



瑞安房地產
SHUI ON LAND

ANNUAL REPORT 2023



SHUI ON LAND LIMITED

Incorporated in the Cayman islands with limited liability

STOCK CODE 272

CONTENTS

| | | | |
|----|------------------------------------|-----|--|
| 2 | Financial Highlights | 89 | Biographies of Directors and Senior Management |
| 4 | Key Achievements | 97 | Directors' Report |
| 6 | Key Awards | 113 | Independent Auditor's Report |
| 8 | Chairman's Statement | 117 | Consolidated Statement of Profit or Loss |
| 14 | Management Discussion and Analysis | 118 | Consolidated Statement of Comprehensive Income |
| 16 | Project Profiles | 119 | Consolidated Statement of Financial Position |
| 30 | Business Review | 120 | Consolidated Statement of Changes in Equity |
| 44 | Business Review – Landbank | 121 | Consolidated Statement of Cash Flows |
| 46 | Financial Review | 123 | Notes to the Consolidated Financial Statements |
| 50 | Market Outlook | 199 | Financial Summary |
| 52 | Sustainability Report | 200 | Corporate Information |
| 62 | Corporate Governance Report | | |
| 84 | Risk Management Report | | |



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 2023, the Company has 14 projects in various stages of development in prime locations of major cities, with a landbank of 8.5 million sq.m. (6.2 million sq.m. of leasable and saleable Gross Floor Area ("GFA"), and 2.3 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 RMB84 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 is included in the Hang Seng Composite Index, Hang Seng Composite Industry Index – Properties & Construction, Bloomberg Gender-Equality Index as well as Bloomberg ESG Score Universe.

FINANCIAL HIGHLIGHTS

Operating Results for the year ended 31 December

| | 2023 HKD'million | 2022 HKD'million | 2023 RMB'million | 2022 RMB'million |
|--|----------------------|---------------------|----------------------|---------------------|
| Revenue | 10,823 | 18,040 | 9,752 | 15,565 |
| Represented by: | | | | |
| Property development | 6,546 | 13,555 | 5,898 | 11,695 |
| Property investment | 2,661 | 2,399 | 2,398 | 2,070 |
| Property management | 644 | 589 | 580 | 508 |
| Construction | 364 | 1,110 | 328 | 958 |
| Others | 608 | 387 | 548 | 334 |
| Gross profit | 5,599 | 7,706 | 5,045 | 6,649 |
| Increase/(decrease) in fair value of the investment properties | 35 | (132) | 32 | (114) |
| Profit attributable to shareholders of the Company | 899 | 1,050 | 810 | 906 |
| Core earnings of the Group | 1,033 | 1,436 | 931 | 1,239 |
| Basic earnings per share | HKD11.2 cents | HKD13.1 cents | RMB10.1 cents | RMB11.3 cents |
| Dividend per share | | | | |
| Interim paid | HKD0.032 | HKD0.036 | | |
| Proposed final | HKD0.058 | HKD0.064 | | |
| Full year | HKD0.09 | HKD0.10 | | |

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 HKD1.1098 for 2023 and RMB1.000 to HKD1.1590 for 2022 being the average exchange rates that prevailed during the respective years.

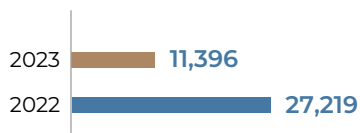
Financial Position as of 31 December

| | 2023 RMB'million | 2022 RMB'million |
|--|---------------------|---------------------|
| Total cash and bank deposits | 8,917 | 13,368 |
| Total assets | 100,998 | 104,878 |
| Total equity | 44,149 | 44,401 |
| Total indebtedness | 31,933 | 33,512 |
| Bank and other borrowings | 17,676 | 20,257 |
| Senior notes | 9,898 | 13,255 |
| Receipts under securitisation arrangements | 4,359 | – |
| Net gearing ratio* | 52% | 45% |

* Calculated on the basis of the excess of the sum of bank and other borrowings, senior notes and receipts under securitisation arrangements net of the sum of total cash and bank deposits over the total equity.

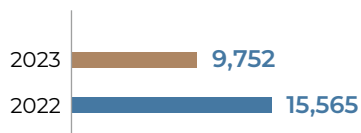
Contracted Sales

(RMB'million)



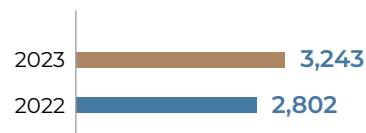
Revenue

(RMB'million)



Rental and Related Income*

(RMB'million)



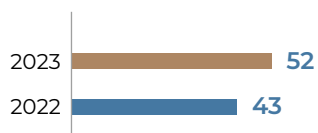
Gross Profit

(RMB'million)



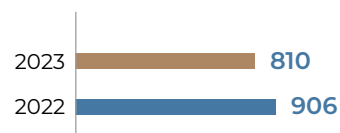
Gross Profit Margin

%



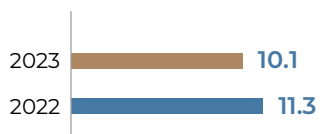
Profit Attributable to Shareholders of the Company

(RMB'million)



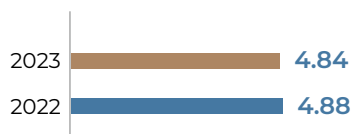
Basic Earnings per Share

(RMB'cents/share)



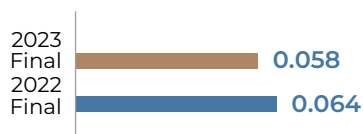
Shareholders' Equity per Share

(RMB/share)



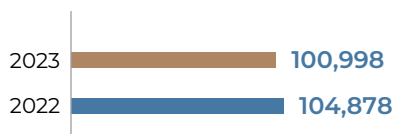
Dividend per Share

(HKD/share)



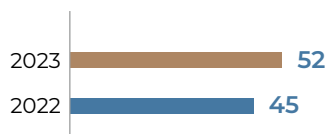
Total Assets

(RMB'million)



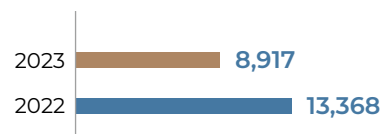
Net Gearing Ratio

%



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, Nanjing IFC, and CPIC XINTIANDI COMMERCIAL CENTER (Lot 132) in which, the Group has 49.5%, 44.55%, 50% and 25% effective interests, respectively.

KEY ACHIEVEMENTS

SOLID PROJECT DEVELOPMENT AND RESILIENT OPERATIONAL PERFORMANCE

- The asset enhancement of Xintiandi Style II in Shanghai was completed and it reopened in January 2023 with a brand-new concept and positioning to cater to the lifestyle-focused preferences of the growing young premium clientele.
- A component of Greater Xintiandi, CPIC XINTIANDI COMMERCIAL CENTRE is a commercial complex consisting of three office buildings and a podium commercial Galleria. The 250 m. super high-rise Grade A office T1 building was topped out in May 2023, and T3, now named CPIC Tower, officially opened in November 2023.
- Xintiandi and the UCCA Center for Contemporary Art jointly presented the 2023 “RanRan” Art Season, showcasing award-winning artists’ proposals and works, works by the season’s featured artists, and the results of the annual Artist Residency Programmes in Shanghai’s Greater Xintiandi area. Throughout its duration, RanRan stimulated the city’s cultural curiosity through public art projects, lecture salons, performance workshops, and other forms of co-creation.
- Shanghai Panlong Tiandi, one of the first urban village renovation projects completed in the city, was officially unveiled to the public at the end of April 2023. Blending the historical heritage of an ancient Panlong Town with modern commercial elements, Panlong Tiandi creates an urban retreat where the traditional hallmarks of a Jiangnan water town are intertwined with modern life. Foot traffic amounted to 4 million in the first month following its opening and the accumulated traffic flow had reached 16 million by the end of 2023.
- The Asia premiere of “KAIMU Theatre”, a cultural experience project jointly created by Shui On Xintiandi and Kaimu Cultural Technology, opened at the Cheng Family Ancestral Hall, a cultural heritage site in Panglong Tiandi with a history of nearly 300 years. The event brought the public an immersive cultural journey through a digital son-et-lumière display vividly evoking the charm of classical Chinese culture.
- Hong Shou Fang, a smaller-scale urban regeneration project in Shanghai, was officially opened to the public at the end of September 2023. Combining historical shikumen-style heritage with modern commercial conveniences, it welcomed 700,000 visitors resulting in sales amounting to RMB10 million during the National Day holidays.
- IFCX, a commercial project in Nanjing managed by Shui On Xintiandi, has completed its positioning upgrade and reopened at the end of September 2023 with a new look. The new IFCX revitalises the landmark building located at Xinjiekou, the most vibrant business district in Nanjing.
- The Shui On Community Development Report was released in October 2023, the first time that the Group has systematically compiled and elaborated on the concepts, advancement paths and indicators of Excellence in Communities, with the hope of providing references for the construction and development of our global Excellence in Communities in the future.
- Wuhan Tiandi La Riva III set new records in Wuhan. All the units launched were sold on the first day and the average selling price of RMB64,000 per sq. m. marked the highest pre-sale price ever recorded in the city.
- Wuhan Optics Valley Innovation Tiandi has seen good demand from end-users for its office blocks with an aggregated sales of RMB2.5 billion in 2023, making it the double champion in terms of transaction area and transaction value in Wuhan’s office market.
- Wuhan Changjiang Tiandi is another mega master-planned community in the city. Phase 1 residential sales were launched in late September 2023.
- In December 2023, Shanghai Hongrui Shouyuan Consulting Management Partnership (Limited Partnership), an investment vehicle of Dajia Life Insurance Co., Ltd, agreed to acquire a 65% equity interest in the Shanghai Hong Shou Fang project, to expand our portfolio of assets.



PRUDENT CAPITAL MANAGEMENT

- In April 2023, the Group successfully issued the largest ever private green mortgage-backed onshore CMBS with an issue size of RMB4,401 million, a credit rating of AAA_{sf} and a coupon rate of 3.9%, marking an important milestone in onshore financing.

NEW INVESTMENT

- In April 2023, the Group established a joint venture (Shanghai Zhaolou Tiandi Co., Ltd.) to carry out a potential new development in Pujiang Town, Minhang District, Shanghai. This will be a mixed-use development comprising residential, commercial, and ancillary facilities.



ESG INITIATIVES AND ACHIEVEMENTS

- The Group obtained SBTi approval for our 1.5°C-aligned science-based targets in July 2023.
- Over 96% of existing assets by GFA obtained either green or healthy building certifications.
- Shui On Xintiandi formed a strategic partnership in December with CLP Group to co-operate on the supply of green power in our commercial properties, setting a sustainability benchmark for future urban communities, and increasing the share of total electricity consumption from renewable sources to around 20% in 2023, up from approximately 15% in 2022.
- 46% decrease in Scope 1 and 2 carbon emissions intensity from the baseline year 2019.
- The Group signed a Memorandum of Understanding with the global non-profit organisation The Nature Conservancy to facilitate the promotion of biodiverse urban habitats in cities where we operate and bring urban biodiversity conservation to a higher level in China.
- 97% of F&B tenants, 89% of retail tenants, and 83% of office tenants joined our Green Pledge programme.



Corporate

Shui On Land
Best Companies To Work For In Asia 2023
 HR Asia

Shui On Land
13th Asian Excellence Award 2023
 – **Asia’s Best Investor Relations Company**
 – **Asia’s Best CSR**
 Corporate Governance Asia Magazine

Shui On Land
HKIRA 9th Investor Relations Awards 2023 – Best IR Company (Small Cap)
 Hong Kong Investor Relations Association

Shui On Land
1st CRECCHKI Real Estate ESG Awards GBA 2023
 – **Outstanding Performance Liveability – Gold**
 – **Outstanding Performance Net Zero – Merit**
 – **Outstanding Performance Green Finance – Merit**
 – **Outstanding Performance Green Building – Merit**
 – **Outstanding Performance Green Design – Merit**
 China Real Estate Chamber of Commerce Hong Kong and International Chapter

Shui On Land
ESG Leading Enterprise Awards 2023
 Bloomberg Businessweek – Chinese Edition

Shui On Land
Fortune China ESG Influential Listing 2023
 Fortune China

Shui On Land
2022 InnoESG Prize
 InnoESG

Shui On Land
Elite Habitat Award – Urban Renewal Award of Excellence
 Ministry of Science and Technology of the People’s Republic of China

Shui On Land
Top 50 Good Companies – Industry Leadership Award
 Jiemian News

Shui On Land
2023 China Social Responsibility Ranking – Environmental Ecological Contribution Award
 YICAI

Shui On Xintiandi
Sustainability achievement of the Year – Excellence
 RICS China 2023

Shui On Xintiandi
2023 Bloomberg Green ESG 50 – Brands
 Bloomberg Green

Management

Vincent H. S. LO
HKIRA 9th Investor Relations Awards 2023 – Best IR by Chairman/CEO
 Hong Kong Investor Relations Association

Jessica Y. WANG
13th Asian Excellence Award 2023 – Asia’s Best CEO
 Corporate Governance Asia Magazine

Jessica Y. WANG
Female CEO of the Year
 Jiemian News

Douglas H. H. SUNG
13th Asian Excellence Award 2023 – Asia’s Best CFO
 Corporate Governance Asia Magazine

Douglas H. H. SUNG
HKIRA 9th Investor Relations Awards 2023 – Best IR by CFO
 Hong Kong Investor Relations Association





Project

Shanghai Xintiandi

Included in the third batch of national tourism and leisure districts

Ministry of Culture and Tourism of the People's Republic of China

Xintiandi Plaza

2023 ULI Asia Pacific Awards for Excellence

Urban Land Institute

Taipingqiao Lot 132

LEED-Core and Shell Development Gold

USGBC

Taipingqiao Lot 132

WELL Core Platinum

IWBI

Shanghai Panlong Tiandi

**Best Retail Project – Gold Award
Best Hospitality, Tourism and Leisure Project – Silver Award**

MIPIM Asia Awards

Shanghai Panlong Tiandi

2023 China Urban Regeneration Outstanding Cases – 5 Large Areas Renewal Award

China Urban Regeneration Forum

Shanghai Panlong Tiandi

2023 Shanghai Nightlife Festival Best Practices

Shanghai Municipal Commission of Commerce

Shanghai Panlong Tiandi

LEED v4 LEED-Neighborhood Development – Built Project Gold

USGBC

Hong Shou Fang

2023 China Urban Regeneration Outstanding Cases – Top 10 15-minute Living Circle Demonstration Award

China Urban Regeneration Forum

Hong Shou Fang East Tower, West Tower & Foodie Social

LEED-Core and Shell Development Gold

USGBC

KIC

2023 China Urban Regeneration Outstanding Cases – Top 10 Industrial Community Award

China Urban Regeneration Forum

Wuhan 1 Corporate Avenue

CTBUH Annual Awards – Excellence Winners

CTBUH

Wuhan Tiandi Office

WELL Gold

IWBI

Optics Valley Innovation Tiandi Lot B8-9

LEED-Core and Shell Development Gold (Pre-certified)

USGBC

Optics Valley Innovation Tiandi Lot B8-9

WELL Core Gold Precertification

IWBI

Foshan Lingnan Tiandi

Included in the third batch of national nighttime culture and tourism consumption cluster areas

Ministry of Culture and Tourism of the People's Republic of China

Global Benchmark Recognition

HKQAA

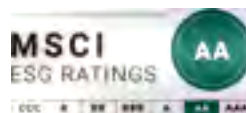
AA-

HKQAA Sustainability Rating and Research



5 Stars

GRESB (SCOV¹ only)



AA

MSCI ESG Rating



A-

CDP (Climate Change)



Listed

Bloomberg Gender Equality Index




Hang Seng Corporate Sustainability Index Series

Constituent

Hang Seng Corporate Sustainability Benchmark Index

1 The Shui On Land Core-Plus Office Venture



“The Group takes a very prudent approach to capital management, and has proactively adopted various means to enhance our liquidity.”

The Group's 2023 results demonstrated resilience in the face of growing market disruptions, as we steadfastly executed the Asset Light Strategy we have been implementing in recent years. Although the Chinese economy has rebounded to some degree in 2023, a lack of confidence has led to a continuing downturn in the property market. Despite this, we have been able to maintain profitability, while meeting our financial obligations and upholding a stable balance sheet.

Stable Fundamentals

The resilient nature of the Group's businesses and the sound management of its operations saw it record a net profit of RMB1,397 million in 2023, with profit attributable to shareholders of RMB810 million. Recognised property sales for the year amounted to RMB38,565 million (after deduction of applicable taxes) (2022: RMB12,972 million). For the commercial portfolio, total rental and related income (including joint ventures and associates) was RMB3,243 million, representing an increase of 16% year-on-year.

The Group takes a very prudent approach to capital management. In total, the Group repaid or refinanced RMB14.36 billion in debt over the course of 2023. We have proactively adopted various means to enhance our liquidity, including successfully issuing the largest ever private onshore green commercial mortgage-backed security, with an issue size of RMB4.401 billion, a credit rating of AAA_{sf} and a coupon rate of 3.9%. Net gearing consequently remained healthy, at 52% as at 31 December 2023, with cash and bank deposits of RMB8,917 million.



VINCENT H. S. LO
Chairman

The Board has recommended a final dividend of HKD0.058 per share, which together with the interim dividend of HKD0.032 per share results in a full-year dividend of HKD0.09 per share (2022: HKD0.10).

Resilient Performance

The year 2023 saw extremely challenging conditions for China's property industry. Globally, geopolitical tensions increased. High inflation led to rising interest rates for much of the year in most major financial markets outside China and the uncertain economic outlook saw consumer confidence decline. Although China's gross domestic product rose by 5.2% in 2023, growth has not been broad based and from October, the Consumer Price Index began to trend downwards. In particular, property sales have been affected by weak demand and oversupply, especially in lower-tier cities. High levels of gearing and reduced inflows of capital from sales have caused many developers including some leading major players to default on their debt obligations and cease construction of pre-sold projects, further damaging market sentiment. In September, the Central Government brought in a series of measures designed to support the market. Although this did provide some stimulus, we have not yet seen a consistent recovery take hold. According to the National Bureau of Statistics, property development investment in China fell by 9.6% in 2023 to reach the lowest level recorded since 2017.

The Group's strategy of focusing on premium developments in China's first and second tier cities, led by Shanghai, has stood us in good stead during this volatile period, as these properties have seen more stable demand. We have been able to capitalise on this position even more effectively because of our strong brand focused on mixed-use communities and high-quality properties, which are increasingly sought after.

The value of the Shui On brand has been clearly demonstrated in this unfavourable market environment. Wuhan Tiandi La Riva III, the latest residential phase of this development, set new records in Wuhan. All the units launched were sold on the first day and the average selling price of RMB64,000 per sq. m. marked the highest pre-sale prices ever recorded in the city. The Wuhan residential market nonetheless slowed considerably in 2023, and two other projects we launched there, namely Phase 1 of the master-planned community Wuhan Changjiang Tiandi and Wuhan Optics Valley Innovation Tiandi, have seen mixed results. Wuhan Optics Valley Innovation Tiandi has, however, seen good demand from end-users for its office blocks, generating commercial property sales of RMB2.5 billion during the year. For the year, the Group's accumulated contracted property sales amounted to RMB11,396 million. In addition, as of 31 December 2023, the Group had recorded a total of RMB367 million of subscribed sales, which is expected to be turned into contracted property sales in the coming months.

With a portfolio of landmark investment properties concentrated in Shanghai, our existing office and retail properties are likewise demonstrating resilience. We have been pioneers in this field, creating social destinations that combine cultural heritage, modern lifestyle and community engagement with an increasing emphasis on the experiential aspects that bring places to life. This unique strength can be seen in two notable additions to our portfolio. In April 2023, Panlong Tiandi in Shanghai was officially opened to the public. One of the first urban village renovation projects completed and unveiled in the city, it blends the history of the ancient town with contemporary commercial elements, creating an urban retreat where the traditional hallmarks of a Jiangnan water town are interwoven with modern life. Panlong Tiandi is thus a dynamic new showpiece for Jiangnan and a new landmark in the Yangtze River Delta. It attracted 16 million visitors by year end and was recently honoured at the MIPIM Asia Summit 2023 with the Gold Award for Best Retail Project and Silver Award for Best Hospitality, Tourism and Leisure Project.

Panlong Tiandi was followed in September by the official opening of Hong Shou Fang, a smaller-scale urban regeneration project in Shanghai. Inspired by European market-square culture, Hong Shou Fang houses our foodie social concept within a complex referencing Shanghai's unique *shikumen-style* ("stone gate") heritage. It thus exemplifies our strategy of tailoring global trends to local needs. Meeting the lifestyle aspirations of the younger generation and catering to evolving consumer tastes, it has quickly become one of Shanghai's most popular new destinations.

The attractiveness of our commercial portfolio and our strong asset management capabilities have drawn strong investment interest despite the weak property market. In December, Shanghai Hongrui Shouyuan Consulting Management Partnership (Limited Partnership), an investment vehicle of Dajia Life Insurance Co., Ltd, agreed with the Group to acquire a 65% equity interest in the Hong Shou Fang project, for an initial consideration of RMB1,206 million. This is in line with our Asset Light Strategy to build enduring partnerships with strategic long-term investors to expand our portfolio of assets.

Achievements in our Sustainability Commitments

Sustainability is now a business imperative in China. This was emphasised by the Central Economic Work Conference in December, one of its “nine key points for economic work” being to “deeply promote the construction of ecological civilisation and green, low-carbon development.” The Group has long aligned its business strategies with sustainability, and we are proud of our track-record as an early adopter within our industry in China of leading environmental, social and governance (“ESG”) practices.

We made further progress during 2023 on the various ESG goals we have set ourselves within our 5C Sustainability Strategy. We were the first developer in China to participate in the Science Based Target initiative and in July we secured official approval to raise our target to 1.5°C. This requires us to reduce Scope 1 and 2 greenhouse gas (“GHG”) emissions intensity by 62.4% by 2030 from the 2019 base year, and to reduce Scope 3 GHG emissions intensity from purchased goods and services and downstream leased assets by 22% within the same time frame. This is further testament to our commitment to contributing to China’s dual carbon goals of achieving peak carbon emissions by 2030 and carbon neutrality by 2060.

In pursuit of our target, we are committed to reducing the energy consumption intensity of our existing properties by 20% from 2019 levels by 2030. To facilitate this, our subsidiary Shui On Xintiandi formed a strategic partnership in December with CLP Group to co-operate on the supply of green power in our commercial properties in Nanjing, setting a sustainability benchmark for future urban communities. This initiative builds on the success of our operation in Wuhan, where all our existing commercial properties were already using renewable electricity in 2023, increasing the percentage of renewable energy in our total electricity consumption to 20%.

Also in December, the Group signed a Memorandum of Understanding with the global non-profit organisation The Nature Conservancy. Both parties will seek to capitalise on our respective assets and technical strengths to facilitate the promotion of biodiverse urban habitats in cities where we operate and bring urban biodiversity conservation to a higher level in China.

Our efforts to promote sustainability gained us wide recognition during 2023. In May, it was announced that we had topped the 2023 Fortune China ESG Impact List, naming us one of the 40 most influential enterprises in China. Our impressive ratings improved at GRESB, where we achieved a 5-star rating, and with MSCI ESG Ratings and CDP, rising to AA and A- respectively. For our individual properties, Xintiandi Plaza, the gateway to Shanghai Xintiandi, was named in the 2023 ULI Asia Pacific Awards for Excellence. Shanghai Panlong Tiandi obtained Leadership in Energy and Environmental Design (LEED) for Neighborhood Development Built Project Gold certification from the U.S. Green Building Council, the first large-scale neighbourhood project in Asia to achieve this. Our new development projects, including Hong Shou Fang and CPIC Xintiandi Commercial Centre (“CXCC”) T3, also earned LEED or WELL certification. As of the end of 2023, 96% of our existing projects by gross floor area have received at least one green or healthy building certification.

Strong Shanghai Pipeline in 2024

The Group has several prime Shanghai projects coming on stream in 2024. Located in the city core adjacent to Shanghai Xintiandi, CXCC is a commercial complex consisting of three office buildings and a podium commercial Galleria. The 250 m. super high-rise Grade A office T1 building was topped out and T3, now named CPIC Tower, officially opened in 2023. This has reinforced Shanghai Xintiandi as an international commercial complex and is bringing office standards in Shanghai's Central Business District (CBD) to the next level and so revitalising the urban core.

Also under construction are two residential projects in Shanghai. Firstly, Lakeville phase 6 is the last residential plot facing the lake in our Taipingqiao site. It will be the tallest residential project in Puxi and will raise the benchmark for luxury living in the city. Construction work began in March 2023 and we currently plan to commence sales in the final quarter of 2024. Secondly, Riverville is a heritage preservation and development project located on the south part of Yangpu Binjiang that extends the Lakeville brand to a new location in Shanghai. Pre-sales of this high-end, low-density residential community are targeted to start in the second half of 2024. Together, these projects represent a strong residential sales pipeline in the premium market in Shanghai.

Looking ahead, Shanghai will remain our core investment focus for the foreseeable future. It is a market which has proven robust and being well-established there, we enjoy a deep understanding of its dynamics that gives us a competitive advantage. We will also, however, look for potential opportunities in the Greater Bay Area. We will be very selective in our investments and take each site on its own merits, tailoring the scheme to its physical and historical contours. Our goal is always to create long-term value by building premium communities that embrace culture, heritage, lifestyle and sustainability in a way that enriches each city's quality of life. We will therefore continue to leverage our expertise and resources to seize the opportunities arising from urban regeneration in China.

A Challenging Year Ahead

Looking ahead, caution is clearly required. Although inflation and interest rates have fallen in the U.S. and Europe, there are signs that consumers are tightening their belts following sustained rises in prices and mortgage costs. Despite some improvement, relations between China and the U.S., as well as Europe, remain tense. Altogether, the world's geopolitical landscape is changing rapidly, elevating the level of risk.

Although the economy will continue to recover in China, the pace is likely to remain subdued in comparison to recent decades. In particular, the property sector will drag on growth, the International Monetary Fund noted in its November forecast. Downward pressure on prices and rentals may even increase in 2024. As the credit squeeze intensifies, more developers could face financial difficulties and it is uncertain what measures the Central Government might take. We expect access to financing for the beleaguered property industry to remain highly challenging. Homebuyer sentiment is fragile and could take several years to recover fully.

We can nevertheless be confident of continued success because of the very capable team we have built. Talented people are at the heart of our business and the depth of expertise we enjoy across the Group enables us to execute our plans efficiently and effectively, in a way that combines prudence with decisive action.

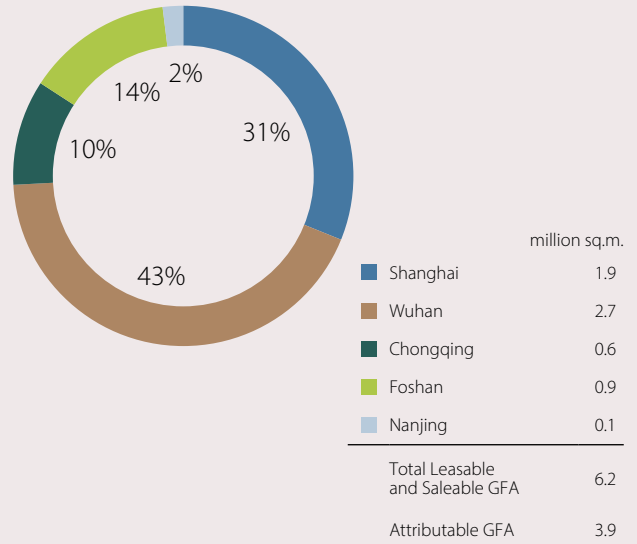
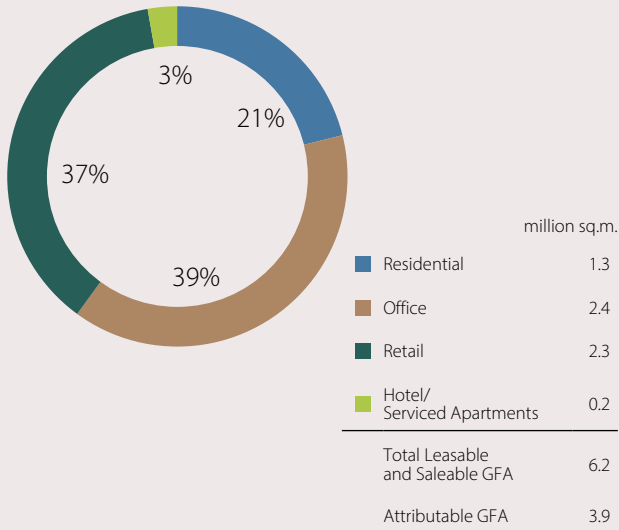
Appreciation to all our Stakeholders

It has been a difficult few years, the long-overdue market adjustment has challenged every company operating in the Chinese property market. The strategic counsel offered by my fellow directors has helped the Group immeasurably and I take this opportunity to thank them for their contributions during the past year. My gratitude also goes to our management team and employees, whose hard work and know-how have allowed us to negotiate the difficulties so successfully. Finally, I extend my appreciation to our shareholders, business partners and customers for their continued support. There is no doubt that 2024 will present further challenges, but we will once again overcome them, as we strengthen our foundation in preparation for better times ahead.



VINCENT H. S. LO
Chairman
Hong Kong, 21 March 2024

Landbank as of 31 December 2023



Wuhan



Wuhan Tiandi



Wuhan Changjiang Tiandi



Optics Valley Innovation Tiandi

Chongqing



Chongqing Tiandi

Foshan



Foshan Lingnan Tiandi

Shanghai



Shanghai Taipingqiao



THE HUB



KIC



Hong Shou Fang



Rui Hong Xin Cheng



Shanghai
Panlong Tiandi



INNO KIC



Riverville

Nanjing



Nanjing International
Finance Center



INNO Zhujiang Lu



Baiziting

Total
landbank GFA

8,476,000
sq.m.

Leading player in Shanghai
commercial real estate with GFA of

1,719,000
sq.m.

2023 HIGHLIGHTS

Shanghai Panlong Tiandi

Panlong Tiandi comprises residential sites, culture and recreation areas, restaurant and hotel developments, as well as parkland and open space for the public. The project is located in Shanghai's Qingpu District, which is part of the Hongqiao CBD. It is next to Panlong Station on Metro Line 17 and is just two train stops or 3 km away from the Hongqiao Transportation Hub.

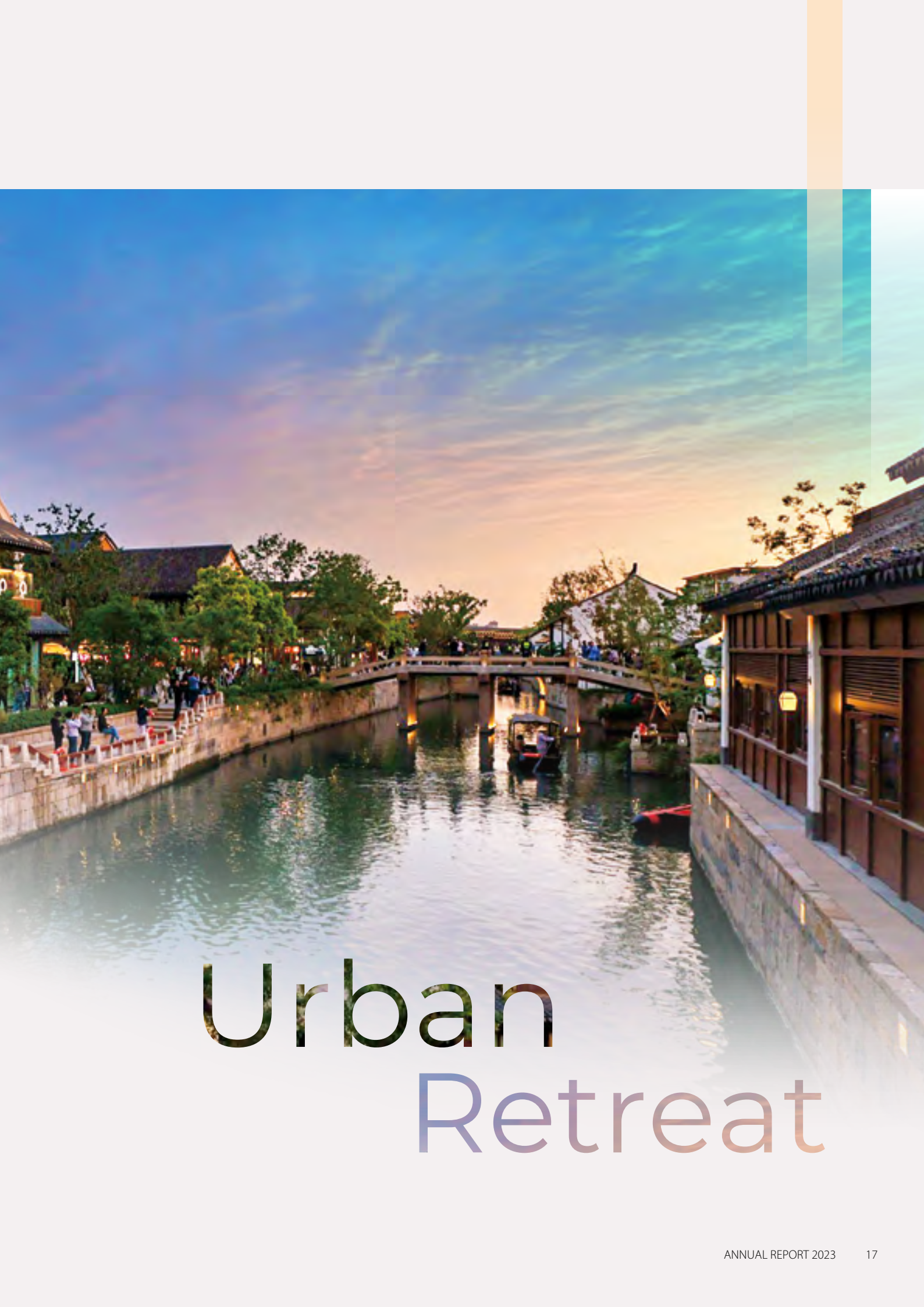
Jingyuan (Lot 11) and Zhenyuan (Lot A05-04 & Lot A03-02), with a total GFA of 76,000 sq.m. (including underground GFA of 5,000 sq.m.), were launched in July 2022. We received over 2,000 subscriptions for the 571 units launched. A total of 1,062 customers entered the final ballot process that was carried out in accordance with government policy with an entry score of 91.22, a record-high score for Shanghai. As of 31 December 2023, most of the units have been handed over to the buyers.

Panlong Tiandi is one of Shanghai's most successful urban village transformations. The retail facilities were opened at the end of April 2023. With over 1.1 million visits in its first week of operation and approximately 6.8 million in the first two months, it has become a new cultural landmark for the Yangtze River Delta area and a new destination combining cultural heritage, modern lifestyle and community engagement.

The Panlong Tiandi project won a Gold Award for Best Futura Mega Project in 2020, a Gold Award for Best Retail Project and a Silver Award for Best Hospitality, Tourism and Leisure Project in 2023 given by MIPIM Asia Awards.



| | |
|---|---------------------------|
| Acquisition Date | October 2019 and May 2020 |
| Site Area | 180,615 sq.m. |
| Total GFA | 298,929 sq.m. |
| Residential GFA | 259,000 sq.m. |
| Culture and Recreation /Restaurant and Hotel GFA | 42,000 sq.m. |
| Parkland and Public Open Space GFA | 230,000 sq.m. |
| Group Interest | 80% |



Urban Retreat

2023 HIGHLIGHTS



Hong Shou Fang

Shanghai Hong Shou Fang is an urban regeneration project located at the gateway of Changshou Road, the most popular commercial street of the city's Putuo District. It is located only 2 km away from Nanjing West Road, one of Shanghai's most prominent "CBDs". The site is directly linked to Changshou Road Station, the interchange station of Metro Lines 7 and 13. The project encompasses a commercial complex with 48,000 sq. m. GFA of Grade A office and 14,000 sq. m. of entertainment, restaurant and retail area, achieved through the restoration of the existing historic buildings. The project was opened at the end of September 2023.

In December 2023, Shanghai Hongrui Shouyuan Consulting Management Partnership (Limited Partnership), an investment vehicle of Dajia Life Insurance Co., Ltd, entered into an agreement with the Group to acquire a 65% equity interest in the project. This transaction is in line with our Asset Light Strategy of using strategic long-term partnerships to enlarge our portfolio of assets under management, so as to increase recurrent management fee income.

| | |
|-------------------------------|--|
| 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 |
| Group Interest | 100% |

Wuhan Tiandi

La Riva III (Lot B12) with a total GFA of 71,000 sq.m. for residential and 1,000 sq.m. for retail. The Group launched 120 units in May 2023. The pre-sale price was the highest ever achieved in Wuhan and all units were sold out on the launch day.





Wuhan Changjiang Tiandi

This land parcel is in the ancient city of Wuchang in Wuhan, facing the Yangtze River to the west and the Second Ring Road to the south, 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 facilities.

The site was acquired in December 2021 with an estimated saleable GFA of 751,000 sq.m. for residential use. Lot B4 has a total residential GFA of 135,000 sq.m.. Sales of the first batch started in September 2023 and as of 31 December 2023, 137 units with total GFA of 20,500 sq.m. have been contracted. The Group holds a 50% interest in the development.

| | |
|------------------------------|--|
| 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 | Mixed used |
| Consideration | RMB17,031 million |
| Group Interest | 50% |
| Joint Venture Partner | Wuhan Urban Construction Group |



PROJECTS UNDER DEVELOPMENT



| | |
|------------------------------|--|
| Acquisition Date | December 2022 |
| Property | Block 6, Pingliang Street, Yangpu District, Shanghai |
| Site Area | 16,993.8 sq.m. |
| Gross Floor Area | 23,791.32 sq.m. |
| Land Usage | Residential |
| Terms | 70 Years |
| Consideration | RMB2,469 million |
| Group Interest | 60% |
| Joint Venture Partner | Shanghai Yangshupu Real Estate Co., Ltd |



Riverville

This is a heritage preservation and development project that involves the development of a high-end low-density residential community, comprising 90 units with unit sizes ranging from 160 – 410 sq.m.. Situated 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. The Yangpu Riverside Zone is positioned as the pilot area for the development of the Internet industry and is currently home to the headquarters of several key players. Given its location and development potential, the development will appeal to high-net-worth individuals and benefit from the anticipated rise in demand for high-end residential development. Pre-sale for this project is targeted to start in the second half of 2024. The Group holds a 60% interest in the development.



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 western bank 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, making it a must-go destination in Shanghai. As the city's premier lifestyle destination, Shanghai Xintiandi continues to attract new tenants from across the world and has 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 Xintiandi Style II 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, all had been delivered to buyers as at 31 December 2022. The ASP of the latest phase 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 for land parcel 122-1, 122-2 and 122-3 which are located 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 are respectively a 52,000 sq.m. GFA Grade A office building and a 27,000 sq.m. GFA retail component. 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 Group has an effective interest of 25%. As of 31 December 2023, the construction work of T3 building (Lot 132) has been completed and handed over to the anchor tenant, while T1 building (Lot 124) has been structurally topped out.





