上海實業城市開發集團有限公司
SHANGHAI INDUSTRIAL URBAN DEVELOPMENT GROUP LIMITED

(Incorporated in Bermuda with limited liability)
Stock Code: 563

Annual Report 2019

Sustaining *Innovation*
Creating Value for
Long-term Development

Shanghai Industrial Urban Development Group Limited ("SIUD") currently has 26 real estate projects in 11 major cities in China, mainly located at Shanghai, Kunshan, Wuxi, Beijing, Shenyang, Tianjin, Xi'an, Chongqing, Yantai, Changsha and Shenzhen. Most of the projects are mid- to high-end residential projects which are under construction at full steam, presenting the Group with approximately 3.78 million square meters saleable floor areas and building a marvelous foundation for our long term development.

PRESERVING CLASSICISM
ACHIEVING
EXTRAORDINARY SUCCESS

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Zeng Ming *(Chairman)*
Zhou Xiong *(Vice Chairman and President)*
Lou Jun
Fei Zuoxiang
Ye Weiqi
Zhong Tao

Independent Non-Executive Directors

Doo Wai-Hoi, William, *J.P.*
Fan Ren Da, Anthony
Li Ka Fai, David
Qiao Zhigang

AUTHORIZED REPRESENTATIVES

Zeng Ming
Chan Kin Chu, Harry

BOARD COMMITTEES

Audit Committee

Li Ka Fai, David *(Committee Chairman)*
Doo Wai-Hoi, William, *J.P.*
Fan Ren Da, Anthony

Remuneration Committee

Doo Wai-Hoi, William, *J.P.* *(Committee Chairman)*
Fan Ren Da, Anthony
Ye Weiqi

Nomination Committee

Zeng Ming *(Committee Chairman)*
Doo Wai-Hoi, William, *J.P.*
Fan Ren Da, Anthony

Investment Appraisal Committee

Fan Ren Da, Anthony *(Committee Chairman)*
Zhou Xiong
Zhong Tao
Qiao Zhigang

COMPANY SECRETARY

Chan Kin Chu, Harry

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Corporate Services (Bermuda) Limited
Clarendon House,
2 Church Street,
Hamilton, HM11,
Bermuda.

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Secretaries Limited
Level 54, Hopewell Centre,
183 Queen's Road East, Hong Kong.

REGISTERED OFFICE

Clarendon House,
2 Church Street,
Hamilton, HM11,
Bermuda.

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

11/F, Henley Building,
No. 5 Queen's Road Central,
Hong Kong.
Telephone: (852) 2544 8000
Facsimile: (852) 2544 8004

WEBSITE

http://www.siud.com

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Agricultural Bank of China Limited
China Construction Bank Corporation
China Everbright Bank
Shanghai Pudong Development Bank Company Limited
Bank of China Limited

AUDITOR

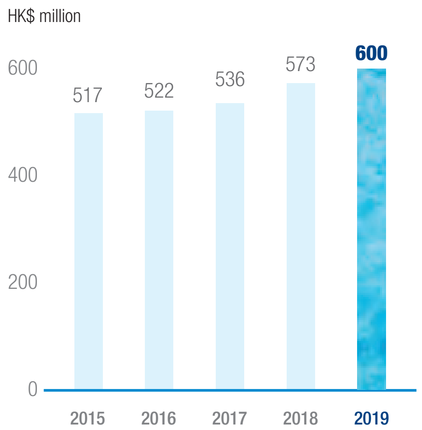
Deloitte Touche Tohmatsu
35/F., One Pacific Place,
88 Queensway, Hong Kong.

LISTING INFORMATION

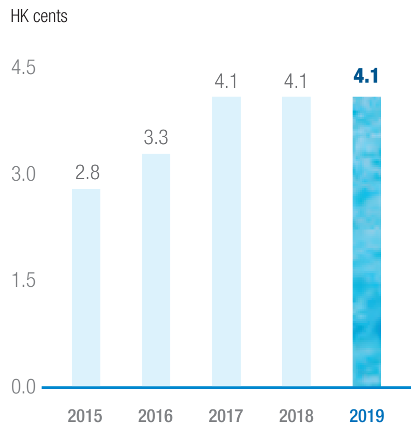
The Stock Exchange of Hong Kong Limited
Ordinary Shares
(Stock Code: 563)

FINANCIAL HIGHLIGHTS

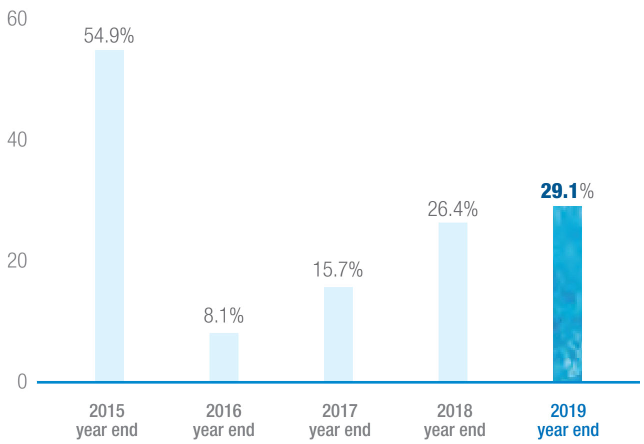
ATTRIBUTABLE PROFIT TO OWNERS



PROPOSED DIVIDEND/ DIVIDEND PAID

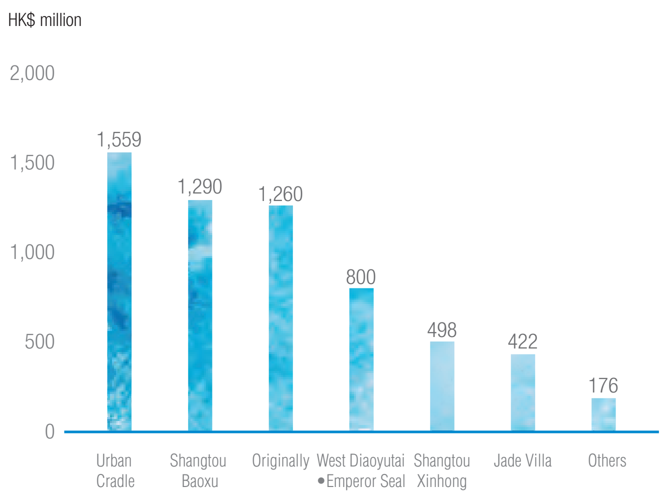


NET DEBT TO TOTAL EQUITY (%) (NOTE)

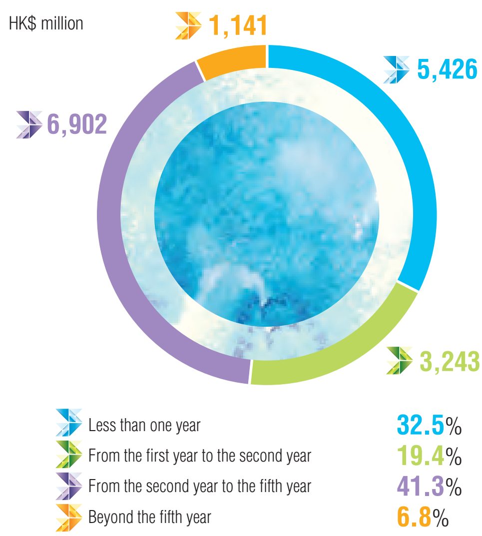


Note: Net debt = total borrowings (including bank borrowings and other borrowings) less bank balances and cash and restricted and pledged bank deposits.

ANALYSIS ON PRE-SALE PROCEEDS RECEIVED ON SALES OF PROPERTIES



DEBT MATURITY PROFILE



Artist Impression – Shanghai Binjiang U Center

Haipai *LUXURY RESIDENCES*
CAPTURE CLASSIC EXCELLENCE

CHAIRMAN'S STATEMENT

Amid the unstable and fluctuating domestic and international environment in 2019, China demonstrated stability and progress generally in her economic development. The continuation of the supply-side structural reform and optimization of the economic structure contributed to high quality development. The macro control policies imposed on China's property market continued to strengthen with countercyclical pre-emptive adjustments and fine-tunings. To follow the strategic principle reiterated by the central government that "houses are built to be inhabited, not for speculation", the local authorities introduced relevant tightening and easing measures while gradually implementing long-term mechanisms for the "City-based Policy", "One Policy for One City" and "City Accountability System". The property market development in different cities in China showed notable polarisation as the rigid demand and housing improvement demand were further released in fast-growing first- and second-tier key cities. During the year, the property market in Shanghai saw a significant rebound, as evidenced by the rising trading volume and steady transaction prices. Focused on its annual operational indicators, SIUD planned carefully and went with the flow to use property operational development and transformation as an entry point to fully revitalise the Group's resources in order to support high quality development. In 2019, despite the downward pressure faced by the economy, the Group maintained a steady growth in its annual operating results by continuing to intensify reforms and innovation and persisting in the strategic direction of "broad vision, structural optimisation, concerted efforts and dedicated hard work". During the year under review, the Group posted an overall contract sale of RMB7.69 billion for commodity and affordable housing and an overall revenue of HK$8.58 billion. The Group realized earnings after tax of HK$1.22 billion and profit attributable to owners of HK$600 million. As a token of appreciation for the trust and support of the shareholders of SIUD, the Board proposed to distribute a total dividend of 4.1 HK cents per share.

