	1,308
Individually immaterial subsidiaries with non-controlling interests	**N/A**	N/A	**355**	206	**2,096**	1,995
			453	338	**5,251**	5,193

45. Particulars of major subsidiaries – continued

Summarised financial information in respect of Bright Power is set out below. The summarised financial information below represents amounts before intragroup eliminations:

	On 31 December	
	2022 RMB'million	2021 RMB'million
Current assets	**256**	461
Non-current assets	**5,843**	5,794
Current liabilities	**512**	1,354
Non-current liabilities	**1,253**	1,940
Equity attributable to shareholders of Bright Power	**3,795**	2,435

	Year ended 31 December	
	2022 RMB'million	2021 RMB'million
Revenue	**347**	385
Profit and total comprehensive income for the year	**188**	201
Dividend paid to a non-controlling shareholder of Bright Power	**23**	–
Net cash from operating activities	**59**	255
Net cash from investing activities	**2**	30
Net cash used in financing activities	**(291)**	(67)
Net cash (outflow)/inflow	**(230)**	218

Summarised financial information in respect of Merry Wave is set out below. The summarised financial information below represents amounts before intragroup eliminations:

	On 31 December	
	2022 RMB'million	2021 RMB'million
Current assets	**546**	477
Non-current assets	**2,700**	2,698
Current liabilities	**190**	920
Non-current liabilities	**306**	1,039
Equity attributable to shareholders of Merry Wave	**2,726**	1,192

	Year ended 31 December	
	2022 RMB'million	2021 RMB'million
Revenue	**157**	164
Profit and total comprehensive income for the year	**66**	99
Dividend paid to a non-controlling shareholder of Merry Wave	**–**	6
Net cash from operating activities	**82**	117
Net cash from/(used in) investing activities	**8**	(68)
Net cash used in financing activities	**(57)**	(73)
Net cash inflow/(outflow)	**33**	(24)

FINANCIAL SUMMARY

Summary of Consolidated Statement of Profit or Loss

for the year ended 31 December

	2018 RMB' million	2019 RMB' million	2020 RMB' million	2021 RMB' million	**2022** **RMB' million**
Revenue	24,841	10,392	4,597	17,555	**15,565**
Profit/(loss) attributable to shareholders	1,906	1,932	(740)	1,636	**906**
Owners of perpetual capital securities	259	269	269	234	**116**
Owners of convertible perpetual capital securities	112	116	49	–	**–**
Non-controlling shareholders of subsidiaries	409	228	189	338	**453**
Profit/(loss) for the year	2,686	2,545	(233)	2,208	**1,475**

Summary of Consolidated Statement of Financial Position

as of 31 December

	2018 RMB' million	2019 RMB' million	2020 RMB' million	2021 RMB' million	**2022** **RMB' million**
Investment properties	49,100	51,913	51,220	51,311	**51,665**
Property and equiptment	1,080	1,053	1,235	1,193	**1,197**
Properties under development for sale	11,927	17,855	21,247	6,699	**4,541**
Properties held for sale	5,315	973	938	7,217	**1,759**
Interests in associates	4,998	7,470	7,828	8,038	**8,010**
Interests in joint ventures	10,682	11,108	11,973	15,472	**13,154**
Receivables, deposits, and prepayments	4,464	3,432	2,775	2,178	**1,901**
Other assets	7,292	2,753	2,463	4,504	**9,283**
Pledged bank deposits, bank balances and cash	15,392	11,859	15,796	17,284	**13,368**
Total assets	110,250	108,416	115,475	113,896	**104,878**
Current liabilities	36,393	20,896	39,541	34,149	**27,524**
Non-current liabilities	26,638	38,213	29,201	30,569	**32,953**
Total liabilities	63,031	59,109	68,742	64,718	**60,477**
Net assets	47,219	49,307	46,733	49,178	**44,401**
Equity attributable to:					
Shareholders of the Company	39,047	40,076	38,577	39,936	**39,150**
Owners of convertible perpetual capital securities	1,345	1,345	–	–	**–**
Owners of perpetual capital securities	4,055	4,056	4,062	4,049	**–**
Non-controlling interests	2,772	3,830	4,094	5,193	**5,251**
Total equity	47,219	49,307	46,733	49,178	**44,401**

Per share data

for the year ended 31 December

	2018	2019	2020	2021	**2022**
Basic earnings/(loss) per share (RMB)	0.237	0.240	(0.092)	0.203	**0.113**
Dividend per share					
– Interim paid (HKD)	0.036	0.036	–	0.036	**0.036**
– Final proposed (HKD)	0.084	0.084	–	0.084	**0.064**
– Full year (HKD)	0.120	0.120	–	0.120	**0.100**
Bonus shares	–	–	–	–	**–**

CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Vincent H. S. LO (Chairman)
Ms. Stephanie B. Y. LO
Ms. Jessica Y. 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
Mr. Albert Kong Ping NG

Audit and Risk Committee

Professor Gary C. BIDDLE (Chairman)
Dr. Roger L. McCARTHY
Mr. David J. SHAW
Mr. Albert Kong Ping NG

Remuneration Committee

Mr. Anthony J. L. NIGHTINGALE (Chairman)
Mr. Vincent H. S. LO
Professor Gary C. BIDDLE

Nomination Committee

Mr. Shane S. TEDJARATI (Chairman)
Professor Gary C. BIDDLE
Ms. Stephanie B. Y. LO

Sustainability Committee

Ms. Ya Ting WU (Chairman)
Dr. Roger L. McCARTHY
Ms. Stephanie B. Y. LO
Ms. Jessica Y. WANG

Strategy Committee

Mr. Vincent H. S. LO (Co-chair)
Mr. Shane S. TEDJARATI (Co-chair)
Professor Gary C. BIDDLE
Mr. Anthony J. L. NIGHTINGALE
Mr. Albert Kong Ping NG
Ms. Stephanie B. Y. LO
Mr. Douglas H. H. SUNG

Company Secretary

Mr. UY Kim Lun

Auditor

Ernst & Young
Registered Public Interest Entity Auditor

Legal Advisers

Freshfields Bruckhaus Deringer
Mayer Brown

Registered Office

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

Corporate Headquarters

26/F, Shui On Plaza
333 Huai Hai Zhong Road
Shanghai 200021
PRC

Place of Business In Hong Kong

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6-8 Harbour Road
Wan Chai
Hong Kong

Principal Share Registrar and Transfer Office

Suntera (Cayman) Limited
Suite 3204, Unit 2A, Block 3
Building D
P.O. Box 1586
Gardenia Court
Camana Bay
Grand Cayman, KY1-1100
Cayman Islands

Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17/F, Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

Principal Bankers

Agricultural Bank of China Limited
Bank of China Limited
China Merchants Bank Co., Limited
Industrial and Commercial Bank of China Limited
Standard Chartered Bank Limited
United Overseas Bank Limited

Stock Code

272

Website

www.shuionland.com

Investor Relations

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