Rui Hong Xin Cheng

The Rui Hong Xin Cheng project (“RHXC”) is located within the inner ring of Shanghai in Hongkou District. This district, which has a long history and is currently undergoing urban renewal, enjoys excellent connectivity to the Lujiazui CBD and Pudong commercial district via Metro Lines 4, 8, 10 and 12, as well as the Xinjian and Dalian road tunnels. RHXC is being revitalised to become a fashionable urban living destination, and will become an integrated community comprising office buildings, shopping centres, hotels, culture and entertainment spaces 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 1,113,000 sq.m., completed in ten phases between 1998 to 2023.

Ocean One (Lot 7) (Phase 9) has a total GFA of 161,000 sq.m. for residential and 2,000 sq.m. for retail purposes. The final batch was launched in January 2022, and all towers have been completed and handed over to buyers. 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 with all units sold and handed over to the buyers. The Group holds a 49.0% effective interest in Lot 167A.

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. Hall of the Sun was opened in September 2021, while Ruihong Corporate Avenue welcomed 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 food and beverage (“F&B”) tenants and has attracted numerous 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 experiences 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 commercial properties.

In 2022, the RHXC project won the Urban Land Institute (“ULI”) Aisa Award for Excellence.

PORTFOLIO OVERVIEW



Knowledge and Innovation Community

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

KIC, with a total GFA of 501,000 sq.m., is an international knowledge community that aims to fully integrate an office park, college campus and residential neighbourhood, and inspire the spirit of “live-work-play-learn”. After 20 years of development and operation, KIC has become not only a landmark of innovation, creativity and entrepreneurship, but also a symbol of dynamic culture, knowledge networking, healthy lifestyle and youth power.

Over 500 pioneering start-ups, burgeoning unicorns, mature industrial leaders, together with the adjacent universities, constitute a vibrant eco-system. New ideas, new opportunities and new businesses all flourish here. Technology, Media, Telecom and professional services are KIC’s main industries. Notable corporations based in the community include DELLEMC, Ebao, VMware, SUNMI, ATRenew, Agora, AECOM and Deloitte.

KIC’s most bustling commercial block, University Avenue, offers a wide selection of gourmet cuisines, cafes, featured bookshops, and retail stores. The only pedestrian street in North Shanghai, “University Avenue Weekend Limited-time Pedestrian Street”, had its grand opening in May 2023. Here, diverse events and displays bring people together, and take KIC’s “Lifestyles of Health and Sustainability” atmosphere and commercial prosperity to a higher level.

In 2023, KIC was named an “Innovation District” and “Shanghai Cultural and Creative Industry Park”. In 2019, it won the ULI Global Award for Excellence and ULI Asia-Pacific Award 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%.



THE HUB

THE HUB has a total GFA of 308,000 sq.m. and is strategically located at the heart of the Shanghai Hongqiao CBD. It is 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 and three operating metro lines. In line with the country's call for 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. Today it is a new business, cultural and lifestyle landmark, comprising a large retail component, offices and a performance and exhibition centre. THE HUB enjoys a unique market positioning, via a unique and seamless blend of shopping, entertainment and F&B with the performing arts, as well as child and family-friendly experiences.

Four office towers with a total leasable GFA of 90,000 sq.m. house the 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 here 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 ULI Global Award for Excellence and also obtained the WELL Health-Safety Rating for Facility Operations and Management.

PORTFOLIO OVERVIEW

WUHAN

Wuhan Tiandi

The Wuhan Tiandi project has a total GFA of 1.37 million sq.m.. It is located in the centre of Hankou District, occupying a prime location on the Yangtze River waterfront, enjoying 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 Wuhan landmark, benefiting from a careful balance of preserving local historical architecture while injecting new commercial value.

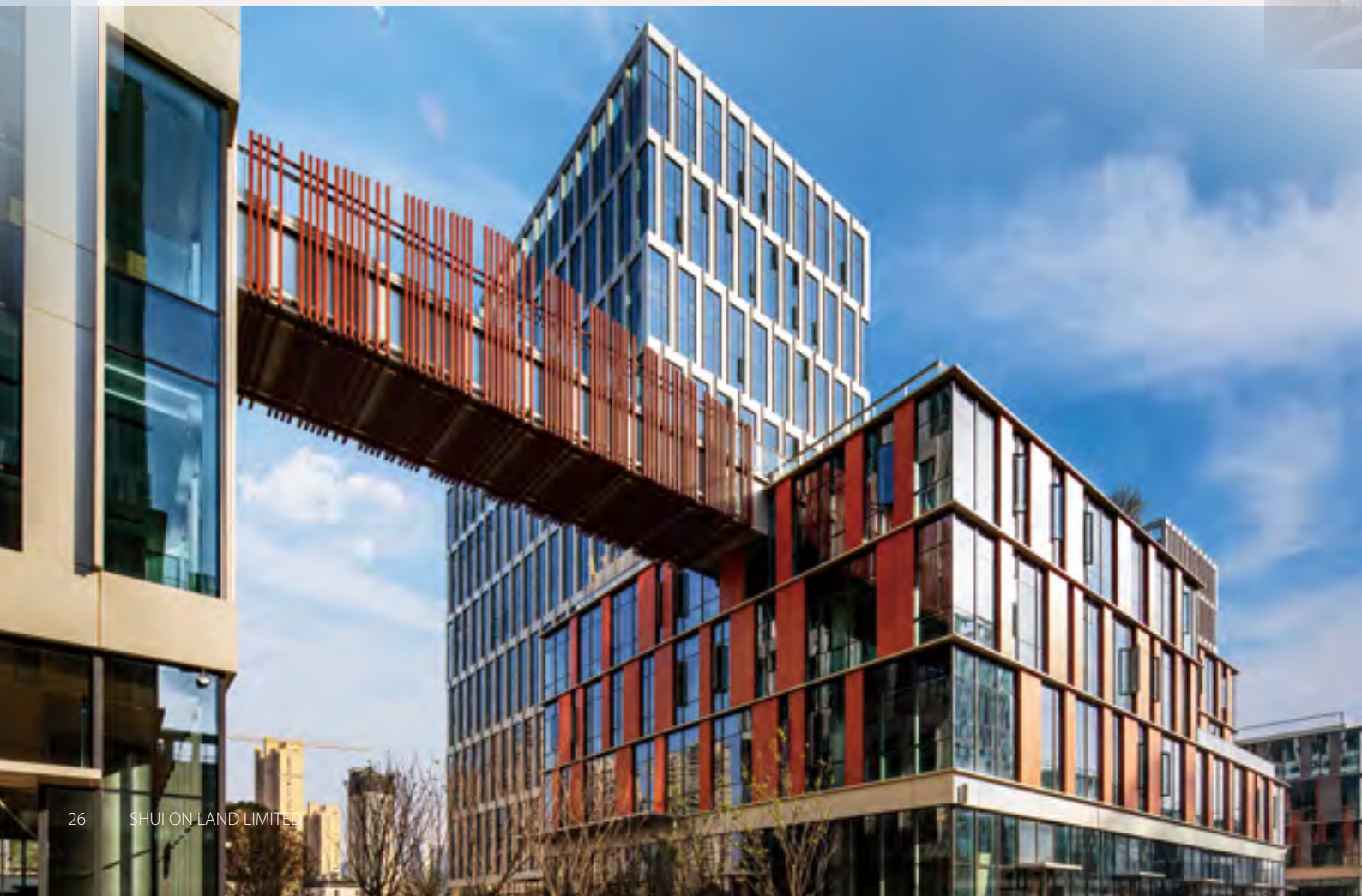
The South Hall of HORIZON (Lots A1/A2/A3), which has a total GFA of 121,000 sq.m., commenced operations in September 2016. It is a one-stop shopping centre with nearly 200 global fashion brands that not only promotes cutting-edge and modern fashion, but also provides a wide range of product and service offerings to consumers. The North Hall of HORIZON (Lot B4 retail), which has a total GFA of 72,000 sq.m., held its grand opening in November

2019. It is positioned as a family-oriented retail destination that serves the residents of the Wuhan Tiandi Community and the surrounding neighbourhoods. 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 is in the process of being leased.

Residential developments in Wuhan Tiandi have been well received by the market. As of 31 December 2023, a total GFA of 623,000 sq.m. of residential units had been 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 of units in November 2022, and launched a further 120 units in May 2023. The pre-sale price was the highest ever achieved in Wuhan.

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





Optics Valley Innovation Tiandi

The Wuhan Optics Valley, which has a total GFA of 1.27 million sq.m., is in the central area of Optics Valley Central City. Optics Valley is located in Wuhan's East Lake High-tech Development Zone, which ranked third among China's 114 high-tech zones in 2016. It is also one of the country's National Innovation Demonstration and Free Trade Zones. Optics Valley Central City serves as the engine of the national innovation zone and is positioned to be a world-class innovation centre. The Group has a 50% effective interest in the project.

Construction of the first phase residential (Lot R1), which has a total GFA of 122,000 sq.m. was completed. The second phase (Lot R5), which has a total GFA of 112,000 sq.m. was delivered to the buyers beginning in the first half of 2021. Lot R6, which has a total GFA of 36,000 sq.m., commenced pre-sale in November 2021 and all 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., commenced in November 2021 and units were launched for sale in 2023 and a total residential GFA of 17,000 sq.m. was delivered to customers.

PORTFOLIO OVERVIEW

OTHER MAJOR CITIES

Nanjing

The Group also seizes opportunities to manage third-party assets, so as to leverage its expertise 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 was under pre-leasing in early 2018 and commenced operation at the end of 2018.

Nanjing Bai Zi Ting, 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 another milestone showing the Group's growing presence in Nanjing.



Chongqing

Located in Yuzhong District, Chongqing Tiandi is an urban renewal project with a total planned 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 2, 3-5 and 6-8 Corporate Avenue are commercial properties within the Chongqing Tiandi development. With a total office GFA of 351,000 sq.m., these properties were sold to buyers between 2011 and 2013. The commercial properties also comprise ancillary retail space of 79,000 sq.m., in which the Group continues to hold a 99% effective interest, 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 Chongqing Tiandi ("Chongqing Partnership Portfolio"). The transaction was completed on 29 June 2017. Accordingly, the Group now holds an effective interest of 19.8% in the partnership portfolio.



Foshan

The Foshan Lingnan Tiandi project is strategically located in the old town centre of Chancheng District, Foshan's traditional downtown area and public transportation hub. The project enjoys good connectivity with two stations on the Guangzhou-Foshan metro line, which are directly linked to the project site. This includes the Guangfo Metro Line 1, which connects 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. These are the centrepiece of Foshan's cultural heritage: Zumiao, an immaculately preserved ancient Taoist temple; and Donghuali, a well-known historic area.

Lingnan Tiandi is the historic restoration zone of the project and 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 Xintiandi, sits at the centre of Chancheng District, with direct access to the 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. Lingnan Tiandi Commercial Plaza is an office building that sits on top of NOVA. It caters primarily to domestic companies and small and medium enterprises, providing convenient office accommodation with easy accessibility.

Since 2011, the Group has developed and delivered residential units with a total GFA of approximately 389,000 sq.m..

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



Resilience amidst severe industry downturn

Although the Chinese economy has rebounded to some degree following the end of COVID-19 and its restrictions, a lack of confidence has led to a continuing downturn in the property market. Despite the difficult operating environment, the Group has recorded a revenue of RMB9,752 million and a net profit of RMB1,397 million, with profit attributable to shareholders amounting to RMB810 million.

Successful openings of new commercial projects supported rising rental income

The Group opened several commercial properties in 2023 with great success, including the opening of Shanghai Panlong Tiandi and Shanghai Hong Shou Fang. Total rental and related income (including joint ventures and associates) for the year increased to RMB3,243 million, representing a growth of 16% year-on-year.

Prudent capital management

The Group has been maintaining a stable balance sheet. As of 31 December 2023, the net gearing ratio had increased slightly to 52%, while cash and bank deposits totalled RMB8,917 million. The Group is committed to continuing our prudent approach towards managing the balance sheet.

Successful issuance of the largest ever private green-mortgage-backed onshore CMBS

In April 2023, the Group successfully issued onshore commercial mortgage-backed securities ("CMBS") backed by THE HUB in the Hongqiao Central Business District, Shanghai. This is the first CMBS in China supported by a transit-oriented development commercial complex. The Group has proactively adopted various means, including this CMBS issuance, asset disposal and the repurchase of USD senior bonds to enhance our liquidity.

Remarkable progress in sustainability

The Group obtained approval from the Science Based Targets initiatives ("SBTi") for its 1.5°C science-based targets in July 2023, making us one of the first real estate developers in China to receive approval from the SBTi for near-term company-wide emissions reduction targets in line with the goals of the Paris Climate Agreement. The Group's environmental, social, and governance ("ESG") ratings also improved during the year, with our MSCI ESG rating rising from A to AA, CDP rating from B to A- and GRESB rating improved from 4 Star to 5 Star.

Dividend declared

The Board has recommended a final dividend for the year of HKD0.058 per share (2022: HKD0.064). Together with an interim dividend of HKD0.032 per share, the full-year dividend for 2023 amounted to HKD0.09 per share (2022: HKD0.10).



Shui On Land is a leading property developer, owner, and asset manager of mixed-use projects in China, anchored by a prime city centre portfolio in Shanghai. We believe in creating 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. During more than 27 years of investing and building in China, the Group has completed several renowned mixed-used developments focusing on large-scale, mixed-use real estate projects in prime locations and developed strong expertise in urban regeneration. The Group also owns and manages a significant investment property portfolio under its wholly owned subsidiary, Shui On Xintiandi (“SXTD”). Our two businesses are complementary, 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, and building and sustaining vibrant communities. Sustainability is at the core of 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 2023

- In 2023, the Group recorded property sales of RMB5,898 million, mainly contributed by Shanghai Panlong Tiandi. Including joint ventures and associates, property sales totalled RMB38,565 million. As of 31 December 2023, contracted sales were RMB11,396 million, comprising residential property sales of RMB7,208 million, commercial property sales of RMB2,982 million, and other assets disposal of RMB1,206 million. Total locked-in sales, including that of joint ventures and associates, was RMB9,055 million for delivery and to be recognised in the financial year 2024 and beyond.
- Wuhan Tiandi La Riva III was launched and achieved the highest pre-sale price ever recorded in Wuhan, with an average selling price of approximately RMB64,000 per sq.m.. Phase I of Wuhan Changjiang Tiandi was launched in the fourth quarter of 2023. Wuhan Optics Valley Innovation Tiandi has seen good demand from end-users for its office blocks and yielded commercial property sales of RMB2,497 million.
- Our commercial property portfolio has delivered growing recurrent rental income. Including properties held by joint ventures and associates, total rental and related income increased by 16% year-on-year to RMB3,243 million in 2023, of which 76% was contributed by our portfolio in Shanghai. The increase in the year was mainly contributed by:
 - (i) Opening of Shanghai Panlong Tiandi: The 41,000 sq.m. retail facilities in Shanghai Panlong Tiandi were soft opened at the end of April 2023, and the venue welcomed over 1 million visitors within the first week of operations. This signature urban retreat project has shown a strong performance and gained a high reputation in the market.
 - (ii) Opening of Shanghai Hong Shou Fang: The property was an urban regeneration project with 14,000 sq.m. of retail facilities. It was opened at the end of September 2023 and has since become a landmark of the Putuo District in Shanghai. In its first week of opening, foot traffic at Shanghai Hong Shou Fang exceeded 700,000, and there was extensive coverage by social media.
- In April 2023, the Group established a 90/10 joint venture company (Shanghai Zhaolou Tiandi Co., Ltd.) to bid for land in Pujiang Town, Minhang District, Shanghai. The site will be mainly for a mixed-use development comprising residential, commercial, and ancillary facilities.
- In April 2023, the Group successfully issued the largest ever private green-mortgage-backed onshore CMBS, which marks an important milestone in onshore financing. It is listed on the Shanghai Stock Exchange with an issue size of RMB4,401 million, a credit rating of AAA_{sf}, and a coupon rate of 3.9%. The Company intends for all net proceeds from the issuance of the CMBS to be used for the repayment of existing debt and general working capital. The successful issuance of the CMBS at a significant size and low coupon rate highlights the premium asset quality of the Group's investment properties. It also reflects the Group's commitment to integrating sustainability into its financing mechanisms. A remarkable step in onshore financing, the successful issuance of the CMBS demonstrates the Group's strong capital management capability.
- The Group is committed to high standards in sustainability. In July 2023, the Group obtained approval from the SBTi for its 1.5°C science-based targets, making us one of the first real estate developers in China to receive approval from the SBTi for near-term company-wide emissions reduction targets in line with the goals of the Paris Climate Agreement. The Group is also recognised by a number of reputable ESG rating agencies. Following continuous progress on sustainability made by the Group, the MSCI ESG rating of the Group improved from A to AA, the CDP rating from B to A- and GRESB rating improved from 4 Star to 5 Star in 2023. A pioneer in sustainability, SXTD formed a strategic partnership in December 2023 with CLP Group to co-operate on the supply of green power in our commercial properties, setting a sustainability benchmark for future urban communities.
- In December 2023, the Group agreed with Shanghai Hongrui Shouyuan Consulting Management Partnership (Limited Partnership), an investment vehicle of Dajia Life Insurance Co., Ltd., to dispose of a 65% equity interest in the Shanghai Hong Shou Fang project, for an initial consideration of RMB1,206 million. This is in line with our Asset Light Strategy to build enduring partnerships with strategic long term investors to expand our portfolio of assets.

PROPERTY SALES PERFORMANCE

Recognised Property Sales

For 2023, total recognised property sales were RMB38,565 million (after deduction of applicable taxes). The increase was mainly contributed by the handover of Shanghai RHXC Ocean One (Lot 7), Shanghai RHXC Park Vera (Lot 167A), and Shanghai Panlong Tiandi. The average selling price ("ASP") excluding carparks decreased by 4% to RMB63,200 per sq.m. compared to 2022.

The table below summarises by project the recognised property sales (stated after the deduction of applicable taxes) for 2023 and 2022:

| Project | 2023 | | | 2022 | | |
|--|---------------|----------------|------------------|---------------|----------------|------------------|
| | 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) | 105 | 700 | 164,300 | 5,375 | 35,700 | 165,000 |
| Shanghai RHXC | | | | | | |
| Residential (Lot 7) | 17,012 | 161,200 | 115,000 | – | – | – |
| Residential (Lot 167A) | 9,427 | 85,800 | 119,800 | – | – | – |
| Residential (Lot 1) | – | – | – | 16 | 200 | 87,500 |
| Retail (Lot 1) | – | – | – | 88 | 1,200 | 80,000 |
| Shanghai Panlong Tiandi | 5,312 | 85,700 | 67,900 | 5,472 | 97,400 | 61,400 |
| Wuhan Tiandi | | | | | | |
| Residential | – | – | – | 436 | 9,100 | 52,400 |
| Office | – | – | – | 26 | 1,300 | 21,500 |
| Wuhan Optics Valley Innovation Tiandi | | | | | | |
| Residential | 404 | 18,600 | 23,700 | 840 | 40,200 | 22,800 |
| Office | 269 | 22,600 | 13,000 | – | – | – |
| Foshan Lingnan Tiandi | | | | | | |
| Residential | – | – | – | 10 | 400 | 27,500 |
| Chongqing Tiandi² | | | | | | |
| Residential | 3,811 | 165,200 | 25,100 | – | – | – |
| Retail/Office (Loft) | 1,112 | 106,100 | 11,400 | 286 | 23,100 | 12,600 |
| SUBTOTAL | 37,452 | 645,900 | 63,200 | 12,549 | 208,600 | 65,700 |
| Carparks² | 1,113 | | | 423 | | |
| GRAND TOTAL | 38,565 | 645,900 | 65,100 | 12,972 | 208,600 | 67,900 |
| Recognised as: | | | | | | |
| – property sales in revenue of the Group | 5,898 | | | 11,695 | | |
| – revenue of associates | 22,367 | | | 408 | | |
| – revenue of joint ventures | 10,300 | | | 869 | | |
| GRAND TOTAL | 38,565 | | | 12,972 | | |

Notes:

- The calculation of ASP per sq.m. is based on gross sales revenue before deducting applicable taxes.
- ASP of Chongqing residential sales is based on net floor area, a common market practice in the region. Residential of RMB3,811 million, office and retail space of RMB1,080 million, and carparks sales of RMB71 million were contributed by the Chongqing Tiandi partnership portfolio and were recognised as revenue of associates in 2023. 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 58% to RMB11,396 million in 2023, compared to RMB27,219 million in 2022, with residential property sales accounting for 63% and the remainder contributed by the sale of commercial units and other assets disposal. The decrease was mainly due to the scheduling of sales launches, as we have planned for more launches in 2024 and beyond, depending on a market recovery and subject to construction progress and the timing of government pre-sale approval. The ASP for residential property sales was RMB56,700 per sq.m. in 2023, compared to RMB94,200 per sq.m. in 2022, as a higher proportion of contracted property sales was generated from lower ASP projects outside of Shanghai during this year.

As of 31 December 2023:

- i) total subscribed sales were RMB367 million, with RMB155 million contributed by Wuhan Changjiang Tiandi (Lot B4). The above-mentioned are subject to formal sales and purchase agreements in the coming months.
- ii) total locked-in sales of RMB9,055 million were recorded and available for delivery to customers and to be recognised in the Group's financial results in 2024 and beyond.

The table below provides an analysis by project of contracted sales (stated before the deduction of applicable taxes) for 2023 and 2022:

| Project | 2023 | | | 2022 | | |
|---------------------------------------|-------------------|----------------|---------------|-------------------|----------------|---------------|
| | Contracted amount | GFA sold | ASP | Contracted amount | GFA sold | ASP |
| | RMB' million | sq.m. | RMB per sq.m. | RMB' million | sq.m. | RMB per sq.m. |
| Residential property sales: | | | | | | |
| Shanghai Taipingqiao | | | | | | |
| Lakeville Luxe (Lot 118) | 146 | 900 | 162,200 | 810 | 4,800 | 168,800 |
| Shanghai RHXC (Lot 7) ¹ | 6 ³ | – | – | 8,113 | 70,600 | 114,900 |
| Shanghai RHXC (Lot 167A) ² | (16) ³ | – | – | 10,291 | 85,900 | 119,800 |
| Shanghai Panlong Tiandi | 205 | 2,800 | 73,200 | 4,823 | 69,700 | 69,200 |
| Wuhan Tiandi | 4,062 | 62,700 | 64,800 | 384 | 6,500 | 59,100 |
| Wuhan Changjiang Tiandi | 706 | 20,500 | 34,400 | – | – | – |
| Wuhan Optics Valley Innovation Tiandi | 488 | 20,600 | 23,700 | 216 | 9,500 | 22,700 |
| Foshan Lingnan Tiandi | – | – | – | 2 | 100 | 20,000 |
| Chongqing Tiandi ⁴ | 400 | 19,600 | 24,900 | 658 | 26,600 | 30,200 |
| Carparks | 1,211 | – | – | 486 | – | – |
| SUBTOTAL | 7,208 | 127,100 | 56,700 | 25,783 | 273,700 | 94,200 |
| Commercial property sales: | | | | | | |
| Shanghai RHXC (Lot 1) ¹ | – | – | – | 96 | 1,200 | 80,000 |
| Wuhan Tiandi | 37 | 800 | 46,300 | – | – | – |
| Chongqing Tiandi ⁴ | | | | | | |
| Office (Loft) | 328 | 25,600 | 12,800 | 913 | 78,400 | 11,600 |
| Retail | 120 | 16,700 | 7,200 | 134 | 7,900 | 17,000 |
| Wuhan Optics Valley Innovation Tiandi | 2,497 | 180,700 | 13,800 | 293 | 22,600 | 13,000 |
| SUBTOTAL | 2,982 | 223,800 | 13,300 | 1,436 | 110,100 | 13,000 |
| TOTAL PROPERTY SALES | 10,190 | 350,900 | 29,000 | 27,219 | 383,800 | 70,900 |
| Other Assets Disposal: | | | | | | |
| Shanghai Hong Shou Fang | 1,206 | – | – | – | – | – |
| GRAND TOTAL | 11,396 | 350,900 | | 27,219 | 383,800 | |

Notes:

- 1 The Group holds 49.5% of the property.
- 2 The Group holds 49% of the property.
- 3 Represents the difference between the planned pre-sale GFA and the actual GFA.
- 4 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 2024

The Group has approximately 252,800 sq.m. of residential “GFA” spanning eight projects available for sale and pre-sale in 2024, as summarised below:

| Project | Product | Available for sale and pre-sale in 2024 | | |
|---------------------------------------|------------|---|-------------------|---------------------------|
| | | GFA in sq.m. | Group's interests | Attributable GFA in sq.m. |
| Shanghai Taipingqiao Lot 118 | High-rises | 2,100 | 99% | 2,100 |
| Shanghai Taipingqiao Lot 122 | High-rises | 56,600 | 50% | 28,300 |
| Shanghai Yangpu Binjiang | Townhouses | 21,400 | 60% | 12,800 |
| Shanghai Panlong Tiandi | High-rises | 600 | 80% | 500 |
| Wuhan Tiandi | High-rises | 2,900 | 100% | 2,900 |
| Wuhan Optics Valley Innovation Tiandi | High-rises | 53,200 | 50% | 26,600 |
| Wuhan Changjiang Tiandi | High-rises | 114,600 | 50% | 57,300 |
| Chongqing Tiandi | High-rises | 1,400 | 19.80% | 300 |
| TOTAL | | 252,800 | | 130,800 |

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

PROPERTY DEVELOPMENT

Residential Development Saleable Resources as of 31 December 2023

| Project | Approximate | Estimated Gross | The Group's | Estimated |
|---------------------------------------|--------------------------|-------------------|-------------|--------------------|
| | Saleable Residential GFA | Saleable Resource | | Attributable Sales |
| | sq.m. | RMB' billion | interests | RMB' billion |
| Shanghai Taipingqiao Lot 118 | 2,100 | 0.4 | 99% | 0.4 |
| Shanghai Taipingqiao Lot 122 | 80,600 | 19.2 | 50% | 9.6 |
| Shanghai Panlong Tiandi | 600 | 0.05 | 80% | 0.04 |
| Shanghai Yangpu Binjiang | 21,400 | 4.5 | 60% | 2.7 |
| SHANGHAI SUB-TOTAL | 104,700 | 24.2 | | 12.7 |
| Wuhan Changjiang Tiandi ² | 730,900 | 36.8 | 50% | 18.4 |
| Wuhan Tiandi | 43,100 | 2.3 | 100% | 2.3 |
| Wuhan Optics Valley Innovation Tiandi | 150,600 | 3.6 | 50% | 1.8 |
| Chongqing Tiandi | 1,400 | 0.03 | 19.80% | 0.01 |
| OTHER CITIES SUB-TOTAL | 926,000 | 42.7 | | 22.5 |
| GRAND TOTAL | 1,030,700 | 66.9 | | 35.2 |

Notes:

- 1 This table represents saleable resources not yet recorded as contracted sales as of 31 December 2023.
- 2 Figures are preliminary estimates subject to further revision of the project plan.

Residential Properties under Development

Shanghai Taipingqiao – Lot 122 was acquired in June 2021 with a total GFA of 87,000 sq.m. (including a GFA of 6,000 sq.m. underground space) for residential use and a GFA of 18,000 sq.m. (including a GFA of 3,600 sq.m. underground space) for retail shops. The construction work commenced in March 2023, and it is planned for sale in Q4 2024. The Group holds a 50% interest in the development.

Shanghai Yangpu Binjiang – The site was acquired in December 2022 with a total GFA of 30,000 sq.m. (including a GFA of 8,500 sq.m. underground space) for residential use. It is a heritage preservation and development project that involves the development of a high-end, low-density residential community comprising 90 units with unit sizes ranging from 160 – 410 sq.m.. Pre-sale for this project is targeted to start in the second half of 2024. The Group holds a 60% interest in the development.

Wuhan Changjiang Tiandi – The site was acquired in December 2021 with an estimated saleable GFA of 751,000 sq.m. for residential use. Lot B4 has a total residential GFA of 135,000 sq.m., and sales of the first batch started in September 2023. As of 31 December 2023, 137 units with a total GFA of 20,500 sq.m. were contracted, and RMB706 million of contracted property sales was recorded. The Group holds a 50% interest in the development.

Wuhan Tiandi – La Riva III (Lot B12) with a total GFA of 71,000 sq.m. for residential and 1,000 sq.m. for retail. The Group launched 120 units in May 2023. The pre-sale price was the highest ever achieved in Wuhan.

Wuhan Optics Valley Innovation Tiandi – The site was acquired in 2017. The construction for Lots R7 and R8, which have a total saleable GFA of 73,000 sq.m., commenced in November 2021, and a total of 17,100 sq.m. of residential GFA was delivered to customers in 2023. Despite the challenging market, by using a variety of strategies, the project team was able to rank top for sales of high-end products (above 180 sq.m.) in the centre of Optics Valley. As of 31 December 2023, 103 units were contracted. The Group holds a 50% interest in the development.

Chongqing Tiandi – Glory Mansion Phase II has a total GFA of 95,000 sq.m. was completed of which a total GFA of 93,000 sq.m. was sold as of 31 December 2023. Glorious River (Lots B5 & B10) has a total GFA of 172,000 sq.m.. Construction was completed and all units were sold as of 31 December 2023. Quiet Mansion (Lot B24-6), with a total GFA of 71,000 sq.m., was under construction. The Group holds a 19.8% interest in the partnership portfolio.

Commercial Properties under Development as of 31 December 2023

| Project | Office GFA sq.m. | Retail GFA sq.m. | Total GFA sq.m. | The Group's interests | Attributable GFA sq.m. |
|---|---------------------|-----------------------------|--------------------|-----------------------|---------------------------|
| CPIC XINTIANDI COMMERCIAL CENTER (Lot 123,124) ¹ | 162,000 | 84,000 | 246,000 | 25.00% | 61,500 |
| Shanghai Taipingqiao Lot 122 | - | 18,000 | 18,000 | 50.00% | 9,000 |
| Shanghai RHXC Lot 167B | 107,000 | 12,000 | 119,000 | 49.00% | 58,300 |
| SHANGHAI SUB-TOTAL | 269,000 | 114,000 | 383,000 | | 128,800 |
| Wuhan Tiandi | 70,000 | 4,000 | 74,000 | 100.00% | 74,000 |
| Wuhan Optics Valley Innovation Tiandi | 362,000 | 339,000 | 701,000 | 50.00% | 350,500 |
| Wuhan Changjiang Tiandi | 56,000 | 232,000+30,000 ² | 318,000 | 50.00% | 159,000 |
| Foshan Lingnan Tiandi | 450,000 | 107,000+80,000 ² | 637,000 | 100.00% | 637,000 |
| Chongqing Tiandi | 228,000 | 65,000+25,000 ² | 318,000 | 19.80% | 63,000 |
| OTHER CITIES SUB-TOTAL | 1,166,000 | 882,000 | 2,048,000 | | 1,283,500 |
| GRAND TOTAL | 1,435,000 | 996,000 | 2,431,000 | | 1,412,300 |

Notes:

1 The CPIC XINTIANDI COMMERCIAL CENTER project includes three lots, namely Lot 123, Lot 124, and Lot 132, with a total GFA of 276,000 sq.m.. Lot 132, with a total GFA of 30,000 sq.m. of office, was completed in 2023. The construction of the office towers and shopping mall on Lot 123 and Lot 124 are planned for completion in 2024 in phases.

2 Hotel use.

INVESTMENT PROPERTIES

A Leading Player in Commercial Real Estate

The Group currently holds and manages a total GFA of 2,863,000 sq.m. of retail and office space, in which 78% of the GFA was completed for rental income and the remainder is under development. As of 31 December 2023, the total asset value of the Commercial Property Portfolio was approximately RMB105.65 billion.

The table below summarises the development status, asset value, and ownership of the Group in the portfolio as of 31 December 2023.

| Project | Office GFA sq.m. | Retail GFA sq.m. | Total GFA sq.m. | Attributable GFA sq.m. | Asset value as of 31 Dec 2023 RMB'billion | % of ownership |
|--|---------------------|---------------------|--------------------|---------------------------|--|------------------|
| COMPLETED PROPERTIES | | | | | | |
| Shanghai Taipingqiao Community | | | | | | |
| Shanghai Xintiandi, Xintiandi Style II, Xintiandi Plaza, Shui On Plaza | 36,000 | 104,000 | 140,000 | 128,100 | 12.89 | 100%/99%/80%/80% |
| 5 Corporate Avenue, Hubindao | 52,000 | 27,000 | 79,000 | 35,200 | 6.71 | 44.55% |
| CPIC XINTIANDI COMMERCIAL CENTER (Lot 132) | 30,000 | – | 30,000 | 7,500 | 2.68 | 25% |
| THE HUB | 90,000 | 173,000 | 263,000 | 263,000 | 8.86 | 100% |
| Ruihong Tiandi Community | | | | | | |
| Hall of the Moon, Hall of the Stars, The Palette | – | 111,000 | 111,000 | 55,000 | 3.89 | 49.5% |
| Hall of the Sun, Ruihong Corporate Avenue | 145,000 | 185,000 | 330,000 | 163,400 | 11.86 | 49.5% |
| Shanghai KIC | 186,000 | 67,000 | 253,000 | 117,300 | 8.55 | 44.27%/50.49% |
| INNO KIC | 41,000 | 4,000 | 45,000 | 45,000 | 1.48 | 100% |
| Shanghai Panlong Tiandi | – | 41,000 | 41,000 | 32,800 | 1.34 | 80% |
| Shanghai Hong Shou Fang | 48,000 | 14,000 | 62,000 | 62,000 | 2.61 | 100% |
| Wuhan Tiandi Community | 165,000 | 239,000 | 404,000 | 404,000 | 9.21 | 100% |
| Foshan Lingnan Tiandi Community | 16,000 | 144,000 | 160,000 | 160,000 | 4.49 | 100% |
| Chongqing Tiandi Community | – | 128,000 | 128,000 | 127,000 | 1.54 | 99% |
| Chongqing IN CITY | – | 98,000 | 98,000 | 19,400 | 1.66 | 19.8% |
| Nanjing IFC | 72,000 | 28,000 | 100,000 | 50,000 | 2.95 | 50% |
| SUBTOTAL | 881,000 | 1,363,000 | 2,244,000 | 1,669,700 | 80.72 | |
| LAND & PROPERTIES UNDER DEVELOPMENT | | | | | | |
| Shanghai Taipingqiao Community | | | | | | |
| CPIC XINTIANDI COMMERCIAL CENTER (Lot 123,124) | 162,000 | 84,000 | 246,000 | 61,500 | 17.68 | 25% |
| Shanghai RHXC | | | | | | |
| Ruihong Tiandi Lot 167B | 107,000 | 12,000 | 119,000 | 58,300 | 5.38 | 49% |
| Foshan Lingnan Tiandi Community | | | | | | |
| Foshan Lot A | 190,000 | 64,000 | 254,000 | 254,000 | 1.87 | 100% |
| SUBTOTAL | 459,000 | 160,000 | 619,000 | 373,800 | 24.93 | |
| GRAND TOTAL | 1,340,000 | 1,523,000 | 2,863,000 | 2,043,500 | 105.65 | |



Valuation of Investment Properties

As of 31 December 2023, the carrying value of the Group's investment properties at valuation (excluding hotels for operation and self-use properties) was RMB99,559 million with a total GFA of 2,748,200 sq.m.. The properties located in Shanghai, Wuhan, Foshan, Nanjing, and Chongqing, respectively, contributed 79%, 9%, 6%, 3% and 3% of the carrying value.

The table below summarises the carrying value of the Group's investment properties at valuation as of 31 December 2023, together with the change in fair value for 2023:

| Project | Leasable GFA sq.m. | Increase /(decrease) in fair value for 2023 RMB'million | Carrying value as of 31 Dec 2023 RMB'million | Fair value gain/(loss) to carrying value % | Attributable carrying value to the Group RMB'million |
|--|------------------------------|---|---|--|--|
| COMPLETED INVESTMENT PROPERTIES AT VALUATION | | | | | |
| Shanghai Taipingqiao Community | | | | | |
| Shanghai Xintiandi and Xintiandi Style II | 80,000 | 136 | 8,263 | 1.6% | 8,242 |
| Shui On Plaza and Xintiandi Plaza | 52,200 | (118) | 3,981 | (3.0%) | 3,226 |
| 5 Corporate Avenue, Hubindao (associate) | 79,000 | (16) | 6,707 | (0.2%) | 2,988 |
| CPIC XINTIANDI COMMERCIAL CENTER Lot 132 (joint venture) | 30,000 | – | 2,676 | – | 669 |
| Ruihong Tiandi Community (joint venture) | 441,000 | 1 | 15,749 | – | 7,796 |
| THE HUB | 263,000 | (72) | 8,860 | (0.8%) | 8,860 |
| Shanghai KIC | 252,000 | 11 | 8,514 | 0.1% | 3,937 |
| INNO KIC | 45,000 | 6 | 1,475 | 0.4% | 1,475 |
| Shanghai Panlong Tiandi | 41,000 | 164 | 1,336 | 12.3% | 1,069 |
| Shanghai Hong Shou Fang | 62,000 | (77) | 2,605 | (3.0%) | 2,605 |
| Wuhan Tiandi Community | 402,000 | (19) | 9,180 | (0.2%) | 9,180 |
| Foshan Lingnan Tiandi Community | 158,000 | 27 | 4,436 | 0.6% | 4,436 |
| Chongqing Tiandi Community | 128,000 | 19 | 1,536 | 1.2% | 1,520 |
| Chongqing IN CITY (associate) | 98,000 | – | 1,664 | – | 329 |
| Nanjing IFC (joint venture) | 100,000 | (86) | 2,950 | (2.9%) | 1,475 |
| SUBTOTAL | 2,231,200¹ | (24) | 79,932¹ | (0.03%) | 57,807 |
| INVESTMENT PROPERTIES UNDER DEVELOPMENT AT VALUATION | | | | | |
| CPIC XINTIANDI COMMERCIAL CENTER Lot 123,124 (joint venture) | 246,000 | (368) | 17,682 | (2.1%) | 4,421 |
| Foshan Lot A | 254,000 | (35) | 1,871 | (1.9%) | 1,871 |
| SUBTOTAL | 500,000 | (403) | 19,553 | (2.1%) | 6,292 |
| INVESTMENT PROPERTY – SUBLEASE OF RIGHT-OF-USE ASSETS | | | | | |
| Nanjing INNO | 17,000 | (10) | 74 | (13.5%) | 74 |
| SUBTOTAL | 17,000 | (10) | 74 | (13.5%) | 74 |
| GRAND TOTAL | 2,748,200 | (437) | 99,559 | (0.4%) | 64,173 |
| GRAND TOTAL (excluding associates and joint ventures)² | 1,754,200 | 32 | 52,131 | 0.1% | 46,495 |

Notes:

- Self-use properties (total GFA 12,800 sq.m. with carrying value of RMB764 million) are classified as property and equipment in the consolidated statement of financial position, and the respective leasable GFA and carrying value are excluded from this table.
- Shanghai Hong Shou Fang was transferred to assets classified as held for sale as of 31 December 2023.