MR. ZENG MING
Chairman

Looking back to 2019, although China's national economy faced downward pressure under the increased uncertainty in global political and economic landscapes, her fundamentals were still robust. China's annual gross domestic product (GDP) grew 6.1% year-on-year to nearly RMB100 trillion and her GDP per capita rose to more than USD10,000, demonstrating the strong resilience and endogenous growth driver of China. As control policies, such as "stabilising land premium", "stabilising property prices" and "stabilising market expectations", continued to take root, the property market experienced a cyclical transition from swift growth to high-quality development. First- and second-tier cities witnessed a strong rebound in demand, while third- and fourth-tier cities demonstrated a higher-than-expected resilience in sales. Besides, in face with tightened credit facilities, property developers also stepped up efforts to launch property projects, thus leading to a rise in selling rate and steady growth of the property market on the whole. The pursuance of metropolitan strategies, including the "Integrated Development of the Yangtze River Delta", accelerated people's demand for better living environment, which was in line with the Group's mission to cater for the demand for high-quality living and commercial development of mainstream urban dwellers. Being well aware of the challenging external environment, SIUD grasped the potential opportunities presented by the economic cycle, followed the latest market development trend to reform and revitalise its systems, and further enhanced its competitiveness by means of refined management, which allowed it to steadily promote the mutual development of residential and commercial properties and the integration of industry and finance.

As a China-first operator in key urban areas, SIUD facilitated the co-development of a diversified business portfolio by focusing on four core business segments, namely, "residential property development + investment property development + urban renewal services + capital cooperation between industry and finance", and saw a continuous enhancement of core competence during the year. By adhering to the strategy of "regional-focused development; mutual development of residential and commercial properties; urban renewal for value appreciation; and innovation and upgrading through integration of industry and finance", the Group contributed to urban renewal with its craftsmanship and helped to create a smart urban lifestyle for the public. By virtue of its long-standing high-quality products and people-oriented brand, in 2019, SIUD again received

several awards from the China Real Estate Association, Shanghai Yiju Real Estate Research Institute and China Real Estate Appraisal Center, including the "Fourth Place among 2019 China's Top 10 Property Developers with Sound Operations", "2019 China's Top 100 Listed Real Estate Company Rankings by Comprehensive Strength", "2019 China's Top 5 Listed Real Estate Company Rankings by Risk Control" and "2019 China's Top 10 Brand Value in Comprehensive Real Estate Development".

With a sound foothold in Shanghai, SIUD deployed its operations in a number of first- and second-tier cities and focused on developing key metropolitan areas with immense potentials. Committed to developing medium to high end residential projects and creating quality landmarks with its craftsmanship, SIUD kept innovating and took the lead in improving the urban living quality. During the year, by stepping up in market sales at opportune times, the Group recorded impressive sales results in its residential projects across the country. Flagship projects, including West Diaoyutai • Emperor Seal in Beijing, Urban Cradle in Shanghai, Shangtou Baoxu and Jade Villa in Shanghai, remained as the Group's main contributors of annual sales revenue. The Group successfully reached its annual sales target by posting an overall contract sale of RMB7.69 billion. In particular, a project launched under Originally in Xi'an in April 2019 made another legend by being sold out the same day that it was released. TODTOWN in Shanghai, a symbolic metro superstructure associate project in China, was also sold out soon after being put to sale in June 2019. West Diaoyutai • Emperor Seal in Beijing in June 2019 was well received by the market, and the Courtyard Villa in Shanghai achieved remarkable sales performance when it was rolled out in December 2019. Soho in Shenyang was sold out swiftly after being launched in late November 2019. Moreover, the Group strengthened its upcoming projects with careful planning. West Diaoyutai • Emperor Seal in Beijing obtained the pre-sale permit in June, and its pre-sale price hit a record high for pre-sale properties in Beijing since 2016. Through coordinating with the government and identifying reasonable comparable projects, the Group targets to obtain a good pre-sale price for Courtyard Villa in Shanghai, which is expected to provide a new momentum for the future income growth of the Group.

During the year, through management optimization and further coordination with the commercial management center and asset management company, SIUD witnessed a growth in both the leasing capability and rental efficiency of its commercial assets all over the country, and the benefits from this segment increased gradually. As at 31 December 2019, the total area of commercial assets completed by the Group in seven major cities in China was approximately 756,000 sq.m. The annual rental income from commercial offices rose 6.6% year-on-year to HK$750 million, while the total income from the hotel apartment sector dropped slightly by 1.8% year-on-year to HK$290 million. The business solicitation and operation of the commercial and office sector progressed stably. ShanghaiMart's efforts to encourage its tenants to renew their tenancy early and attract famous brands resulted in a surge in both its rental income and letting rate. The commercial street of Shenyang • U Center, which grandly opened in late July, achieved a commercial contract signing rate of 100%. K-Land and Yoooou. net both recorded a significant increase in letting rate and saw a further increase in asset revenue. By taking full advantage of its scale and volume and focusing on optimising its operational and management level, the hotel apartment sector more than achieved its annual revenue target. Meanwhile, SIUD also strove to facilitate the new business of residential leasing development, continued to further the study on operational models and gradually established a collaborative mechanism for the commercial management, cost and design departments. In November 2019, SUD Jing Xiang, a wholly-owned subsidiary of SIUD, entered into the Caohejing project, pursuant to which the contractor will undertake construction work for the Caohejing Project for a consideration of approximately RMB327 million (subject to adjustments). Being one of SIUD's first projects in the residential leasing market in China, this project will bring steady rental income for the Group in the long run and allow the Group to explore a new business form in Shanghai, in response to the national housing system of "encouraging both house purchase and rental". Other than the above, U Time, a residential leasing project in Shanghai, began its construction work in November 2019; U Plaza, a commercial project in Tianjin, succeeded in completing the construction a year earlier than planned; and commercial street, the long awaited commercial project in Shenyang, was grandly opened in July.

During the year under review, to further consolidate its business operations, SIUD persisted in adopting a multi-pronged approach to refine its land bank and explore innovative opportunities in the new markets through combining different land acquisition methods (i.e. participation in bidding, auction and listing-for-sale, equity acquisition, urban renewal and redevelopment), performing deep researches on different land parcels and taking into account all related factors. In December 2019, SIUD acquired a premium land parcel in Zhifu District, Yantai, Shandong Province for a total consideration of RMB619 million. The land parcel is expected to be used for creating a new city featured with healthcare and cultural and educational tourism. This marked the first step of the Group to formally enter into Yantai, which is named the most livable city in China for a number of consecutive years. As at 31 December 2019, SIUD's land bank was developed into 26 highly competitive property projects with great development potential located in 11 major cities in China, including Shanghai, Beijing, Tianjin, Chongqing, Xi'an and Changsha, with a saleable G.F.A. of 3.78 million sq.m. to support the future development of the Group.

We will certainly ride out the hard times. In 2020, in face of the challenging external environment, SIUD will maintain its emphasis on steady progress by persisting in the strategic directions of "being stable and robust, pragmatic yet aggressive, creative and innovative". SIUD will promote the development of a diversified business portfolio while reinforcing its strength in the residential development business, focus on exploring and studying the integration of industry and finance while fully revitalising its inventory via a multi-pronged approach, and consolidate and optimise its debt structure in order to enhance the overall financing capability of the Group. All these initiatives will help the Group move to the path of high quality and sustainable development, move forward with continuous improvements, and achieve new milestones in difficult situations. Being committed to "creating value for the shareholders", SIUD will strive to bring more fruitful and sustainable returns for the shareholders.

Finally, on behalf of the Board, I would like to express my sincere gratitude to all of our shareholders, customers and business partners for their unfading support, and to all employees for their contribution to the Group in the past year.

Zeng Ming
Chairman

30 March 2020

Note:

The gross domestic product data of China for 2019 is gathered from the information published by the National Bureau of Statistics on 18 January 2020.

Creating a *LUXURIOUS LIFESTYLE* through CRAFTSMANSHIP

Contemporary Splendour Villa (Courtyard Villa)

MANAGEMENT DISCUSSION AND ANALYSIS

PROPERTY MARKET REVIEW

In 2019, China's property market recorded a growth in overall sales. Housing prices began with a quick rise, and then went down slowly after staying steady for a while. But the overall transaction prices generally remained stable. Under the "City-based Policy", China's property market further polarised: housing prices in first- and second-tier key cities remained stable whereas the sales in third- and fourth-tier cities were under pressure. Additionally, owing to the frequent introduction of a number of market stabilisation policies and tightening of financing channels, many property developers saw a drop in average sales prices, and tended to lower prices to increase the sales volume. Property developers with low gearing ratios and persist in diversified development can still excel and keep up their robust development under the challenging market environment.