Shui On Xintiandi (“SXTD”): the Group's flagship commercial business unit

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

- Property investment, comprising investment, ownership, and operation of commercial properties and provision of other rental-related services;
- Property management, comprising commercial and residential property management services; and
- Real estate asset management, comprising commercial asset management services.

Property Investment

Retail portfolio occupancy remained stable and averaged 91% as of 31 December 2023. Following the relaxation of pandemic-related restrictions, sales, and shopper traffic in our portfolio for 2023 have recovered to 106% and 110% of the levels seen in the same period in 2021, respectively. Rental reversion, however, has turned slightly negative given the slower-than-expected market recovery.

The office market has been more challenging, given the economic slowdown and oversupply. Many businesses have slowed their activity or suspended their expansion or relocation plans. Occupancy of our more mature office properties remained stable with an average occupancy rate of above 90%, and rental reversion remained positive as of 31 December 2023. This bears testimony to the quality of our assets and service, as well as the prime locations of our properties. However, since the newly opened offices faced immense pressure, overall occupancy for the office portfolio as of 31 December 2023 was lower at 66%, as three of the Group's office properties were completed in the last two years.

Performance of Investment Properties

Rental and related income for the Group increased by 16% to RMB2,398 million in 2023 compared to RMB2,070 million in 2022. The increase was driven by additional rental contributions from the opening of Shanghai Panlong Tiandi and Shanghai Hong Shou Fang.

Including the rental and related income from joint venture and associate properties, the total rental and related income increased by 16% year-on-year to RMB3,243 million in 2023, of which 76% of the rental and related income was contributed by the portfolio located in Shanghai, with the remainder from other cities in China.

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 | | Changes | Occupancy rate | | Changes |
|---|----------------|------------------------------|-------------------------|--------------|------------|------------------|-------------|---------|
| | | | RMB'million | | | 31 Dec 2023 | 31 Dec 2022 | |
| | | sq.m. | 2023 | 2022 | % | | | ppt |
| Shanghai Taipingqiao Community | | | | | | | | |
| Shanghai Xintiandi | Office/ Retail | 54,000 | 457 | 365 | 25% | 97% | 91% | 6 |
| Xintiandi Style II | Retail | 26,000 ¹ | 73 | 31 | 135% | 91% ² | 60% | 31 |
| Shui On Plaza & Xintiandi Plaza | Office/ Retail | 52,200 | 157 | 159 | (1%) | 91% | 94% | (3) |
| THE HUB | Office/ Retail | 263,000 | 427 | 382 | 12% | 92% | 88% | 4 |
| Shanghai KIC | Office/ Retail | 252,000 | 476 | 441 | 8% | 95% | 90% | 5 |
| INNO KIC | Office/ Retail | 45,000 | 65 | 60 | 8% | 93% | 91% | 2 |
| Panlong Tiandi | Retail | 41,000 | 70 | 1 | n/a | 87% | – | n/a |
| Shanghai Hong Shou Fang | Office/ Retail | 62,000 | 21 | – | n/a | 93% ³ | – | n/a |
| Wuhan Tiandi Community | Office/ Retail | 402,000 | 366 | 349 | 5% | 63% | 62% | 1 |
| Foshan Lingnan Tiandi Community | Office/ Retail | 158,000 | 219 | 212 | 3% | 93% | 90% | 3 |
| Chongqing Tiandi Community | Retail | 128,000 | 67 | 70 | (4%) | 97% | 96% | 1 |
| CONSOLIDATED RENTAL AND RELATED INCOME | | 1,483,200 | 2,398 | 2,070 | 16% | | | |
| RENTAL AND RELATED INCOME FROM JVS AND ASSOCIATE | | | | | | | | |
| Shanghai Taipingqiao Community | | | | | | | | |
| 5 Corporate Avenue, Hubindao ⁴ (associate) | Office/ Retail | 79,000 | 237 | 234 | 1% | 93% | 92% | 1 |
| CPIC XINTIANDI COMMERCIAL CENTER Lot 132 (joint venture) | Office | 30,000 | 48 | – | n/a | 100% | – | n/a |
| Ruihong Tiandi Community | | | | | | | | |
| Hall of the Moon, Hall of the Stars, The Palette, Hall of the Sun (joint venture) | Retail | 296,000 | 348 | 323 | 8% | 86% | 81% | 5 |
| Ruihong Corporate Avenue (joint venture) | Office | 145,000 | 84 | 53 | 58% | 39% | 29% | 10 |
| Nanjing IFC⁵ (joint venture) | Office/ Retail | 100,000 | 128 | 122 | 5% | 81% | 73% | 8 |
| GRAND TOTAL | | 2,133,200⁶ | 3,243 | 2,802 | 16% | | | |

Notes:

- A total leasable GFA of 19,000 sq.m. AEI was completed in December 2022 and was re-opened in January 2023.
- The increase in occupancy rate in 2023 was due to the re-opening of Xintiandi Style II.
- Shanghai Hong Shou Fang office with 48,000 sq.m. GFA is undergoing pretesting and its occupancy rate is excluded from the above table.
- The Group holds a 44.55% effective interest in the property. Rental and related income attributable to the group were RMB106 million in 2023 and RMB104 million in 2022.
- The Group holds a 50% effective interest in the property. Rental and related income attributable to the group was RMB64 million in 2023 and RMB61 million in 2022.
- A total GFA of 12,800 sq.m. located at Shanghai Shui On Plaza, Shanghai KIC, Wuhan Tiandi Community, and Foshan Lingnan Tiandi Community was occupied by the Group and was excluded from the above table.

Retail Tenant Mix

As of 31 December 2023

| | By occupied GFA |
|----------------------------|-----------------|
| Food & beverage | 31.9% |
| Fashion & beauty | 23.1% |
| Entertainment | 15.5% |
| Services | 13.6% |
| Children & family | 9.4% |
| Supermarket & hypermarket | 3.0% |
| Showroom | 1.8% |
| Hotel & serviced apartment | 1.4% |
| Others | 0.3% |
| TOTAL | 100% |

Office Tenant Mix

As of 31 December 2023

| | By occupied GFA |
|---|-----------------|
| High-tech & TMT | 21.0% |
| Banking, insurance & financial services | 14.2% |
| Consumer products & services | 13.0% |
| Professional services | 11.2% |
| Biological, pharmaceutical & medical | 9.9% |
| Automation & manufacturing | 6.0% |
| Education, culture & innovation | 6.0% |
| Real estate & construction | 5.3% |
| Business center & co-working | 3.7% |
| Commercial | 3.4% |
| Others | 6.3% |
| TOTAL | 100% |

Property Management

We provide premium property management services for commercial properties within the Group's portfolio and selective commercial and residential properties owned by third parties. In 2023, the total GFA under management of commercial and residential properties was 4.1 million sq.m. and 4.9 million sq.m. respectively.

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, as well as account and finance management. As of 31 December 2023, our asset management projects include 5 Corporate Avenue and Hubindao, Nanjing IFC, commercial properties in the Ruihong Tiandi Community, CPIC XINTIANDI COMMERCIAL CENTER (Lot 132), 2 Corporate Avenue in Wuhan, and Nanjing INNO. The total valuation of the projects we managed amounted to RMB29.0 billion as of 31 December 2023, with a total GFA of 710,000 sq.m.

In December 2023, a 65% equity interest in Shanghai Hong Shou Fang was sold to Shanghai Hongrui Shouyuan Consulting Management Partnership (Limited Partnership), an investment vehicle of Dajia Life Insurance Co., Ltd. After the completion of the disposal, the Group will provide asset management services to the Shanghai Hong Shou Fang project.

Our Projects and Latest Updates

Shanghai Taipingqiao Community:

Shanghai Taipingqiao Community is a large-scale, flagship community project in the heart of Shanghai. It was developed to preserve 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, comprising various commercial, office, and residential plots. The Shanghai Taipingqiao Community comprises 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 carefully blended experience of old Shanghai culture and modern lifestyles that has made the Community a premier lifestyle destination for both residents of Shanghai and visitors. Not only does Shanghai Xintiandi continue to attract consumers and new tenants from across the world, it also serves as a popular venue for hosting international festivals and local events, such as Shanghai Fashion Week and the XINTIANDI Performing Arts Festival.

Xintiandi Style II's AEI was completed, and it was 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. Occupancy of the property had reached 91% as of 31 December 2023.

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, Shanghai Hongqiao International Airport, five underground metro lines, the 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 from various industries, including Fortune 500 companies.

Shanghai Rui Hong Tiandi Community:

Rui Hong Xin Cheng is a mixed-use, large-scale masterplan community project covering retail, office, entertainment, cultural and residential space. The property is located in the Hongkou district in Shanghai, in close proximity to several leading universities and the central business district. It enjoys excellent connectivity to Lujiazui CBD and Pudong commercial district via four metro lines (Metro Lines 4, 8, 10, and 12) and two tunnels, Xinjian Road Tunnel and Dalian Road Tunnel. The Rui Hong Xin Cheng Community comprises various commercial and office properties, including the Hall of the Moon, the Hall of the Stars, The Palette, the Hall of the Sun, and Ruihong Corporate Avenue. RHXC is being revitalised to become a fashionable urban living destination.

Shanghai Panlong Tiandi:

Panlong Tiandi comprises residential sites, culture and recreation areas, restaurant and hotel development, as well as greeneries and open space for the public. The project is located in Shanghai's Qingpu District, part of the Hongqiao CBD. It is next to Panlong Station of Shanghai Metro Line 17 and is just two train stops or 3 km away from the Hongqiao Transportation Hub. The Panlong Tiandi project won the Gold Award for Best Futura Mega Project in 2020 given by MIPIM Asia Awards. The retail facilities were opened at the end of April 2023, and it is one of Shanghai's most successful urban village transformations. With over 1.1 million visitors in its first week of operation and approximately 6.8 million in the first two months, Panlong Tiandi has become a

new cultural landmark for the Yangtze River Delta area and a new destination combining cultural heritage, modern lifestyle, and community engagement.

Shanghai KIC:

Shanghai KIC is a mixed-use technology innovation and knowledge community strategically located in Wujiaochang in 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 the 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.

Shanghai Hong Shou Fang:

The Shanghai Hong Shou Fang project is an urban regeneration project located at the gateway of Changshou Road, the most popular commercial street in Putuo District, Shanghai. The site is located only 2 km away from Nanjing West Road, one of the most prominent CBDs in Shanghai, and is directly linked to Changshou Road Station, the interchange station of Metro Lines 7 and 13. The project encompasses a commercial complex with 48,000 sq.m. GFA of Grade A office and 14,000 sq.m. of entertainment, restaurants, and retail area through the restoration of the existing historic buildings. The project was opened at the end of September 2023.

In December 2023, Shanghai Hongrui Shouyuan Consulting Management Partnership (Limited Partnership), an investment vehicle of Dajia Life Insurance Co., Ltd., agreed with the Group to acquire a 65% equity interest in the Shanghai Hong Shou Fang project for an initial consideration of approximately RMB1,206 million. This is in line with our Asset Light Strategy to build enduring partnerships with strategic long term investors to expand our portfolio of assets.

Wuhan Tiandi Community:

Wuhan Tiandi Community is a large-scale, mixed-use community project comprising office, 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.

Following the successful repositioning, we have optimised the tenant mix and food and beverage offerings of its retail facilities, introducing new tenants focusing on young premium customers. It has become a retail and social destination in Wuhan that offers lifestyle experiences to a young premium clientele.

The project also includes 1 Corporate Avenue, a high-rise Grade A office building spanning 73 stories completed in September 2021. The first batch of tenants began entering the office in 2022.

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, being the location of two stations on 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 selection 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 within the surrounding hillsides.

The project has recorded strong rental growth and reached 96% occupancy as of 31 December 2023, following a repositioning targeting a young premium clientele. It offers a wide range of retail, food, and beverages as well as entertainment facilities to office tenants and residents in the neighbourhood.

Nanjing IFC:

We acquired a mixed-use Grade A landmark property in Nanjing with Grosvenor Group 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.

With the challenging market conditions in the commercial property market, the Group will focus on improving its existing portfolio, strengthening its competitive advantages focused on community and culture. The success of Panlong Tiandi has demonstrated our strength in creating cultural landmarks, making "Urban Retreat" a new product driver promoting sustainable living.



As of 31 December 2023, the Group's landbank was 8.5 million sq.m. (comprising 6.2 million sq.m. of leasable and saleable area and 2.3 million sq.m. for clubhouses, car parking spaces, and other facilities) spanning 14 development projects located in the prime areas of five major cities in China, namely: Shanghai, Nanjing, Wuhan, Foshan, and Chongqing. The leasable and saleable GFA attributable to the Group was 3.9 million sq.m.. Of the total leasable and saleable GFA of 6.2 million sq.m., approximately 2.5 million sq.m. was completed and held for sale and/or investment, approximately 1.4 million sq.m. was under development, and the remaining 2.3 million sq.m. was held for future development.

The Group's total landbank as of 31 December 2023, including that of its joint ventures and associates, is summarised below:

| Project | Approximate/Estimated leasable and saleable GFA | | | | Subtotal | Clubhouse, carpark and other facilities | Total | Group's interests | Attributable leasable and saleable GFA |
|---|--|------------------|------------------|----------------------------------|------------------|--|------------------|----------------------|---|
| | Residential | Office | Retail | Hotel/ serviced apartments | | | | | |
| | sq.m. | sq.m. | sq.m. | sq.m. | sq.m. | sq.m. | sq.m. | | sq.m. |
| COMPLETED PROPERTIES: | | | | | | | | | |
| Shanghai Taipingqiao | 2,000 | 118,000 | 131,000 | – | 251,000 | 101,000 | 352,000 | 99.00% ¹ | 173,000 |
| Shanghai RHXC | – | 145,000 | 300,000 | – | 445,000 | 269,000 | 714,000 | 99.00% ² | 220,000 |
| 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 | 1,000 | – | 41,000 | 5,000 | 47,000 | 80,000 | 127,000 | 80.00% | 38,000 |
| Shanghai Hong Shou Fang ⁴ | – | 48,000 | 14,000 | – | 62,000 | 21,000 | 83,000 | 100.00% | 62,000 |
| INNO KIC | – | 41,000 | 4,000 | – | 45,000 | 18,000 | 63,000 | 100.00% | 45,000 |
| Wuhan Tiandi | – | 165,000 | 239,000 | – | 404,000 | 268,000 | 672,000 | 100.00% | 404,000 |
| Wuhan Optics Valley Innovation Tiandi | 56,000 | 95,000 | 18,000 | – | 169,000 | 177,000 | 346,000 | 50.00% | 85,000 |
| Foshan Lingnan Tiandi | – | 16,000 | 157,000 | 43,000 | 216,000 | 92,000 | 308,000 | 100.00% | 216,000 |
| Chongqing Tiandi | – | 26,000 | 229,000 | – | 255,000 | 495,000 | 750,000 | 99.00% ⁵ | 154,000 |
| Nanjing IFC | – | 72,000 | 28,000 | – | 100,000 | 18,000 | 118,000 | 50.00% | 50,000 |
| SUBTOTAL | 59,000 | 980,000 | 1,401,000 | 70,000 | 2,510,000 | 1,753,000 | 4,263,000 | | 1,827,000 |
| PROPERTIES UNDER DEVELOPMENT: | | | | | | | | | |
| Shanghai Taipingqiao | 87,000 | 162,000 | 102,000 | – | 351,000 | 159,000 | 510,000 | 25.00% ⁶ | 114,000 |
| Shanghai RHXC | – | 107,000 | 12,000 | – | 119,000 | 38,000 | 157,000 | 49.00% ⁷ | 58,000 |
| Shanghai Yangpu Binjiang | 30,000 | – | – | – | 30,000 | 22,000 | 52,000 | 60.00% | 18,000 |
| Wuhan Tiandi | 71,000 | – | 1,000 | – | 72,000 | 37,000 | 109,000 | 100.00% | 72,000 |
| Wuhan Optics Valley Innovation Tiandi | – | 181,000 | 52,000 | – | 233,000 | 165,000 | 398,000 | 50.00% | 117,000 |
| Wuhan Changjiang Tiandi | 221,000 | – | 7,000 | – | 228,000 | 63,000 | 291,000 | 50.00% | 114,000 |
| Chongqing Tiandi | 71,000 | 228,000 | – | 25,000 | 324,000 | 49,000 | 373,000 | 19.80% | 64,000 |
| SUBTOTAL | 480,000 | 678,000 | 174,000 | 25,000 | 1,357,000 | 533,000 | 1,890,000 | | 557,000 |
| 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 | 181,000 | 287,000 | – | 565,000 | – | 565,000 | 50.00% | 283,000 |
| Wuhan Changjiang Tiandi | 563,000 | 56,000 | 225,000 | 30,000 | 874,000 | 42,000 | 916,000 | 50.00% | 437,000 |
| Foshan Lingnan Tiandi | 28,000 | 450,000 | 107,000 | 80,000 | 665,000 | – | 665,000 | 100.00% | 665,000 |
| Chongqing Tiandi | – | – | 65,000 | – | 65,000 | – | 65,000 | 19.80% | 13,000 |
| SUBTOTAL | 727,000 | 757,000 | 687,000 | 110,000 | 2,281,000 | 42,000 | 2,323,000 | | 1,510,000 |
| TOTAL LANDBANK GFA | 1,266,000 | 2,415,000 | 2,262,000 | 205,000 | 6,148,000 | 2,328,000 | 8,476,000 | | 3,894,000 |

Notes:

- 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, Lot 132, and Lot 116, in which the Group has effective interests of 100.00%, 80.00%, 100.00%, 44.55%, 25.00%, and 98.00%, respectively.
- The Group has 99.00% effective interests in all the remaining lots, except for The Palette, 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% and Lot 167A, in which the Group has an effective interest of 49.00%.
- 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%.
- In December 2023, the group disposed of a 65% equity interest in this project. The transaction was completed in January 2024.
- The Group has 99.00% effective interests in all the remaining lots, except for Lot B5, Lot B10, Lot B15, Lot B14, Lot B13 and Lot B11 Phase I, in which the Group has effective interests of 19.80%.
- The Group has a 25.00% interest in Lots 123 and 124 for office and retail uses and a 50.00% interest in Lot 122.
- The Group has a 49.00% interest in Lot 167B.

The Group is forward-thinking and has a strong track record in urban renewal, as well as extensive experience in master planning, cultural preservation, and building communities. We are thus well known for our ability to deliver different urban development solutions. The Group continues to look for selective property development opportunities in tier-1 and strong tier-2 cities in the Yangtze River Delta and Greater Bay Area, especially in Shanghai. With our "Best-in-Class" strategy, we are committed to delivering high-quality products in strategic locations.



The Group's **revenue** for 2023 decreased by 37% to RMB9,752 million, compared to RMB15,565 million in 2022, due mainly to a decrease in recognised property sales.

Property sales for 2023 were RMB5,898 million (2022: RMB11,695 million), of which RMB5,501 million was from Shanghai Panlong Tiandi. As a comparison, property sales in 2022 were primarily comprised of Shanghai Panlong Tiandi, Taipingqiao Ville V, and Wuhan Tiandi La Riva II, which amounted to RMB5,584 million, RMB5,566 million and RMB462 million, respectively.

Rental and related income from property investment for 2023 was RMB2,398 million (2022: RMB2,070 million), representing a 16% year-on-year increase. In 2023, the opening of Shanghai Panlong Tiandi and Hong Shou Fang generated additional revenue for the Group. Rental and related income in 2022 was adversely affected by the COVID-related lockdowns and rental concessions granted to tenants, whereas there was no such negative impact during 2023.

Rental and related income from the Group's Shanghai properties, which accounted for 73% (2022: 70%) of the total, rose by 21% to RMB1,746 million (2022: RMB1,439 million). The rental and related income from the Group's non-Shanghai properties totalled RMB652 million in 2023 (2022: RMB631 million), representing a 3% year-on-year increase.

Property management income for 2023 increased by 14% to RMB580 million (2022: RMB508 million), of which RMB422 million (2022: RMB393 million) was from our services rendered to commercial properties, representing a 7% year-on-year growth. The growth mainly came from Shanghai Panlong Tiandi and Hong Shou Fang, which were opened in 2023. The remaining income of RMB158 million (2022: RMB115 million) was from residential properties.

Construction income generated by the construction business declined to RMB328 million in 2023 (2022: RMB958 million). Income from fit-out service rendered to the owners of our developed properties was absent in 2023, whereas it was RMB399 million in 2022.

Gross profit for 2023 declined by 24% to RMB5,045 million (2022: RMB6,649 million) alongside the decrease in revenue. Meanwhile, **gross profit margin** grew to 52% (2022: 43%) due to a higher proportion of gross profit contributed by property investment.

Other income for 2023 increased by 9% to RMB411 million (2022: RMB376 million), mainly comprised of bank interest income and interest income from joint ventures.

Selling and marketing expenses for 2023 fell 17% to RMB175 million (2022: RMB212 million) due to a lower level of property sales in 2023.

General and administrative expenses, which are comprised of staff costs, depreciation charges, and advisory costs incurred, increased by 9% to RMB985 million in 2023 (2022: RMB907 million).

Increase in the fair value of investment properties totalled RMB32 million in 2023 (2022: a decrease of RMB114 million). The investment property portfolio in Shanghai recorded a valuation gain of RMB50 million, which was offset in part by a revaluation loss of RMB18 million in the investment property portfolio outside Shanghai. 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 RMB243 million in 2023 (2022: net loss of RMB107 million), comprised of:

| GAINS/(LOSSES) | 2023 RMB'million | 2022 RMB'million |
|--|---------------------|---------------------|
| Gain/(cost) arising from hedging activities | 14 | (175) |
| (Loss)/gain from fair value change of derivative financial instruments | (166) | 331 |
| Loss from a change of specific hedging arrangements | - | (169) |
| Provision for impairment losses under expected credit loss model | (1) | (80) |
| Others | (90) | (14) |
| TOTAL | (243) | (107) |

Share of results of associates and joint ventures recorded a net gain of RMB781 million in 2023 (2022: net loss of RMB151 million). Gains from property sales in 2023 amounted to RMB979 million (2022: RMB91 million), which principally comprised RMB855 million (2022: loss of RMB14 million) from the joint-venture project with Joy City in RHXC (Lot 7), RMB83 million (2022: RMB2 million) from the partnership portfolio in Chongqing (disclosed as associates) and RMB41 million (2022: RMB103 million) from Wuhan Optics Valley

The core earnings of the Group are as follows:

| | 2023 RMB'million | 2022 RMB'million | Change % |
|--|---------------------|---------------------|--------------|
| Profit attributable to shareholders of the Company | 810 | 906 | (11%) |
| (Increase) / decrease in fair value of investment properties, net of tax | (2) | 100 | |
| Share of results of associates and joint ventures | 114 | 107 | |
| – fair value loss of investment properties, net of tax | | | |
| | 112 | 207 | |
| Non-controlling interests | 9 | 10 | |
| Net effect of changes in the valuation | 121 | 217 | |
| Profit attributable to shareholders of the Company before revaluation | 931 | 1,123 | (17%) |
| Add: | | | |
| Profit attributable to owners of perpetual capital securities | - | 116 | |
| CORE EARNINGS OF THE GROUP | 931 | 1,239 | (25%) |

Innovation Tiandi. The gain was partially offset by the revaluation loss in CPIC XINTIANDI COMMERCIAL CENTER, which amounted to RMB368 million in 2023 (2022: loss of RMB492 million). The Group has a 25% effective interest in this project.

Finance costs, inclusive of exchange differences, totalled RMB2,167 million in 2023 (2022: RMB2,127 million), comprising finance costs of RMB2,130 million (2022: RMB1,632 million) and net exchange loss of RMB37 million (2022: RMB495 million). Total interest costs increased by 20% to RMB2,350 million (2022: RMB1,964 million) due to the rising average cost of debt of 6.34% in 2023 (2022: 5.53%). Of the abovementioned interest costs, 9% (2022: 17%) or RMB220 million (2022: RMB332 million) was capitalised as the cost of property development, with the remaining 91% (2022: 83%) of interest costs relating to mortgage loans on completed properties and borrowings for general working capital purposes being accounted for as expenses. The lower capitalised interests also caused the increase in finance costs in 2023.

Taxation totalled RMB1,302 million in 2023 (2022: RMB1,932 million). The year-on-year decrease was 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 progressive rates ranging from 30 percent to 60 percent based 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 2023 was RMB1,397 million (2022: RMB1,475 million).

Profit attributable to shareholders of the Company for 2023 was RMB810 million (2022: RMB906 million).

Earnings per share for 2023 was RMB10.1 cents, calculated based on a weighted average of approximately 8,009 million shares in issue in 2023 (2022: earnings per share RMB11.3 cents, calculated based on a weighted average of approximately 8,035 million shares in issue).

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

The Board has resolved to recommend the payment of a 2023 final dividend of HKD0.058 per share (2022: HKD0.064 per share).

Major Disposal

In December 2023, the Group agreed with Shanghai Hongrui Shouyuan Consulting Management Partnership (Limited Partnership) to dispose of its 65% interest in Shanghai Hong Shou Fang at an initial consideration of RMB1,206 million. For details, please refer to the announcement issued by the Company dated 29 December 2023. The equity disposal was completed in January 2024. The adjusted final consideration is subject to the settlement of the final construction costs of the project. Based on the latest status of the construction settlement, it is estimated that there will be no material adjustment to the initial consideration.

Liquidity, Capital Structure, and Gearing Ratio

During 2023, the Group issued an onshore commercial mortgage-backed securities and fully redeemed one senior note. The details are as follows:

- On 27 April 2023, Shanghai Rui Qiao Property Development Co., Ltd., a wholly-owned subsidiary of the Company, obtained financing under securitisation arrangements (the "Receipts Under Securitisation Arrangements") with an aggregate principal amount of RMB4,401 million at 100% of face value comprising (i) RMB4,400 million with a term of fixed annual coupon rate of 3.9% and quarter distribution from June 2023 till March 2041, and (ii) RMB1 million with a term of no annual coupon rate. The Receipts Under Securitisation Arrangements are listed on the Shanghai Stock Exchange.
- In November 2023, the Group fully repaid an aggregate principal amount of USD500 million in senior notes at a yield of 5.75% per annum.

The structure of the Group's borrowings as of 31 December 2023 is summarised below:

| | Total RMB'million | Due within one year RMB'million | Due in more than one year but not exceeding two years RMB'million | Due in more than two years but not exceeding five years RMB'million | Due in more than five years RMB'million |
|--|----------------------|---------------------------------------|--|--|--|
| Bank and other borrowings – RMB | 9,174 | 2,618 | 401 | 3,440 | 2,715 |
| Bank borrowings – HKD | 1,103 | 741 | 362 | – | – |
| Bank borrowings – USD | 7,399 | 5,051 | 693 | 1,655 | – |
| Senior notes – USD | 9,898 | 3,563 | 3,514 | 2,821 | – |
| Receipts under securitisation arrangements – RMB | 4,359 | 40 | 40 | 174 | 4,105 |
| TOTAL | 31,933 | 12,013 | 5,010 | 8,090 | 6,820 |

Cash and bank deposits as of 31 December 2023 totalled RMB8,917 million (31 December 2022: RMB13,368 million), which included RMB3,172 million (31 December 2022: RMB2,192 million) of deposits pledged to banks and RMB2,033 million (31 December 2022: RMB1,691 million) of restricted bank balances which can only be applied to designated projects of the Group. During 2023, the Group repaid and/or refinanced RMB10.7 billion of bank borrowings and fully redeemed its USD500 million senior notes.

As of 31 December 2023, the Group's net debt (excess of the sum of senior notes, bank and other borrowings and receipts under securitisation arrangements net of bank balances and cash including pledged bank deposits and restricted bank deposits) was RMB23,016 million (31 December 2022: RMB20,144 million), and its total equity was RMB44,149 million (31 December 2022: RMB44,401 million). The Group's net gearing ratio was 52% as of 31 December 2023 (31 December 2022: 45%), calculated based on the net debt over the total equity.

As of 31 December 2023, total HKD/USD borrowings (including both hedged and unhedged positions) amounted to RMB18,400 million (31 December 2022: RMB26,267 million), comprising 58% of total borrowings (31 December 2022: 78%).

The total undrawn banking facilities available to the Group amounted to approximately RMB3,716 million as of 31 December 2023 (31 December 2022: RMB2,196 million).

Pledged Assets

As of 31 December 2023, the Group had pledged investment properties, property, and equipment, right-of-use assets, properties under development for sale, receivables, bank deposits, assets classified as held for sale, and the equity interests in a subsidiary totalling RMB42,304 million (31 December 2022: RMB35,536 million) to secure the Group's borrowings totalling RMB16,214 million (31 December 2022: RMB10,662 million).

Capital and Other Development Related Commitments

As of 31 December 2023, the Group had contracted commitments for development costs, capital expenditure, and other investments of RMB4,389 million (31 December 2022: RMB5,771 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 denominated in USD issued from 2020 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 2023, the Group has entered into USD104 million cross-currency swaps to hedge the USD 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 15 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 2023, the Group had various outstanding loans that bear variable interests linked to Hong Kong Inter-bank Offered Rates ("HIBOR"), 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 cross-currency swaps in which the Group would receive interest at variable rates at SOFR and pay interests at fixed rates, based on the notional amounts of USD104 million. The Group continues to closely monitor 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 as disclosed above, as of 31 December 2023, 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 RMB145 million as of 31 December 2023 (31 December 2022: RMB1,983 million) to banks in favour of its customers regarding mortgage loans provided by banks to those customers for the purchase of the Group's developed properties. These guarantees provided by the Group to the banks will be released upon receiving the building ownership certificates of the respective properties by the banks from the customers as a pledge for security to the mortgage loans granted.



The global economy encountered persistent headwinds from elevated inflation, high interest rates, and heightened geopolitical risks throughout 2023. The US and Eurozone economies showed remarkable resilience, however, with robust labour markets supporting consumer spending despite aggressive rate hikes by the central banks. In 2024, falling inflation should provide the Federal Reserve and European Central Bank with policy room to cut rates, mitigating the risks of an economic hard landing. However, prolonged conflicts in the Middle East have disrupted the shipment of cargo via the Red Sea, making the outlook for global inflation and the timing of central banks' monetary policy loosening highly uncertain. For the present, the combination of continued high borrowing costs and rising debt will, therefore, be a drag on economic expansion. Against this backdrop, the World Bank projects global growth to soften from 2.6% in 2023 to 2.4% in 2024, down from the 3.1% average recorded during the 2010s.

China experienced an uneven 5.2% economic recovery in 2023 following the removal of COVID-19 lockdown measures. With the property market undergoing a protracted downturn, the pace of recovery has been more gradual than expected, marked by weak market confidence and severe deflationary pressure. As the post-reopening momentum has faded coming into 2024, China

continues to confront multiple cyclical and structural challenges, including demographic and geopolitical challenges. In response, the December 2023 Central Economic Work Conference called for greater efforts to pursue progress while ensuring stability and to consolidate stability through progress. This indicates that macroeconomic policies will be proactive and pro-growth, with the goals being to stabilise expectations and promote growth in employment and the economy.

China's residential market downturn continued in 2023 despite gradual government policy easing designed to stimulate home purchases throughout the year. Real estate sector financing has remained restrictive, with developers' access to funding declining by over 35% from the peak in 2021. Annualised land sales revenue and new housing starts further fell by 13.2% and 20.9%, respectively, following contractions of 23.3% and 39.8% in 2022. The national housing inventory has reached a record high, putting pressure on property developers to offer price cuts to expedite sales and raise funds for the repayment of maturing debt. In early 2024, 170 cities established property financing coordination mechanisms and issued property project whitelists, indicating increased funding access for qualified property developers and stronger government support to address the financing needs of the real estate sector.

Commercial office property continues to face oversupply as tenants have become more conservative in acquiring new workspace. Companies are vigilant in controlling operating costs given the uncertain business outlook and challenging market environment. In Shanghai, Grade A office leasing activities are predominantly driven by renewals from domestic companies. According to Jones Lang LaSalle (JLL), the annual net absorption of Grade A office space in Shanghai fell by 27% to 381,686 sq.m., while the vacancy rate rose 5.3% to 22.9% at the end of 2023. Specifically, the CBD witnessed a rise in the vacancy rate to around 15%. A surge in new supply has given office tenants additional bargaining power, resulting in downward pressure on rents. Grade A CBD office rents dropped by 5.6% in 2023, with the rate of decline increasing over the course of the year. Rents are expected to remain on a downward trajectory in 2024, given the persistent pressure from new supply and soft demand.

Driven by the normalisation of retail consumption, consumer traffic has gradually returned to shopping malls. The release of pent-up demand has significantly boosted services consumption, notably in food and drink establishments. In 2023, catering sales experienced a significant 30% increase, whereas sales of consumer goods only grew by 4.8%. JLL reports that restaurants have led the expansion of retail leasing. In 2023, the vacancy rate for Shanghai prime retail properties lowered to 9%, with new absorption reaching 94,099 sq.m.. Although vacancy rates improved, tenants' rental affordability remained constrained, with prime rents experiencing a slight 0.2% year-on-year drop, stabilising by year-end. With little pressure from new prime supply, 2024 commercial retail rentals are projected to register a slight increase amid an anticipated rebound in leasing demand.

In 2023, Shanghai's Gross Domestic Product ("GDP") growth reached 5%, falling short of the 5.5% target due to a challenging external environment. The city registered USD24 billion of foreign investment while maintaining export growth of 1.6%. Shanghai's port maintained its top position in container throughput for the 14th consecutive year. The government has introduced new reform measures for the Free Trade Zone, including easing cross-border data transfers. Apart from focusing on revitalising economic growth, Shanghai is committed to developing the digital economy and green industries going forward. The municipality aims to strengthen its position as an international financial centre and become a global hub for asset management and reinsurance.

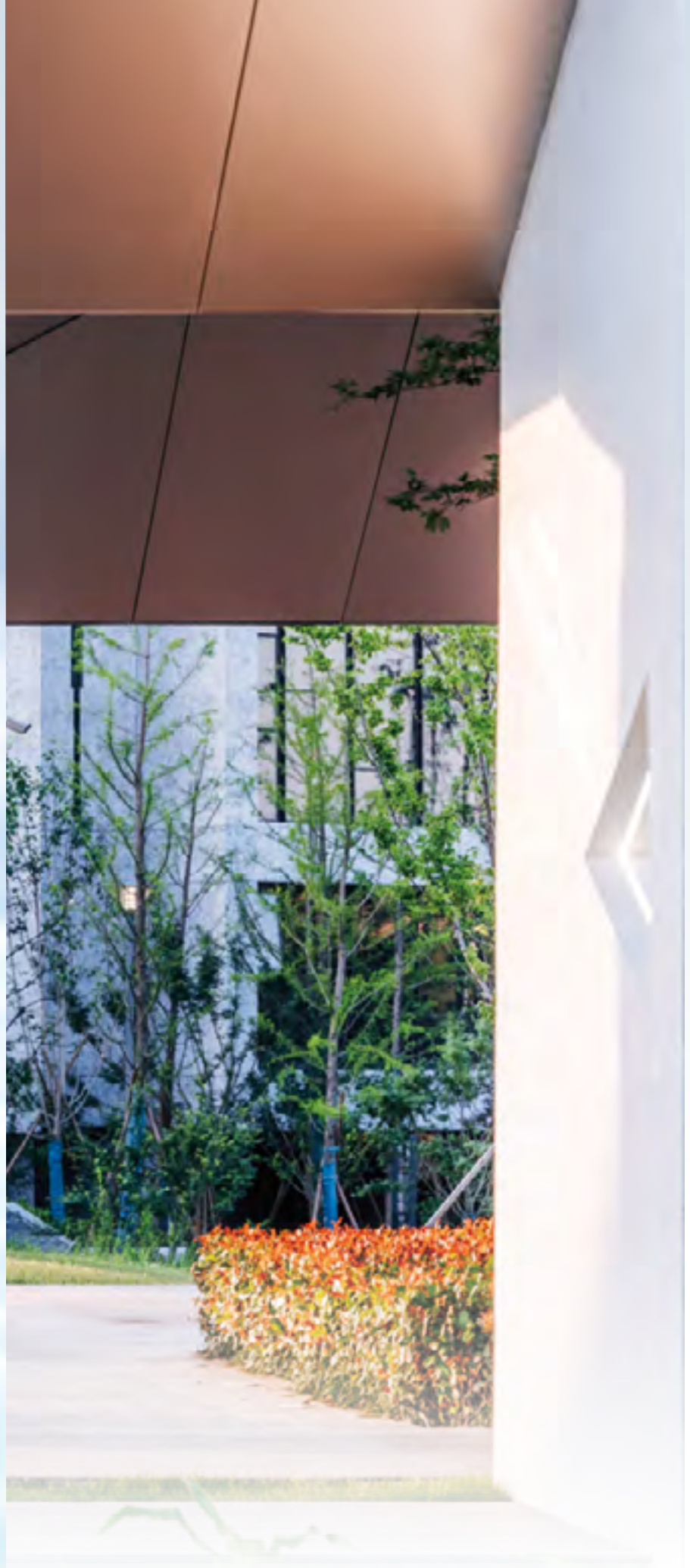
Chongqing's GDP grew by 6.1% to RMB3.01 trillion in 2023. The city's development focus is on transforming its economic structure, with double-digit growth achieved in high-tech manufacturing and strategic emerging industries. Fixed asset investment grew by 4.3%, while real estate investment declined by 13.2%. Chongqing's consumer market showed a strong recovery, with total retail sales reaching RMB1.51 trillion, an 8.6% increase surpassing the national average. The government aims to promote its status as an international consumption centre, targeting retail sales growth of 7.5% and GDP growth of around 6% in 2024.

In 2023, Wuhan recorded GDP growth of 5.7%, with fixed asset investment rising 0.3% and real estate investment growing by 2.5%. Household consumption rebounded, with a growth rate of 8.6%, surpassing RMB753 billion. In 2024, Wuhan aims to establish a nationally influential science and technology innovation centre, making innovation-driven urban development the primary strategy. The city is committed to building a modern industrial system driven by the advanced manufacturing sector. It will also focus on developing a smart city and integrating the Wuhan metropolitan area to enhance overall competitiveness.

In Foshan, the gradual recovery of the manufacturing sector helped the city to maintain 5.0% GDP growth in 2023. The city has vowed to prioritise manufacturing upgrading and innovation as key development strategies for 2024. The government aims to achieve digital transformation in over 80% of industrial enterprises by 2025 while actively promoting the upgrading of its traditional industries. Foshan will vigorously promote emerging industries such as new energy storage, biomedicine, high-end equipment, and industrial robots. In December 2023, the intercity rail line connecting Foshan West Railway Station to Guangzhou South Railway Station came into operation, which is expected to enhance connectivity and transit efficiency within the Guangzhou-Foshan metropolitan area.

Nanjing's GDP growth accelerated to 4.6% in 2023, short of the 5% growth target. The city was ranked 11th in the national commerce city ranking, with its 175 shopping arcades offering over 95% of the world's top brands. In 2023, new housing supply and transactions by area decreased by 19.4% and 24.3%, respectively, reaching the lowest levels in the past decade. The government implemented various supportive policies, such as home purchase subsidies and easing provident fund and purchase restrictions, to stimulate demand. A decrease in new housing supply in 2024 should help to alleviate the oversupply situation and stabilise market sentiment, mitigating the downward pressure on home prices.

While the risks of high inflation and a US economic hard landing are diminishing, geopolitical risks and uncertainties surrounding monetary policy will continue to impact the prospects of the global economy in 2024. In China, strengthened monetary and fiscal policies can stimulate domestic demand to cushion the impact of a protracted property market adjustment. Despite strong deflationary headwinds, there are opportunities arising from the Shanghai government's plans to expedite urban village transformation through its 3-Year Urban Renewal Action Plan. We will remain vigilant in monitoring the market risks and continue to explore new opportunities accorded by the unfolding trends.





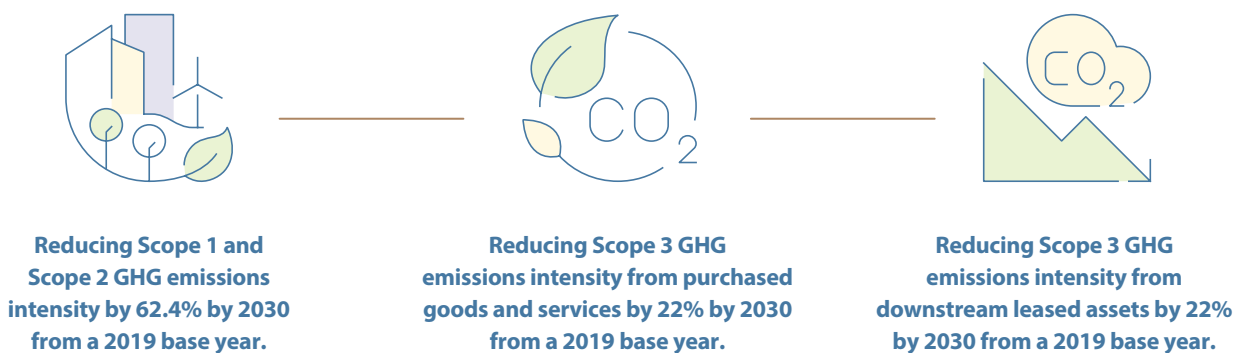
Sustainability Report

Sustainability Landscape of China

In September 2020, President Xi Jinping pledged at the 75th session of the United Nations General Assembly that China would aim for peak carbon dioxide emissions before 2030 and achieve carbon neutrality by 2060. Following this dual carbon strategy, the Shanghai Municipal People's Government committed to a 70% reduction in carbon emissions per unit of GDP by 2030 from 2005 levels and to raise the share of non-fossil energy to approximately 25% by the same year¹. With the continued implementation of its "1+N" policy framework for dual carbon strategy, the Chinese government has also been actively promoting international cooperation on climate change, focusing on practical cooperation in areas including climate change adaptation, green and low-carbon initiatives, energy efficiency and circular economy. Furthermore, the government has placed a strong emphasis on incentivizing enterprises to enhance R&D investments to facilitate high-quality industrial transformation. China's "14th Five-Year" Plan underscores the integration of biodiversity conservation into the development path of ecological civilization. The country sets an ambitious target to effectively protect 30% of land and water ecosystems by 2030, while improving the aquatic biological integrity index of the Yangtze River.

Meeting these targets necessitates a high-quality transformation within construction and real estate sectors, emphasizing green and low-carbon initiatives. In line with China's "14th Five-Year" Plan vision and the country's sustainable landscape, SOL has consistently focused on urban regeneration, reducing carbon emission, conserving natural resources and enhancing urban biodiversity during our project design and development, and fostering industry high-quality transformation, ensuring a harmony between financial profitability and sustainable practices, mindful of social, environmental, and economic impacts. In 2023, we signed a MoU with The Nature Conservancy to promote urban biodiversity conservation. In addition, we conducted a climate change physical risk scenario analysis at project level for all development sites and assets under management. In recognition of our sustainability efforts, over 96% of existing assets by GFA obtained either green or healthy building certifications.

Aligning with the national dual carbon goals, we have introduced our refreshed version of 2030 5C Sustainability Strategy. As mainland China's first developer to engage with the Science Based Targets initiative (SBTi), we are proud to have our near-term science-based targets validated by the SBTi. These targets include:



To achieve these SBTi-approved objectives, we plan to implement various strategies, such as initiating a Deep Green Lease Program, phasing out fossil-based company vehicles, and endorsing the utilization of renewable energy. Additionally, Shui On Xintiandi has forged a strategic cooperation framework with the CLP Group, focusing on zero-carbon energy and green power initiatives to facilitate the commercial real estate sector's shift towards low-carbon energy, utilizing high-efficiency renewable energy solutions. Moving forward, our commitment remains steadfast in reducing our carbon footprint and promoting sustainable practices across our operations, engaging with our suppliers and tenants to reinforce the national sustainability journey.

¹ The targets are outlined in the Action Plan for the Implementation of Carbon Peak in Shanghai.

2023 – At a Glance

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 2023, we are very pleased to attain remarkable results in the following benchmarks and indices.

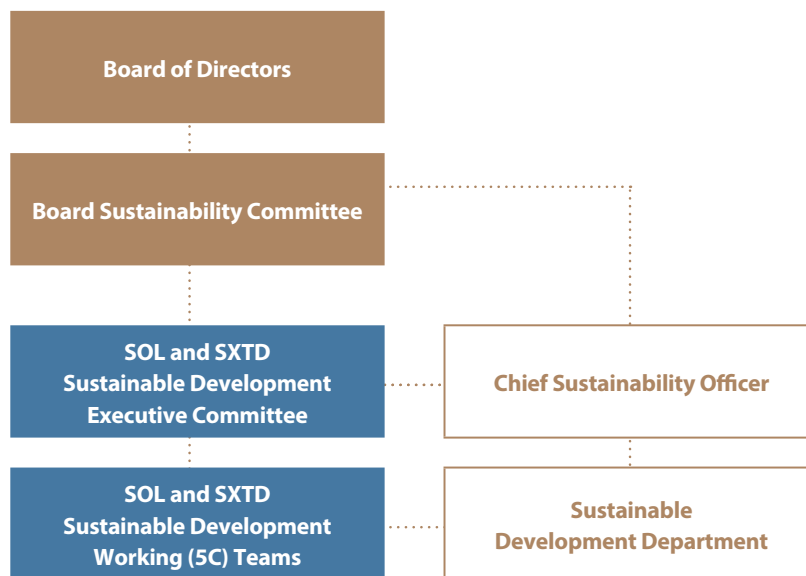


Approach to Sustainability

Sustainability Governance

Sustainability is a fundamental aspect of our operations and is integral to our corporate mission of leading the development of sustainable, premium urban communities. Our sustainability strategy fully integrates all facets of responsible environmental, social, and governance (ESG) practices. We adopt a philosophy that prioritizes the balance between humans and nature when developing master-planned communities. With a clear vision, an innovative mindset and ample international experience, Shui On Land strives to be a pioneer of sustainable premium urban communities.

Our Sustainability Governance Structure



Since 2022, we have taken a decisive step by linking sustainability-related Key Performance Indicators (KPIs) to the compensation of key executives and sustainability team members, including the CEO, CSO, SD EXCOM, and the 5C Teams. To further entrench our dedication to sustainability in our operations and projects, in 2023, we broadened the scope of these sustainability KPIs to encompass department and project heads.

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

Throughout our history, we have committed to environmental care, cultural heritage preservation, and fostering vibrant communities. We value our colleagues, partners, and stakeholders deeply, always striving to enhance our governance standards. In 2020, we introduced our 10-year 5C Sustainability Strategy, refreshed in 2023, which comprises five core pillars: Community, Clean, Culture, Care, and Corporate Governance, expanding our commitment beyond the traditional ESG framework.

Taking into account of the findings of the Strategy review conducted in 2022, we launched a refreshed version of our 5C Sustainability Strategy in 2023, with restructuring of the “Community” pillar to be the central focus, which aligns with our vision to be a pioneer of sustainable premium urban communities. By placing community centricity at the heart of our sustainability efforts, we foster its integration with the other strategic pillars across all aspects of SOL operations. This Strategy outlines a comprehensive roadmap to effectively accomplish our sustainability goals by 2030. It delineates clear and measurable targets for the short, mid, and long term across each of the 5C pillar.





Our Performance in 2023 – Community

Tenant Engagement

Deep Green Lease Program

Since signing the Deep Green Lease, we have focused on delivering tailored, value-added services to tenants, garnering positive feedback and interest. Progressing from last year, we expanded our sustainability strategies regarding waste reduction, community service engagement, and resource circularity to our existing and new prominent clients, including the U.S. Green Building Council (USGBC) and Dell EMC under Dell Technologies, covering the “full lifecycle” of urban development. We are pleased that our Deep Green Lease program was honored with the “Sustainability Achievement of the Year” at the RICS Awards China 2023 in Shanghai and the “2023 Carbon Neutrality Excellence Award” at the Green Zero-carbon Festival.



Our Deep Green Lease Program won the “Carbon Neutrality Excellence Award” at the Green Zero-carbon Festival



Our Deep Green Lease Program won the RICS China Sustainability Award

Green Pledge Program

Our Green Pledge, initiated in 2021, promotes low carbon living and environmental responsibility among tenants and suppliers. It encourages office and retail tenants to minimize waste, reduce electricity and water consumption, as well as offers “Green menus” with healthy, plant-based options. By 2023, the Green Pledge was

signed by 97% of F&B tenants, 89% of retail tenants, and 83% of office tenants by leasing area, achieving a 16% increase of tenants on average compared to 2022. In 2023, we continued with the program where over 800 F&B tenants participated in the Green Menu initiative during the Xintiandi Restaurant Week.

Collaboration with Well Living Lab for Healthy Community Study

In our pursuit of nurturing healthy urban communities, Shui On Land partnered with the Well Living Lab in 2023 to investigate how community development and operations impact resident health and wellbeing, as well as define the meaning of healthy communities. Drawing from over a thousand survey participants and referencing the WELL Community Standard, this collaborative research seeks to understand the influence of design, planning, and management on community health. Shui On Land has been committed to the development and operation of green and healthy communities, which coincides with the research philosophy of the Well Living Lab. We anticipate publishing the research report in 2024, in partnership with the Well Living Lab.

Adoption of Innovative SOL Cloud Construction System in Supply Chain

SOL has launched a digital management system designed in 2023 to streamline ESG (Environmental, Social, and Governance) data collection within the construction sector. This Cloud App gathers monthly supplier metrics on water and energy use, air quality, workforce attendance, and safety and educational training.

Our approach emphasizes collaborative efforts with suppliers to meet ESG standards for construction management. Upcoming measures, set to be revealed by year-end, are geared towards elevating sustainability, social accountability, and governance across our projects.

Through the continuous monitoring and analysis of real-time data, we pinpoint energy inefficiencies and safety risks, bolstering environmental and social governance within our construction endeavors.



Our Performance in 2023 – Clean

Decarbonization

As the first developer in mainland China to join the SBTi, we are honored to announce that our 1.5°C-aligned science-based targets received SBTi approval in July 2023. We pledged to achieve a 62.4% reduction in Scope 1 and 2 GHG emissions intensity by 2030, based on a 2019 baseline.

We have diligently tracked our Scope 1 and 2 carbon emissions intensity of SXTD assets since 2011. In 2023, we achieved a 46% reduction from the 2019 baseline year. We also accomplished a milestone by sourcing 100% renewable electricity for all of our properties in Wuhan, including Horizon North, Horizon South, 1 Corporate Avenue, and Wuhan Tiandi. A strategic partnership was formed with the CLP Group to collaborate on the supply of renewable energy in our commercial properties, aiming to increase our share of total electricity consumption from renewable sources to approximately 20% in 2024. Applicable environmental laws and regulations have also been complied with in 2023.

Climate Change Adaptation

To ensure our actions reflect our climate-related goals, we have pledged support to the TCFD and implemented a comprehensive Climate Change Policy, which articulates our strategy for climate change mitigation, adaptation, and resilience.

In 2023, we commissioned a third-party consultant to conduct a climate change physical risk scenario analysis for all development sites and assets under management, assessing our climate value-at-risk (CVaR) under three Shared Socioeconomic Pathways (SSP1-2.6, SSP2-4.5, and SSP5-8.5) from the IPCC to evaluate the potential impacts of climate change across various timelines (2030, 2050, and 2070). Recognizing both the challenges and opportunities presented by climate change, we are dedicated to diminishing climate-related impacts and investing in climate resilience planning.

Biodiversity

At SOL, we are committed to integrating biodiversity considerations at all project stages – from planning and development to operation, and where relevant – to minimize adverse impacts of our operations on biodiversity and ecosystems. In 2023, we engaged with an external consultant to conduct research on ecological biodiversity and advise on landscaping for a prospective project in Shanghai. We also fortified our commitment by signing a three-year Memorandum of Understanding (MoU) with The Nature Conservancy (TNC), a prominent global non-profit organization focused on biodiversity conservation, aiming to bolster urban biodiversity conservation and drive high-quality urban development in Shanghai and beyond.

Green and Healthy Dual Certifications

Aligning with our refreshed version of 5C Sustainability Strategy, we aimed for dual certifications in green building and human health and wellbeing for all projects. As of 31 December 2023, over 96% of existing assets by GFA obtained either green or healthy building certifications. We have also secured WELL and LEED pre-certifications for Wuhan Optics Valley Innovation Tiandi in 2023. Please refer to our Sustainability Report 2023 for the details of green and healthy dual certifications we obtained in 2023.

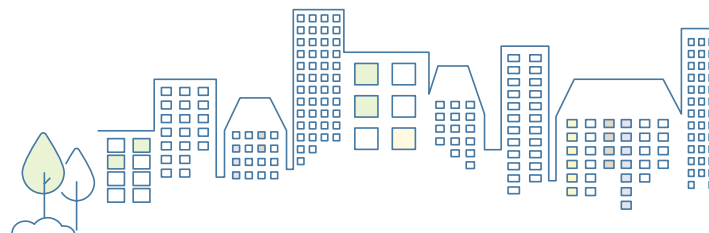
Resource Management and Circularity

Material Reuse and Waste Management

We strive to diminish our landfill contributions by prioritizing waste reduction, reuse, and recycling where feasible. Our broader initiative across the portfolio raises waste management awareness, employing educational signage and disposal receptacles to promote public recycling engagement, and rolling out the Circular Furnishing Service – a one-stop sustainable office furniture leasing solution for our tenants. In 2023, our SXTD assets produced 53,901 tons of non-hazardous waste, marking a 19% reduction from the previous year and diverting 17,506 tons from landfills.

Water Conservation

To foster water-efficient design and operations in our buildings, we have implemented low-flow fixtures, water-saving irrigation, and rainwater recycling systems in SXTD assets, and we design new projects to surpass standard water efficiency benchmarks. Properties under Feng Cheng Property Management have achieved ISO 46001:2019 certification for Water Efficiency Management Systems.





Our Performance in 2023 – Culture

Historical Building Preservation and Revitalization Framework and Talent Development System for Historical Building Preservation and Regeneration

Our Historical Building Preservation and Revitalization System, initiated in 2022 and officially rolled out in 2023, encapsulates over 20 years of expertise from urban regeneration endeavors like Xintiandi and Lingnan Tiandi etc. It provides a methodical framework for preservation, integrating planning and design, development, and expert collaboration. The System is key for training, education, and fostering the protection and rejuvenation of historical structures, thus enriching the region’s cultural legacy and development.



Our Historical Building Preservation and Revitalization System

In 2023, we also established an urban regeneration talent development system for historical building preservation and regeneration, cultivating a framework to preserve and renew these architectural treasures. This framework is built on four dimensions: experience; knowledge and skills; general abilities like communication, interpersonal skills, and learning ability; and personal traits and motivation, such as curiosity, aesthetic sense, and inspiration. This system is specifically focused on historical preservation projects with the aim of establishing standards and certifications for each profession in this niche market.

“CREATORS 100” Arts and Culture Program

With the core values of inheriting culture, pioneering sustainability, and co-creating our future city, Xintiandi launched the “CREATORS 100” program in 2020, aiming to evolve into a diverse, creative hub that supports creators for years to come. It is a creative platform where our employees, partners and artists can celebrate their talent through collaborations, art and culture campaigns, community events, innovation programs, and AEI programs etc. Building on the program’s success in the previous years, we have broadened our efforts this year to include a wider variety of creators, proudly noting a significant increase in female creator representation – now at 50% of our collaborations.

“RanRan” Young Artist Incubation Program

Our “RanRan” program, which nurtures young artistic talent and delves into Chinese culture, has delivered notable results since 2022. We conduct biannual recruitment and evaluation sessions for young artists, selecting two creators each quarter to receive support, including stipends, workspaces, project funding, cultural guidance, and exhibition opportunities within our residency. With the program running for the second year, we have received more than 300 applications from young artists in 2023. This year, we again organized the RanRan Art Season, collaborating with over 30 artists and 40 brands for events including public art installations, public art projects, lectures and performance workshops in the Shanghai Greater Xintiandi area.



The 2023 RanRan Art Season, themed “City Jump”, encourages dynamic and challenging jumps into the unknown urban life.

Partnership with Tongji University on an Urban Regeneration Program

We partnered with Tongji University to foster urban regeneration talents and train students in this field. The program also aims to influence major stakeholders and urban planners with new urban development perspectives. Our Chief Sustainability Officer, Mr. Albert Chan, has contributed by sharing his practical urban regeneration experiences in over five lectures and forums. Looking ahead, we are strategizing to foster collaboration and knowledge exchange between international and domestic governments, aiming to significantly contribute to urban development progression.



Our Performance in 2023 – Care

Talent Development

Through training and development initiatives, we enhance motivation, engagement, and continuous development, attracting and retaining top talent with the right competencies for each role. Our O2O learning platform, Shui On Academy, encourages a “I own my learning” philosophy. The program includes personal development targets, audio literature, “Shui On Knowledge” sharing sessions, and a 5C sustainability knowledge forum. In 2023, we achieved an average of 32 training hours for each employee which included responsible marketing, advertising practices, sustainability and business ethics.

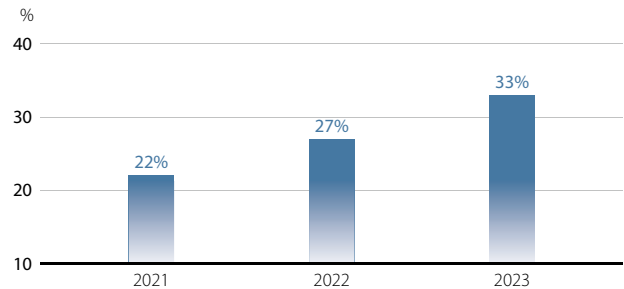
Wellbeing, Health and Safety

We strive for zero fatalities across the supply chain and commit to providing a safe and healthy working environment. Various health and safety trainings are provided to employees, including an online learning course with three modules tailored to construction sites, commercial properties, and office environments, providing 3,899 hours of health and safety training to employees in 2023. 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 for all our operation sites in 2023.

Became a Signatory to the United Nations Women’s Empowerment Principles

As a recognized leader in promoting gender equality, included in the Bloomberg Gender-Equality Index (GEI)³, we are committed to enhancing gender diversity at all organizational levels, starting with our Board. By signing the United Nations Women’s Empowerment Principles, Shui On Land has reached another milestone in our commitment to gender equality, diversity, and inclusion. We pledge to implement these principles, aiming to build a future where women have every opportunity to succeed. In 2023, we increased the representation of women on our Board to 33%, up from 27% the previous year, and we continue to work on closing the gender pay gap.

Proportion of Female in the Board Composition



“Your Voice” Employee Engagement Survey

To foster a culture of innovation, we enhanced our “Your Voice” employee engagement survey in 2023 by further incorporating questions targeted at our goal of becoming China’s top employer. As a vital component of our holistic employee engagement approach, “Your Voice” serves as a dynamic feedback ecosystem comprising “feedback”, “insight”, “action plan” and “activate” to assist our employees in their development. Employees also participate in an engagement survey, with incentives given to teams with a high response rate. A third-party consultant ensures confidentiality in analyzing feedback, with findings and action plans communicated across all levels. In 2023, 87% of targeted employees completed the survey.

Shared Value for Society

Understanding that public welfare is a collective responsibility, we, as a responsible community developer, prioritize investing in the community on multiple fronts. We encourage our employees to invest in community development by volunteering their time and skills. This not only fortifies our bond with the community but also allows our team to make a significant impact in the areas we serve. We aim to accumulate 150,000 volunteer hours by 2030, and in 2023, our employees have contributed over 11,900 hours.

³ Shui On Land has been actively involved and included in the Bloomberg GEI since 2020. At the time of preparing this Sustainability Report, the outcomes of the 2024 Bloomberg GEI have not yet been released.



Our Performance in 2023 – Corporate Governance

Extended Compensation-linked Sustainability KPIs to Department Heads and Project Heads

Our commitment to sustainability engages not just our employees but also our senior management, departments and project teams, who drive the organization to embrace and execute the numerous initiatives outlined in the 5C Sustainability Strategy. Last year, we linked the compensation of our CEO, CSO, the Sustainable Development Executive Committee, and the 5C Teams to sustainability-related KPIs. In 2023, this practice was extended to include our department and project heads. Our management and oversight of sustainability issues are ingrained in our business plan and the day-to-day management of sustainability “tasks” within our operations.

Business Ethics and Crisis Management

The Group is dedicated to business ethics and enterprise risk management. The Code of Conduct and Business Ethics outlines the ethical and legal framework within which our organization and employees operate. The Group is committed to adhering to business compliance requirements. In 2023, we had no confirmed incidents of non-compliance concerning corrupt practices and we complied with all applicable laws and regulations related to labor practice, including the prevention of child and forced labor.

This year marked a substantial upgrade in our risk management and compliance operations. We not only revised our Crisis Management Manual to match current industry standards but also compiled a comprehensive compliance manual. Our updated crisis management procedures have been the focus of annual training sessions, particularly for our governance bodies to ensure they are prepared for potential crises. In addition, our internal audits regularly review SOL’s adherence to responsible marketing policies and ethical promotion, there were no confirmed incidents of violation regarding advertising and labelling in 2023. We are also committed to cybersecurity, with our systems in China meet Level 3 personnel protection standards. We diligently inspect data centers and take proactive actions to prevent data breaches. In 2023, there were no confirmed incidents of violation against data privacy.

Issuing of the Largest Private Green-Mortgage-backed Onshore CMBS in Mainland China

In April 2023, Shanghai Ruiqiao Real Estate Development Co., Ltd., a subsidiary of Shui On Land, successfully launched an onshore commercial mortgage-backed securities (CMBS) backed by its commercial property. The issuance, named the “Shui On Land-Hongqiao Tiandi Green Mortgage-backed Special Plan (the Green Mortgage-backed Special Plan) is backed by the Hongqiao Tiandi commercial properties in Shanghai, marking it as the pioneering CMBS for a commercial hub linked to a transport facility in China. Listed on the Shanghai Stock Exchange, the Green Mortgage-backed Special Plan has an issue size of RMB 4.4 billion, with a top-tier credit rating of AAA(sf) and a coupon rate of 3.9%. The funds raised are intended for debt repayment and to augment the Group’s working capital.

The issuance demonstrates the high quality of the Group’s properties and its commitment to sustainable financing. It also evidences the Group’s strong capital management, representing an advancement in its domestic financing efforts.

Diversified our Board by Appointing the Second Female Independent Non-Executive Director

In 2023, we strategically enhanced our Board’s diversity and independence by appointing two Independent Non-Executive Directors (INEDs) – one male and one female. By the end of 2023, INEDs accounted for eight out of twelve Directors, represented approximately 67% of the Board. In terms of gender diversity, females constituted about 33%, up from 22% in 2021 and 27% in 2022, reflecting our dedication to diverse and inclusive leadership.



The Board of Directors of the Company (the “Board”) is pleased to present the Corporate Governance Report for the year ended 31 December 2023.

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”. The Group is dedicated to delivering excellent products and services, sustaining its vision by integrating the idea of quality into all its operations. It strives for world-class standards of management, planning, execution, and corporate governance while pursuing sustainable growth. The Board strives to instil these cultures and values into every aspect of the Company’s operations, promoting lawful, ethical, and responsible behaviours across the Group.

The Company has a strong commitment to ethics and integrity. To ensure that everyone in the Group understands the expected behaviours, the Company has implemented various policies such as the Code of Conduct and Business Ethics, the Irregularity Reporting Policy, and the Supplier Code of Conduct. Furthermore, training and experience-sharing sessions are conducted regularly.

The Company has implemented a 5C Sustainability Strategy consisting of five key pillars: Community, Clean, Culture, Care, and Corporate Governance. Each pillar plays a significant role in achieving sustainability goals and upholding the Group’s values. The execution of this strategy has further strengthened the Company’s corporate culture. For detailed information, please refer to the “Sustainability Report”. Based on the policies and practices of the Group, the Board is satisfied that the purpose, values, and strategic directions are aligned with the corporate culture.

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 C1 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 2023, 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" 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 2023.

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 for 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 the "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 has reviewed and concluded that the relevant mechanism is effective.

Board Composition

Mr. Gregory K. L. SO ("Mr. So") and Ms. Randy W. S. LAI ("Ms. Lai") were appointed as INEDs of the Company on 1 July 2023.

At the conclusion of the annual general meeting of the Company held on 24 May 2023 ("2023 AGM"), Mr. David J. SHAW ("Mr. Shaw") retired as an INED of the Company and ceased to be a member of the Audit and Risk Committee of the Company. Apart from the above, during the year ended 31 December 2023, there was no change to the Board composition.

At the date of this report, the Board comprises twelve members in total, with four Executive Directors and eight 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. 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 K. P. NG
(Member of the Audit and Risk Committee and the Strategy Committee)

Mr. Gregory K. L. SO
(Member of the Audit and Risk Committee)

Ms. Randy W. S. LAI
(Member of the Sustainability 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 appointed eight INEDs representing more than half of the Board members. This appointment complied with the requirement as stipulated under Rule 3.10(1) and Rule 3.10A of the Listing Rules. 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 two out of eight 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 the Board members to keep abreast of project developments. In November 2023, the Board members visited our projects in Shanghai and Wuhan.

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 2023. Each of the Board members provided an evaluation of identified areas and suggestions for improvement. The Company will continue to strive to improve its Board performance.

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 89 to 96. 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

The roles of the Chairman and the Chief Executive of the Company are separated and currently performed by Mr. Lo and Ms. Jessica Y. WANG ("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/governancePolicy/getPolicy). The Company understands the increasing importance of diversity at the Board level. The implementation and effectiveness of the Board Diversity Policy are reviewed by the Nomination Committee annually.

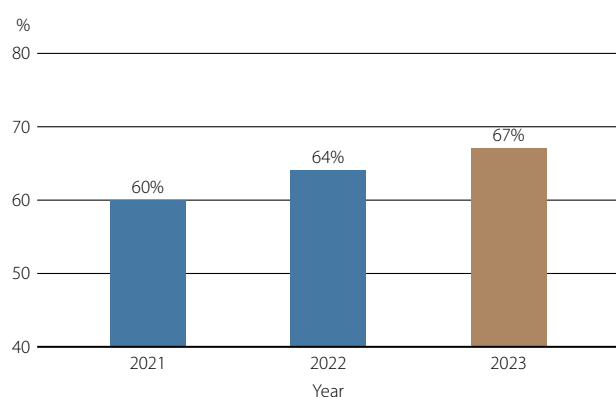
Under the Board Diversity Policy, in designing the composition of the Board and during the selection of candidates, the Nomination Committee considers various diversity indicators, including but not limited to independence, gender, age, cultural and educational background, professional and industry experience, 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

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 that 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 2023, eight out of twelve Directors, accounting for approximately 67% of the Board, are INEDs. The following comparison shows the proportion of INEDs in the board composition for the same period from 2021 to 2023:

Proportion of INEDs in the Board Composition (approximately)



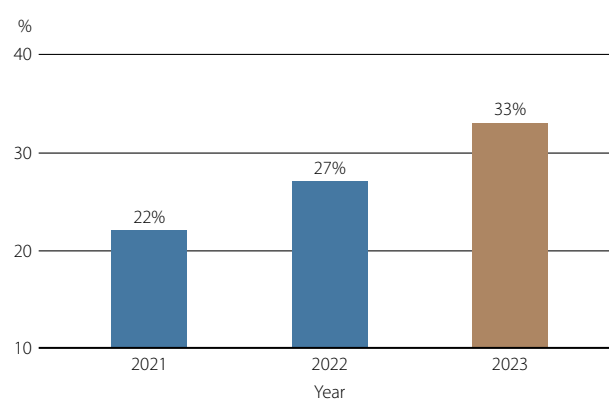
Gender

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 an appropriate balance of gender diversity is achieved with reference to stakeholders' expectations and international and local recommended best practices.

The Board targets to appoint or maintain gender diversity and targets to refrain from having a single gender in respect of the Board. The Nomination Committee will identify potential candidates through various means, such as internal promotion, referrals, and engaging employment agencies if necessary. Based on the criteria set out in the Nomination Policy and the Board Diversity Policy, the Nomination Committee will then recommend these candidates to the Board for consideration.

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"), Ms. Wang, and Ms. Lai were appointed as the Directors of the Company in January 2021, January 2022, and July 2023, respectively. As of 31 December 2023, four out of twelve Directors, accounting for approximately 33% of the Board, are females. The following comparison shows the proportion of females in the board composition for the same period from 2021 to 2023:

Proportion of Females in the Board Composition (approximately)



Skills and Experience

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:

| Skills and Experience | Independent Non-executive Directors' Experience |
|--|---|
| <p>Industry Experience</p> <ul style="list-style-type: none"> • Real estate • Investment • Customer and Retail | <p>Apart from being a director of the Company, some of our INEDs have relevant industry experience.</p> <ul style="list-style-type: none"> • 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. • Ms. Lai has a wealth of experience in the global consumer industry. She also serves as an Adjunct Associate Professor at the Business School of The Chinese University of Hong Kong. |
| <p>Risk Management</p> | <p>The risk management experience of an INED plays a pivotal role in risk oversight and managing the most significant risks facing the Company.</p> <ul style="list-style-type: none"> • 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, 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. |
| <p>Professional</p> <ul style="list-style-type: none"> • Accounting and Finance • Legal | <p>Valuable input from the Board with professional backgrounds in different fields.</p> <ul style="list-style-type: none"> • Professor Gary C. BIDDLE ("Professor Biddle") is Professor of Financial Accounting at University of Melbourne and his expertise includes financial and management accounting, value creation, economic forecasting, corporate governance, and performance metrics (EVA®). • Mr. Albert K.P. NG ("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. So is a member of the Law Society of Alberta, Canada, the Law Society of Ontario, the Law Society (England and Wales), and the Hong Kong Law Society. He has over 27 years of practicing experience as a lawyer. |
| <p>Experience in China Markets and Economic, Political, and Regulatory Development</p> | <p>Certain of our INEDs have focused experience in China markets and economic development.</p> <ul style="list-style-type: none"> • 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 in 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 2023, females comprised approximately 48% of the Group's workforce (including senior management). As announced in January 2023, the Company has been included in the 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 2023, 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 under 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 2023, the Directors attended training sessions organised by the Company and perused 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. Anthony J. L. NIGHTINGALE | ✓ | ✓ |
| Mr. Shane S. TEDJARATI | ✓ | ✓ |
| Ms. Ya Ting WU | ✓ | ✓ |
| Mr. Albert K. P. NG | ✓ | ✓ |
| Mr. Gregory K. L. SO | ✓ | ✓ |
| Ms. Randy W. S. LAI | ✓ | ✓ |

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 2023.

Board and Board Committees' Meetings, and Shareholders' Meetings

Number of Meetings and Directors' Attendance

The Company held the 2023 AGM and five Board meetings during the year. Directors' attendance records at Board and Board committees' meetings and the 2023 AGM are set out below:

| Name of Directors | Meetings attended / held during their tenure | | | | | | |
|-------------------------------|--|----------|-----------------------------------|--------------------------------|------------------------------|-----------------------------|-----------------------------------|
| | Board meetings | 2023 AGM | Audit and Risk Committee meetings | Remuneration Committee meeting | Nomination Committee meeting | Strategy Committee meetings | Sustainability Committee meetings |
| EXECUTIVE DIRECTORS | | | | | | | |
| Mr. Vincent H. S. LO | 5/5 | ✓ | N/A | 1/1 | N/A | 2/2 | N/A |
| Ms. Stephanie B. Y. LO | 5/5 | ✓ | N/A | N/A | 1/1 | 2/2 | 2/2 |
| Ms. Jessica Y. WANG | 5/5 | ✓ | N/A | N/A | N/A | N/A | 2/2 |
| Mr. Douglas H. H. SUNG | 5/5 | ✓ | N/A | N/A | N/A | 2/2 | N/A |
| INEDs | | | | | | | |
| Professor Gary C. BIDDLE | 5/5 | ✓ | 5/5 | 1/1 | 1/1 | 2/2 | N/A |
| Dr. Roger L. McCARTHY | 5/5 | ✓ | 5/5 | N/A | N/A | N/A | 2/2 |
| Mr. David J. SHAW * | 1/3 | – | 1/3 | N/A | N/A | N/A | N/A |
| Mr. Anthony J. L. NIGHTINGALE | 5/5 | ✓ | N/A | 1/1 | N/A | 2/2 | N/A |
| Mr. Shane S. TEDJARATI | 5/5 | – | N/A | N/A | 1/1 | 2/2 | N/A |
| Ms. Ya Ting WU | 5/5 | – | N/A | N/A | N/A | N/A | 2/2 |
| Mr. Albert K. P. NG | 5/5 | ✓ | 5/5 | N/A | N/A | 2/2 | N/A |
| Mr. Gregory K. L. SO ** | 2/2 | N/A | 2/2 | N/A | N/A | N/A | N/A |
| Ms. Randy W. S. LAI ** | 2/2 | N/A | N/A | N/A | N/A | N/A | 1/1 |

* Mr. Shaw retired at the conclusion of the 2023 AGM.

** Mr. So and Ms. Lai were appointed as INEDs of the Company on 1 July 2023.

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. 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 2023, 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 the 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 consists entirely of INEDs, namely Professor Biddle (Chairman of the Audit and Risk Committee), Dr. McCarthy, Mr. Ng, and Mr. So (appointed on 1 July 2023). 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.



The primary duties of the Audit and Risk Committee

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/governanceCommittee/getCommittee) and the Stock Exchange.

The Audit and Risk Committee held five meetings during the year ended 31 December 2023. The Audit and Risk Committee also held separate private meetings with the external auditor and the internal auditor during the year to discuss issues pertinent to the Company.

During the year ended 31 December 2023 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 2023 and annual results for the years ended 31 December 2022 and 2023, 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. During the year under review, members of the Audit and Risk Committee visited the Company's projects in Shanghai and Wuhan to keep abreast of developments.

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 the Cybersecurity and Personal Information Protection Programme from the IT and Digital Innovation Department ("ITD"). 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 ITD can be found under "Cybersecurity & Personal Data Protection".

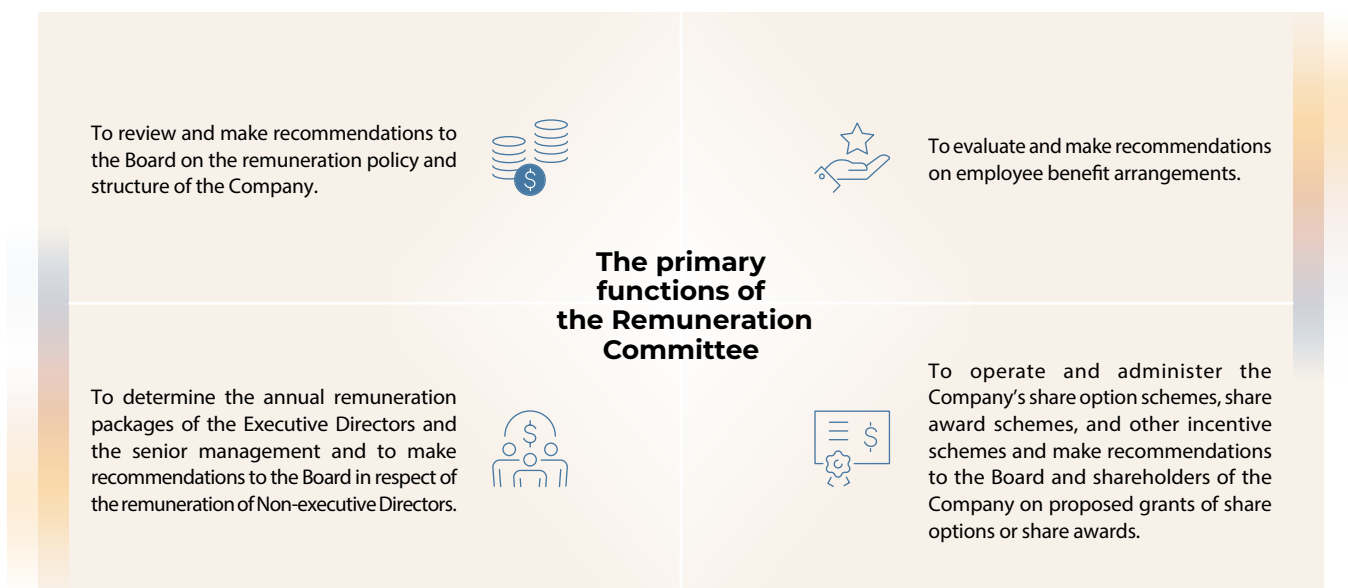
In addition, the Internal Audit and Risk Department (“IARD”) provided a summary of the independent risk and control assessment to the Audit and Risk Committee in accordance with the approved risk-based audit plan.

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.