BUSINESS REVIEW

Overview

In 2019, the Group continued to capitalise on its key development projects and strategic advantages in first- and second-tier cities. The outstanding sales performance of flagship projects, including Urban Cradle in Shanghai, Jade Villa in Shanghai and Originally in Xi'an, was the Group's main contributor of revenue and brought in loads of stable profits for SIUD. During the period, the Group paid continuous effort to further develop its investment property operation and refine the investment and operation of commercial assets in core urban areas. The overall rental income from main investment properties increased gradually. In November 2019, a construction contract was entered into for the Caohejing project, which was the Group's first residential leasing project with a total G.F.A. of approximately 66,134 sq.m. The project will bring steady rental income for the Group in the long run and allow the Group to explore a new business form in Shanghai, in response to the national housing system of "encouraging both house purchase and rental". In December 2019, the Group acquired a premium land parcel in Zhifu District, Yantai, Shandong Province for a total consideration of RMB619 million. This marked the first step of the Group to formally enter into Yantai, which is named the most livable city in China for a number of consecutive years.

Contract Sales

During the year ended 31 December 2019, the Group recorded contract sales of RMB7,687,720,000 (2018: RMB5,149,000,000) from both commodity housing and affordable housing.

The contract sales from commodity housing of the Group amounted to RMB6,179,920,000 (2018: RMB5,149,000,000), contract sales in terms of G.F.A. were 165,000 sq.m. during 2019, down 31% year-on-year. The average selling price rose to approximately RMB37,500 per sq.m. mainly because of the timely and orderly project launching strategy, which allowed the Group to fully realise the value of its projects. In 2019, West Diaoyutai • Emperor Seal in Beijing, Jade Villa in Shanghai, Urban Cradle in Shanghai and Originally in Xi'an were the Group's principal projects for sale, which accounted for approximately 30.8%, 25.7%, 24.0% and 15.8% of the total contract sales during the year.

Contract sales from affordable housing, Shanghai Baoxu, was RMB1,507,800,000 whereas the contract sales in terms of G.F.A was 98,000 sq.m..

Land Bank

In December 2019, the Group acquired a premium land parcel in Zhifu District, Yantai, Shandong Province for a total consideration of RMB619 million. The land parcel is expected to be used for creating a new city featured with healthcare and cultural and educational tourism. This marked the first step of the Group to formally enter into Yantai, which is named the most livable city in China for a number of consecutive years.

As at 31 December 2019, the Group's land bank was developed into 26 property projects located in 11 major cities in China, including Shanghai, Beijing, Tianjin, Xi'an, Chongqing, Kunshan, Wuxi, Shenyang, Yantai, Changsha and Shenzhen, and comprised medium to high class residential and commercial properties, most of which were completed or still under development. The Group has a land bank with a future saleable planned G.F.A. of approximately 3,777,000 sq.m. to support its development plan for the next three to five years.

Property Development

During the year ended 31 December 2019, the Group had 14 projects with a total G.F.A. of 3,186,000 sq.m. under construction, which primarily included TODTOWN in Shanghai, Originally in Xi'an, Binjiang U Center and Shangtou Baoxu. The floor space started of the Group was 888,000 sq.m., which mainly came from Originally in Xi'an and TODTOWN. The Group delivered a total G.F.A. of 244,500 sq.m., which mainly comprised Urban Cradle in Shanghai, Jade Villa in Shanghai and Originally in Xi'an.

Many of the Group's residential projects rolled out new housing units for sale, and the transaction volume and prices were steady. In particular, West Diaoyutai • Emperor Seal in Beijing achieved impressive sales performance at an average selling price of more than RMB120,000 per sq.m., which was a record high for new properties in Beijing. The project was the biggest sales contributor for the Group. The Courtyard Villa in Shanghai also obtained good pre-sale prices with careful timing of project launch.

In June, "悦麓", Tower 2 of the residential portions of TODTOWN, a symbolic metro superstructure associate project, sold so well that it was sold out on the same day on which it was put on sale. The project enhanced the transportation capability of the region and brought about several advantages, including huge customer flows, property appreciation and acceleration in regional development. By virtue of a diversified high-quality new housing inventory, this will attract more new homebuyers and reaching another height in sales performance.

In 2020, several projects, including West Diaoyutai • Emperor Seal in Beijing, Urban Cradle in Shanghai, Courtyard Villa in Shanghai and Originally in Xi'an, will continue to bring in steady sales and cash flows for the Group. Meanwhile, the sufficient inventory will also allow the Group to respond flexibly to the ups and downs of the property market and realise the value of its properties at optimal prices in response to the ever-changing market conditions.

Investment Properties

For the year ended 31 December 2019, the Group had several completed commercial projects in 7 major developed cities, including Shanghai, Beijing, Tianjin, Chongqing, Shenyang, Kunshan and Shenzhen. The investment properties held by the Group had a total G.F.A. of approximately 756,000 sq.m. and the Group will complete commercial properties of more than 1 million sq.m. in the next three to five years. During the year, the overall rental income of the Group increased 6.6% year-on-year to HK$750,020,000 (2018: HK$703,669,000), mainly attributable to the rise in the overall letting rate and average unit rental of its projects.

Under the policy of dual focus on leasing and sale, the Group continued to promote its residential leasing operation. In November 2019, a construction contract was entered into for the Caohejing project, which was the Group's first residential leasing project with a total G.F.A. of approximately 66,134 sq.m. The project will bring steady rental income for the Group in the long run and allow the Group to explore a new business form in Shanghai.

FINANCIAL REVIEW

Revenue

During the year ended 31 December 2019, the Group's revenue increased by 23.0% year-on-year to HK$8,583,906,000 (2018: HK$6,977,683,000), primarily due to the timely and orderly project launching strategy, which allowed the Group to fully realise the value of its projects. During the year, property sales remained as the Group's main source of revenue and amounted to HK$7,536,760,000 (2018: HK$5,966,198,000), accounting for 87.8% (2018: 85.5%) of the Group's total revenue. The revenue contribution from Urban Cradle in Shanghai, Originally in Xi'an and Jade Villa in Shanghai accounted for 51.4%, 20.7%, and 18.0% of property sales, respectively.

Revenue from leasing, property management and services, and hotel operations continued to provide stable revenue sources for the Group, contributing HK$750,020,000, HK$6,894,000 and HK$290,232,000 (2018: HK$703,669,000, HK$12,163,000 and HK$295,653,000) respectively and accounting for 8.7%, 0.1% and 3.4% (2018: 10.1%, 0.2% and 4.2%) of the total revenue, respectively.

Gross Profit and Gross Profit Margin

For the year ended 31 December 2019, the Group's gross profit amounted to HK$3,676,392,000 (2018: HK$3,380,865,000), representing an increase of 8.7% compared with that of the same period in last year. Gross profit margin was 42.8%, down by 5.7 percentage points as compared to that of the same period last year, mainly because most of the residential projects completed and delivered by the Group were relatively low margin projects during the year.

Investment Property Revaluation

For the year ended 31 December 2019, the Group recorded a net gain on revaluation of investment properties of approximately HK$210,191,000 (2018: net loss of HK$176,447,000), which was mainly attributable to the ShanghaiMart.

Distribution and Selling Expenses

For the year ended 31 December 2019, the Group's distribution and selling expenses dropped 20.8% year-on-year to HK$254,730,000 (2018: HK$321,707,000), which was mainly attributable to the decrease in marketing and promotion expenses for the launch of new projects during the year.

General and Administrative Expenses

For the year ended 31 December 2019, the Group's general and administrative expenses decreased by 11.5% to HK$341,464,000 (2018: HK$385,812,000), which was mainly attributable to the decrease in preliminary expenses for new projects and the continuous efforts in stringent implementation of cost control measures which proved to be effective during the year.

Other Expenses, Gains and Losses, Net

For the year ended 31 December 2019, the Group recorded a net loss of approximately HK$16,095,000 in other expenses, gains and losses (2018: HK$13,667,000). The changes were mainly due to the devaluation of Renminbi on foreign currency denominated other borrowings during the year.

Profit

During the year ended 31 December 2019, the Group's profit decreased by 3.9% year-on-year to HK$1,219,698,000 (2018: HK$1,269,747,000). Profit attributable to owners of the Company was approximately HK$600,292,000 (2018: HK$573,074,000). The basic and diluted earnings per share amounted to 12.48 HK cents (2018: basic and diluted earnings per share of 11.91 HK cents).

Liquidity and Capital Resources

The Group manages its capital to ensure that entities within the Group will be able to operate on a going concern while maximising the return to shareholders through optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes bank and other borrowings, cash and cash equivalents, and equity attributable to owners of the Company (comprising issued share capital and reserves).