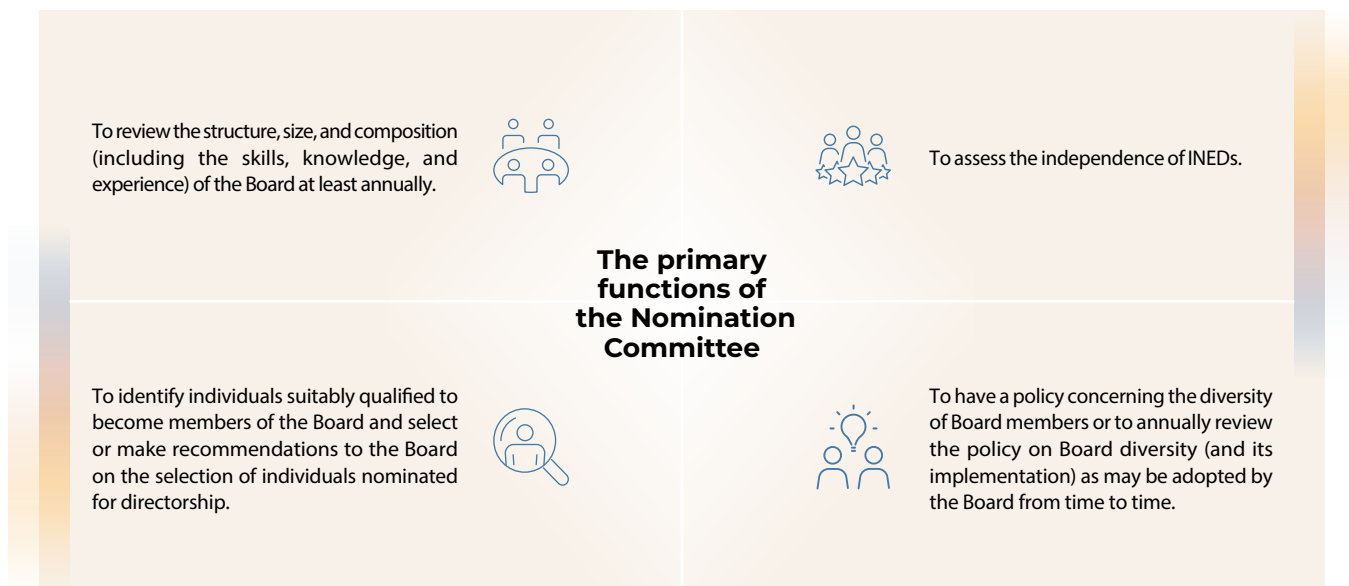
The terms of reference of the Remuneration Committee are published and available on the websites of the Company (www.shuionland.com/en-us/governanceCommittee/getCommittee) and the Stock Exchange.

The Human Resources Department (“HRD”) 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 one meeting during the year ended 31 December 2023. During the year under review, the Remuneration Committee reviewed the remuneration policy and structure of the Company and reviewed and approved the current remuneration package of Executive Directors, INEDs, and senior management 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.



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

The Nomination Committee held one meeting during the year ended 31 December 2023. 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 65 to 67;
- 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.

In July 2023, Mr. So and Ms. Lai were appointed as INEDs of the Company. Mr. So has extensive experience in commerce and economic development and over 27 years of practicing as a lawyer. Ms. Lai has a wealth of experience in the global consumer industry and expertise in marketing strategies. After consideration, the Nomination Committee determined that both candidates possess the necessary character, integrity, independence, and experience for their roles and recommended to the Board the appointment of Mr. So as an INED and a member of the Audit and Risk Committee, and of Ms. Lai as an INED and a member of the Sustainability Committee.

Sustainable Development

The Group's sustainability governance structure has been revamped to facilitate effective implementation of the "5C" sustainable development strategy, covering 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. For the details, please refer to the "Sustainability Report".

Employees' Awareness of Sustainable Development

To enhance employees' awareness of the Company's updated corporate vision and strategy in pursuing sustainable development, it organised a 90-minute sharing session in 2023, which was attended by more than 90 employees of the Group.

Sustainable Development Training for the Directors and Management

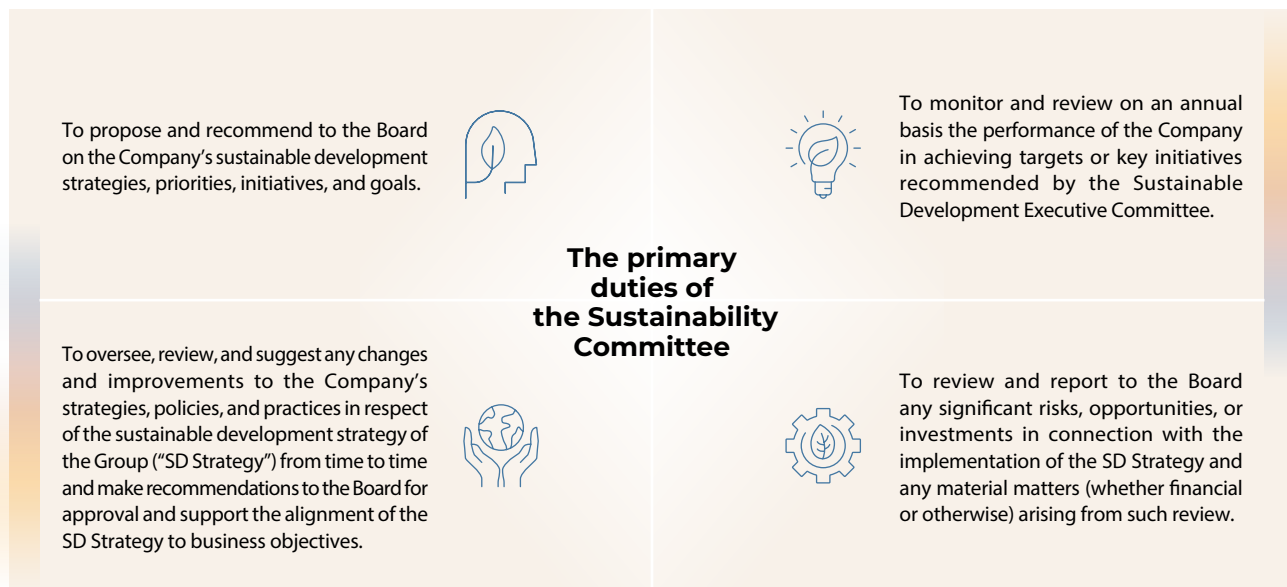
As part of the continuous training for the Directors, the Company organised an ESG-related briefing session and provided two articles on ESG topics for perusal in 2023. The objective was to ensure that the Directors were well-informed about the latest developments in ESG and in the Stock Exchange's current sustainability-related disclosure requirements. To facilitate this, the Company's Sustainable Development Department arranged for a professional consultant to conduct a 90-minute briefing session. Approximately 67% of the Directors attended the briefing session, while the remaining Directors received the relevant materials for perusal. Additionally, the Sustainable Development Department invited a professional consultant to conduct a one-hour briefing session relating to climate physical risk assessment and management. All the invited management attended the briefing session.

ESG-related KPIs

A Chief Sustainability Officer has been appointed to lead the Sustainable Development Department in the management of sustainability tasks. He is responsible for developing and monitoring 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 five members, namely Ms. Wu (Chairman of the Sustainability Committee), Dr. McCarthy, Ms. Lai (appointed on 1 July 2023), Ms. Lo, and Ms. Wang. The majority of the members of the Sustainability Committee are INEDs.

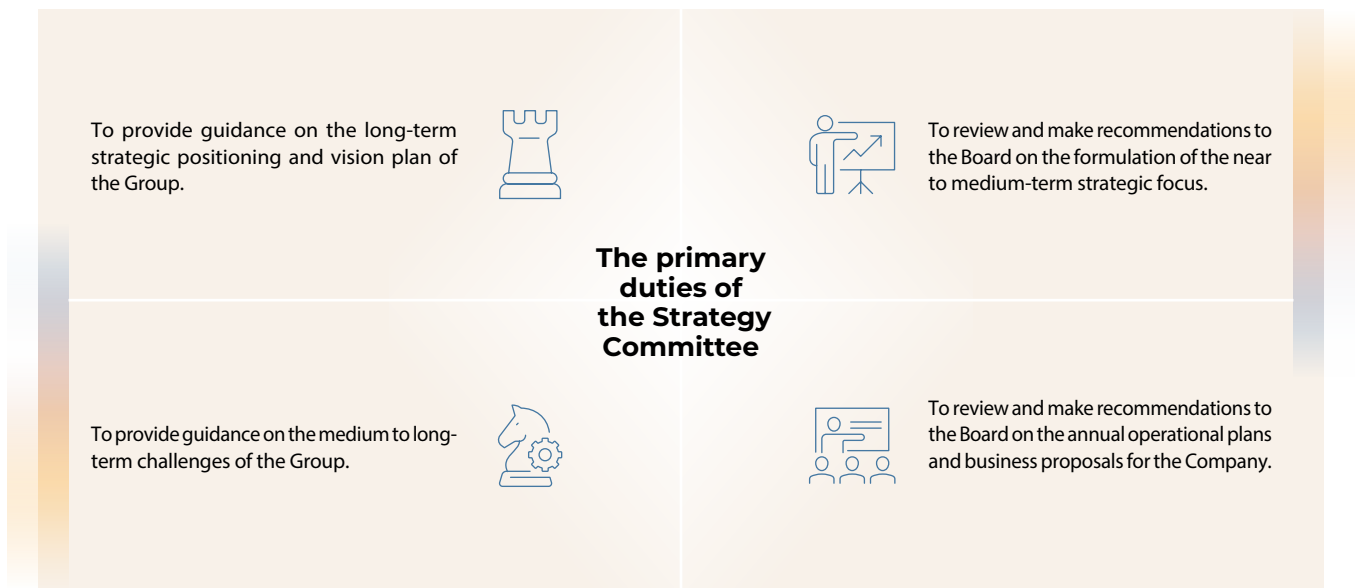


The terms of reference of the Sustainability Committee are publicly available on the websites of the Company (www.shuionland.com/en-us/governanceCommittee/getCommittee) and the Stock Exchange.

The Sustainability Committee held two meetings in 2023. During the year under review, the Sustainability Committee had (i) formulated the Group's 2030 sustainability strategy; (ii) evaluated the 5C sustainability key achievements for 2022 and the first half of 2023; (iii) analysed 2022 ESG rating results and formulated an improvement plan; (iv) explored the SBTi approval target and net zero system and the Company's commitments; (v) assessed the climate change risk; and (vi) discussed renewable electricity procurement.

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, Mr. Ng, Ms. Lo, and Mr. Sung. 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/governanceCommittee/getCommittee) and the Stock Exchange.

The Strategy Committee held two meetings in 2023. During the year under review, the Strategy Committee has (i) assessed the business environment and the China property market; (ii) considered the Group's business strategy and strategic goals in the coming three years; (iii) considered the Group's financing strategy in China; (iv) reviewed the Group's business focus and key action plans in the coming three years; and (v) reviewed the Group's business strategies and management focus under different scenarios.

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 C3 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 2023.

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 likely to be 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 2023.

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 2023.

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 113 to 116.

Risk Assessment and Management

Strategic Planning

In 2023, 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 2023, the Company’s main resources 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 high quality landbank in Shanghai. 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 C1 of the Listing Rules.

The Company adopts the “Three Lines Model” issued by The Institute of Internal Auditors as its risk governance structure. 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 assists 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 a “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, the Audit and Risk Committee, and the EXCOM in the establishment and maintenance of the risk management policy, framework, and programme. These oversight components provide leadership and guidance that the business needs to focus on, 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 by 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 should regularly provide an update on business performance to the Audit and Risk Committee. Additionally, the ITD is 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 84 to 88.

Internal Controls

During the year ended 31 December 2023, 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 2023, the head of the IARD functionally reported to Ms. Lo and had a 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 (the "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 adopts 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 presents the relevant concepts and COSO principles to management to enhance the implementation and maintenance of the Company's internal control and risk management system.

The IARD 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 2023, 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:

- Conducted risk management training at each project when performing audits.
- Reviewed the risk inventory with relevant management/staff.
- Performed 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 ethics-related processes and practices. In particular, the IARD has embedded ethics training into all audit sections and risk interviews with management and continuously assessed the "control environment" and "tone at the top" with a view to enhancing the Company's ethical culture.

In 2023, the IARD provided internal control and risk management training to the various functions at headquarters (such as Finance, Legal, and HR) and to project teams. These training sessions include sharing the principles of COSO internal control and risk management to enhance employees' risk management awareness.

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 the "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, various departments, and project teams during 2023.

Ethical Training Provided to Management

In December 2023, the Ethics Committee organised a one-hour training for the management (including Executive Directors and department/project heads of the Company) regarding 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 (including management trainees) 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 2023, 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 were required to 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 2023, the Company invited all key suppliers to participate in a one-hour webinar to introduce the Company's Code of Conduct and Business Ethics, the 2030 Sustainability Strategy Sharing as well as the Supplier Code of Conduct. All the invited suppliers attended this webinar.

Additionally, the Company implements diverse initiatives to enhance business ethics, including reminders about integrity prior to special festivals, thematic movie screenings, and promotion of the irregularity reporting system. These efforts foster an ethical culture, raise awareness of risks, and empower employees to make informed decisions and report misconduct. By engaging in such training, the Company reinforces its commitment to upholding high ethical standards and effectively managing risks across its operations.

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 undergo regular reviews, ensuring their ongoing relevance and effectiveness. Detailed information which are publicly available on the Company's website (www.shuionland.com/en-us/governanceBehavior/query).

To ensure that our suppliers follow the best ethical practices, a Supplier Code of Conduct is included as an appendix in construction related supplier contracts. The Supplier Code of Conduct covers various aspects such as business ethics, labour employment (including the prohibition of forced or child labor), occupational health and safety, non-discrimination, and rights protection. The Company regularly reviews the Supplier Code of Conduct and continuously enhances its business ethics standards. Details of the Supplier Code of Conduct are publicly available on the Company's website (www.shuionland.com/en-us/sustainability/policies).

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 which was updated in 2023. 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/governanceBehavior/query).

ESG Initiatives

ITD – 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 and ISO 27701 ISO certifications in 2023.

The ITD has also conducted regular email alerts and phishing drills to promote cybersecurity awareness among staff in the Group. In January 2023, the ITD organised an online training session lasting approximately 15 minutes, focusing on cybersecurity awareness. Following the training, employees were required to complete an online assessment and achieve a minimum passing score of 80 out of 100 across all training sections. All the relevant employees of the Group completed this online training.

The ITD 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.

HRD – ESG Consideration in Vehicles

The Company has committed not to purchase petrol and diesel vehicles starting from 2023 to reduce carbon emissions. To ensure a smooth transition, the Company has developed a comprehensive plan to gradually phase out existing such vehicles. HRD will play a role in this initiative by completing the inventory and elimination plan for the Company's operational vehicles. By efficiently managing this process, HRD ensures that the transition to a greener fleet is executed effectively and in line with the Company's sustainability objectives.

Marketing and Advertising Training

In June 2023, a training was organised in collaboration with the 市場監督管理局 (Market Supervision Administration) on marketing and advertising good practices. The training, which was around two hours in duration, aimed to provide valuable insights and updates on regulatory guidelines and requirements in marketing and advertising. Representatives from the Market Supervision Administration shared their expertise, industry trends, and case studies to enhance the attendees' understanding of ethical marketing practices. Exceeding 100 employees of the Group, including sales and marketing personnel, actively participated in the training.

Risk and Incident-related Policies

The CG working team in collaboration with relevant departments at the headquarters, compiled the Compliance Manual – Consolidated Risk and Incident-related Policies ("Compliance Manual") in 2023. This manual consolidates the existing policies and procedures on crisis and incident management within the Company. The Compliance Manual was approved by EXCOM in September 2023. Its establishment will further enhance the Company's corporate governance and risk management practices, guiding us in handling crises and incidents. This will in turn mitigate potential economic losses and minimise negative impacts on the Company's reputation and brand image. The creation of the Compliance Manual also enhances the Company's emergency and crisis management capabilities, improves the business continuity management system, and minimises the impact of business disruptions.

Corporate Governance Training

In December 2023, the Company Secretary together with the heads of the IARD and HRD, conducted a thematic workshop on corporate governance for the Management Cadets of the Management Excellence Programme. The workshop aimed to deepen their understanding of good corporate governance practices.

Key Awards in 2023

In 2023, the Company received the following awards:



2023 China Social Responsibility Ranking – Environmental Ecological Contribution Award
YICAI



ESG Leading Enterprise Awards 2023
Bloomberg Businessweek/Chinese Edition



Best Companies to Work For In Asia 2023
HR Asia



2023 Ding Ge Award – Finance Digital Transformation Pioneer
Ding Ge Award



2023 Chinese Green and Low-carbon Real Estate (Private Enterprise) TOP10
Green Ranking



2023 China Green Low-carbon Real Estate Index TOP20
Green Ranking



IRA 9th Investor Relations Awards 2023 – Best IR Company (Small Cap)
Hong Kong Investor Relations Association



13th Asian Excellence Award 2023 – Asia’s Best Investor Relations Company
Corporate Governance Asia Magazine



13th Asian Excellence Award 2023 – Asia’s Best CSR
Corporate Governance Asia Magazine



Fortune China ESG Influential Listing 2023 Shui On Land
Fortune China

In 2023, the Executive Directors received the following awards:



Mr. Vincent H. S. LO
HKIRA 9th Investor Relations Awards 2023 – Best IR by Chairman/CEO
Hong Kong Investor Relations Association



Ms. Jessica Y. WANG
13th Asian Excellence Award 2023 – Asia’s Best CEO
Corporate Governance Asia Magazine



Mr. Douglas H. H. SUNG
HKIRA 9th Investor Relations Awards 2023 – Best IR by CFO
Hong Kong Investor Relations Association

13th Asian Excellence Award 2023 – Asia’s Best CFO
Corporate Governance Asia Magazine

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 2023 is as follows:

| SERVICES RENDERED FOR THE COMPANY | Fee paid/payable (HKD 'M) |
|---|------------------------------|
| <i>Audit and audit-related services:</i> | |
| 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 2023 | 1.4 |
| <i>Non-audit services:</i> | |
| Issue of letters of indebtedness statement and working capital statement in respect of the major transactions | 0.6 |
| Issue of report on the continuing connected transactions in relation to the framework agreement for smart facility enhancement work by member of the SOCAM Group to member of the Group | 0.1 |
| TOTAL: | 7.2 |

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 70.

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 2023 is set out below:

| ANNUAL REMUNERATION BY BAND | NUMBER OF INDIVIDUALS |
|-----------------------------|-----------------------|
| RMB4,000,001 – RMB6,000,000 | 4 |
| 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 2023 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.

Dividends payable to shareholders of the Company are also subject to compliance with certain covenants under the senior notes issued and bank borrowings, details of which can be found on page 48.

Communications with Shareholders and Investors

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 by the Company every year to ensure its implementation and effectiveness. The Company's shareholders can exchange their views with the Board 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 details of the Shareholders' Communication Policy are published and are available on the Company's website (www.shuionland.com/en-us/governancePolicy/getPolicy).

General Meetings

The general meetings of the Company provide the best opportunity for the exchange of views between the Board and the shareholders. Annual general meetings are held in the form of a physical/hybrid meeting and the conducting language is Cantonese with simultaneous interpretation in English.

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.

Announcements/Disclosures

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 update 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.

Other Investor Relations Activities

To maintain and improve the visibility of the Company in the financial community, the Company holds regular roadshows and participates in investor conferences attended by key management and the investor relations team. The Company also provides other channels for the investment community for enquires including online enquiry, one-on-one meetings, conference calls, and video meetings.

2023 Investor Relations Activities

The Company maintained regular communications with its shareholders and investors through various channels throughout the year.

The 2023 AGM was held in the form of a physical meeting conducted in Cantonese with simultaneous interpretation in English. To provide more direct communications with the Company's shareholders, a Networking with Shareholders session was conducted immediately after the 2023 AGM. During the session, shareholders had the chance to discuss matters directly with the senior management of the Company, have their questions answered, and learn about the latest business initiatives and long-term development strategies of the Company. Networking opportunities held by the Company were well attended by the Company's shareholders.

Most of the Directors and the external auditor were present at the 2023 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 states 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. Tedjarati and Ms. Wu, INEDs of the Company, could not attend the 2023 AGM due to other business engagements. Save for the above, all the INEDs attended the 2023 AGM.

The Company also held press conferences and analyst briefings after releasing the interim and annual results announcements. All information released on the website of the Stock Exchange was posted on the Company's website, including financial statements, results announcements, circulars, notices of general meetings, and associated explanatory documents. Presentation materials in conjunction with the Company's results announcement and other significant events were made available on the Company's website under the Investor Relations section after their release. Quarterly sales updates and other disclosures relating to connected transactions and significant corporate transactions were announced and published in a timely manner.

During 2023, the management and the investor relations team provided the Company's business updates by attending 7 investor conferences, arranged 19 site visits, and held over 200 meetings, conference calls, and video meetings with approximately 450 investors and analysts.

Based on the above assessment of the Company's communication practices and channels in 2023, the Company has reviewed its Shareholders' Communication Policy and confirmed it as appropriate and effective.

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' elections.

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 two 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/more?###).

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

Company Secretary

Mr. UY Kim Lun, the 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 2023, Mr. Uy had undertaken not less than 15 hours of relevant professional training to update his skills and knowledge.

Constitutional Documents

There was no change in the constitutional documents of the Company during the year ended 31 December 2023.

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 based on 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.



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.

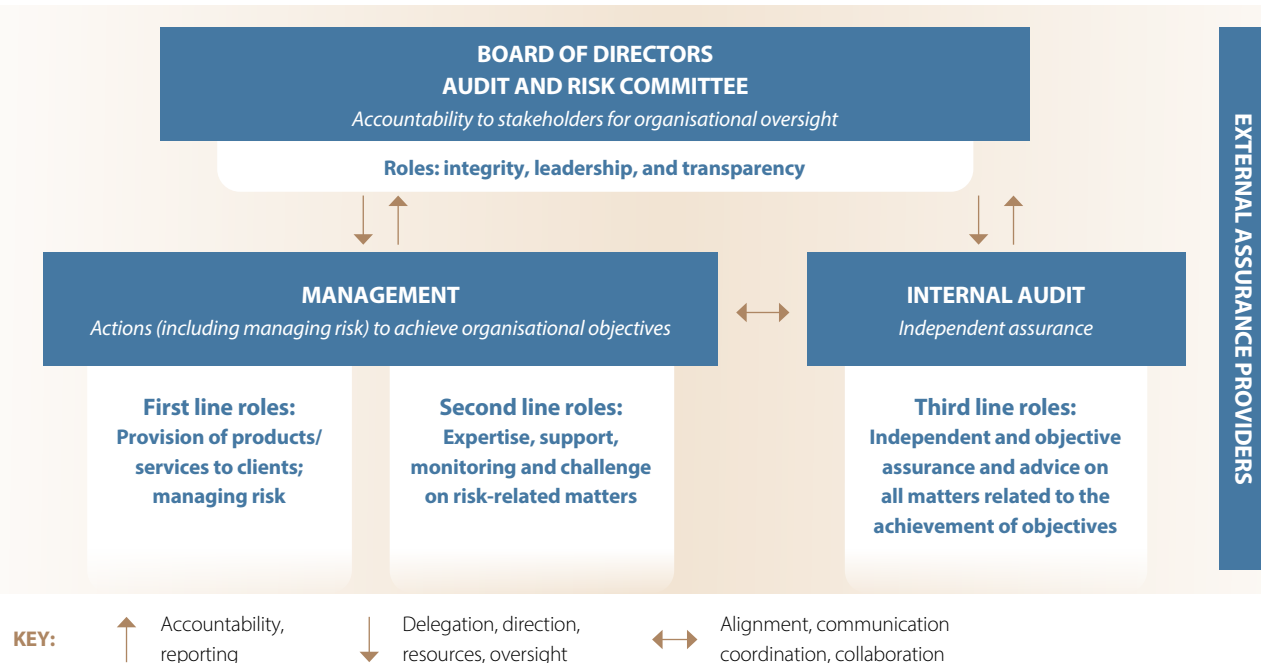
Before its initial public offering, the Company established and has since continually operated a risk identification and management system under the responsibility of the Audit and Risk Committee. Our approach and methodology in establishing the risk management mechanism are tailored to the Company's 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 C1 of the Listing Rules.

Risk Management Framework

The Group's risk management framework comprises a risk governance structure and a risk management process with reference to "Three Lines Model" issued by The Institute of Internal Auditors and "Enterprise Risk Management – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

(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 and identify and report the principal risks and relevant risk mitigations to EXCOM.

In the process, the risk management working team (comprising the relevant 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.

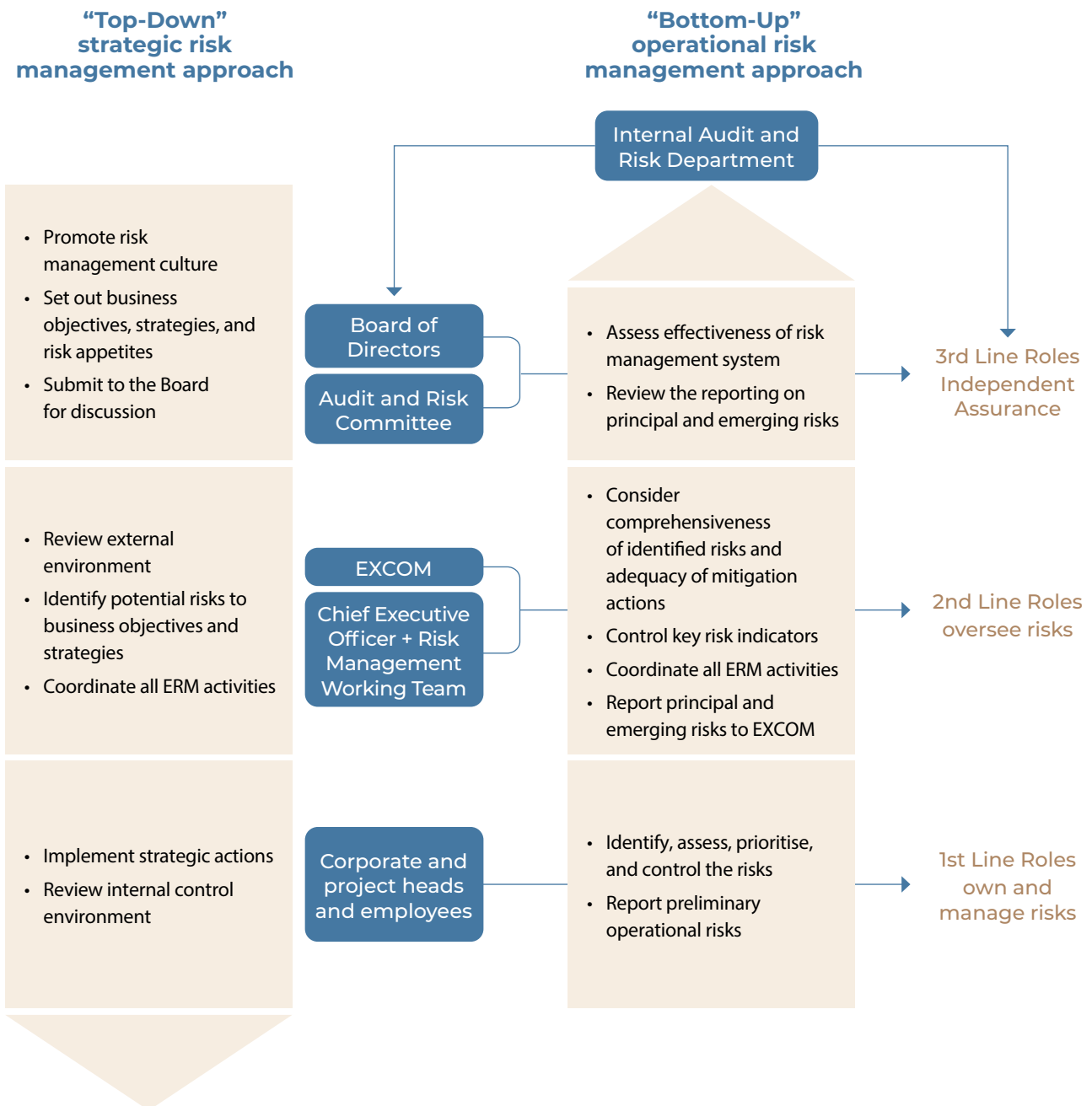
Third Line Roles

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 with reference to the "Enterprise Risk Management – Integrated Framework" issued by 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 adopted an Enterprise Risk Management ("ERM") framework to monitor ESG-related risks with reference to the relevant guidelines issued by the COSO. The IARD reports the results of the independent risk and control assessment to the EXCOM and provides 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 <ul style="list-style-type: none">Change of government control policies and regulations will affect the Company's decision making, turnover, and profits.PRC has made a pledge to reach its carbon emissions peak before 2030 and become carbon neutral by 2060.PRC is focusing on improving the economic structure and forming new growth drivers. | <ul style="list-style-type: none">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 works together closely to take advantage of any changes or mitigate any adverse impact from them. |
| Succession <ul style="list-style-type: none">Succession to the Chairman is very important in maintaining exceptionally good government relationships and driving the strategies of the Company. | <ul style="list-style-type: none">A Board-level Strategy Committee assists 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 and her regular involvement in high-level decisions and corporate strategies, our succession plan for senior management has been strengthened. |
| Competition <ul style="list-style-type: none">Facing fierce competition from other property developers in major cities. The competition may affect the Group's ability to acquire land reserves and attract and retain tenants / customers. | <ul style="list-style-type: none">Develop community strategies to provide stakeholders with unique products and services to build the Group's core competitiveness.Further implement our asset-light business in collaboration with potential partners.Expand product differentiation to strengthen the extension of the Group's brand. |

Financial Risks

| RISK DESCRIPTION | RISK MITIGATIONS |
|---|--|
| Liquidity <ul style="list-style-type: none"> Poor cash flow management will increase liquidity risk and also cause damage to the Company's reputation and credibility. | <ul style="list-style-type: none"> 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 <ul style="list-style-type: none"> Recession caused by 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. | <ul style="list-style-type: none"> 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 banks' policies and the impact of policy tightening on the Renminbi exchange rate and our funding cost. Maintain strict control over projects' idle funds to ensure effective treasury management and facilitate the Group's repatriation aims. |
| Default <ul style="list-style-type: none"> Non-compliance with bond and loan covenants could result in cross default among our debt instruments and could accelerate the repayment of our debts. | <ul style="list-style-type: none"> Active compliance measures are taken by the management. Closely work with banks in the ongoing monitoring process. |

Cybersecurity Risks

| RISK DESCRIPTION | RISK MITIGATIONS |
|--|---|
| IT & Cybersecurity <ul style="list-style-type: none"> Failure to maintain proper systems or database access could result in a data breach. | <ul style="list-style-type: none"> 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 and Subsequent Market Contraction <ul style="list-style-type: none"> The impact of the pandemic, together with the huge uncertainties in macro economy, consumer confidence, tenants' business performance, and demand/supply of property spaces will create liquidity pressure for most corporates and make investment decisions more difficult. | <ul style="list-style-type: none"> Closely monitor macro-economic performance and office and retail market conditions and adjust our strategy as appropriate. Formulate the in-house view of the structural trends of the commercial market. Monitor the impact on consumer behaviour and business operations post-COVID-19, focusing on changing demand for office, retail, and residential sectors. |
| Sustainability – Climate Change <ul style="list-style-type: none"> Severe impact of extreme climate events (typhoons, floods, etc.) on project operation and management, and traffic flow. | <ul style="list-style-type: none"> Prepare emergency contingency plans for typhoons and rainstorms. Active insurance coverage management. Utilise appropriate construction and materials in combating adverse impacts 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 mis-statement 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".

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 75, 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, as "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 and served as Chairman of Hong Kong Trade Development Council, Chairman of The Airport Authority Hong Kong and a Member of The Board of Directors of Boao Forum for Asia. He currently serves as Honorary President of Council for the Promotion & Development of Yangtze, Economic Adviser of the Chongqing Municipal Government, the Honorary Court Chairman of The Hong Kong University of Science and Technology.

Ms. Stephanie B. Y. LO,

aged 41, 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. Ms. Lo 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 20 years of working experience in the 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 – 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.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT



Ms. Jessica Y. WANG

Ms. Jessica Y. WANG,

aged 49, 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 leading the management team to oversee the Company's daily operations, formulating business strategic plans based on the business strategies and goals set by the Board, implementing the strategies and policies adopted by the Board, and striving to maintain the Company's business performance. Ms. Wang joined the Group in August 1997 and has over 29 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 one of the deputies to the 16th Shanghai People's Congress, Chairman of Real Estate Working Committee of Shanghai Association of Foreign Investment, Chairman of Commerce Real Estate Committee of Shanghai Real Estate Chamber of Commerce, Vice President of Shanghai Real Estate Trade Association, Vice President of Shanghai Services Federation, Vice Chairman of Shanghai Hongkou Federation of Industry and Commerce, and Co-chair of IWBI (Asia) Task Force on ESG.



Mr. Douglas H. H. SUNG

Mr. Douglas H. H. SUNG,

aged 57, 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 72, 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. 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 University of Hong Kong (HKU), and as visiting professor at China Europe International Business School (China), Columbia University Business School (USA), Fudan University (China), University of Glasgow (UK), IMD (Switzerland), London Business School (UK), 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 KH EMBA program, both ranked #1 in the world (*Financial Times* and *QS*). Professionally, he has been a member of the AICPA, Australian Institute of Company Directors, CPA Australia, HKICPA, and editorial boards of premier academic journals. He also served as American Accounting Association Executive Board member, Vice-President, and invited 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.

Professor Biddle's expertise includes financial and management accounting, value creation, economic forecasting, corporate governance, and performance metrics (EVA®). His research appears in leading academic journals with over 11,000 Google Scholar citations and in the financial press including *CNBC*, *CNN*, *SCMP*, *The Economist*, and *The Wall Street Journal*. 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 75, 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 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

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT



Mr. Anthony J. L. NIGHTINGALE

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

aged 76, 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 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, Jardine Cycle & Carriage Limited, Jardine Matheson Holdings Limited, DFI Retail Group Holdings Limited and Hongkong Land Holdings 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.



Mr. Shane S. TEDJARATI

Mr. Shane S. TEDJARATI,

aged 61, has been appointed as an Independent Non-executive Director of the Company since 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 the 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; Master of Business Administration at the 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, a 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.



Ms. Ya Ting WU

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 49, has been appointed as an Independent Non-executive Director of our Company since 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 a successful track record of business delivery across 6 countries of which more than 10 years within Mainland China.

Ms. Wu served as an Advisory Board Member of Schneider Electric Taiwan Company Limited in 2015 and served on the Board of the European Chamber of Commerce Taiwan and the British Chamber 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 K. P. NG,

aged 66, 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



Mr. Albert K. P. NG

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.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT



Mr. Gregory K. L. SO

Mr. Gregory K. L. SO, GBS, JP,

aged 65, has been appointed as an Independent Non-executive Director of our Company since 1 July 2023. He was appointed as the Undersecretary for Commerce and Economic Development of the third term Government of the Hong Kong Special Administrative Region ("HKSAR") on 1 June 2008. He was then appointed as the Secretary for Commerce and Economic Development on 28 June 2011. On 1 July 2012, Mr. So was again appointed as the Secretary for Commerce and Economic Development of the fourth term Government of the HKSAR until 30 June 2017. The Commerce and Economic Development Bureau is responsible for various policy matters, including Hong Kong's external commercial relations, inward investment promotion, intellectual property protection, industry and business support, tourism, consumer protection, competition, information technology, telecommunications, broadcasting, development of innovation and technology (until November 2015), film-related issues, and creative industries.

Mr. So serves as a consultant in So, Lung and Associates, Solicitors, an independent non-executive director, a member of the audit committee and the strategic development committee of Orient Overseas (International) Limited (a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (Stock Code: 316)), an independent non-executive director, the chairman of the remuneration committee and a member of the audit committee, the nomination committee and the sustainability steering committee of China Overseas Property Holdings Limited (a company listed on the Stock Exchange (Stock Code: 2669)), an independent non-executive director and a member of the audit committee of Investcorp Holdings B.S.C. (a company listed on the Bahrain Bourse until 12 July 2021). Mr. So previously served as the vice-chairman of the Democratic Alliance for the Betterment and Progress of Hong Kong, a Board Member of Hong Kong Hospital Authority, a Council Member of Lingnan University, a Member of the Commission on Strategic Development, and a member of the District Council of



Ms. Randy W. S. LAI

Wong Tai Sin District. He was also an independent non-executive director, a member of the audit committee, and the chairman of the risk committee of Blue Insurance Limited, and an advisor of Superland Group Holdings Limited (a company listed on the Stock Exchange (Stock Code: 368)).

Mr. So holds a Bachelor of Arts degree in Economics from Carleton University, Canada, a Bachelor's degree in Law, and a Master's degree in Business Administration from the University of Ottawa, Canada. Mr. So is a member of the Law Society of Alberta, Canada, the Law Society of Ontario, the Law Society (England and Wales), and the Hong Kong Law Society. He provided legal services in Canada from 1984 and continued his legal practice upon returning to Hong Kong in 1989. He has over 27 years of practicing experience as a lawyer.

Ms. Randy W. S. LAI,

aged 51, has been appointed as an Independent Non-executive Director of our Company since 1 July 2023. With a wealth of experience in the global consumer industry, she serves as CEO of McDonald's Hong Kong since August 2017 and was its first homegrown female Managing Director, from May 2011 to July 2017. Ms. Lai has been a board member of Ronald McDonald House Charities Hong Kong Limited, supporting chronically ill children and their families. Ms. Lai also serves as an Adjunct Associate Professor at the Business School of The Chinese University of Hong Kong since 2012.

Ms. Lai holds an Executive Master of Business Administration from The Chinese University of Hong Kong and a Bachelor in Arts from Western University in Canada.

SENIOR MANAGEMENT

Mr. Allan B. ZHANG,

aged 45, was appointed as Chief Executive Officer of Shui On Xintiandi Limited ("Shui On Xintiandi") effective from 1 January 2022. He has served as Executive Director of Shui On Management Limited ("SOM") since January 2016. Mr. Zhang joined the Group in 2004.

Mr. Zhang is responsible for the overall strategy of Shui On Xintiandi, as well as the operation and management of the Company's commercial asset portfolio and the expansion of the Group's commercial assets strategy in the PRC. In his previous roles, Mr. Zhang led the Company's commercial product development functions including development research, product development, project design, and asset operations. He was also responsible for the Company's overall development project in Shanghai Taipingqiao area known as "Greater Xintiandi". He successfully led the development, construction, and operation of Wuhan Tiandi as well as KIC in Shanghai.

Mr. Zhang has over 20 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 (USA) and The Hong Kong University of Science and Technology.

Mr. Matthew Q. GUO,

aged 49, re-joined the Group in July 2022 as an Executive Director of SOM. He leads the Planning and Development Department, Product Innovation and Design Management Department, and IT and Digital Innovation Department of the Company. He also oversees Wuhan, Foshan, Chongqing, and Nanjing projects. Mr. Guo joined the Group in 1997 and has over 25 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 45, 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, 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 23 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.



BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Albert K. B. CHAN,

aged 64, joined the Group in 1997, is the Director of Planning and Development. 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.

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 chaired the ULI Mainland China Council from 2017 to 2019, and chaired the 2023 ULI Global Award for Excellence jury. 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 68, 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. 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 Asia Society and Urban Land Institute.

Ms. Rachel Y. Q. LEI,

aged 44, was appointed as the Senior Director of Commercial of Shui On Xintiandi with effect from 1 January 2022. She leads the Operation Excellence function of Shui On Xintiandi including Asset Management Department, Central Marketing Department and Community Operation and Service Department. She is also responsible for the day-to-day operation and management of the Ruihong Tiandi project. She continues to oversee Chongqing Tiandi project. Ms. Lei joined the Group in 2001 and has over 22 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 50, 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.

The Directors present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2023.

Principal Activities

The Company acts as an investment holding company. The activities of its subsidiaries, associates, and joint ventures are set out in Notes 42, 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 Review, and Market Outlook, respectively from pages 8 to 13, pages 16 to 29, pages 30 to 43, pages 46 to 49 and pages 50 to 51 of this Annual Report. Description of possible risks and uncertainties that the Group may be facing can be found in Financial Review on pages 46 to 49. Also, the financial risk management objectives and policies of the Group can be found in Notes 38 and 39 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 30 to 43 and pages 46 to 49. An analysis of the Group's performance during the year using financial key performance indicators is provided in Financial Review on pages 46 to 49. 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 62 to 83, pages 52 to 61 and pages 97 to 112 of this Annual Report.

Results and Appropriations

The results of the Group for the year ended 31 December 2023 are set out in the consolidated statement of profit or loss on page 117.

An interim dividend of HKD0.032 per share was paid to the shareholders on 22 September 2023.

The Board has resolved to recommend the payment of a final dividend of HKD0.058 per share for the year ended 31 December 2023 (2022: HKD0.064 per share), amounting to approximately RMB422 million (2022: RMB466 million) in aggregate. Subject to shareholders' approval of the final dividend at the forthcoming annual general meeting ("AGM") to be held on 28 May 2024, the final dividend is expected to be paid on or about 21 June 2024 to shareholders whose names appear on the register of members of the Company on 7 June 2024.

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 7 June 2024.

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 199 of this Annual Report.

Share Capital

Details of the movements in the share capital of the Company during the year ended 31 December 2023 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 2023 were RMB19,605 million (2022: RMB19,778 million).

Directors

The Directors of the Company during the year ended 31 December 2023 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

Mr. Douglas H. H. SUNG

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Professor Gary C. BIDDLE

Dr. Roger L. McCARTHY

Mr. David J. SHAW (retired on 24 May 2023)

Mr. Anthony J. L. NIGHTINGALE

Mr. Shane S. TEDJARATI

Ms. Ya Ting WU

Mr. Albert K. P. NG

Mr. Gregory K. L. SO (appointed on 1 July 2023)

Ms. Randy W. S. LAI (appointed on 1 July 2023)

In accordance with Article 102 of the Articles of Association of the Company (the "Articles of Association"), Ms. Stephanie B. Y. LO, Dr. Roger L. McCARTHY, Mr. Shane S. TEDJARATI, and Ms. Ya Ting WU will retire from office by rotation at the AGM. Recognising corporate governance precepts regarding Independent Non-executive Director ("INED") term limits, the longest serving INED, Dr. Roger L. McCARTHY, will not stand for re-election. 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. Gregory K. L. SO and Ms. Randy W. S. LAI will hold office until the AGM and, being eligible, will offer themselves for re-election at the AGM.

Permitted Indemnity

The Articles of Association provide that every Director (including any alternate Director appointed according 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 2023, 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

| Name of Directors | Number of ordinary shares | | | Total | Approximate percentage of interests to the issued share capital of the Company (Note 3) |
|-----------------------------------|---------------------------|-----------------------|---------------------------|---------------|---|
| | Personal interests | Family interests | Other interests | | |
| 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 | 350,000 | – | – | 350,000 | 0.004% |

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 63.29% as of 31 December 2023. 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 2023.

(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 | 63.37% |
| Ms. Lo | – | – | 236,309,000 (Note 2) | 236,309,000 | 63.29% |

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., 373,352,164 shares) of SOCAM at 31 December 2023.

(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 | USD14,800,000 (Note 1) |
| | | Family interests | USD1,400,000 (Note 2) |
| Ms. Lo | SODH | Discretionary beneficiary of a trust | USD14,800,000 (Note 1) |

Notes:

- (1) These debentures were held by SOCL through its controlled corporations, comprising debentures amounting to USD1,000,000 and USD13,800,000, held by SOCAM and SOI, respectively, whereas SOCAM was held by SOCL as to 63.29% at 31 December 2023. 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 2023, 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 2023, 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, SOL, and NRI, respectively, whereas SOP was a wholly-owned subsidiary of SOL. NRI was a wholly-owned subsidiary of SOCAM which in turn was held by SOCL as to 63.29% as of 31 December 2023. 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 2023.

Save as disclosed above, at 31 December 2023, 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 Scheme and Share Award Schemes

Share Option Scheme

A 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. Therefore, there was no share option outstanding as at the beginning and the end of the year ended 31 December 2023 and no share option lapsed or was exercised or cancelled during the year ended 31 December 2023. At the beginning and the end of the year ended 31 December 2023, the number of options available for grant in respect thereof is 802,663,018 shares of the Company (the "Shares").

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 participant

The Board may offer to grant an option to any person employed by the Company or a majority owned subsidiary of the Company 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 ("Qualifying Participant").

(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 and the total number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes must not exceed 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 the date of this annual report, the number of Shares available for issue in respect thereof is 802,663,018 Shares, representing approximately 10% of the total issued Shares at the date of this annual report.

(iv) Limit for each participant

The total number of Shares 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 in issue. Where any further grant of share options under the Share Option Scheme to a Qualifying Participant would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled, and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant shall be subject to separate approval by the shareholders of the Company in general meeting with the relevant Qualifying Participant and his close associates abstaining from voting.

(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 (as defined in the Share Option Scheme) of the relevant option).

(vi) Vesting period

An option shall vest and become exercisable in such manner and on such date and for such amount as the Remuneration Committee may from time to time determine, provided that the condition(s) precedent (if applicable) to its vesting set out in the option agreement having been satisfied.

(vii) 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 Remuneration Committee 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.

(viii) Subscription price

The price per Share at which a grantee may subscribe for Shares on the exercise of an option pursuant to the Share Option Scheme (the "Subscription Price") 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 (as defined in the Share Option Scheme); (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.

(ix) 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 Participant. The remaining life of the Share Option Scheme is approximately 3 years and 2 months from the date of this annual report.

Share 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, the Board resolved to grant (i) Awards (as defined in the Share Award Schemes) for a total of 17,149,000 Award Shares (as defined in the Share Award Schemes) to 15 connected employees^(Note) of the Group under the Connected Employee Share Award Scheme and (ii) Awards for a total of 7,705,000 Award Shares to 13 employees of the Group under the Employee Share Award Scheme respectively at no consideration (collectively, the "Awarded Shares").

Note: The 15 connected employees of the Group were Mr. Daniel Yim Keung Wan, Mr. Philip Kun To Wong, Mr. Tang Ka Wah, Mr. Charles Wing Ming Chan, Ms. Jessica Ying Wang, Mr. Matthew Qing Guo, Mr. Willie Kim Lun Uy, Mr. Bryan Kin Wang Chan, Mr. Timmy Tat Man Leung, Mr. Adam Kim Fung Li, Mr. Dixon Man, Mr. Allan Bin Zhang, Ms. Sarah Ying Xian Zhang, Mr. Alfred Jun Ao Wu, and Mr. Frankie Kwok Fai Lai. Mr. Daniel Yim Keung Wan, Mr. Philip Kun To Wong, Mr. Tang Ka Wah, Mr. Charles Wing Ming Chan, Mr. Bryan Kin Wang Chan, Mr. Alfred Jun Ao Wu, and Mr. Frankie Kwok Fai Lai have left the Group. Mr. Matthew Qing Guo left the Group in 2018 and rejoined the Group in 2022. The award shares granted but unvested to Mr. Guo lapsed in 2018 when he left the Group.

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. All Awarded Shares disclosed above were either vested in tranches or lapsed between 2015 and 2019. At the beginning and the end of the year ended 31 December 2023, there were no unvested Awards granted under the Share Award Schemes.

During the year ended 31 December 2023, no Award has been granted under the Share Award Schemes. During the year ended 31 December 2023, no Award under the Share Award Schemes was vested, cancelled, or lapsed.

Since the adoption of the Share Award Schemes, 7,143,750 Award Shares (excluding the 17,710,250 Shares lapsed and held in the trusts for the Share Award Schemes, which comprise 13,725,875 Shares for grant under the Connected Employees Share Award Scheme and 3,984,375 Shares for grant under the Employee Share Award Scheme) were utilised under such scheme mandate. Accordingly, the total number of Award Shares available for grant under the Share Award Schemes at the beginning and the end of the year ended 31 December 2023 (based on the then issued Shares) were both 394,219,516 Award Shares.

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 (the "Selected Participants"). In determining the Selected Participants, the Remuneration Committee shall take into consideration matters including, but without limitation, the present and expected contribution of the relevant Selected Participants to the Group.

* 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 which will result in the total number of Award Shares 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 total number of Shares available for issue under the Share Award Schemes (based on the then issued Shares at the date of this annual report) were 394,219,516 Shares, representing approximately 4.9% of the total issue Shares at the date of this annual report.

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 Participants 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 to or for the benefit of the relevant Selected Participants.

(vi) Settlement of Awards

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 held as part of the funds of the Trust to acquire Shares on the market (the "Purchased Shares") and/or allot and issue Shares (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) Amount payable on application or acceptance of the Awards and the period within which payments or calls must or may be made or loans for such purposes must be repaid

Selected Participants are not required to make any payment for the application or acceptance of Awards under the Share Award Schemes.

(viii) Basis of determining the purchase price of the Award Shares

It is not applicable as there is no purchase price under the Share Award Schemes.

(ix) 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. The remaining life of each of the Share Award Schemes is approximately 7 years from the date of this annual report.

The number of shares that may be issued in respect of options and awards granted under the Share Option Scheme and the Share Award Schemes during the year ended 31 December 2023 divided by the weighted average number of Shares in issue for the year ended 31 December 2023 is not applicable since there was no grant of options or awards during the year.

Arrangement to Purchase Shares or Debentures

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 12 November 2019, SODH issued USD300 million in 5.75% senior notes due 2023 (the “2023 SODH Notes”). On 24 November 2020, SODH further issued 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. On 13 November 2023, SODH fully repaid the principal amount of the outstanding 2023 SODH Notes (inclusive of the Additional USD Notes) and the accrued and unpaid interest upon its maturity date.

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 2023.

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 62 to 83 of this Annual Report.

Connected Transactions

Certain related party transactions, as disclosed in Note 37 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, except one of the continuing connected transactions is not fully exempted under Chapter 14A of the Listing Rules. The details of this transaction are disclosed below.

Continuing Connected Transactions in relation to the Framework Agreement for Smart Facility Enhancement Work

On 31 March 2023, SOCAM and the Company entered into the Framework Agreement in relation to the provision of the Smart Facility Enhancement Work (as defined in the Announcement) by member of the SOCAM Group (as defined in the Announcement) to member of the Group commencing on 31 March 2023 and expiring on 31 December 2028 (both days inclusive). Details of the transactions were set out in the announcement of the Company dated 31 March 2023 (the “Announcement”).

SOCL is the controlling shareholder of both SOCAM and the Company. SOCL is held under the Bosrich Unit Trust, the units of which are the property of a discretionary trust, of which Mr. Lo (being an executive director and the Chairman of both SOCAM and the Company) is the founder and both Mr. Lo and Ms. Lo (being a non-executive director of SOCAM, an executive director of the Company, and the daughter of Mr. Lo) are discretionary beneficiaries.

Based on the above, SOCAM (being an associate of both Mr. Lo and Ms. Lo) is a connected person of the Company. Accordingly, the entering into of the Framework Agreement constituted continuing connected transactions of the Company under the Listing Rules.

The annual cap of the total fees payable by the Group to the SOCAM Group in relation to the provision of the Smart Facility Enhancement Work for the year ending (i) 31 December 2023 is RMB15,000,000; (ii) 31 December 2024 is RMB15,000,000; (iii) 31 December 2025 is RMB16,000,000; (iv) 31 December 2026 is RMB12,000,000; (v) 31 December 2027 is RMB10,000,000; and (vi) 31 December 2028 is RMB4,000,000.

An amount of approximately RMB2 million was paid and/or is payable by the Group to SOCAM Group for the provision of the Smart Facility Enhancement Work during the year under review.

Pursuant to Rule 14A.55 of the Listing Rules, the INEDs of the Company have reviewed the above continuing connected transactions and confirmed that the continuing connected transactions above have been entered into:

- (i) in the ordinary and usual course of business of the Group;
- (ii) on normal commercial terms; and
- (iii) according to the terms of the Framework Agreement that are fair and reasonable and in the interests of the Company's shareholders as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in the Annual Report in accordance with Rule 14A.56 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 37 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 | SOCAM | Property investment in the PRC | Director and controlling shareholder |
| Mr. Lo | Great Eagle Holdings Limited | 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 2023, 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 12 November 2019, a written agreement (the "2023 SODH Indenture") was entered into between the Company as guarantor, SODH as issuer, and DB Trustee (Hong Kong) Limited ("DB") as trustee of 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 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 13 November 2023, SODH fully repaid the principal amount of the outstanding 2023 SODH Notes (inclusive of the Additional USD Notes) and the accrued and unpaid interest upon its maturity date.

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 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 RMB4,642 million at 31 December 2023.

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

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 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 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 2023 and 31 December 2022 by Ms. Elaine Hwang of Towers Watson Hong Kong Limited, who is a 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 principal assumptions used for the purposes of the actuarial valuations were as follows:

| | Valuation at | |
|----------------------------------|--------------|------|
| | 2023 | 2022 |
| Discount rate per annum | 3.4% | 4.0% |
| Expected rate of salary increase | 2.2% | 3.5% |

The actuarial valuation showed that the market value of plan assets was RMB26 million (2022: RMB21 million) and that the actuarial value of these assets represented 76% (2022: 66%) of the benefits that had accrued to members.

The Group's contributions to the Plan and the MPF Scheme charged to the consolidated statement of profit or loss as staff costs during the year ended 31 December 2023 totalled RMB6,633,000 (2022: RMB643,000).

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 2023 amounted to RMB52 million (2022: RMB47 million).

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 2023, as required under the Listing Rules.

Charitable Donations

During the year, the Group made charitable donations amounting to approximately RMB2 million (2022: RMB5.03 million).

Major Customers and Suppliers

For the year ended 31 December 2023, less than 30% of the Group's sales were attributable to the five largest customers combined.

For the year ended 31 December 2023, the aggregate purchases attributable to the Group's five largest suppliers were less than 30% of our total purchases.

Auditor

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
21 March 2024

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 117 to 198, which comprise the consolidated statement of financial position as at 31 December 2023, 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 material accounting policy information.

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 2023, 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 ("HKSA") 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 matter. For the 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.



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 |
|--|---|
| <p>Valuation of investment properties stated at fair value</p> <p>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.</p> <p>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 RMB47,581 million and RMB1,871 million, respectively, were significant as of 31 December 2023, which in aggregate represented 49% of the Group's total assets. An increase in fair values of RMB42 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.</p> <p>The related disclosures are included in notes 4 and 13 of the consolidated financial statements.</p> | <p>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:</p> <ul style="list-style-type: none"> • Evaluating the competence, capabilities, and objectivity of the independent qualified professional valuer; • Obtaining an understanding of the valuation processes and significant assumptions from the 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 the 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 sampling 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 HKSAAs 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 HKSAAs, 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

21 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

YEAR ENDED 31 DECEMBER 2023

| | Notes | 2023 RMB'million | 2022 RMB'million |
|--|-------|---------------------|---------------------|
| Revenue | 5 | 9,752 | 15,565 |
| Cost of sales | | (4,707) | (8,916) |
| Gross profit | | 5,045 | 6,649 |
| Other income | 6 | 411 | 376 |
| Selling and marketing expenses | | (175) | (212) |
| General and administrative expenses | | (985) | (907) |
| Increase/(decrease) in fair value of investment properties | 13 | 32 | (114) |
| Other gains and losses | 6 | (243) | (107) |
| Share of results of associates and joint ventures | | 781 | (151) |
| Finance costs, inclusive of exchange differences | 7 | (2,167) | (2,127) |
| Profit before tax | 8 | 2,699 | 3,407 |
| Tax | 9 | (1,302) | (1,932) |
| Profit for the year | | 1,397 | 1,475 |
| Attributable to: | | | |
| Shareholders of the Company | | 810 | 906 |
| Non-controlling shareholders of subsidiaries | | 587 | 453 |
| Owners of perpetual capital securities | | – | 116 |
| | | 587 | 569 |
| | | 1,397 | 1,475 |
| Earnings per share attributable to the shareholders of the Company | 12 | | |
| – Basic | | RMB10.1 cents | RMB11.3 cents |
| – Diluted | | RMB10.1 cents | RMB11.3 cents |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2023

| | 2023 RMB'million | 2022 RMB'million |
|---|---------------------|---------------------|
| Profit for the year | 1,397 | 1,475 |
| Other comprehensive income/(expense) | | |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | |
| Exchange differences arising on translation of foreign operations | (384) | (898) |
| The effective portion of changes in the fair value of currency forward contracts designated as cash flow hedges | 25 | 473 |
| The effective portion of changes in the fair value of interest rate swaps designated as cash flow hedges | – | 34 |
| Reclassification from hedge reserve to profit or loss arising from currency forward contracts | (34) | (576) |
| Share of other comprehensive expense of an associate and a joint venture | (5) | (80) |
| Transfer of hedge reserve upon the change of specific hedging arrangements | – | 169 |
| <i>Items that will not be reclassified subsequently to profit or loss:</i> | | |
| Remeasurement of defined benefit obligations | (1) | (2) |
| Surplus on revaluation of properties transferred from property and equipment to completed investment properties, net of tax | 6 | 14 |
| Other comprehensive expense for the year | (393) | (866) |
| Total comprehensive income for the year | 1,004 | 609 |
| Total comprehensive income attributable to: | | |
| Shareholders of the Company | 414 | 32 |
| Non-controlling shareholders of subsidiaries | 590 | 461 |
| Owners of perpetual capital securities | – | 116 |
| | 590 | 577 |
| | 1,004 | 609 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2023

| | Notes | 2023 RMB'million | 2022 RMB'million |
|--|-------|---------------------|---------------------|
| Non-current assets | | | |
| Investment properties | 13 | 49,604 | 51,665 |
| Interests in associates | 17 | 8,932 | 8,010 |
| Interests in joint ventures | 18 | 13,696 | 13,154 |
| Property and equipment | 14 | 970 | 1,197 |
| Right-of-use assets | 15 | 17 | 46 |
| Receivables, deposits, and prepayments | 19 | 317 | 298 |
| Pledged bank deposits | 35 | – | 2,192 |
| Loans to a non-controlling shareholder of a subsidiary | 24 | 8 | 22 |
| Deferred tax assets | 32 | 230 | 282 |
| Other non-current assets | | 67 | 106 |
| | | 73,841 | 76,972 |
| Current assets | | | |
| Properties under development for sale | 16 | 1,957 | 4,541 |
| Properties held for sale | 22 | 1,069 | 1,759 |
| Receivables, deposits, and prepayments | 19 | 3,164 | 1,603 |
| Amounts due from associates | 17 | 207 | 193 |
| Loans to/amounts due from joint ventures | 18 | 5,967 | 4,926 |
| Loan to a non-controlling shareholder of a subsidiary | 24 | 8 | – |
| Amounts due from related companies | 23 | 406 | 411 |
| Contract assets | 20 | 219 | 322 |
| Derivative financial instruments | | – | 492 |
| Pledged bank deposits | 35 | 3,172 | – |
| Bank balances and cash | 21 | 5,745 | 11,176 |
| Prepaid taxes | | 79 | 26 |
| Assets classified as held for sale | 34 | 5,164 | 2,457 |
| | | 27,157 | 27,906 |
| Current liabilities | | | |
| Accounts payable, deposits received, and accrued charges | 25 | 4,183 | 5,311 |
| Contract liabilities | 26 | 4,005 | 5,416 |
| Bank and other borrowings | 27 | 8,410 | 8,069 |
| Senior notes | 30 | 3,563 | 3,491 |
| Receipts under securitisation arrangements | 31 | 40 | – |
| Tax liabilities | | 3,404 | 4,035 |
| Amounts due to non-controlling shareholders of subsidiaries | 24 | 58 | 204 |
| Amounts due to associates | 17 | 593 | 557 |
| Loans from/amounts due to joint ventures | 18 | 153 | 45 |
| Amounts due to related companies | 23 | 346 | 357 |
| Liability arising from a rental guarantee arrangement | | 28 | 28 |
| Lease liabilities | | 8 | 11 |
| Liabilities associated with assets classified as held for sale | 34 | 850 | – |
| | | 25,641 | 27,524 |
| | | 1,516 | 382 |
| Net current assets | | | |
| Total assets less current liabilities | | 75,357 | 77,354 |
| Non-current liabilities | | | |
| Bank and other borrowings | 27 | 9,266 | 12,188 |
| Senior notes | 30 | 6,335 | 9,764 |
| Receipts under securitisation arrangements | 31 | 4,319 | – |
| Deferred tax liabilities | 32 | 4,677 | 4,799 |
| Accounts payable, deposits received, and accrued charges | 25 | 696 | 560 |
| Loans from an associate | 17 | 5,825 | 5,575 |
| Lease liabilities | | 50 | 56 |
| Defined benefit liabilities | | 9 | 11 |
| Derivative financial instruments | | 31 | – |
| | | 31,208 | 32,953 |
| Capital and reserves | | | |
| Share capital | 28 | 146 | 146 |
| Reserves | 29 | 38,717 | 39,004 |
| Equity attributable to shareholders of the Company | | 38,863 | 39,150 |
| Non-controlling interests | | 5,286 | 5,251 |
| Total equity | | 44,149 | 44,401 |
| Total equity and non-current liabilities | | 75,357 | 77,354 |

The consolidated financial statements on pages 117 to 198 were approved and authorised for issue by the Board of Directors on 21 March 2024 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 2023

| | Attributable to shareholders of the Company | | | | Perpetual capital securities RMB'million | Non-controlling interests RMB'million | Total RMB'million |
|---|---|--------------------------------------|----------------------------------|--------------------------|---|--|----------------------|
| | Share capital RMB'million | Reserves RMB'million (note 29) | Retained earnings RMB'million | Sub-total RMB'million | | | |
| 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 differences arising on translation of foreign operations | – | (898) | – | (898) | – | – | (898) |
| The effective portion of changes in the fair value of currency forward contracts designated as cash flow hedges | – | 473 | – | 473 | – | – | 473 |
| The effective portion of changes in the fair value of interest rate swaps designated as cash flow hedges | – | 34 | – | 34 | – | – | 34 |
| Reclassification from hedge reserve to profit or loss arising from currency forward contracts | – | (576) | – | (576) | – | – | (576) |
| Remeasurement of defined benefit obligations | – | – | (2) | (2) | – | – | (2) |
| Transfer of hedge reserve upon the change of specific hedging arrangements | – | 169 | – | 169 | – | – | 169 |
| Surplus on revaluation of properties transferred from property and equipment to completed 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 (expense)/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 non-controlling shareholders 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 |

| | Attributable to shareholders of the Company | | | | | |
|---|---|--------------------------------------|----------------------------------|--------------------------|--|----------------------|
| | Share capital RMB'million | Reserves RMB'million (note 29) | Retained earnings RMB'million | Sub-total RMB'million | Non-controlling interests RMB'million | Total RMB'million |
| On 1 January 2023 | 146 | 16,908 | 22,096 | 39,150 | 5,251 | 44,401 |
| Profit for the year | – | – | 810 | 810 | 587 | 1,397 |
| Exchange differences arising on translation of foreign operations | – | (384) | – | (384) | – | (384) |
| The effective portion of changes in the fair value of currency forward contracts designated as cash flow hedges | – | 25 | – | 25 | – | 25 |
| Reclassification from hedge reserve to profit or loss arising from currency forward contracts | – | (34) | – | (34) | – | (34) |
| Remeasurement of defined benefit obligations | – | – | (1) | (1) | – | (1) |
| Surplus on revaluation of properties transferred from property and equipment to completed investment properties, net of tax | – | 3 | – | 3 | 3 | 6 |
| Share of other comprehensive expense of an associate and a joint venture | – | (5) | – | (5) | – | (5) |
| Total comprehensive (expense)/income for the year | – | (395) | 809 | 414 | 590 | 1,004 |
| Capital injection by non-controlling shareholders of subsidiaries | – | – | – | – | 35 | 35 |
| Capital reduction by non-controlling shareholders of subsidiaries | – | – | – | – | (28) | (28) |
| Dividend declared to non-controlling shareholders of subsidiaries | – | – | – | – | (343) | (343) |
| Repayment of equity loans from non-controlling shareholders of subsidiaries | – | – | – | – | (219) | (219) |
| 2023 interim dividend | – | – | (235) | (235) | – | (235) |
| 2022 final dividend | – | – | (466) | (466) | – | (466) |
| On 31 December 2023 | 146 | 16,513* | 22,204* | 38,863 | 5,286 | 44,149 |

* These reserve accounts comprise the consolidated reserves of RMB38,717 million (2022: RMB39,004 million) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2023

| | Notes | 2023 RMB'million | 2022 RMB'million |
|---|-------|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before tax | | 2,699 | 3,407 |
| Adjustments for: | | | |
| Depreciation of property and equipment | | 116 | 115 |
| Net foreign exchange difference | | (46) | 22 |
| Share of results of associates and joint ventures | | (781) | 151 |
| Finance costs, inclusive of exchange differences | 7 | 2,167 | 2,127 |
| (Gain)/cost arising from hedging activities | 6 | (14) | 175 |
| Interest income | | (371) | (341) |
| (Increase)/decrease in fair value of investment properties | | (32) | 114 |
| Gain on redemption of senior notes | | (25) | – |
| (Reversal of)/provision for impairment of properties held for sale | | (6) | 1 |
| Provision for impairment losses under the expected credit loss model | | 1 | 80 |
| Decrease/(increase) in fair value of financial instruments | 6 | 166 | (331) |
| Depreciation of right-of-use assets | | 3 | 9 |
| Loss from a change of specific hedging arrangements | 6 | – | 169 |
| | | 3,877 | 5,698 |
| (Increase)/decrease in receivables, deposits and prepayments | | (1,582) | 280 |
| Decrease in contract assets | | 103 | 112 |
| Decrease in properties under development for sale and held for sale | | 3,493 | 8,046 |
| Decrease in amounts due from related companies | | 5 | 11 |
| Decrease in amounts due to related companies | | (11) | (11) |
| Increase in amounts due from joint ventures | | (242) | (103) |
| Increase in amounts due to joint ventures | | 18 | 32 |
| (Increase)/decrease in amounts due from associates | | (14) | 362 |
| Increase in amounts due to associates | | 3 | – |
| Increase in amounts due to non-controlling shareholders of subsidiaries | | – | 50 |
| Decrease/(increase) in prepaid taxes | | 5 | (3) |
| Decrease in contract liabilities | | (1,411) | (5,640) |
| Decrease in accounts payable, deposits received and accrued charges | | (1,059) | (2,111) |
| Decrease in defined benefit liabilities | | (4) | – |
| Cash generated from operations | | 3,181 | 6,723 |
| Tax paid | | (2,067) | (2,677) |
| Net cash generated from operating activities | | 1,114 | 4,046 |

CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED 31 DECEMBER 2023

| | Notes | 2023 RMB'million | 2022 RMB'million |
|---|--------|---------------------|---------------------|
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest received | | 218 | 227 |
| Additions to investment properties | | (154) | (647) |
| Advances to joint ventures | | (159) | (1,559) |
| Repayments from a non-controlling shareholder of a subsidiary | | 6 | 1 |
| Repayments from joint ventures | | 204 | – |
| Investments in joint ventures | | (1,382) | (981) |
| Payments made under a rental guarantee arrangement | | – | (147) |
| Dividend received from an associate | | – | 59 |
| Dividend received from a joint venture | | 139 | – |
| Others | | (225) | 81 |
| Net cash used in investing activities | | (1,353) | (2,966) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Payments of lease liabilities | 40 (b) | (12) | (15) |
| Repayment of receipts under securitisation arrangements | | (30) | – |
| Issue of receipts under securitisation arrangements | | 4,390 | – |
| Drawdown of bank and other borrowings | | 8,583 | 5,308 |
| Repayments of bank and other borrowings | | (10,718) | (6,104) |
| Increase in pledged bank deposits | | (980) | (2,192) |
| Settlement for derivative financial instruments designated as cash flow hedge | | 456 | (108) |
| Repayment of senior notes | 30 | (3,611) | – |
| Interest paid | | (2,220) | (1,739) |
| Payment of dividends | | (701) | (830) |
| Distribution to owners of perpetual capital securities | | – | (128) |
| Dividend payment to non-controlling shareholders of subsidiaries | | (356) | (55) |
| Redemption of perpetual capital securities | | – | (3,999) |
| Capital injected by non-controlling shareholders of subsidiaries | | 35 | – |
| Capital reduction paid to non-controlling shareholders of subsidiaries | | (159) | (338) |
| Repayment to non-controlling shareholders of subsidiaries | | (219) | (138) |
| Loans from a joint venture | | 87 | – |
| Loans from an associate | | 250 | 3,050 |
| Shares repurchased | | – | (26) |
| Others | | 100 | – |
| Net cash used in financing activities | | (5,105) | (7,314) |
| Net decrease in cash and cash equivalents | | (5,344) | (6,234) |
| Cash and cash equivalents at the beginning of the year | | 11,176 | 17,284 |
| Effect of foreign exchange rate changes, net | | (22) | 126 |
| Cash and cash equivalents at the end of the year | | 5,810 | 11,176 |
| Analysis of the balances of cash and cash equivalents | | | |
| Bank balances and cash | 21 | 5,745 | 11,176 |
| Bank balances and cash included in assets classified as held for sale | 34 | 65 | – |
| | | 5,810 | 11,176 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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 42. 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 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 2023. 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 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 is attributed to the owners of the parent of the Group and 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 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 the related assets (including goodwill), liabilities, non-controlling interest, and exchange reserve; and recognises the fair value of any investment retained and 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 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 new and revised IFRSs for the first time for the current year's financial statements.

| | |
|---|---|
| IFRS 17 | <i>Insurance Contracts</i> |
| Amendments to IAS 1 and IFRS Practice Statement 2 | <i>Disclosure of Accounting Policies</i> |
| Amendments to IAS 8 | <i>Definition of Accounting Estimates</i> |
| Amendments to IAS 12 | <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> |
| Amendments to IAS 12 | <i>International Tax Reform – Pillar Two Model Rules</i> |

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

- (a) Amendments to IAS 1 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 based on those financial statements. Amendments to IFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 3 to the financial statements. The amendments did not impact the measurement, recognition, or presentation of any items in the Group's financial statements.
- (b) Amendment 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 subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.
- (c) Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* 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 must 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 Group has applied the amendments on temporary differences related to leases as at 1 January 2022. Upon initial application of these amendments, the Group recognised (i) a deferred tax asset for all deductible temporary differences associated with lease liabilities (provided that sufficient taxable profit is available) and (ii) a deferred tax liability for all taxable temporary differences associated with right-of-use assets at 1 January 2022, with the cumulative effect recognised as an adjustment to the balances of retained profits and non-controlling interests at that date. The amendments did not have any significant impact on the Group's financial statements.

- (d) Amendments to IAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not impact the Group.

2.3 Issued but not yet effective IFRSs

The Group has not early applied the following revised IFRSs, which have been issued but are not yet effective, in these financial statements. The Group intends to apply these revised IFRSs, if applicable when they become effective.

| | |
|----------------------------------|---|
| Amendments to IFRS 10 and IAS 28 | <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³ |
| Amendments to IFRS 16 | <i>Lease Liability in a Sale and Leaseback</i> ¹ |
| Amendments to IAS 1 | <i>Classification of Liabilities as Current or Non-current (the "2020 Amendments")</i> ¹ |
| Amendments to IAS 1 | <i>Non-current Liabilities with Covenants (the "2022 Amendments")</i> ¹ |
| Amendments to IAS 7 and IFRS 7 | <i>Supplier Finance Arrangements</i> ¹ |
| Amendments to IAS 21 | <i>Lack of Exchangeability</i> ² |

1 Effective for annual periods beginning on or after 1 January 2024

2 Effective for annual periods beginning on or after 1 January 2025

3 No mandatory effective date yet determined but available for adoption

Further information about those IFRSs that are expected to apply to the Group is described below.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and 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 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. 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 related 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 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.

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments 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. Additional disclosures are required for non-current liabilities subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively, with early application 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 7 and IFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows, and exposure to liquidity risk. Earlier application of the amendments is permitted. The amendments provide certain transition reliefs regarding comparative information, quantitative information as at the beginning of the annual reporting period and interim disclosures. 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 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate equity component, where appropriate, at the date of initial application. 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 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 occurs 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 considers 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 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 per the contractual terms, economic circumstances, and pertinent conditions as of the acquisition date. This includes the separation of embedded derivatives in the host contracts of the acquiree.

3. Material accounting policies – continued

Business combinations – continued

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 classified as equity is not remeasured, and subsequent settlement is accounted for within equity.

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 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 right-of-use assets) held to earn rental income and/or for capital appreciation. 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.

3. Material accounting policies – continued

Investment properties – continued

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 use change. 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 use change, 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.

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 expenses.

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).

Property, plant and equipment, and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

Investment property held for sale continues to be measured at fair value.

Properties under development for sale

Properties under development for sale that are intended to be sold upon completion of development are classified as current assets. Properties under development for sale are carried at the lower of cost or 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. The net realisable value represents the estimated selling price for the properties less the estimated cost to completion and costs necessary to make the sales.

Properties under development for sale 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.

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. The net realisable value represents the estimated selling price for the properties less the estimated cost to completion and costs necessary to make the sales.

3. Material accounting policies – continued

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 has 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 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. 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 a non-financial asset is required (other than inventories, contract assets, deferred tax 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. It 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.

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.

3. Material accounting policies – continued

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.

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 called the SPPI test and is performed at an instrument level. Financial assets with cash flows 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 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 of holding financial assets 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 that are not held within the aforementioned business models are classified and measured at FVTPL.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

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.

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.

3. Material accounting policies – continued

Financial assets – continued

Derecognition – continued

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 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 of financial assets

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 per 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 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 default timing (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. It 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 90 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 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.

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 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 are consistent with the cash flows used in measuring the rental receivable in accordance with IFRS 16.

3. Material accounting policies – continued

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 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 payables, amounts due to joint ventures, loans from/amounts due to associates, amounts due to related companies, amounts due to non-controlling shareholders of subsidiaries, bank and other borrowings, senior notes, lease liabilities, receipts under securitisation arrangements 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 amortised cost

After initial recognition, accounts payable, deposits received, and accrued charges, amounts due to associates, loans from an associate, amounts due to joint ventures, loans from a joint venture, amounts due to related companies, amounts due to non-controlling shareholders of subsidiaries, receipts under securitisation arrangements, senior notes, bank and other borrowings and lease liabilities 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 considering 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.

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. 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.

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 some 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 payments and right-of-use assets representing the right to use the underlying assets.

3. Material accounting policies – continued

Leases – continued

Group as a lessee – continued

(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 are 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 per 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 per the Group's policy for "investment properties".

(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 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 sure to be exercised by the Group and payments of penalties for a lease termination 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 are 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 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.

3. Material accounting policies – continued

Leases – continued

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 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 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.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction, or production of qualifying assets, i.e., assets that necessarily take a substantial period 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. All other borrowing costs are expensed in the period 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 does not give rise to equal taxable and deductible temporary differences; 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.

3. Material accounting policies – continued

Income tax – continued

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward 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 carryforward 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 does not give rise to equal taxable and deductible temporary differences; 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. They 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 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.

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its 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 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 the 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. 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", except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in reserve 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.

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 that 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 that 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 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 the scope of work 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.

Contract assets

If the Group performs by transferring goods or services to a customer before being unconditionally entitled to the consideration under the contract terms, 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. They are reclassified to trade receivables when the right to the consideration becomes unconditional.

3. Material accounting policies – continued

Revenue recognition – continued

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 is capitalised as an asset if all of the following criteria are met:

- (a) The costs relate directly to a contract or 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 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.

Bank balances and cash

Bank balances and cash in the statement of financial position comprise cash on hand and at banks and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for meeting short-term cash commitments.

For the consolidated statement of cash flows, bank balances and cash comprise cash on hand and at banks, and short-term deposits as defined above, 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, 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 concerning 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 opinions 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 are considered to be performance obligations satisfied at a point in time.

4. Material accounting judgements and estimates – continued

Judgements – continued

Equity loans from a non-controlling shareholder of subsidiaries

Under 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. The repayment is mutually agreed upon 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 previous 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 equity instruments as the equity loans from the non-controlling shareholder of subsidiaries are non-derivatives.

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 unavailable, 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 determining the fair value of various assets and liabilities are disclosed in notes 13 and 39 (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 vary 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 cost or 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 the 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

| | 2023 RMB'million | 2022 RMB'million |
|--------------------------------------|---------------------|---------------------|
| Property development: | | |
| Property sales | 5,898 | 11,695 |
| | 5,898 | 11,695 |
| Property management: | | |
| Property management fee income | 580 | 508 |
| | 580 | 508 |
| Construction | 328 | 958 |
| Others | 548 | 334 |
| | 7,354 | 13,495 |
| Geographical markets | | |
| Shanghai | 6,792 | 12,378 |
| Wuhan | 328 | 897 |
| Foshan | 148 | 132 |
| Chongqing | 60 | 66 |
| Nanjing | 26 | 22 |
| | 7,354 | 13,495 |
| Timing of revenue recognition | | |
| At a point in time | 5,898 | 11,695 |
| Over time | 1,456 | 1,800 |
| | 7,354 | 13,495 |

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:

| | 2023 RMB'million | 2022 RMB'million |
|--|---------------------|---------------------|
| Revenue recognised that was included in contract liabilities at the beginning of the reporting year: | | |
| Sale of properties | 5,409 | 10,516 |
| | 5,409 | 10,516 |

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 2023

| | RMB'million |
|---|--------------|
| Property development: | |
| Property sales | 5,898 |
| Property management: | |
| Property management fee income | 580 |
| Construction | 328 |
| Others | 548 |
| Revenue from contracts with customers | 7,354 |
| Property investment | |
| (property investment segment) | |
| Rental income from investment properties (Note) | 2,136 |
| Rental-related income | 262 |
| | 9,752 |

Note:

| | 2023 RMB'million |
|--|---------------------|
| For operating leases: | |
| Fixed lease payment | 2,019 |
| Variable lease payments that do not depend on an index or a rate | 117 |
| | 2,136 |

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 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 |

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 control of the completed property and the Group has the 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 the 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 revenue recognition 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 of 31 December 2023 and the expected timing of recognising revenue is as follows:

| | Sales of properties RMB'million |
|-----------------|---------------------------------------|
| Within one year | 4,005 |

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as of 31 December 2022 and the expected timing of recognising revenue is as follows:

| | Sales of properties RMB'million |
|-----------------|---------------------------------------|
| Within one year | 5,416 |

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 2023

| | Reportable segment | | | | | | Consolidated RMB'million |
|---|--|---------------------------------------|---------------------------------------|-----------------------------|----------------------|-----------------------|-----------------------------|
| | Property development RMB'million | Property investment RMB'million | Property management RMB'million | Construction RMB'million | Total RMB'million | Others RMB'million | |
| SEGMENT REVENUE | | | | | | | |
| Segment revenue of the Group | 5,898 | 2,398 | 580 | 328 | 9,204 | 548 | 9,752 |
| SEGMENT RESULTS | | | | | | | |
| Segment results of the Group | 2,253 | 1,725 | 86 | 39 | 4,103 | 223 | 4,326 |
| Interest income | | | | | | | 371 |
| Share of results of associates and joint ventures | | | | | | | 781 |
| Finance costs, inclusive of exchange differences | | | | | | | (2,167) |
| Other gains and losses | | | | | | | (243) |
| Unallocated income | | | | | | | 43 |
| Unallocated expenses | | | | | | | (412) |
| Profit before tax | | | | | | | 2,699 |
| Tax | | | | | | | (1,302) |
| Profit for the year | | | | | | | 1,397 |
| 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 | 42 | 8 | - | - | 50 | 29 | 79 |
| Development costs for investment properties under construction or development | - | 294 | - | - | 294 | - | 294 |
| Depreciation of property and equipment | 45 | 15 | - | - | 60 | 56 | 116 |
| Depreciation of right-of-use assets | 1 | - | - | - | 1 | 2 | 3 |
| Increase in fair value of investment properties | - | 32 | - | - | 32 | - | 32 |
| FINANCIAL POSITION ASSETS | | | | | | | |
| Segment assets | 5,542 | 55,355 | 38 | 397 | 61,332 | 709 | 62,041 |
| Interests in associates | | | | | | | 8,932 |
| Interests in joint ventures | | | | | | | 13,696 |
| Loans to/amounts due from joint ventures | | | | | | | 5,967 |
| Loans to/amounts due from associates | | | | | | | 207 |
| Amounts due from related companies | | | | | | | 406 |
| Unallocated corporate assets | | | | | | | 9,749 |
| Consolidated total assets | | | | | | | 100,998 |
| LIABILITIES | | | | | | | |
| Segment liabilities | 6,843 | 1,534 | 190 | 319 | 8,886 | 84 | 8,970 |
| Unallocated corporate liabilities | | | | | | | 47,879 |
| Consolidated total liabilities | | | | | | | 56,849 |

5. Revenue and segment information – continued

For the year ended 31 December 2022

| | Reportable segment | | | | | | Consolidated RMB'million |
|---|--|---------------------------------------|---------------------------------------|-----------------------------|----------------------|-----------------------|-----------------------------|
| | Property development RMB'million | Property investment RMB'million | Property management RMB'million | Construction RMB'million | Total RMB'million | Others 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 | | | | | | | (107) |
| 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

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, 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 and other borrowings, senior notes, receipts under securitisation arrangements and other unallocated corporate liabilities.