As at 31 December 2019, bank balances and cash of the Group were HK$9,111,782,000 (31 December 2018: HK$9,127,828,000). The net debt to total equity of the Group (net debt (total bank and other borrowings less bank balances and cash and restricted and pledged bank deposits) to total equity) increased from 26.4% as at the end of last year to 29.1%. Current ratio dropped to 1.9 times (31 December 2018: 2.3 times).

As at 31 December 2019, the total borrowings of the Group including bank borrowings and other borrowings (including advanced bonds, medium term notes and borrowings from a subsidiary of SIHL) amounted to approximately HK$16,712,302,000 (2018: HK$15,395,520,000).

The Group maintained sufficient cash balance during the year. The management believes that the Group's financial resources and future revenue will be sufficient to support the current working capital requirements and future expansion of the Group.

Foreign Exchange Risks

During the year, most of the Group's revenue and operating costs were denominated in Renminbi. Except for the bank deposits denominated in foreign currencies, the Group's operating cash flow or liquidity is not directly subject to any other material exchange rate fluctuations. The Group did not enter into any foreign exchange hedging arrangements to control its exposure to exchange rate fluctuations as at 31 December 2019. However, the Group will adopt necessary measures whenever appropriate to minimise the impact arising from exchange rate fluctuations.

Distribution of Dividends

In return for shareholders' unwavering support over the years, the Board resolved through discussion to propose a final dividend of 1.8 HK cents (2018: 1.8 HK cents) per share, together with a special dividend of 2.3 HK cents (2018: 2.3 HK cents) per share.

Contingent Liabilities

Details of contingent liabilities are set out in note 46 to the consolidated financial statements.

Charge on Group's Assets

As at 31 December 2019, certain bank deposits of approximately HK$190,419,000 (31 December 2018: HK$27,831,000) were pledged to banks to secure mortgage loans granted by banks to the purchasers of pre-sale properties. These pledged deposits may be released upon the transfer of the property title certificates to respective purchasers.

As at 31 December 2019, certain inventories, certain investment properties and bank deposits of the Group located in the PRC, with total carrying amounts of approximately HK$5,128,884,000 (31 December 2018: HK$1,852,538,000), HK$8,616,868,000 (31 December 2018: HK$8,128,213,000) and HK$491,070,000 (31 December 2018: HK$5,602,000) respectively, were pledged as collateral for the Group's bank borrowings, details of which are set out in note 34 to the consolidated financial statements.

HUMAN RESOURCES AND REMUNERATION POLICIES

As at 31 December 2019, the Group employed 782 employees (including Hong Kong and PRC offices). The remuneration policies for the employees of the Group are determined according to the performance, qualification, experience and competence of the employees. The emoluments of the directors of the Company (the "**Directors**") are determined by the remuneration committee of the Company, having regard to the operating results of the Group, individual performance and comparable market statistics. Staff benefits include discretionary bonus payments which are linked to the profitability of the Group and individual performances and contributions to the Mandatory Provident Fund Schemes.

The Group had adopted a share option scheme as an incentive to the Directors and eligible employees. During the year ended 31 December 2019, the Group provided training programs relating to work to employees. Activities aiming at building up team spirit were regularly organized for employees, so as to enhance the human capital of the Group and the sense of belonging of the staff.

OUTLOOK

In 2020, the global economy is still under the threat of a number of risk factors. For instance, the uncertainty in the China-US trade conflict, hard Brexit, oil prices and uncertain geopolitical risks in different countries will also pose greater risk to the global economic growth momentum. The signing of the first-phase trade accord between China and the United States can contribute to the stable growth in global economy and trading. Meanwhile, with the global economic slowdown and the situation of COVID-19 outbreak, major developed economies and developing countries will turn to an easing monetary policy, which is beneficial to the steady rebound of the global economy. The Chinese economy will still be faced with many internal and external challenges. Although the outbreak of COVID-19 at the beginning of 2020 will have short-term impact on the Chinese economy, the situation has been basically under control with the effective control measures adopted by the Chinese government. According to the estimate of the Group, though the expected progress of contract sales and construction will be affected by the outbreak, we can still recover the contract sales for the first half of 2020 and eliminate the impact of the outbreak by speeding up in sales given the fact that the first quarter is normally the off-peak season for the property market and the Group does not have any projects in Hubei Province. The austerity measures imposed on the property market will adhere to the principle that "houses are built to be inhabited, not for speculation", and more concrete "City-based Policy" will be implemented step by step in order to achieve the goals of "stabilizing land premiums, property prices and market expectations". A stable policy is believed to be more beneficial for a company with high quality assets and expectable growth to realise its value.

Looking ahead, the Group will dedicate its efforts to the development of medium to high end residential properties while developing the investment and operation of commercial assets in core urban areas in a pragmatic and prudent manner, with a view to maintaining its market strengths. In particular, the villa projects in Beijing and Shanghai will bring steady revenue growth and lay a solid foundation for the high-quality development of the Group. By capitalising on its years of development experience and its robust diversified development strategy, SIUD hopes to create greater investment value for the shareholders.

INVESTOR FAQ

Q WILL THE TIGHTENING CONTROL MEASURES IN FIRST- AND SECOND-TIER CITIES AFFECT THE CORE DEVELOPMENT PROJECTS AND STRATEGIES OF THE GROUP TO A CERTAIN EXTENT?

A The control measures on the property market are gradually delivering results since the implementation of the principle that "houses are built to be inhabited, not for speculation". The property market in first-tier cities and certain popular second-tier cities has restored stability, while significant results are witnessed in the destocking process in third- and fourth-tier cities. In 2019, the Group continued to capitalise on its key development projects and strategic advantages in first- and second-tier cities while paying continuous effort to further develop its investment property operation and refine the investment and operation of commercial assets in core urban areas.

Q WITH FREQUENT INTRODUCTION OF CONTROL POLICIES ON THE PROPERTY MARKET AND TIGHTENING FINANCING CHANNELS, HOW WILL THE GROUP DEVELOP ITS OPERATIONS IN RESPONSE TO THE NATIONAL POLICIES? WHICH OF THE COMPANY'S PROJECTS CAN BENEFIT FROM THESE POLICIES?

A The austerity measures imposed on the property market will adhere to the principle that "houses are built to be inhabited, not for speculation", and more concrete "City-based Policy" will be implemented step by step in order to achieve the goals of "stabilising land premiums, property prices and market expectations". A stable policy is believed to be more beneficial for a company with high quality assets and expectable growth to realise its value. In particular, the villa projects in Beijing and Shanghai will bring steady revenue growth and lay a solid foundation for the high-quality development of the Group. Moreover, in November 2019, a construction contract was entered into for the Caohejing project, which was the Group's first residential leasing project with a total G.F.A. of approximately 66,134 sq.m. The project will bring steady rental income for the Group in the long run and allow the Group to explore a new business form in Shanghai, in response to the national housing system of "encouraging both house purchase and rental".

Q UNDER THE POLICY OF "STABILISING THE MARKET, PROPERTY PRICES AND MARKET EXPECTATIONS" ADVOCATED BY THE CENTRAL ECONOMIC WORK CONFERENCE, HOW WILL THE GROUP MAINTAIN ITS CORE COMPETENCE OF HIGH PROFITABILITY IN FUTURE? WILL THE GROUP BE ABLE TO SUSTAIN A CONTINUOUS GROWTH IN DIVIDEND PAYOUT?

A Looking ahead, the Group will dedicate its efforts to the development of medium to high end residential properties while developing the investment and operation of commercial assets in core urban areas in a pragmatic and prudent manner, with a view to maintaining its market strengths. In adherence to the same strategies as last year, the Group will remain focused on first- and second-tier core cities, such as Shanghai and Xi'an, by taking advantage of the supportive national policies for first- and second-tier cities. It is believed that our core strengths in achieving high profit margin will continue in the future. The Group will strive to maintain steady dividend growth in order to express its gratitude to the shareholders for their long standing support for SIUD.

Q THE GROUP ADOPTS A PRUDENT APPROACH IN LAND ACQUISITION. WILL THERE BE ANY ADJUSTMENT IN FUTURE?

A In future, in consistent with its past land acquisition strategy, the Group will study the possibility of acquiring new projects in three ways, namely participation in bidding, auction and listing-for-sale, equity acquisition, and urban renewal and redevelopment, and continue adopting a multipronged approach in land acquisition with a focus on premium projects in Shanghai and first- and second-tier core cities in China. Meanwhile, the Group will remain committed to increasing the proportion of rental residential properties in its land bank to take advantage of the development of the residential leasing market. The Group will also grasp business development opportunities by leveraging on its own strengths.