Over 90% of the Group's revenue and contribution to operating profit are attributable to customers in the PRC for both years. Accordingly, no analysis of the 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 years ended 31 December 2023 and 2022, there were no revenues from transactions with a single external customer that accounted for 10% or more of the revenue of the Group.

6. Other income, other gains and losses

| | 2023 RMB'million | 2022 RMB'million |
|--|---------------------|---------------------|
| Other income | | |
| Interest income from banks | 201 | 226 |
| Interest income from loans to joint ventures (note 37) | 170 | 115 |
| Grants received from local governments | 32 | 28 |
| Others | 8 | 7 |
| | 411 | 376 |
| Other gains and losses | | |
| Gain/(cost) arising from hedging activities | 14 | (175) |
| (Loss)/gain from fair value change of derivative financial instruments | (166) | 331 |
| Loss from a change of specific hedging arrangements | – | (169) |
| Provision for impairment losses under the expected credit loss model | (1) | (80) |
| Others | (90) | (14) |
| | (243) | (107) |

7. Finance costs, inclusive of exchange differences

| | 2023 RMB'million | 2022 RMB'million |
|---|---------------------|---------------------|
| Interest on bank and other borrowings | 1,175 | 1,100 |
| Interest on senior notes (note 30) | 764 | 745 |
| Interest on receipts under securitisation arrangements | 128 | – |
| Interest on loans from an associate and a joint venture | 223 | 102 |
| Interest expenses from lease liabilities | 3 | 4 |
| Total interest costs | 2,293 | 1,951 |
| Less: Amount capitalised to investment properties under construction or development and properties under development for sale | (220) | (332) |
| Interest expenses charged to profit or loss | 2,073 | 1,619 |
| Net exchange loss on bank and other borrowings and other financing activities | 37 | 495 |
| Others | 57 | 13 |
| | 2,167 | 2,127 |

Borrowing costs capitalised during the year were calculated by applying a capitalisation rate of approximately 4.9% (2022: 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):

| | 2023 RMB'million | 2022 RMB'million |
|---|---------------------|---------------------|
| Auditor's remuneration | | |
| – audit services | 5 | 5 |
| Depreciation of property and equipment | 116 | 115 |
| Depreciation of right-of-use assets | 3 | 9 |
| Employee benefits expenses | | |
| Directors' emoluments | | |
| Fees | 5 | 4 |
| Salaries, bonuses, and other benefits | 40 | 43 |
| | 45 | 47 |
| Other staff costs | | |
| Salaries, bonuses, and other benefits | 940 | 891 |
| Retirement benefits cost | 52 | 47 |
| | 992 | 938 |
| Total employee benefits expenses | 1,037 | 985 |
| Less: Amount capitalised to investment properties under construction or development and properties under development for sale | (92) | (85) |
| | 945 | 900 |
| Provision for impairment losses on receivables | 1 | 80 |
| Cost of properties sold recognised as an expense | 3,500 | 7,295 |
| The net impact of (reversal of)/provision for impairment losses on properties held for sale (included in "cost of sales") | (6) | 1 |
| Lease payments relating to short-term leases and low-value leases | 4 | 12 |

9. Tax

| | 2023 RMB'million | 2022 RMB'million |
|-----------------------------------|---------------------|---------------------|
| Hong Kong profits tax | | |
| – Charge for the year | 10 | 19 |
| PRC enterprise income tax ("EIT") | | |
| – Charge for the year | 832 | 926 |
| PRC withholding tax | | |
| – Charge for the year | 139 | 284 |
| PRC land appreciation tax ("LAT") | | |
| – Charge for the year | 397 | 970 |
| Deferred tax (note 32) | | |
| – Credit for the year | (76) | (267) |
| | 1,302 | 1,932 |

Hong Kong profits tax has been provided at 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 2023 and 31 December 2022, the deferred tax was provided for in respect of the temporary differences attributable to such profits, except to the extent that the Group can control the timing of the reversal of such temporary differences, and, probably, that such temporary differences would not be reversed in the foreseeable future.

The provision of PRC LAT is estimated per the requirements outlined 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:

| | 2023 RMB'million | 2022 RMB'million |
|---|---------------------|---------------------|
| Profit before tax | 2,699 | 3,407 |
| PRC EIT at 25% | 675 | 852 |
| PRC LAT | 397 | 970 |
| Tax effect of PRC LAT | (99) | (243) |
| Net effect of withholding tax at 5% on the distributable profit of the Group's PRC subsidiaries | 71 | 203 |
| Tax effect of share of results of associates and joint ventures | (195) | 38 |
| Expenses not deductible for tax | 450 | 601 |
| Income not subject to tax | (14) | (8) |
| Tax losses not recognised | 156 | 69 |
| Utilisation of tax losses previously not recognised | (4) | (41) |
| Effect of different applicable tax rates | (135) | (509) |
| Tax charge for the year | 1,302 | 1,932 |

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 Directors | Notes | Fees RMB'000 | Salaries RMB'000 | Other benefits RMB'000 | Performance related incentive payments- cash bonus | Retirement benefit cost | Share- based payment expenses | 2023 Total |
|---|--------|-----------------|---------------------|------------------------------|--|----------------------------|--|---------------|
| | | | | | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Mr. Vincent H.S. LO | (a) | - | - | - | - | - | - | - |
| Ms. Stephanie B.Y. LO | (b) | - | 5,474 | 8 | 4,292 | 236 | - | 10,010 |
| Ms. Jessica Y. WANG | (c) | - | 6,781 | 45 | 5,880 | 143 | - | 12,849 |
| Mr. Douglas H.H. SUNG | (d) | - | 6,265 | 5,763 | 5,100 | - | - | 17,128 |
| Professor Gary C. BIDDLE | (e) | 883 | - | - | - | - | - | 883 |
| Dr. Roger L. McCARTHY | (e) | 604 | - | - | - | - | - | 604 |
| Mr. David J. SHAW | (e)(f) | 197 | - | - | - | - | - | 197 |
| Mr. Anthony John Liddell NIGHTINGALE | (e) | 604 | - | - | - | - | - | 604 |
| Mr. Shane S.TEDJARATI | (e) | 653 | - | - | - | - | - | 653 |
| Ms. Ya Ting WU | (e) | 518 | - | - | - | - | - | 518 |
| Mr. Albert Kong Ping NG | (e) | 604 | - | - | - | - | - | 604 |
| Mr. Gregory K. L. SO | (e)(g) | 248 | - | - | - | - | - | 248 |
| Ms. Randy W. S. LAI | (e)(h) | 234 | - | - | - | - | - | 234 |
| Total for year 2023 | | 4,545 | 18,520 | 5,816 | 15,272 | 379 | - | 44,532 |

10. Directors' emoluments and five highest-paid employees – continued

| Name of Directors | Notes | Fees RMB'000 | Salaries RMB'000 | Other benefits RMB'000 | Performance related incentive payments- cash bonus | Retirement benefit cost | Share- based payment expenses | 2022 Total |
|---|--------|-----------------|---------------------|------------------------------|--|----------------------------|--|---------------|
| | | | | | 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)(f) | 475 | – | – | – | – | – | 475 |
| Mr. Anthony John Liddell NIGHTINGALE | (e) | 578 | – | – | – | – | – | 578 |
| Mr. Shane S.TEDJARATI | (e) | 625 | – | – | – | – | – | 625 |
| Ms. Ya Ting WU | (e) | 496 | – | – | – | – | – | 496 |
| Mr. Albert Kong Ping NG | (e) | 130 | – | – | – | – | – | 130 |
| Total for year 2022 | | 3,728 | 20,115 | 7,206 | 15,853 | 359 | – | 47,261 |

Notes:

(a) An executive director and the chairman of the Company.

(b) An executive director and managing director of the Company.

(c) An executive director and the chief executive officer of the Company.

(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) Mr. David J. SHAW retired from office and ceased to be an independent non-executive director effective 24 May 2023.

(g) Mr. Gregory K. L. SO was appointed as an independent non-executive director of the Company effective 1 July 2023.

(h) Ms. Randy W. S. LAI was appointed as an independent non-executive director of the Company effective 1 July 2023.

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 (2022: three directors), details of whose remuneration are set out above. Details of the remuneration for the year of the remaining two (2022: two) highest-paid employees who are not a director of the Company are as follows:

| | 2023 RMB'million | 2022 RMB'million |
|--|---------------------|---------------------|
| Salaries | 10 | 9 |
| Other benefits | 2 | 3 |
| Performance related incentive payments | 6 | 4 |
| | 18 | 16 |

The emoluments of the remaining highest paid employees were within the following bands:

| Emolument bands | 2023 Number of employees | 2022 Number of employees |
|-------------------------------|--------------------------------|--------------------------------|
| HKD8,000,001 – HKD8,500,000 | 1 | – |
| HKD9,000,001 – HKD9,500,000 | – | 1 |
| HKD9,500,001 – HKD10,000,000 | – | 1 |
| HKD12,000,001 – HKD12,500,000 | 1 | – |
| | 2 | 2 |

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' performance.

11. Dividends

| | 2023 RMB'million | 2022 RMB'million |
|--|---------------------|---------------------|
| Dividends recognised as distribution during the year: | | |
| Interim dividend paid in respect of 2023 of HKD0.032 per share (2022: interim dividend paid in respect of 2022 of HKD0.036 per share) | 235 | 256 |
| Final dividend paid in respect of 2022 of HKD0.064 per share (2022: final dividend paid in respect of 2021 of HKD0.084 per share) | 466 | 574 |
| | 701 | 830 |

A final dividend for the year ended 31 December 2023 of HKD0.058 per share (2022: HKD0.064 per share), amounting to HKD466 million (equivalent to RMB422 million translated using the exchange rate of 0.90622 as of 29 December 2023) in the aggregate, was proposed by the Board on 21 March 2024 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:

| | 2023 RMB'million | 2022 RMB'million |
|--|---------------------|---------------------|
| Earnings | | |
| Earnings for basic/diluted earnings per share, being profit for the year attributable to the shareholders of the Company | 810 | 906 |

| | 2023 'million | 2022 'million |
|--|--|--------------------------------|
| Number of shares | | |
| The weighted average number of ordinary shares for basic earnings per share (note (a)) | 8,009 | 8,035 |
| Effect of dilutive potential ordinary shares | – | – |
| The weighted average number of ordinary shares for diluted earnings per share | 8,009 | 8,035 |
| Basic earnings per share (note (b)) | RMB10.1 cents HKD11.2 cents | RMB11.3 cents HKD13.1 cents |
| Diluted earnings per share (note (b)) | RMB10.1 cents HKD11.2 cents | RMB11.3 cents HKD13.1 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 (2022: 17,710,250) shares held by a share award scheme trust as set out in note 33.
- (b) The figures expressed in Hong Kong dollars presented above are shown for reference only and have been arrived at based on the exchange rate of RMB1.000 to HKD1.1098 for 2023 and RMB1.000 to HKD1.1590 for 2022, being the average exchange rates that prevailed during the respective years.

13. Investment properties

| | Completed investment properties RMB'million | Investment properties under construction or development at fair value RMB'million | Investment properties under construction or development at cost RMB'million | Investment property sublease of right-of-use assets RMB'million | Total RMB'million |
|---|--|--|--|--|----------------------|
| 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 |
| On 1 January 2023 | 47,193 | 4,297 | 91 | 84 | 51,665 |
| Increase/(decrease) | (6) | 286 | 8 | – | 288 |
| Increase/(decrease) in fair value of the investment properties recognised in profit or loss | 136 | (94) | – | (10) | 32 |
| Transfer upon construction commenced | – | 21 | (21) | – | – |
| Transfer upon completion | 2,639 | (2,639) | – | – | – |
| Transfer to property and equipment | (36) | – | – | – | (36) |
| Transfer from property and equipment and right-of-use assets | 260 | – | – | – | 260 |
| Transfer to assets classified as held for sale | (2,605) | – | – | – | (2,605) |
| On 31 December 2023 | 47,581 | 1,871 | 78 | 74 | 49,604 |
| On 31 December 2023 | | | | | |
| – Stated at fair value | 47,581 | 1,871 | – | 74 | 49,526 |
| – Stated at cost | – | – | 78 | – | 78 |

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 RMB78 million (2022: 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 2023 and 31 December 2022, 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 the income approach term and reversion method by capitalizing 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 refers 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 per the development proposals and that 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 the 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 considered 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 of 31 December 2023 and 31 December 2022 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 RMB32,429 million (2022: RMB32,205 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 7.5% (2022: from 4.25% to 7.75%). | The higher the capitalisation rate, the lower the fair value. | A slight increase in the capitalisation rate 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 RMB3.2 to RMB19.7 (2022: from RMB2.9 to RMB18.8) 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 would result in a significant increase in fair value and vice versa. |
| Completed investment properties located in Wuhan with an aggregate carrying amount of RMB9,180 million (2022: RMB9,283 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% (2022: from 5.5% to 7.0%). | The higher the capitalisation rate, the lower the fair value. | A slight increase in the capitalisation rate 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 RMB3.5 to RMB7.2 (2022: from RMB3.8 to RMB7.1) 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 would result in a significant increase in fair value and vice versa. |
| Completed investment properties located in Foshan with an aggregate carrying amount of RMB4,436 million (2022: RMB4,174 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% (2022: from 5.0% to 5.5%). | The higher the capitalisation rate, the lower the fair value. | A slight increase in the capitalisation rate 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 RMB2.1 to RMB5.9 (2022: 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 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 RMB1,536 million (2022: RMB1,531 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% (2022: 5.25% to 5.5%). 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 RMB1.2 to RMB2.4 (2022: from RMB1.1 to RMB2.3) per sqm per day on gross floor area basis. | The higher the capitalisation rate, the lower the fair value. The higher the daily market rent, the higher the fair value. | A slight increase in the capitalisation rate would result in a significant decrease in fair value and vice versa. A significant increase in the daily market rent 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 as of 31 December 2022 | 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 as of 31 December 2022. | The higher the gross development value, the higher the fair value. | A significant increase in gross development value 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 RMB1,871 million (2022: RMB1,892 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 RMB5,075 million (2022: RMB5,080 million). | The higher the gross development value, the higher the fair value. | A significant increase in gross development value 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.

On 31 December 2023, the Group's investment properties with a total carrying amount of RMB33,017 million (2022: RMB32,491 million) were pledged to secure banking facilities granted to the Group (note 35).

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 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 and 1 January 2023 | 958 | 635 | 51 | 537 | 2,181 |
| Additions | – | – | 1 | 84 | 85 |
| Surplus on revaluation | 6 | – | – | – | 6 |
| Transfer from completed investment properties (note 13) | 36 | – | – | – | 36 |
| Transfer to completed investment properties (note 13) | (257) | – | – | (7) | (264) |
| Disposals | – | – | – | (71) | (71) |
| Transfer to assets classified as held for sale | – | – | – | (8) | (8) |
| On 31 December 2023 | 743 | 635 | 52 | 535 | 1,965 |
| ACCUMULATED DEPRECIATION | | | | | |
| On 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 and 1 January 2023 | 198 | 334 | – | 452 | 984 |
| Charge for the year | 26 | 12 | – | 78 | 116 |
| Transfer to completed investment properties (note 13) | (30) | – | – | – | (30) |
| Disposals | – | – | – | (70) | (70) |
| Transfer to assets classified as held for sale | – | – | – | (5) | (5) |
| On 31 December 2023 | 194 | 346 | – | 455 | 995 |
| CARRYING VALUES | | | | | |
| On 31 December 2023 | 549 | 289 | 52 | 80 | 970 |
| On 31 December 2022 | 760 | 301 | 51 | 85 | 1,197 |

14. Property and equipment – continued

The carrying amounts of owner-occupied leasehold land and buildings of RMB534 million (2022: RMB712 million) and hotel properties of RMB289 million (2022: RMB301 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 2023, 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 2023 (2022: 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 2022 | 41 | 14 | 55 |
| Depreciation charge | (1) | (8) | (9) |
| On 31 December 2022 and 1 January 2023 | 40 | 6 | 46 |
| Transfer to completed investment properties (note 13) | (26) | – | (26) |
| Depreciation charge | (1) | (2) | (3) |
| On 31 December 2023 | 13 | 4 | 17 |

The Group leases various premises for its operations. Lease contracts are entered into for fixed terms of 17 months to 3 years. Lease terms are negotiated individually 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 contract definition and determines the period for which the contract is enforceable.

Restrictions or covenants on leases

Lease liabilities of RMB4 million are recognised with related leased properties as of 31 December 2023. The lease agreements do not impose any covenants other than the security interests in the leased assets held by the lessor.

Lease committed

As of 31 December 2023, the Group entered into a lease for an office that has not yet commenced, with a non-cancellable period of fifteen years, excluding the 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 RMB2,136 million (2022: RMB1,876 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 2023, amounting to RMB117 million (2022: RMB55 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.

On 31 December 2023 and 2022, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

| | 2023 RMB'million | 2022 RMB'million |
|---|---------------------|---------------------|
| Within one year | 2,033 | 1,877 |
| After one year but within two years | 1,462 | 1,504 |
| After two years but within three years | 957 | 812 |
| After three years but within four years | 535 | 480 |
| After four years but within five years | 317 | 297 |
| After five years | 339 | 326 |
| | 5,643 | 5,296 |

16. Properties under development for sale

| | 2023 RMB'million | 2022 RMB'million |
|--------------------------------------|---------------------|---------------------|
| At the beginning of the year | 4,541 | 6,699 |
| Additions | 952 | 1,164 |
| Transfer to properties held for sale | (3,536) | (3,322) |
| At the end of the year | 1,957 | 4,541 |

As of 31 December 2023, the carrying value of RMB924 million (2022: RMB1,644 million) of the properties under development for sale is expected to be realised twelve months from the end of the reporting year.

On 31 December 2023, the Group's property under development for sale with a total carrying amount of RMB961 million (2022: RMB687 million) was pledged to secure banking facilities granted to the Group (note 35).

17. Interests in associates/amounts due from/loans from/amounts due to associates

| | 2023 RMB'million | 2022 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 | 1,331 | 417 |
| – Share of other comprehensive expenses of an associate | (14) | (22) |
| | 8,932 | 8,010 |
| Amounts due from associates – current | | |
| – Unsecured, interest-free and repayable on demand | 207 | 193 |
| Amounts due to associates – current | | |
| – Unsecured, interest-free and repayable on demand | 593 | 557 |
| Loans from an associate – non-current | | |
| – Unsecured, fixed-rate at 3.65% to 3.85% and repayable within three years | 5,825 | 5,575 |

Particulars of the Group's associates as of 31 December 2023 are as follows:

| Name of associates | 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 |
|---|---|-------|--|-------|---|---|
| | 2023 | 2022 | 2023 | 2022 | | |
| 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 2023 and 31 December 2022 is set out below:

| | 2023 RMB'million | 2022 RMB'million |
|--|---------------------|---------------------|
| Current assets | 14,631 | 16,569 |
| Non-current assets | – | 199 |
| Current liabilities | 2,682 | 6,713 |
| Non-current liabilities | 367 | 114 |
| Net assets | 11,582 | 9,941 |
| Revenue | 17,281 | 105 |
| Profit and total comprehensive income for the year | 1,606 | 158 |

Reconciliation of the above summarised consolidated financial information to the carrying amount of interest in Colour Bridge recognised in the consolidated financial statements:

| | 2023 RMB'million | 2022 RMB'million |
|---|---------------------|---------------------|
| Net assets of Colour Bridge | 11,582 | 9,941 |
| Less: Non-controlling interests of Colour Bridge | (93) | (43) |
| Equity attributable to shareholders of Colour Bridge | 11,489 | 9,898 |
| Proportion of the Group's ownership interest in Colour Bridge | 50% | 50% |
| Group's share of net assets in Colour Bridge | 5,744 | 4,949 |
| Less: Elimination of unrealised intercompany transactions | – | (60) |
| Carrying amount of the Group's interest in Colour Bridge | 5,744 | 4,889 |

The summarised consolidated financial information of Chongqing Shui On Tiandi for the years ended 31 December 2023 and 31 December 2022 is set out below:

| | 2023 RMB'million | 2022 RMB'million |
|--|---------------------|---------------------|
| Current assets | 8,353 | 14,625 |
| Non-current assets | 1,636 | 2 |
| Current liabilities | 3,231 | 8,485 |
| Non-current liabilities | 198 | – |
| Net assets | 6,560 | 6,142 |
| Revenue | 4,974 | 305 |
| Profit and total comprehensive income for the year | 419 | 11 |

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:

| | 2023 RMB'million | 2022 RMB'million |
|--|---------------------|---------------------|
| Net assets of Chongqing Shui On Tiandi | 6,560 | 6,142 |
| 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 | 1,299 | 1,216 |

The summarised consolidated financial information of Top Fountain for the years ended 31 December 2023 and 31 December 2022 is set out below:

| | 2023 RMB'million | 2022 RMB'million |
|--|---------------------|---------------------|
| Current assets | 232 | 309 |
| Non-current assets | 6,845 | 6,804 |
| Current liabilities | 199 | 205 |
| Non-current liabilities | 2,739 | 2,734 |
| Net assets | 4,139 | 4,174 |
| Revenue | 269 | 267 |
| Loss for the year | (50) | (43) |
| Total comprehensive expense for the year | (35) | (86) |

Reconciliation of the above summarised financial information to the carrying amount of the interest in Top Fountain recognised in the consolidated financial statements:

| | 2023 RMB'million | 2022 RMB'million |
|--|---------------------|---------------------|
| Net assets of Top Fountain | 4,139 | 4,174 |
| Less: | | |
| Non-controlling interests of Top Fountain | (41) | (41) |
| Equity attributable to shareholders of Top Fountain | 4,098 | 4,133 |
| Proportion of the Group's ownership interest in Top Fountain | 45% | 45% |
| Group's share of net assets in Top Fountain | 1,844 | 1,860 |
| Other adjustment | 45 | 45 |
| Carrying amount of the Group's interest in Top Fountain | 1,889 | 1,905 |

18. Interests in joint ventures/loans to/amounts due from joint ventures/ loans from/amounts due to joint ventures

| | 2023 RMB'million | 2022 RMB'million |
|---|---------------------|---------------------|
| Investment in joint ventures | | |
| – Cost of investment, unlisted | 12,256 | 10,874 |
| – Impairment provision | (376) | (376) |
| – Share of post-acquisition results, net of effect on elimination of unrealised intercompany transactions | 111 | 99 |
| – Share of other comprehensive expenses of a joint venture | (19) | (6) |
| | 11,972 | 10,591 |
| Loans to joint ventures – non-current | | |
| – Unsecured, fixed-rate at 7.00% | – | 918 |
| Amounts due from joint ventures – non-current | | |
| – Unsecured, interest-free (note (a)) | 1,724 | 1,645 |
| | 13,696 | 13,154 |
| Loans to joint ventures – current | | |
| – Unsecured, fixed-rate at 3.55% to 7.00% | 5,865 | 4,690 |
| Amounts due from joint ventures – current | | |
| – Unsecured, interest-free, and repayable on demand | 102 | 236 |
| | 5,967 | 4,926 |
| Loans from a joint venture – current | | |
| – Unsecured, fixed-rate at 3.55% to 3.65% | 90 | – |
| Amounts due to joint ventures – current | | |
| – Unsecured, interest-free and repayable on demand | 63 | 45 |
| | 153 | 45 |

Note:

(a) In the directors' opinion, 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/loans from/amounts due to joint ventures – continued

Particulars of the Group's joint ventures as of 31 December 2023 and 31 December 2022 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 |
|--|---|------|--|-------|---|---|
| | 2023 | 2022 | 2023 | 2022 | | |
| 上海瑞永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 |
| 武漢城建臻房產開發有限公司 ("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% | 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, under a joint venture agreement, the Group through a wholly owned subsidiary established Shanghai Rui Yong Jing with strategic partners for a property development project in Shanghai, the PRC.

Under a joint venture agreement, the Group and the other equity owners (the "JV Partners 2" who are two independent third parties and own 70% and 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) Under 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 on 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"), with 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") with the formation of Sino Profit Development Limited ("Sino Profit"). Under 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 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 an interest in certain commercial properties business which is principally engaged in property development and the management of commercial units in Shanghai.

English name is for identification only

18. Interests in joint ventures/loans to/amounts due from joint ventures/ loans from/amounts due to joint ventures – continued

Summarised financial information regarding 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 in commercial properties business:

| | 2023 RMB'million | 2022 RMB'million |
|-------------------------|---------------------|---------------------|
| Current assets | 604 | 546 |
| Non-current assets | 15,643 | 15,656 |
| Current liabilities | 5,628 | 496 |
| Non-current liabilities | 1,751 | 6,851 |

The above amounts of assets and liabilities include the following:

| | 2023 RMB'million | 2022 RMB'million |
|---|---------------------|---------------------|
| Cash and cash equivalents | 476 | 401 |
| Current financial liabilities (excluding trade and other payables and provisions) | 5,256 | 19 |
| Non-current financial liabilities (excluding trade and other payables and provisions) | 1,036 | 6,233 |

| | 2023 RMB'million | 2022 RMB'million |
|---|---------------------|---------------------|
| Revenue | 539 | 472 |
| Profit/(loss) and total comprehensive income/(expense) for the year | 11 | (56) |

The above profit for the year includes the following:

| | 2023 RMB'million | 2022 RMB'million |
|-------------------------------|---------------------|---------------------|
| Depreciation and amortisation | 5 | 8 |
| Interest income | 8 | 5 |
| Interest expense | 316 | 320 |

Reconciliation of the above summarised financial information to the carrying amount of the interest in Commercial properties business recognised in the consolidated financial statements:

| | 2023 RMB'million | 2022 RMB'million |
|--|---------------------|---------------------|
| Net assets of Commercial properties business | 8,868 | 8,855 |
| 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 | 4,388 | 4,383 |

18. Interests in joint ventures/loans to/amounts due from joint ventures/ loans from/amounts due to joint ventures – continued

Shanghai Rui Yong Jing

| | 2023 RMB'million | 2022 RMB'million |
|-------------------------|---------------------|---------------------|
| Current assets | 876 | 962 |
| Non-current assets | 20,359 | 19,446 |
| Current liabilities | 724 | 123 |
| Non-current liabilities | 5,096 | 4,532 |

The above amounts of assets and liabilities include the following:

| | 2023 RMB'million | 2022 RMB'million |
|--|---------------------|---------------------|
| Cash and cash equivalents | 70 | 161 |
| Non-current financial liabilities (excluding trade and other payables and provisions) | 4,940 | 4,339 |
| Loss and total comprehensive expense for the year | (338) | (458) |

Reconciliation of the above summarised financial information to the carrying amount of the interest in Shanghai Rui Yong Jing recognised in the consolidated financial statements:

| | 2023 RMB'million | 2022 RMB'million |
|--|---------------------|---------------------|
| Net assets of Shanghai Rui Yong Jing | 15,415 | 15,753 |
| 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 | 3,853 | 3,937 |
| Transaction costs capitalised | 3 | 3 |
| Carrying amount of the Group's interest in Shanghai Rui Yong Jing (note) | 3,856 | 3,940 |

Note:

The Group's original investment costs in Shanghai Rui Yong Jing comprise the historical costs invested into the land by the Group before the establishment of a joint venture with strategic partners in July 2018 and the proportion payment for bidding on the land. The difference between the share of the fair value of the net assets value of Shanghai Rui Yong Jing and the investment costs of RMB376 million was recognised as an impairment provision of investment in a joint venture as of 31 December 2023 and 31 December 2022.

Aggregate information of joint ventures that are not individually material:

| | 2023 RMB'million | 2022 RMB'million |
|---|---------------------|---------------------|
| The Group's share of profit from continuing operations | 91 | 24 |
| The Group's share of other comprehensive expense | (13) | (61) |
| The Group's share of total comprehensive income/(expense) | 78 | (37) |

Aggregate carrying amount of the Group's interests in these individually, not material joint ventures:

| | 2023 RMB'million | 2022 RMB'million |
|-------------------------------|---------------------|---------------------|
| Investments in joint ventures | 3,728 | 2,447 |

19. Receivables, deposits, and prepayments

| | 2023 RMB'million | 2022 RMB'million |
|---|---------------------|---------------------|
| Non-current portion comprises: | | |
| Trade receivables (note(b)) | | |
| – rental receivables | 317 | 298 |
| Current portion comprises: | | |
| Trade receivables (note(b)) | | |
| – rental receivables | 112 | 140 |
| – goods and services | 250 | 160 |
| – operating lease receivables | 65 | 84 |
| Prepayments of relocation costs (note(a)) | 2,119 | 640 |
| Receivables from the disposal of an associate and a joint venture | 19 | 123 |
| Other deposits, prepayments, and receivables | 578 | 434 |
| Value-added tax recoverable | 21 | 22 |
| | 3,164 | 1,603 |

Notes:

(a) The balances represent the amounts that will be compensated by the government upon the completion of the relocation.

(b) Trade receivables comprise:

- (i) receivables arising from sales of properties which are due for settlement per 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 have been calculated and amortised on a straight-line base over the lease terms.

As of 31 December 2023 and 31 December 2022, trade receivables from customers contracts amounted to RMB250 million and RMB160 million, respectively.

Included in the Group's receivables, deposits, and prepayments are trade receivable balances of RMB744 million (2022: RMB682 million), of which 66% (2022: 65%) are not yet past due, 25% (2022: 14%) are past due less than 90 days, and 9% (2022: 21%) are past due over 90 days, as compared to when revenue was recognised.

Out of the past due balances, RMB68 million (2022: RMB145 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 2023 are set out in Note 39 (b).

20. Contract assets

| | 2023 RMB'million | 2022 RMB'million |
|--------------|---------------------|---------------------|
| Construction | 219 | 322 |

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 milestones are reached. 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.

Details of ECL allowance for the year ended 31 December 2023 are set out in Note 39 (b).

21. Bank balances and cash

| | 2023 RMB'million | 2022 RMB'million |
|-----------------------------|---------------------|---------------------|
| Bank and cash -unrestricted | 3,712 | 9,485 |
| Bank balances -restricted | 2,033 | 1,691 |
| | 5,745 | 11,176 |

Restricted bank balances as of 31 December 2023 include monies placed by the Group with banks amounting to RMB2,033 million (31 December 2022: RMB1,691 million), which can only be applied to designated projects of the Group.

Bank balances carry interest at market rates, which range from 0.00% to 2.05% (2022: 0.00% to 3.90%) per annum.

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB5,390 million (31 December 2022: RMB9,676 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

| | 2023 RMB'million | 2022 RMB'million |
|--|---------------------|---------------------|
| Amounts due from related companies comprise: | | |
| Fellow subsidiaries | 406 | 411 |
| Amounts due to related companies comprise: | | |
| Fellow subsidiaries | 346 | 357 |

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. Accordingly, the amounts are classified as current assets.

Amounts due to related companies are non-trade in nature, unsecured, interest-free and repayable on demand.

Details of ECL allowance for the year ended 31 December 2023 are set out in Note 39 (b).

24. Amounts due to non-controlling shareholders/loans to a non-controlling shareholder

| | 2023 RMB'million | 2022 RMB'million |
|--|---------------------|---------------------|
| Amounts due to non-controlling shareholders of subsidiaries | 58 | 204 |
| Loans to a non-controlling shareholder of a subsidiary-non-current | 8 | 22 |
| Loan to a non-controlling shareholder of a subsidiary-current | 8 | – |

Notes:

(a) The amounts due to non-controlling shareholders of subsidiaries are unsecured, interest-free, and repayable on demand.

(b) The loans to a non-controlling shareholder of a subsidiary totalled RMB16 million as of 31 December 2023 (2022: RMB22 million) are unsecured and repayable within four years, which carry interest rates of 3.45% to 3.7% (2022: 3.7% to 3.8%).

25. Accounts payable, deposits received, and accrued charges

| | 2023 RMB'million | 2022 RMB'million |
|--|---------------------|---------------------|
| Current portion comprises: | | |
| Trade payables | 1,817 | 3,103 |
| Land and relocation cost payables | 742 | 783 |
| Deed tax and other tax payables | 93 | 81 |
| Deposits received in advance for the rental of investment properties | 443 | 382 |
| Value-added tax payables | 50 | 109 |
| Value-added tax arising from contract liabilities | 240 | 322 |
| Other payables and accrued charges | 798 | 531 |
| | 4,183 | 5,311 |
| Non-current portion comprises: | | |
| Deposits received in advance for the rental of investment properties | 551 | 515 |
| Other payables | 145 | 45 |
| | 696 | 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 RMB1,817 million (2022: RMB3,103 million), of which 83% (2022: 92%) are aged less than 30 days, 14% (2022: 7%) are aged between 31 to 90 days, and 3% (2022: 1%) are aged more than 90 days, based on invoice date.

26. Contract liabilities

| | 2023 RMB'million | 2022 RMB'million |
|---------------------|---------------------|---------------------|
| Sales of properties | 4,005 | 5,416 |

Revenue of RMB5,409 million and RMB10,516 million was recognised during the years ended 31 December 2023 and 2022, 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. All contract liabilities as of 31 December 2023 are expected to be realised within twelve months from the end of the reporting year.

27. Bank and other borrowings

| | 2023 RMB'million | 2022 RMB'million |
|--|---------------------|---------------------|
| Bank and other borrowings repayable within a period of*: | | |
| – Not more than 1 year or on-demand | 8,410 | 8,069 |
| – More than 1 year, but not exceeding 2 years | 1,456 | 6,758 |
| – More than 2 years, but not exceeding 5 years | 5,095 | 2,941 |
| – More than 5 years | 2,715 | 2,489 |
| | 17,676 | 20,257 |
| Less: Amount due within one year shown under current liabilities | (8,410) | (8,069) |
| Amount due after one year | 9,266 | 12,188 |

* The amounts due are based on scheduled repayment dates in the loan agreements.

On 31 December 2023, the Group's bank and other borrowings amounting to RMB11,256 million (2022: RMB10,662 million) were secured by the pledge of assets as set out in note 35.

27. Bank and other borrowings – continued

The carrying amounts of the Group's bank and other borrowings are analysed as follows:

| Denominated in | Interest rate | 2023 RMB'million | 2022 RMB'million |
|----------------|---|---------------------|---------------------|
| RMB | Loan prime rate ("LPR") minus 0.6% to 1.3% or plus 0% to 1.565%/90% to 125% of LPR (2022: LPR plus 0% to 1.565%/90% to 125% of LPR) | 6,767 | 7,245 |
| RMB | CNH Hibor plus 1.0% to 1.2% | 1,607 | – |
| RMB | Fixed rates, at 6.8% and 7.8968% | 800 | – |
| HKD | Hong Kong interbank offered rate ("HIBOR") plus 3.2% to 3.7% (2022: HIBOR plus 2.9% to 3.7%) | 1,103 | 2,343 |
| USD | Secured overnight financing rate ("SOFR") plus 1.3% to 4.0% (2022: SOFR plus 1.7%) | 7,399 | 2,062 |
| USD | London interbank offered rate ("LIBOR") plus 1.3% to 4.0% | – | 8,607 |
| | | 17,676 | 20,257 |

As of 31 December 2023, the weighted average effective interest rate on the bank and other borrowings was 6.15% (2022: 6.23%), and are further analysed as follows:

| | 2023 | 2022 |
|--------------------|------|------|
| Denominated in RMB | 4.4% | 4.5% |
| Denominated in HKD | 8.9% | 7.8% |
| Denominated in USD | 7.9% | 7.0% |

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 2022 | 12,000,000,000 | 30,000 | 8,062,216,324 | 20,155 |
| Shares repurchased | – | – | (34,951,000) | (87) |
| On 31 December 2022, 1 January 2023 and 31 December 2023 | 12,000,000,000 | 30,000 | 8,027,265,324 | 20,068 |

| | 2023 RMB'million | 2022 RMB'million |
|--|---------------------|---------------------|
| Shown in the consolidated statement of financial position as | 146 | 146 |

29. Reserves

| | Share premium | Merger reserve | Special reserve | Share option reserve | Share award reserve | Exchange reserve | Hedge reserve | Other reserves | Property revaluation reserve* | Total |
|---|---------------|----------------|-----------------|----------------------|---------------------|------------------|---------------|----------------|-------------------------------|-------------|
| | RMB'million | RMB'million | RMB'million | RMB'million | RMB'million | RMB'million | RMB'million | RMB'million | RMB'million | RMB'million |
| On 1 January 2023 | 18,052 | 122 | (135) | - | 10 | (1,015) | (11) | (225) | 110 | 16,908 |
| Exchange differences arising on translation of foreign operations | - | - | - | - | - | (384) | - | - | - | (384) |
| The effective portion of changes in the fair value of currency forward contracts designated as cash flow hedges | - | - | - | - | - | - | 25 | - | - | 25 |
| Reclassification from hedge reserve to profit or loss arising from currency forward contracts | - | - | - | - | - | - | (34) | - | - | (34) |
| Surplus on revaluation of properties transferred from property and equipment to completed investment properties, net of tax | - | - | - | - | - | - | - | - | 3 | 3 |
| Share of other comprehensive expense of a joint venture and an associate | - | - | - | - | - | - | - | (5) | - | (5) |
| Total other comprehensive expenses for the year | - | - | - | - | - | (384) | (9) | (5) | 3 | (395) |
| On 31 December 2023 | 18,052 | 122 | (135) | - | 10 | (1,399) | (20) | (230) | 113 | 16,513 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

29. Reserves – continued

| | Share premium | Merger reserve | Special reserve | Share option reserve | Share award reserve | Exchange reserve | Hedge reserve | Other reserves | Property revaluation reserve* | Total |
|---|---------------|----------------|-----------------|----------------------|---------------------|------------------|---------------|----------------|-------------------------------|-------------|
| | RMB'million | RMB'million | RMB'million | RMB'million | RMB'million | RMB'million | RMB'million | RMB'million | RMB'million | RMB'million |
| On 1 January 2022 | 18,078 | 122 | (135) | 3 | 10 | (117) | (111) | (183) | 104 | 17,771 |
| Exchange differences arising on translation of foreign operations | - | - | - | - | - | (898) | - | - | - | (898) |
| The effective portion of changes in the fair value of currency forward contracts designated as cash flow hedges | - | - | - | - | - | - | 473 | - | - | 473 |
| The effective portion of changes in the fair value of interest rate swaps designated as cash flow hedges | - | - | - | - | - | - | 34 | - | - | 34 |
| Reclassification from hedge reserve to profit or loss arising from currency forward contracts | - | - | - | - | - | - | (576) | - | - | (576) |
| 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 other comprehensive expenses 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 |

* The property revaluation reserve arose from a change in use from owner-occupied properties to investment properties carried at fair value.