Q

AMID THE OUTBREAK OF COVID-19, PROPERTY DEVELOPERS HAVE CLOSED DOWN THEIR SALES OFFICES ACROSS THE COUNTRY TO HELP PREVENT AND CONTROL THE SPREAD OF THE DISEASE. ALTHOUGH DIFFERENT POLICIES WERE LAUNCHED TO SUPPORT THE DOMESTIC PROPERTY MARKET, MOST DEVELOPERS STILL RECORDED A DROP IN TRADING VOLUME DURING THE LAST TWO MONTHS AS COMPARED TO THAT OF THE LAST YEAR. HOW DOES THE COMPANY SEE THE PROPERTY MARKET THIS YEAR?

A

The outbreak of COVID-19 affected the property market to a certain extent at the early stage. The demand for properties is materially affected by the scale and duration of the outbreak. On the other hand, delays in property investment and construction as well as changes in the financing environment also play a part. But meanwhile, many provinces across the country have introduced a number of favourable policies for the property market, such as making appropriate adjustments to purchase and loan restrictions, reducing deed tax and the other charges, extending the deadline for land premium payment or allowing instalment settlement of land premium, allowing people who have difficulty in settling property tax or urban land use tax to apply for waivers, and increasing home loan discounts, in a bid to support the healthy and stable growth of the local property market. Based on incomplete statistics, as of 18 February 2020, totally 23 provinces and municipalities in China have rolled out "Directional easing" policies for the property market to help property developers tide over the difficult times.

Q

MANY PROJECTS HAVE COME TO A HALT DUE TO THE SITUATION OF COVID-19. DOES THE COMPANY HAVE ANY PROJECTS UNDER DEVELOPMENT OR DEVELOPED PROJECTS IN WUHAN? IF YES, WILL THEY BE MATERIALLY AFFECTED?

A

The Group does not have any projects in Wuhan or the other cities in Hubei Province. With the effective control measures adopted by the country and a number of favourable policies for the property industry promulgated by various provinces, it is believed that the Group will not be materially affected in the future. The Group is confident in recovering the contract sales for the first half of 2020 and eliminating the impact of the outbreak by stepping up the sales efforts for new projects and speeding up in sales in the second half.

Q

THE NATIONAL DEVELOPMENT AND REFORM COMMISSION ALLOWS COMPANIES WHICH HAVE ALREADY OBTAINED BOND ISSUANCE APPROVAL BUT ARE UNABLE TO CONDUCT THE ISSUANCE WITHIN THE VALID PERIOD TO EXTEND THE PERIOD BY SIX MONTHS. HAS THE COMPANY CONSIDERED BOND ISSUANCE OR OTHER FINANCING CHANNELS?

A

With sufficient cash on hand, the Group would not consider any bond issuance or financing facilities for the time being. Should any capital needs arise in the future, the Group will take into account any financing solutions which are beneficial to the Group and the shareholders.

DETAILS OF PROPERTIES — LAND BANK

Artist Impression — Beijing West DiaoYuTai • Emperor Seal

As at 31 December 2019

Project	City	Site area (sq.m.)	Planned G.F.A. (sq.m.)	Saleable G.F.A. (sq.m.)	2019 pre-sold G.F.A. (sq.m.)	Accumulated G.F.A. sold (sq.m.)	Future saleable G.F.A. (sq.m.)	G.F.A. under construction (sq.m.)	G.F.A. for future development (sq.m.)	Expected Completion Date	Ownership (%)
Urban Cradle	Shanghai	943,000	1,226,298	909,054	16,931	812,471	96,583	86,330	–	Complete by phase from 2007 to 2022	53.1%
Binjiang U Center	Shanghai	77,371	525,888	324,600	–	–	324,600	324,600	–	Complete by phase from 2020 to 2022	35.4%
Shanghai Youth City	Shanghai	57,944	212,130	164,688	–	139,840	24,848	–	–	Completed	100.0%
Shanghai Jing City	Shanghai	301,908	772,885	609,488	–	560,409	49,079	–	–	Completed	59.0%
TODTOWN	Shanghai	117,825	605,000	385,300	18,546	56,205	329,095	277,396	107,904	Complete by phase from 2020 to 2022	20.7%
Contemporary Art Villa (Jade Villa)	Shanghai	116,308	83,622	83,622	21,140	61,683	21,939	–	6,060	Complete by phase from 2018 to 2022	100.0%
Contemporary Splendour Villa (Courtyard Villa)	Shanghai	120,512	191,636	68,404	3,140	3,140	65,264	65,264	–	Complete by phase from 2020 to 2022	100.0%
Shangtou Xinhong	Shanghai	69,495	212,347	145,719	–	–	145,719	145,719	–	Complete by 2021	90.0%
Shangtou Baoxu	Shanghai	118,880	306,167	230,142	98,249	98,249	131,893	222,501	7,641	Complete by phase from 2020 to 2021	100.0%
Chenghang Project	Shanghai	20,572	60,195	60,195	–	–	60,195	60,195	–	Complete by 2021	80.0%
Jinxiang Project	Shanghai	17,161	48,050	48,050	–	–	48,050	48,050	–	Complete by 2022	59.0%
Shenzhicheng Project	Shanghai	47,435	128,075	128,075	–	–	128,075	128,075	–	Complete by 2022	29.5%
Chenglong Project	Shanghai	47,383	118,458	118,458	–	–	118,458	–	118,458	Complete by 2023	59.0%
American Rock	Beijing	121,499	523,833	454,610	–	454,610	–	–	–	Completed	100.0%
Youngman Point	Beijing	112,700	348,664	295,114	–	258,814	36,300	–	–	Complete by phase from 2007 to 2021	100.0%
West Diaoyutai • Emperor Seal	Beijing	42,541	250,930	230,801	15,958	188,027	42,774	50,445	–	Complete by phase from 2007 to 2021	90.0%
Laochengxiang	Tianjin	244,252	752,883	613,357	–	582,478	30,879	–	–	Completed	100.0%
Yoooou.net	Kunshan	34,223	129,498	112,812	–	63,021	49,791	–	–	Completed	30.7%
Royal Villa	Kunshan	205,017	267,701	222,666	–	222,666	–	–	–	Completed	53.1%
Urban Development Int'l Center	Wuxi	24,041	193,368	143,862	248	41,900	101,962	–	–	Completed	59.0%
Originally	Xi'an	2,101,967	3,899,867	3,202,324	54,525	2,442,803	759,521	232,420	381,520	Complete by phase from 2008 to 2022	71.5%
Shenyang U Center	Shenyang	22,651	228,768	176,315	21,136	71,660	104,655	–	–	Completed	80.0%
Top City	Chongqing	120,014	786,233	616,122	–	376,095	240,027	–	–	Completed	100.0%
Forest Sea	Changsha	679,620	1,032,534	1,016,765	693	304,889	711,876	–	704,553	Complete by phase from 2007 to 2025	67.0%
China Phoenix Tower	Shenzhen	11,038	106,190	79,391	–	78,343	1,048	–	–	Completed	91.0%
Yantai Project	Yantai	77,681	159,100	154,300	–	–	154,300	–	154,300	Completed by phase from 2022 to 2023	100.0%
Total		**5,853,038**	**13,170,320**	**10,594,234**	**250,566**	**6,817,303**	**3,776,931**	**1,640,995**	**1,480,436**		

Artist Impression — TODTOWN

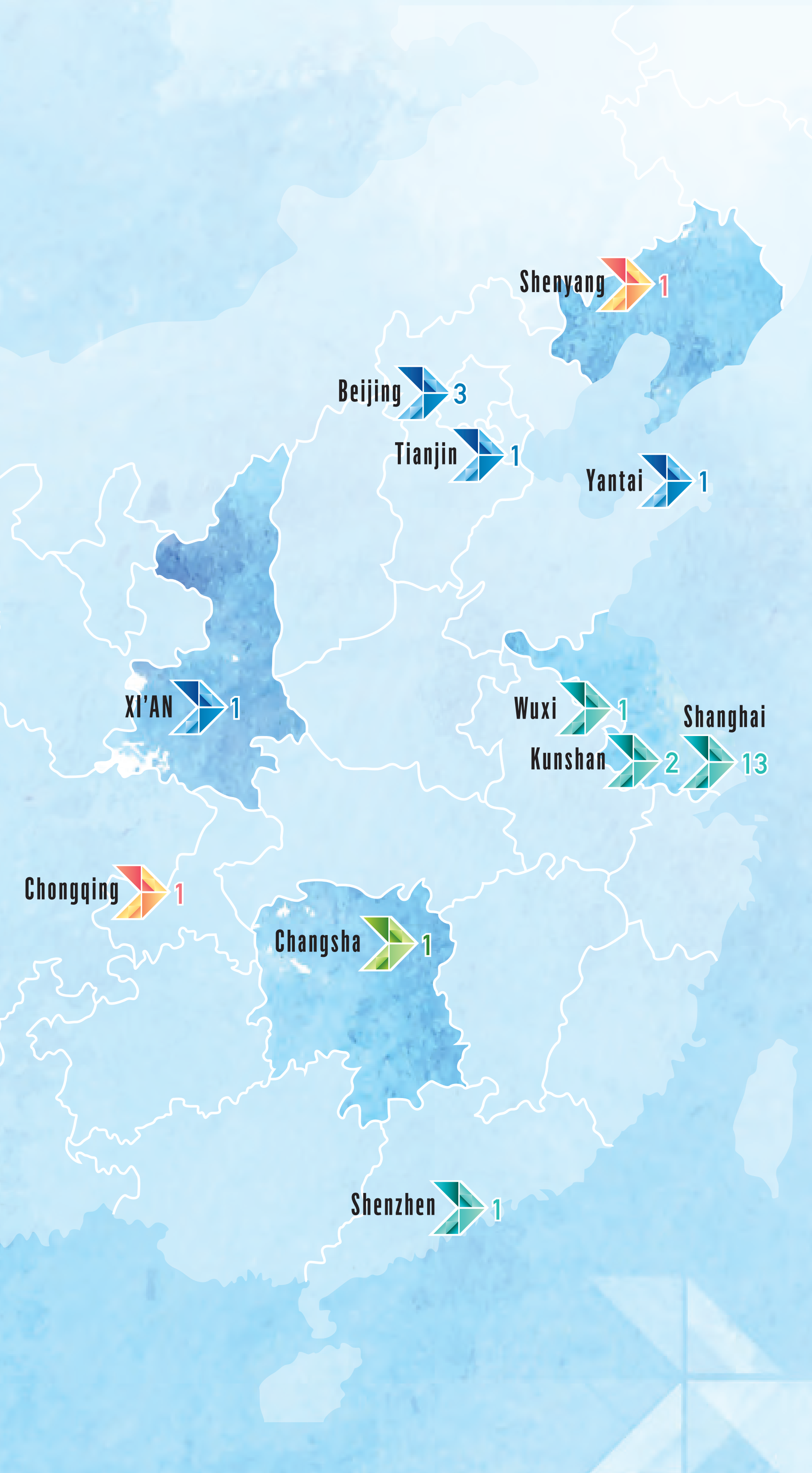
MAJOR INVESTMENT PROPERTIES

Project	City	Property Category	Lease Term	Planned G.F.A. (sq.m.)
Shanghai Youth City	Shanghai	Commercial	Medium-term lease	16,349 [1]
Top City	Chongqing	Commercial, parking lot	Medium-term lease	251,847 [1]
China Phoenix Tower	Shenzhen	Office building	Medium-term lease	1,048 [1]
Youngman Point	Beijing	Commercial	Medium-term lease	19,768 [1]
Shenyang U Center	Shenyang	Commercial	Medium-term lease	30,332 [1]
ShanghaiMart[2]	Shanghai	Exhibition, transaction market, office building and parking lot	Medium-term lease	284,651
Urban Development Int'l Tower[3]	Shanghai	Office building	Medium-term lease	45,239
YOYO Tower[4]	Shanghai	Commercial	Medium-term lease	13,839
Others	Shanghai, Tianjin and Kunshan	Commercial, office building and parking lot	Medium-term lease	93,196
Total				**756,269**

Notes:

1. Included in the Page 20 of this annual report.
2. Address: Yan'an West Road No. 2299 of Changning District, Shanghai
3. Address: Hongqiao Road No. 355 of Xuhui District, Shanghai
4. Address: Tianyaoqiao Road No.123 of Xuhui District, Shanghai

INTRODUCTION OF KEY PROJECTS IN CHINA



SHENYANG
- Shenyang • U Center

BEIJING
- American Rock
- Youngman Point
- West Diaoyutai • Emperor Seal

TIANJIN
- Laochengxiang

WUXI
- Urban Development International Center

KUNSHAN
- Yoooou.net
- Royal Villa

SHANGHAI
- Urban Cardle
- Binjiang U Center
- TODTOWN
- Shanghai Jing City
- Shanghai Youth City
- Contemporary Art Villa (Jade Villa)
- Contemporary Splendour Villa (Courtyard Villa)
- Shangtou Xinhong
- Shangtou Baoxu
- Chenghang Project
- Jinxiang Project
- Shenzhicheng Project
- Chenglong Project

SHENZHEN
- China Phoenix Tower

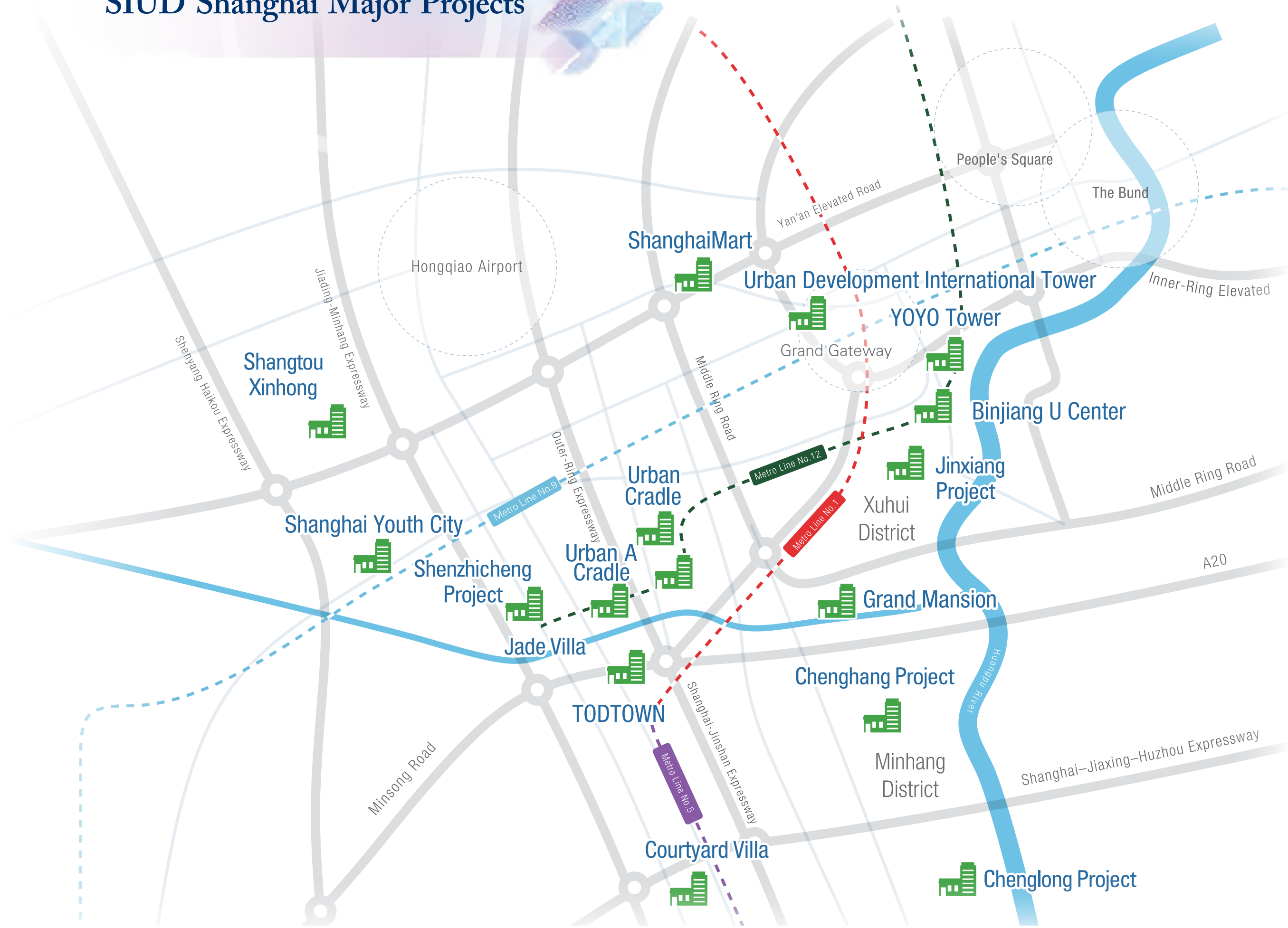
CHANGSHA
- Forest Sea

CHONGQING
- Top City

XI'AN
- Originally

YANTAI
- Yantai Project

SIUD Shanghai Major Projects



URBAN CRADLE

Address:
588 Gulong Road,
Minhang District, Shanghai

Category:
Residence/
Commerce

Feature:

The project is located in Gumei, Minhang District, Shanghai, west of Lianhua Road, east of Hechuan Road, north of Gudai Road and south of Pingnan Road, less than 700 meters from the middle ring line. The area is a major focal point for large scale residential development in the "10th Five-Year Plan" of Shanghai. The project spans a total site area of about 943,000 sq.m. with a total construction area of about 1.3 million sq.m., including about 770,000 sq.m. of residences, close to nearly 400,000 sq.m. of underground space and more than 100,000 sq.m. for accommodating amenities for the estimated over 20,000 residents. Urban Cradle is an all-engulfing showcase of architectural forms and brilliant products including international-grade apartments, standalone villas, garden houses, deluxe mansions, modern commercial premises and green landscapes, bringing comfortable and stylish living together with commerce, entertainment, culture, education, and business and leisure pursuits.