29. Reserves – continued

- (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 disposal of the assets, disposal of the subsidiary of the assets which the assets relate, or when the related assets affect profit or loss.
- (c) Other reserves mainly comprise:
- (i) waiver of debts by a then-shareholder of the Company;
 - (ii) the difference between the fair value of the consideration paid and the carrying amount of the net assets attributable to the additional interest in subsidiaries as acquired from the then non-controlling interests;
 - (iii) 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 in certain subsidiaries; and
 - (iv) the exchange gain or loss on redemption of convertible perpetual capital securities and perpetual capital securities.

30. Senior notes

| | 2023 RMB'million | 2022 RMB'million |
|--|---------------------|---------------------|
| On 1 January | 13,255 | 12,116 |
| Issue of new senior notes | – | – |
| Less: Transaction costs directly attributable to issue of senior notes | – | – |
| Interest charged during the year | 764 | 745 |
| Gain on redemption of senior notes | (25) | – |
| Less: Interest paid | (755) | (728) |
| Less: Redemption of senior notes | (3,611) | – |
| Exchange realignment | 270 | 1,122 |
| On 31 December | 9,898 | 13,255 |
| Less: Amount due within one year shown under current liabilities | 3,563 | 3,491 |
| Amount due after one year | 6,335 | 9,764 |

On 31 December 2023, the effective interest rates on the senior notes ranged from 5.50% to 6.25% (2022: 5.50% to 6.26%) per annum. The senior notes are unsecured and guaranteed by the Company.

31. Receipts under securitisation arrangements

On 27 April 2023, Shanghai Rui Qiao Property Development Co., Ltd, a wholly-owned subsidiary of the Company, obtained financing under securitisation arrangements (the "Receipts Under Securitisation Arrangements") with an aggregate principal amount of RMB4,401 million at 100% of face value, comprising (i) RMB4,400 million with a term of fixed annual coupon rate of 3.9% and quarter distribution, and (ii) RMB1 million with a term of no annual coupon rate. The Receipts Under Securitisation Arrangements are listed on the Shanghai Stock Exchange and will be repaid in instalments till 26 March 2041. The Receipts Under Securitisation Arrangements are assets backed securitisation collateralised by certain commercial assets held by Shanghai Rui Qiao Property Development Co., Ltd and its certain future rental income.

32. 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 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 and 1 January 2023 | 4,452 | (62) | 165 | 197 | (235) | 4,517 |
| Charge/(credit) to profit or loss | (16) | (28) | (98) | (68) | 134 | (76) |
| Transfer to liabilities associated with assets classified as held for sale | (6) | 14 | (2) | – | – | 6 |
| On 31 December 2023 | 4,430 | (76) | 65 | 129 | (101) | 4,447 |

For 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:

| | 2023 RMB'million | 2022 RMB'million |
|--------------------------|---------------------|---------------------|
| Deferred tax assets | (230) | (282) |
| Deferred tax liabilities | 4,677 | 4,799 |
| | 4,447 | 4,517 |

32. Deferred tax assets/liabilities – continued

At the end of the reporting year, the Group has unused tax losses of RMB1,490 million (2022: RMB799 million) available to offset against future profits. A deferred tax asset has been recognised for such tax losses amounting to RMB303 million (2022: RMB248 million). No deferred tax asset has been recognised for the remaining tax losses of RMB1,187 million (2022: RMB551 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:

| | 2023 RMB'million | 2022 RMB'million |
|------|---------------------|---------------------|
| 2023 | – | 42 |
| 2024 | 120 | 120 |
| 2025 | 47 | 51 |
| 2026 | 138 | 67 |
| 2027 | 259 | 271 |
| 2028 | 623 | – |
| | 1,187 | 551 |

33. Share-based payment transactions

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 16 years commencing from 1 April 2015. Under 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 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 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 of the performance were taken regarding the key performance indicators such as the Group's financial performance and the strategic growth.

As of 31 December 2023 and 2022, 17,710,250 shares are allocated at par and held by the trust for the share award schemes.

34. Assets classified as held for sale

- (a) 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, under 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, under 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 consideration by way of cash compensation of RMB1,542 million.

In the opinion of the directors of the Company, the delay in the land resumption is caused by circumstances beyond the Company's control. The Company remains committed to its plan to sell and surrender the assets. Therefore, the related assets have been classified as "assets classified as held for sale" as of 31 December 2023 in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinue Operations*.

- (b) In December 2023, the Group agreed with Shanghai Hongrui Shouyuan Consulting Management Partnership (Limited Partnership) to dispose of its 65% equity interest in Shanghai Jiu Ze Property Co., Ltd., ("Hong Shou Fang") at an initial consideration of RMB1,206 million. This transaction was subsequently completed in January 2024.

The assets and liabilities of Hong Shou Fang as of 31 December 2023, which have been presented separately in the Group's consolidated statement of financial position, are as follows.

| | RMB'million |
|--|--------------|
| Investment properties | 2,605 |
| Property and equipment | 3 |
| Receivables, deposits, and prepayments | 11 |
| Prepaid taxes | 17 |
| Bank balances and cash | 65 |
| Deferred tax assets | 6 |
| Total assets classified as held for sale | 2,707 |
| Accounts payable, deposits received, and accrued charges | 251 |
| Bank borrowings (note) | 599 |
| Total liabilities associated with assets classified as held for sale | 850 |
| Total assets less total liabilities | 1,857 |

Note:

On 31 December 2023, the bank borrowings were secured by the investment properties held by Hong Shou Fang.

35. Pledge of assets

The following assets are pledged to banks as securities to obtain certain banking facilities at the end of the reporting year:

| | 2023 RMB'million | 2022 RMB'million |
|---------------------------------------|---------------------|---------------------|
| Investment properties | 33,017 | 32,491 |
| Property and equipment | 83 | 34 |
| Right-of-use assets | 5 | 6 |
| Properties under development for sale | 961 | 687 |
| Receivables | 192 | 126 |
| Bank deposits | 3,172 | 2,192 |
| Assets classified as held for sale | 1,867 | – |
| | 39,297 | 35,536 |

In addition, the equity interests in a certain subsidiary with a carrying amount of net assets of RMB3,007 million are also pledged to banks as securities to obtain banking facilities granted to the Group at the end of the reporting period.

36. Commitments and contingencies

(a) Capital and other commitments

At the end of the reporting year, the Group has the following commitments:

| | 2023 RMB'million | 2022 RMB'million |
|---|---------------------|---------------------|
| <i>Contracted but not provided for:</i> | | |
| Development costs for investment properties under construction or development | 12 | 296 |
| Development costs for properties under development held for sale | 348 | 255 |
| Investments in joint ventures (notes) | 4,029 | 5,220 |
| | 4,389 | 5,771 |

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.

(b) Contingent liabilities

The Group provided guarantees of RMB145 million as of 31 December 2023 (31 December 2022: RMB1,983 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 receiving the building ownership certificates of the respective properties by the banks from the customers as a pledge for security to the mortgage loans granted.

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 the 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 2023 and 31 December 2022. Should the actual outcome differ from the expected, provision for losses would be recognised in the consolidated financial statements.

37. Related party transactions

Apart from the related party transactions and balances, as stated in notes 10, 17, 18, 23, and 24, the Group has the following transactions with related companies during the year:

| | 2023 RMB'million | 2022 RMB'million |
|---|---------------------|---------------------|
| <i>Shui On Company Limited ("SOCL")(note (a)) and its subsidiaries other than those of the Group</i> | | |
| Rental expense | 4 | 4 |
| Renovation expense | 2 | 2 |
| Service cost reimbursement | 3 | 3 |
| <i>SOCAM Development Limited ("SOCAM")(note (b)) and its subsidiaries, being subsidiaries of SOCL</i> | | |
| Revenue from construction services | – | 1 |
| Rental and buildings management fee income | 1 | 1 |
| Smart facility enhancement work expenditure | 2 | – |
| <i>Great Eagle Holdings Limited (note (c)) and its subsidiaries</i> | | |
| Rental and building management fee income | 3 | 4 |
| <i>Associates</i> | | |
| Revenue from construction services | 4 | 4 |
| Revenue from real estate asset management service | 33 | 33 |
| Interest expense | 220 | 102 |
| Rental and building management fee expenses | 2 | 12 |
| Service cost reimbursement | 6 | 6 |
| <i>Joint ventures</i> | | |
| Revenue from project management service | 96 | 69 |
| Interest income | 170 | 115 |
| Interest expense | 3 | – |
| Revenue from real estate asset management service | 50 | 53 |
| Revenue from construction services | 192 | 138 |
| Rental and building management fee income | 2 | 2 |
| Revenue from consulting service | 32 | 8 |
| Service cost reimbursement | 19 | 28 |
| <i>Non-controlling shareholders of subsidiaries</i> | | |
| Management service fee expense | 13 | 13 |
| <i>Key management personnel</i> | | |
| Property sales | – | 33 |
| Short-term benefits | 82 | 81 |
| Post-employment benefits | 3 | 1 |
| | 85 | 82 |

37. Related party transactions – continued

Notes: These transactions were carried out per 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 listed on the Hong Kong Stock Exchange.
- (c) Great Eagle Holdings Limited is listed on the Hong Kong Stock Exchange. Dr. Lo Ka Shui is a substantial shareholder of Great Eagle Holdings Limited, and he is an associate of Mr. Vincent H.S. LO, who is the Chairman and Executive Director of the Company.

38. 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 the prior year.

The capital structure of the Group consists of net debt, which includes bank and other borrowings, senior notes, and receipts under securitisation arrangements disclosed in notes 27, 30, and 31, 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 periods are as follows:

| | 2023 RMB'million | 2022 RMB'million |
|--|---------------------|---------------------|
| Bank and other borrowings | 17,676 | 20,257 |
| Senior notes | 9,898 | 13,255 |
| Receipts under securitisation arrangements | 4,359 | – |
| Pledged bank deposits | (3,172) | (2,192) |
| Bank balances and cash | (5,745) | (11,176) |
| Net debt | 23,016 | 20,144 |
| Total equity | 44,149 | 44,401 |
| Net gearing ratio | 52% | 45% |

39. Financial instruments

a. Categories of financial instruments

| | 2023 RMB'million | 2022 RMB'million |
|--|---------------------|---------------------|
| Financial assets | | |
| Derivative financial assets | – | 492 |
| Financial assets at amortised cost | 19,690 | 22,490 |
| Financial liabilities | | |
| Derivative financial liabilities | 31 | – |
| Financial liabilities at amortised cost | 43,462 | 45,676 |
| Financial liabilities at fair value through profit or loss | 28 | 28 |

39. 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, loans to a non-controlling shareholder of a subsidiary, bank balances and cash, pledged bank deposits, accounts and other payable, loans from/amounts due to joint ventures, loans from/amounts due to associates, amounts due to related companies, amounts due to non-controlling shareholders of subsidiaries, bank and other borrowings, senior notes, receipts under securitisation arrangements, 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 in 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 on 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 denominated in foreign currency. As a result, the Group is exposed to fluctuations in foreign exchange rates. The foreign currency exposure is managed within approved policy parameters utilising currency forward contracts.

The Group determines the economic relationship between the hedged items and the hedging instruments by reviewing their critical terms and performing a quantitative assessment. 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:

| | 2023 RMB'million | 2022 RMB'million |
|-------------|---------------------|---------------------|
| HKD | | |
| Assets | 105 | 309 |
| Liabilities | 1,117 | 2,320 |
| USD | | |
| Assets | 263 | 1,190 |
| Liabilities | 16,665 | 12,662 |

The Group has entered into such contracts in relation to the foreign currency-denominated monetary liabilities amounting to RMB737 million (equivalent to USD104 million forward contracts) (31 December 2022: RMB11,620 million (equivalent to USD1,530 million and HKD300 million of forward contracts, and USD100 million of call spread contracts respectively)).

39. 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. It adjusts its translation at the year's end for a 5% change in foreign currency rates.

If RMB strengthens/weakens by 5% against HKD with all other variables held constant, the effect on the profit or loss of the Group will be RMB3 million (2022: RMB12 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 by 5% against USD with all other variables held constant, the effect on the profit or loss of the Group will be RMB160 million (2022: RMB128 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 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 and other borrowings (note 27) at variable rates.

Management aims at keeping bank and other borrowings at fixed rates at an appropriate level by entering into interest rate swaps. Management adopts a policy of ensuring that bank and other borrowings of the Group at an appropriate portion are effectively hedged on a fixed rate basis using interest rate swaps.

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, CNH Hibor, and LPR arising from the Group's HKD, USD, and RMB borrowings.

39. Financial instruments – continued

b. Financial risk management objectives and policies – continued

Interest rate risk – continued

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For variable-rate bank and other 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 point 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 Company directors 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 were held constant, the Group's profit/loss for the year would decrease/increase by RMB142 million (2022: RMB140 million). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank and other borrowings, after considering 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 a financial guarantee issued by the Group as disclosed in note 39.

The Group's credit risk is primarily attributable to its loans to related parties (including loan to a non-controlling shareholder of a subsidiary, 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

To minimise the credit risk, the Group has policies in place to ensure that sales are made to purchasers with appropriate financial strength and 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 the ECL model on trade balances arising from sales of properties and arising from construction revenue based on the 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 assessments 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 of forward-looking information. The Group believes there is no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12-month ECL.

39. 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 of a subsidiary, 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 of a subsidiary 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 internally. 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 has been no significant increase in the credit risk of loans to a non-controlling shareholder of a subsidiary, 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 2023 and 2022, the Group assessed the ECL for loans to related companies as insignificant, and thus no loss allowance was recognised.

The Group has a concentration of credit risk from loans to joint ventures of RMB5,865 million (2022: RMB5,608 million), amounts due from joint ventures of RMB1,826 million (2022: RMB1,881 million), amounts due from related companies of RMB406 million (2022: RMB411 million) and amounts due from associates of RMB207 million (2022: RMB193 million).

Cash deposits with banks

Cash deposits are mainly placed with state-owned financial institutions and reputable banks, 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 Company directors consider that the Group's credit risk in relation to financial guarantees from mortgage loans is largely mitigated.

Other than the concentration of credit risk in some of the loans to related parties, as disclosed above, the Group has no 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 through 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 |

39. 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 | 2023 Gross carrying amount RMB'million | 2022 Gross carrying amount RMB'million |
|---|--------|------------------------|------------------------|------------------------------------|--|--|
| Financial assets at amortised cost | | | | | | |
| Receivables | 19 | N/A | Note 3 | Lifetime ECL (provision matrix) | 338 | 266 |
| Amounts due from associates | 17 | N/A | Note 1 | 12-month ECL | 207 | 193 |
| Loans to/amounts due from joint ventures | 18 | N/A | Note 1 | 12-month ECL | 7,691 | 7,489 |
| Amounts due from related companies | 23 | N/A | Note 1 | Lifetime ECL (not credit-impaired) | 406 | 411 |
| Loans to a non-controlling Shareholder of a subsidiary | 24 | N/A | Note 1 | 12-month ECL | 16 | 22 |
| Other receivables (including receivables from disposal of an associate and a joint venture) | 19 | N/A | Note 1 | Lifetime ECL (credit-impaired) | 19 | 243 |
| Prepayments of relocation costs | 19 | N/A | Note 1 | 12-month ECL | 2,119 | 640 |
| Pledged bank deposits | 35 | aaa to a | N/A | 12-month ECL | 3,172 | 2,192 |
| Bank balances and cash | 21 | aaa to a | N/A | 12-month ECL | 5,745 | 11,176 |
| Other items | | | | | | |
| Contract assets | 20 | N/A | Note 3 | Lifetime ECL (provision matrix) | 219 | 322 |
| Financial guarantee contracts (Note 2) | 36 (b) | N/A | Low risk | 12-month ECL | 145 | 1,983 |

39. Financial instruments – continued

b. Financial risk management objectives and policies – continued

Credit risk and impairment assessment – continued

Notes:

1. For internal credit risk management, the Group uses past-due information to assess whether credit risk has increased significantly since initial recognition.

| | Past due | Not past due/no fixed repayment term | Total |
|--|-------------|---|-------------|
| | RMB'million | RMB'million | RMB'million |
| 2023 | | | |
| Amounts due from associates | – | 207 | 207 |
| Loans to/amounts due from joint ventures | – | 7,691 | 7,691 |
| Amounts due from related companies | – | 406 | 406 |
| Loans to a non-controlling shareholder of a subsidiary | – | 16 | 16 |
| Other receivables | 19 | – | 19 |
| Prepayments of relocation costs | – | 2,119 | 2,119 |
| | 19 | 10,439 | 10,458 |
| 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 |
| Loans to a non-controlling shareholder of a subsidiary | – | 22 | 22 |
| Other receivables | 243 | – | 243 |
| Prepayments of relocation costs | – | 640 | 640 |
| | 243 | 8,755 | 8,998 |

2. For financial guarantee contracts, the gross carrying amount represents the maximum amount the Group has guaranteed under the respective contracts. The maximum amount the Group guaranteed under the respective contracts was RMB145 million as of 31 December 2023 (2022: RMB1,983 million). At the end of the reporting year, the Company directors performed an impairment assessment and concluded that there has been no significant increase in credit risk since the 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 2022 and 31 December 2023.

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 of 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 per the contractual terms. The following table provides information about the exposure to credit risk for receivables and contract assets, which are assessed based on the provision matrix as of 31 December 2023 within lifetime ECL (not credit-impaired).

39. Financial instruments – continued

b. Financial risk management objectives and policies – continued

Credit risk and impairment assessment – continued

| | 2023 loss rate | 2022 loss rate | Receivables and contracts assets 2023 RMB'million | Receivables and contracts assets 2022 RMB'million |
|----------------------------|----------------|----------------|--|--|
| Gross carrying amount | | | | |
| Current (not past due) | 0.1% | 0.1% | 279 | 331 |
| 1-30 days past due | 1% | 1% | 124 | 76 |
| 31-60 days past due | 2% | 2% | 61 | 11 |
| 61-90 days past due | 4% | 4% | 2 | 4 |
| More than 90 days past due | 23.3% | 12.5% | 91 | 166 |
| | | | 557 | 588 |

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors. They are adjusted for forward-looking information that is available without undue cost or effort.

During the year ended 31 December 2023, the Group made a provision of RMB1 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 and for other receivables by using past-due information.

| | Lifetime ECL (not credit impaired) RMB'million | Lifetime ECL (credit impaired) RMB'million |
|--|--|--|
| On 1 January 2022 | 12 | 50 |
| – Impairment losses | 10 | 70 |
| On 31 December 2022 and 1 January 2023 | 22 | 120 |
| – Impairment losses | 1 | – |
| – Written off | – | (120) |
| On 31 December 2023 | 23 | – |

39. 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 2023 | |
|---|------------------------------------|--------------------------------|
| | Increase in lifetime ECL | |
| | Not credit-impaired RMB'million | Credit-impaired RMB'million |
| Impairment losses provided in the reporting year based on the provision matrix with a gross carrying amount of RMB557 million and credit-impaired with a gross carrying amount of RMB19 million | 1 | – |

| | Year ended 31 December 2022 | |
|--|------------------------------------|--------------------------------|
| | Increase in lifetime ECL | |
| | Not credit-impaired RMB'million | Credit-impaired RMB'million |
| Impairment losses provided in the reporting year based on the provision matrix with a gross carrying amount of RMB588 million and credit-impaired with a gross carrying amount of RMB243 million | 10 | 70 |

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility using bank and other borrowings, senior notes, and receipts under securitisation arrangements. 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 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.

39. 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 2023 RMB'million |
|---|--|--|--|---|-------------------------------|---|---|
| 2023 | | | | | | | |
| Non-derivative financial liabilities | | | | | | | |
| Financial liabilities included in accounts payable, deposits received and accrued charges | | 3,800 | 232 | 400 | 64 | 4,496 | 4,496 |
| Bank and other borrowings | 6.15% | 9,222 | 1,942 | 5,909 | 3,047 | 20,120 | 17,676 |
| Senior notes | 5.80% | 4,057 | 3,721 | 2,911 | – | 10,689 | 9,898 |
| Receipts under securitisation arrangements | 3.90% | 218 | 216 | 703 | 5,633 | 6,770 | 4,359 |
| Amounts due to related companies | | 346 | – | – | – | 346 | 346 |
| Loans from/amounts due to a joint venture/associates | | 964 | 5,989 | – | – | 6,953 | 6,571 |
| Amounts due to non-controlling shareholders | | 58 | – | – | – | 58 | 58 |
| Financial guarantee contracts (note) | | 145 | – | – | – | 145 | – |
| Lease liabilities | | – | 11 | 26 | 34 | 71 | 58 |
| Liability arising from a rental guarantee arrangement | | 28 | – | – | – | 28 | 28 |
| | | 18,838 | 12,111 | 9,949 | 8,778 | 49,676 | 43,490 |

| | 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 and other 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 |
| Loans 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) | | 1,983 | – | – | – | 1,983 | – |
| Lease liabilities | | 14 | 8 | 24 | 34 | 80 | 67 |
| Liability arising from a rental guarantee arrangement | | 28 | – | – | – | 28 | 28 |
| | | 21,402 | 11,737 | 16,113 | 2,815 | 52,067 | 45,704 |

39. Financial instruments – continued

b. Financial risk management objectives and policies – continued

Liquidity risk – continued

Liquidity and interest risk tables – continued

Notes:

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 such an 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.

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 from 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 by 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 contract amounting to RMB31 million as financial liabilities (2022: RMB470 million as financial assets) 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.

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 (2022: Nil).

The fair values of the fixed rate interest-bearing loans from an associate, loans from a joint venture, loans to joint ventures, bank and other borrowings and receipts under securitisation arrangements 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, loans from a joint venture, loans to joint ventures, bank and other borrowings and receipts under securitisation arrangements at 31 December 2023 and 2022 approximated their fair values.

The fair values of senior notes are based on market prices.

39. FINANCIAL INSTRUMENTS – continued

c. Fair value measurement – continued

Assets/liabilities for which fair value are disclosed:

As of 31 December 2023

| | Fair value measurement using | | | Total RMB'million | Carrying amounts RMB'million |
|---|---|---|---|----------------------|------------------------------------|
| | Quoted prices in active markets (Level 1) RMB'million | Significant observable inputs (Level 2) RMB'million | Significant unobservable inputs (Level 3) RMB'million | | |
| Loans to joint ventures | – | – | 5,865 | 5,865 | 5,865 |
| Loans from a joint venture | – | – | 90 | 90 | 90 |
| Loans from an associate | – | – | 5,825 | 5,825 | 5,825 |
| Bank and other borrowings | – | – | 800 | 800 | 800 |
| Receipts under securitisation arrangements | – | – | 4,359 | 4,359 | 4,359 |
| Senior notes | 6,055 | – | – | 6,055 | 9,898 |
| | 6,055 | – | 16,939 | 22,994 | 26,837 |

As of 31 December 2022

| | Fair value measurement using | | | Total RMB'million | Carrying amounts RMB'million |
|-------------------------|---|---|---|----------------------|------------------------------------|
| | Quoted prices in active markets (Level 1) RMB'million | Significant observable inputs (Level 2) RMB'million | Significant unobservable inputs (Level 3) 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 |

The Company directors consider that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the consolidated financial statements approximate 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.

40. 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 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 and other payables* | Bank and other borrowings | Senior notes | Receipts under securitisation arrangements | Derivative financial instruments | Loans from/ amounts due to non-controlling shareholders** | Loans from Joint venture | Loans from/ amounts due to associates*** | Dividends and distributions | Lease liabilities | Total |
|--|--|---------------------------|--------------|--|----------------------------------|---|--------------------------|--|-----------------------------|-------------------|-------------|
| | RMB'million | RMB'million | RMB'million | RMB'million | RMB'million | RMB'million | RMB'million | RMB'million | RMB'million | RMB'million | RMB'million |
| | Note 23 and 25 | Note 27 | Note 30 | Note 31 | | Note 24 | Note 18 | Note 17 | Note 11 | | |
| On 1 January 2023 | 13 | 20,257 | 13,255 | – | (492) | 144 | – | 5,762 | – | 67 | 39,006 |
| Financing cash flows | 100 | (2,135) | (3,611) | 4,360 | 456 | (480) | 87 | 250 | (701) | (12) | (1,686) |
| Interest paid | – | (1,158) | (755) | (120) | – | – | – | (187) | – | – | (2,220) |
| Change in fair values | – | – | – | – | 141 | – | – | – | – | – | 141 |
| Foreign exchange realignment | – | 161 | 270 | – | – | – | – | – | – | – | 431 |
| Capital injected by non-controlling shareholders of subsidiaries | – | – | – | – | – | (35) | – | – | – | – | (35) |
| Capital reduction by non-controlling shareholders of subsidiaries | – | – | – | – | – | 28 | – | – | – | – | 28 |
| Interest expenses | – | 1,175 | 764 | 128 | – | – | 3 | 220 | – | 3 | 2,293 |
| Gain on redemption of senior notes | – | – | (25) | – | – | – | – | – | – | – | (25) |
| Final dividends for 2022 | – | – | – | – | – | – | – | – | 466 | – | 466 |
| Interim dividends for 2023 | – | – | – | – | – | – | – | – | 235 | – | 235 |
| Dividends to non-controlling shareholders of subsidiaries | – | – | – | – | – | 343 | – | – | – | – | 343 |
| Interest payable | – | (25) | – | (9) | – | – | – | – | – | – | (34) |
| Transfer from other receivables | – | – | – | – | (74) | – | – | – | – | – | (74) |
| Transfer to liabilities associated with assets classified as held for sale | – | (599) | – | – | – | – | – | – | – | – | (599) |
| On 31 December 2023 | 113 | 17,676 | 9,898 | 4,359 | 31 | – | 90 | 6,045 | – | 58 | 38,270 |

40. Notes to the consolidated statement of cash flow – continued

a. Reconciliation of liabilities arising from financing activities – continued

| | Amounts due to related companies and other payables* RMB'million Note 23 and 25 | Bank and other borrowings RMB'million Note 27 | Senior notes RMB'million Note 30 | Derivative financial instruments RMB'million | 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 Note 11 | 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) |
| Transfer to other receivables | – | – | – | 74 | – | – | – | – | 74 |
| New leases entered | – | – | – | – | – | – | – | 2 | 2 |
| On 31 December 2022 | 13 | 20,257 | 13,255 | (492) | 144 | 5,762 | – | 67 | 39,006 |

* Out of the total amounts due to related companies for RMB346 million (2022: RMB357 million) as of 31 December 2023, RMB13 million (2022: RMB13 million) are liabilities from financing activities. Out of the total accounts payables, deposits received and accrued charges for RMB4,879 million as of 31 December 2023, RMB100 million are liabilities from financing activities.

** Out of the total loans from/amounts due to non-controlling shareholders for RMB58 million (2022: RMB204 million) as of 31 December 2023, RMB144 million are liabilities from financing activities as of 31 December 2022.

*** Out of the total loans from/amounts due to associates for RMB6,418 million (2022: RMB6,132 million) as of 31 December 2023, RMB6,045 million (2022: RMB5,762 million) are liabilities 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:

| | 2023 RMB'million | 2022 RMB'million |
|-----------------------------|---------------------|---------------------|
| Within financing activities | (12) | (15) |

41. Statement of financial position of the company

| | 2023 RMB'million | 2022 RMB'million |
|-------------------------------------|---------------------|---------------------|
| Non-current assets | | |
| Investments in subsidiaries | 9,730 | 9,235 |
| Amount due from subsidiaries | 10,385 | 11,019 |
| | 20,115 | 20,254 |
| Current (liabilities)/assets | | |
| Bank balances | 5 | 33 |
| Other payable and accrued charges | (2) | – |
| Income tax payable | (29) | (25) |
| | (26) | 8 |
| Total assets | 20,089 | 20,262 |
| Capital and reserves | | |
| Share capital | 146 | 146 |
| Reserves (note) | 19,943 | 20,116 |
| Total equity | 20,089 | 20,262 |

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 profits RMB'million | Total RMB'million |
|--|------------------------------|---------------------------------------|------------------------------|--|------------------------------------|----------------------|
| On 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 33) | – | – | – | (3) | 3 | – |
| Shares repurchased | (26) | – | – | – | – | (26) |
| 2022 interim dividend paid | – | – | – | – | (256) | (256) |
| 2021 final dividend paid | – | – | – | – | (574) | (574) |
| On 31 December 2022 and 1 January 2023 | 18,052 | 10 | 507 | – | 1,547 | 20,116 |
| Profit and total comprehensive income for the year | – | – | – | – | 528 | 528 |
| 2023 interim dividend paid | – | – | – | – | (235) | (235) |
| 2022 final dividend paid | – | – | – | – | (466) | (466) |
| On 31 December 2023 | 18,052 | 10 | 507 | – | 1,374 | 19,943 |

42. Particulars of major subsidiaries

Particulars of the Company's major subsidiaries as of 31 December 2023 and 31 December 2022 are as follows:

| Name of subsidiary | Place and date of incorporation/ establishment | Issued and fully paid share capital/ registered capital | Attributable equity interest held | | Place of operation | Principal activities |
|--|--|---|-----------------------------------|--------|--------------------|--|
| | | | 2023 (note a) | 2022 | | |
| Shui On Xintiandi Limited | 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 RMB315,000,000 | 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 HKD1,161,000,000 | 50.49% | 50.49% | PRC | Property development and property investment |

42. 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 | | Place of operation | Principal activities |
|--|--|---|-----------------------------------|---------|--------------------|--|
| | | | 2023 (note a) | 2022 | | |
| Shanghai Rui Chen Property Co., Ltd. (Note c) | PRC 6 May 1996 | Registered and Paid-up capital RMB70,000,000 | 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 and Paid-up capital RMB500,000,000 | 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 |

42. 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 | | Place of operation | Principal activities |
|---|---|--|---|------|-----------------------|--|
| | | | 2023 (note a) | 2022 | | |
| 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 |
| 上海蟠龍天地有限公司 (Shanghai Panlong Tiandi Co., Ltd.*) (Note d) | PRC 8 May 2017 | Registered and Paid-up capital RMB1,300,000,000 | 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 Paid-up capital USD90,436,153 | 100% | 100% | PRC | Investment holding and debt financing |
| Century Glory Development Limited (Note c) | Hong Kong 24 February 2020 | 1 ordinary share of HKD1 | 100% | 100% | Hong Kong | Investment holding |

Notes:

- 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.
 - This Company is a sino-foreign equity joint venture.
 - This Company is a wholly foreign-owned enterprise.
 - This Company is a wholly domestic owned enterprise.
 - This company is a subsidiary of Bright Power Enterprises Limited, in which the Group holds 51% (2022: 51%) of equity interests in 2023.
- * For identification purposes

42. Particulars of major subsidiaries – continued

The table below shows details of non-wholly owned subsidiaries of the Company that have material non-controlling interests:

| Name of subsidiary | Proportion of equity interest held by non-controlling shareholders | | Profit allocated to non-controlling shareholders | | Accumulated non-controlling interests | |
|---|--|------|--|-------------|---------------------------------------|-------------|
| | On 31 December | | Year ended 31 December | | On 31 December | |
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| | | | RMB million | RMB million | RMB million | RMB million |
| Bright Power | 49% | 49% | 68 | 66 | 1,880 | 1,844 |
| Merry Wave | 49% | 49% | 35 | 32 | 1,159 | 1,311 |
| Individually immaterial subsidiaries with non-controlling interests | N/A | N/A | 484 | 355 | 2,247 | 2,096 |
| | | | 587 | 453 | 5,286 | 5,251 |

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 | |
|---|---------------------|---------------------|
| | 2023 RMB'million | 2022 RMB'million |
| Current assets | 283 | 256 |
| Non-current assets | 5,877 | 5,843 |
| Current liabilities | 230 | 512 |
| Non-current liabilities | 1,507 | 1,253 |
| Equity attributable to shareholders of Bright Power | 3,869 | 3,795 |

| | Year ended 31 December | |
|--|------------------------|---------------------|
| | 2023 RMB'million | 2022 RMB'million |
| Revenue | 388 | 347 |
| Profit and total comprehensive income for the year | 164 | 188 |
| Repayment of equity loans from a non-controlling shareholder of Bright Power | 32 | 110 |
| Net cash from operating activities | 225 | 59 |
| Net cash (used in)/from investing activities | (14) | 2 |
| Net cash used in financing activities | (202) | (291) |
| Net cash inflow/(outflow) | 9 | (230) |

42. Particulars of major subsidiaries – continued

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 | |
|---|---------------------|---------------------|
| | 2023 RMB'million | 2022 RMB'million |
| Current assets | 224 | 546 |
| Non-current assets | 2,696 | 2,700 |
| Current liabilities | 164 | 190 |
| Non-current liabilities | 318 | 306 |
| Equity attributable to shareholders of Merry Wave | 2,417 | 2,726 |

| | Year ended 31 December | |
|--|------------------------|---------------------|
| | 2023 RMB'million | 2022 RMB'million |
| Revenue | 150 | 157 |
| Profit and total comprehensive income for the year | 73 | 66 |
| Repayment of equity loans from a non-controlling shareholder of Merry Wave | 187 | 28 |
| Net cash from operating activities | 57 | 82 |
| Net cash from investing activities | 301 | 8 |
| Net cash used in financing activities | (386) | (57) |
| Net cash (outflow)/inflow | (28) | 33 |

FINANCIAL SUMMARY

Summary of Consolidated Statement of Profit or Loss

for the year ended 31 December

| | 2019 RMB' million | 2020 RMB' million | 2021 RMB' million | 2022 RMB' million | 2023 RMB' million |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| Revenue | 10,392 | 4,597 | 17,555 | 15,565 | 9,752 |
| Profit/(loss) attributable to shareholders | 1,932 | (740) | 1,636 | 906 | 810 |
| Owners of perpetual capital securities | 269 | 269 | 234 | 116 | – |
| Owners of convertible perpetual capital securities | 116 | 49 | – | – | – |
| Non-controlling shareholders of subsidiaries | 228 | 189 | 338 | 453 | 587 |
| Profit/(loss) for the year | 2,545 | (233) | 2,208 | 1,475 | 1,397 |

Summary of Consolidated Statement of Financial Position

as of 31 December

| | 2019 RMB' million | 2020 RMB' million | 2021 RMB' million | 2022 RMB' million | 2023 RMB' million |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| Investment properties | 51,913 | 51,220 | 51,311 | 51,665 | 49,604 |
| Property and equipment | 1,053 | 1,235 | 1,193 | 1,197 | 970 |
| Properties under development for sale | 17,855 | 21,247 | 6,699 | 4,541 | 1,957 |
| Properties held for sale | 973 | 938 | 7,217 | 1,759 | 1,069 |
| Interests in associates | 7,470 | 7,828 | 8,038 | 8,010 | 8,932 |
| Interests in joint ventures | 11,108 | 11,973 | 15,472 | 13,154 | 13,696 |
| Receivables, deposits, and prepayments | 3,432 | 2,775 | 2,178 | 1,901 | 3,481 |
| Other assets | 2,753 | 2,463 | 4,504 | 9,283 | 12,372 |
| Pledged bank deposits, bank balances and cash | 11,859 | 15,796 | 17,284 | 13,368 | 8,917 |
| Total assets | 108,416 | 115,475 | 113,896 | 104,878 | 100,998 |
| Current liabilities | 20,896 | 39,541 | 34,149 | 27,524 | 25,641 |
| Non-current liabilities | 38,213 | 29,201 | 30,569 | 32,953 | 31,208 |
| Total liabilities | 59,109 | 68,742 | 64,718 | 60,477 | 56,849 |
| Net assets | 49,307 | 46,733 | 49,178 | 44,401 | 44,149 |
| Equity attributable to: | | | | | |
| Shareholders of the Company | 40,076 | 38,577 | 39,936 | 39,150 | 38,863 |
| Owners of convertible perpetual capital securities | 1,345 | – | – | – | – |
| Owners of perpetual capital securities | 4,056 | 4,062 | 4,049 | – | – |
| Non-controlling interests | 3,830 | 4,094 | 5,193 | 5,251 | 5,286 |
| Total equity | 49,307 | 46,733 | 49,178 | 44,401 | 44,149 |

Per share data

for the year ended 31 December

| | 2019 | 2020 | 2021 | 2022 | 2023 |
|---------------------------------------|-------|---------|-------|-------|--------------|
| Basic earnings/(loss) per share (RMB) | 0.240 | (0.092) | 0.203 | 0.113 | 0.101 |
| Dividend per share | | | | | |
| – Interim paid (HKD) | 0.036 | – | 0.036 | 0.036 | 0.032 |
| – Final proposed (HKD) | 0.084 | – | 0.084 | 0.064 | 0.058 |
| – Full year (HKD) | 0.120 | – | 0.120 | 0.100 | 0.090 |
| 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. Anthony J. L. NIGHTINGALE
Mr. Shane S. TEDJARATI
Ms. Ya Ting WU
Mr. Albert K. P. NG
Mr. Gregory K. L. SO
Ms. Randy W. S. LAI

AUDIT AND RISK COMMITTEE

Professor Gary C. BIDDLE (Chairman)
Dr. Roger L. McCARTHY
Mr. Albert K. P. NG
Mr. Gregory K. L. SO

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. Randy W. S. LAI
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 K. P. 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

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Cayman Islands

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Hong Kong

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Wan Chai
Hong Kong

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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

Bank of Communications Co., Limited
Bank of China Limited
China Merchants Bank Co., Limited
Industrial and Commercial Bank of
China Limited
Shanghai Pudong Development Bank
Co., Limited
United Overseas Bank Limited

STOCK CODE

272

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