INTRODUCTION OF KEY PROJECTS IN CHINA

BINJIANG U CENTER

Address:
Xuhui Binjiang,
Shanghai

Category:
Office/
Commerce


Artist Impression

Feature:

Facing Huangpu River in Shanghai, Binjiang U Center is situated at the business hub of Binjiang, Xuhui District and is planned for composite commercial usage, which will be built as property partly for sales and held for rental respectively. The surrounding view of the project is glorious. Also, the transportation network is well established as the project is adjacent to Longyao Road Tunnel that leads to Pudong, coupled with the Yunjin Road Station of Metro Line No. 11 is now in use.

TODTOWN

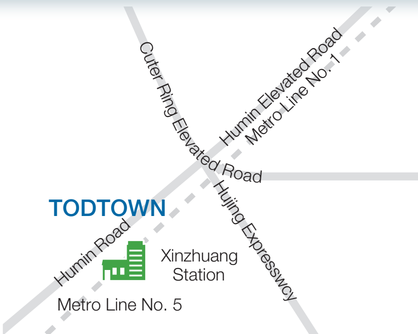
Address:
Xinzhuang Town,
Minhang District, Shanghai

Category:
Residence/
Commerce/Hotel/
Office/Apartment office


Artist Impression

Feature:

Located at the southern and northern squares of the Xinzhuang station, the secondary city center of Shanghai, with Guangtong Road on its north, West Meilong Road on its east and Xinzhu Road and Dushi Road on its south, TODTOWN will be served by an overpass bridge conveniently linking Shuiqing Road at the northern square and Dushi Road at the southern square.



As one of the most advanced TOD (Transit-oriented Development) projects in Shanghai, TODTOWN covers a total site area of approximately 118,000 sq.m. with a total G.F.A. of 605,000 sq.m., of which 100,000 sq.m. is transport-related. Upon completion, TODTOWN will be connected to Metro Line No. 1 and 5, Shanghai-Hangzhou Highspeed Railway and numerous public bus routes, as well as the station to be established for the Jinshan sub-line. Different modes of transport operated by different departments, such as metro lines, public buses and commuter rail services, will be blended into the project to achieve seamless and convenient transition. TODTOWN will be a “city in the sky” encompassing residential, commercial and leisure functions. As a complex equipped with comprehensive systems and facilities, TODTOWN will offer 50,000 sq.m. of offices, 140,000 sq.m. of shopping mall, 20,000 sq.m. of hotel, 90,000 sq.m. of residential units, 85,000 sq.m. of serviced apartments and 20,000 sq.m. of ancillary public facilities.

CONTEMPORARY ART VILLA (JADE VILLA)

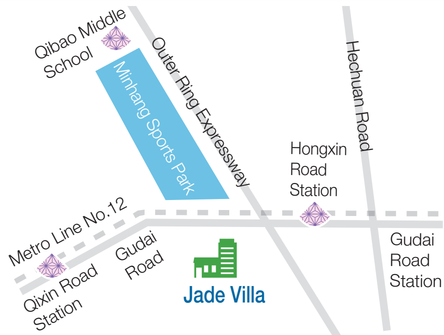
Address:
Minhang District, Shanghai

Category:
Residence


Artist Impression

Feature:

Contemporary Art Villa (Jade Villa) is situated in Minhang District in the southwest of Shanghai. The project is adjacent to the outer ring road in the east and adjoins the ground satellite communication station of Shanghai in the west. It extends to Gudai Road in the north and connects Zhandou River in the south. The traffic is convenient as the straight-line distance from the entrance to the community to Hongshen Road Station of Metro Line No. 12 in the east is about 390m. It is opposite to Minhang Sports Park on the other side of Gudai Road in the north and Li'an Park with excellent ecological environment on the opposite bank of Zhandou River in the south. The project covers an area of approximately 11.63 hectares and the land's plot ratio is 0.5. The planned aboveground G.F.A. is approximately 58,100 sq.m., including planned residential floor area of approximately 48,700 sq.m. and planned public supporting building of approximately 9,300 sq.m. The planned residences of the project are villas.



CONTEMPORARY SPLENDOUR VILLA (COURTYARD VILLA)

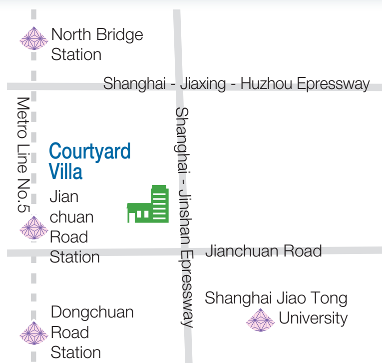
Address:
Minhang District, Shanghai

Category:
Residence


Artist Impression

Feature:

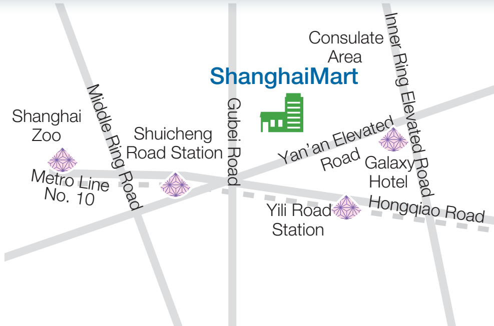
Contemporary Splendour Villa (Courtyard Villa) is situated in Zhuanqiao Town, Minhang District, Shanghai, with Shanghai-Jinshan Expressway (S4) in the east and Dushi Road in the west. It connects the branch of Wujing-Minhang Railway in the south and adjoins Denghui Road in the north. The project enjoys good traffic conditions and cultural environment as the straight-line distance is approximately 1.1 km from the west side of the project to Jianchuan Road Station of rail transit line #5 and approximately 1.8 km from the east side of the project to rail transit line #15 (under construction), and, to the south of the project, there are Shanghai Jiaotong University and Minhang Campus of East China Normal University. The project covers an area of 12.05 hectares and the land's plot ratio is 0.6. It is planned to be a low-density residential community with the building height of not more than 10m. The aboveground G.F.A. of the project is approximately 72,300 sq.m., and the plot's ratio of green space is more than 35% and the ratio of concentrated green space is above 15%. The project is planned to be built into premium low-density villas.



SHANGHAIMART

Address:
2299 West
Yan'an Road, Shanghai

Category:
Exhibition/
Commerce/Office



Feature:

Located in the emerging Shanghai Hongqiao Economic and Technological Development Zone, ShanghaiMart is uniquely positioned with Gubei Road and Hongqiao Road on its west, Yan'an Road on its south as well as the Hongqiao consulate area on its north. Situated next to the Inner Ring Road and the exit of an elevated expressway, ShanghaiMart is only a 10-minute drive to the "Hongqiao Comprehensive Transportation Hub", which is a convenient transport network assembling numerous transportation routes, including inter-city high speed railway, maglev trains, metro lines, airport and city buses.

With a total G.F.A. of 285,000 sq.m., ShanghaiMart comprises three main buildings: the Mart, Expo and Tower. As a super trading market integrating the exhibition, trades, office and information functions, ShanghaiMart offers excellent world-class facilities and services to domestic and international merchants and professional buyers.

SHANGHAI JING CITY (Including "Grand Mansion")

Address:
Lane 266,
Zhumei Road, Shanghai

Category:
Residence/Commerce

Artist Impression

Feature:

The project is an affordable housing project approved by Shanghai Bureau of Housing Security and Housing Administration. It is a large scale indemnificatory housing project on the list of major construction projects of Shanghai in 2009. In Meilong Town, Minhang District, the project is on an about 302,000 sq.m. site with a planned G.F.A. totaling about 611,000 sq.m. It will consist of high-rise buildings of 18 to 33 floors and become a major all-encompassing affordable housing community with educational, medical and health care and other community service facilities. Grand Mansion is located at Section 5 of Shanghai Jing City and is a commodity housing project.

CHENGHANG PROJECT

Address:
Hongmei South Road
(near Mei South Road),
Minhang District, Shanghai

Category:
Commerce/Office

Feature:

Situated west to Hongmei South Road, north to the planned Mei South Road, east to the boundary of the planned site and south to the boundary of the planned site, the project encompasses office and commercial functions with a site area of approximately 20,000 sq.m. and a total G.F.A. of approximately 60,000 sq.m. Occupying the heart of Meilong Town, Minhang District, which is the redevelopment area in Meilong Town, the project will play a forward-looking, leading and representative role with certain potentials in the region.

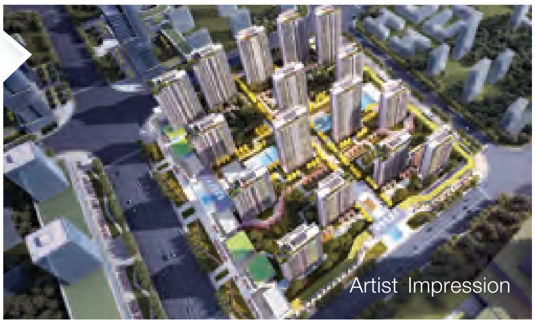
The project is a commercial and office complex composed of six buildings and connecting corridors. In the future, the commercial portion will be built into a social experience space under the theme of "sporty, healthy and delicate lifestyle". Made up of standalone buildings with high privacy as well as highly integrative standard offices, the office portion will be linked organically to the commercial portion by making use of an uneven design and connecting corridors. The project is targeted to mid to high end enterprises and will form a unique commercial and office area in the region.

YANTAI

YANTAI PROJECT

Address:
Southwest to the intersection of Fuyuan Road and Xingfu 12 Village East Street, Zhifu District, Yantai

Category:
Residence/
Commerce



Feature:

Located east to Zhuji West Road, north to Fuyuan South Road, south to Fuyuan Road and west to Guihua Road, the project encompasses residential and commercial functions and certain ancillary public service facilities with a site area of approximately 7.77 hectares and a total G.F.A. of approximately 220,000 sq.m. The project is situated in the core area of Xingfu New Town in close proximity to the central business district of the town, with the shoreline just 1.5 km away in the north. According to the general plan of the new town, the project will be surrounded with abundant commercial, educational, medical, transport and scenic resources in the future. Enjoying a significant second-mover advantage, the project has immense growth potential.

Positioned as a residential product targeted at upgraders, the project mainly offers three- to four- room apartments with attractive decoration. The project plans to provide steward property services, nature-themed scenery and smart community management to create a high-quality living environment integrated with dignity, ecology and technology.

INTRODUCTION OF KEY PROJECTS IN CHINA

BEIJING

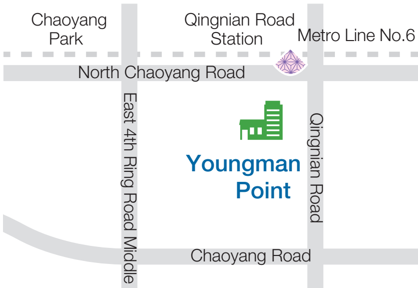
YOUNGMAN POINT

Address:
No. 2, Middle Lane Ganluyuan,
Qingnian Road,
Chaoyang District, Beijing

Category:
Residence/
Commerce

Feature:

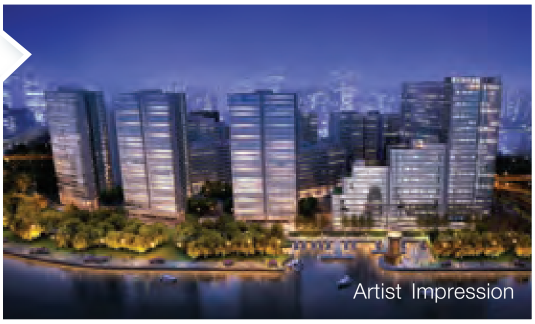
At the intersection of Qingnian Road and North Chaoyang Road in Chaoyang District, the project stands opposite Chaoyang Joy City — a major commercial complex in Chaoyang, and is only 3.8 km away from the CBD. With green belts on the north and a stretch of quiet water on the south, the project presents unique scenic pleasures to its inhabitants. The project has three phases. Phases I and II have been completed and sold out and phase III has begun development.



WEST DIAOYUTAI • EMPEROR SEAL

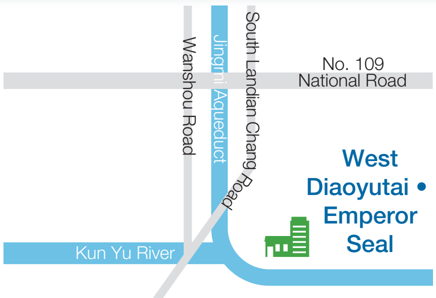
Address:
No. 1 and No. 2 Section,
West Diaoyutai Village,
Haidian District, Beijing

Category:
Residence


Artist Impression

Feature:

Located in the west third ring, on the east and north side of Kunyu River and west to the 137-hectare Yuyuantan Park, the project enjoys a 67-hectare expanse of magnificent aquatic scenes, the largest in Beijing where water is a scarce resource, giving it uniqueness and a touch of supremacy. The project has deluxe apartments with river views as its core products aiming to appeal to the affluent on the high-end. The project has three phases. Phases I and II have been completed and sold out, while the demolition work of phase III has been finished more than a half.

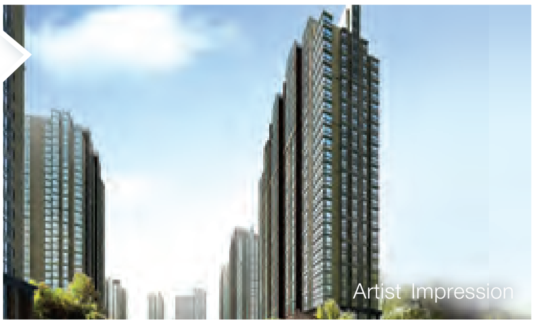


TIANJIN

LAOCHENGXIANG

Address:
Laochengxiang,
Nankai District,
Tianjin

Category:
Residence/
Commerce/
Office



Feature:

Laochengxiang is located in the traditional city center of Tianjin with profound history. It is the cradle of culture and economy for Tianjin and also the only zenithal region in Tianjin. As the development of downtown Tianjin has accelerated in recent years, Laochengxiang has become a favorite destination for investors and property buyers in Tianjin.

The general planning of the district is divided into three parts, namely the core, inner ring and outer ring, with Gulou Commercial and Cultural Street as the center. The project is a large-scale integrated community well served by auxiliary facilities, such as education and medical services, and comprises residences, commercial premises, offices and luxurious villas.

SHENYANG

SHENYANG • U CENTER

Address:
South Taiyuan Street,
Heping District,
Shenyang

Category:
Commerce/Office/
Serviced
Apartment

Feature:

The project is located in the most prosperous business district downtown Shenyang — Taiyuan Street, north of Zhonghua Road, south of Minzhu Road, west of South Taiyuan Street and east of South Tianjin Street, with profound history and an extensive commercial network covering Northeast Asia. Covering a total G.F.A. of 230,000 sq.m., the U Center comprises high-end offices, SOHO, boutique apartments and open commercial blocks with an integration of cultural and creative industries, food and beverage, leisure pleasure, entertainment, offices and luxurious apartments, making it an icon of the city.

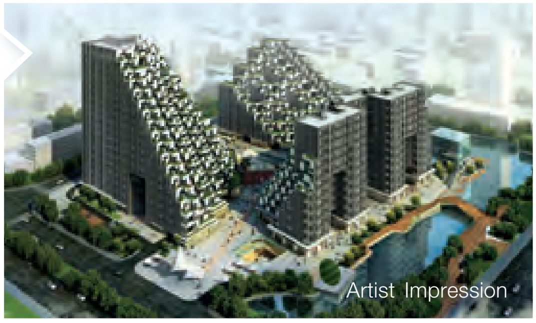
INTRODUCTION OF KEY PROJECTS IN CHINA

KUNSHAN

YOOOOU.NET

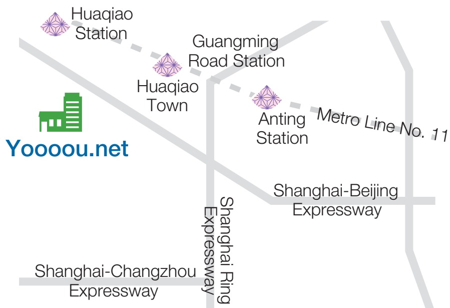
Address:
No. 258, Lvdi Avenue,
Huaqiao Town,
Kunshan

Category:
Commerce/
Office



Feature:

Located in the centre of Huaqiao International Commercial City and adjoining the west gate of Shanghai, the project is less than 25 km from downtown Shanghai and can be reached directly riding the Shanghai — Nanjing high-speed railway and Shanghai Metro Line No. 11. With four youthful components — commerce, SOHO studio, entrepreneur incubator and office, it stands out as a community where young and intellectual industries such as computer games, entertainment and e-commerce can thrive.



ROYAL VILLA

Address:
No. 859,
East Yingbin Road,
Kunshan (near Changjiang Road)

Category:
Residence

Feature:

The project is located in Zhoushi Town of Kunshan City, Jiangsu, the core of the administration center in northern Kunshan. Neighboring the Kunshan Ecological and Sports Park, it comprises 18 high-rise apartment buildings and 92 standalone villas.

WUXI

URBAN DEVELOPMENT INTERNATIONAL CENTER

Address:
Intersection of Yinxiu Road and
Taihu Avenue,
Binhu District, Wuxi, Jiangsu

Category:
Commerce/Hotel/
Office/Serviced
Apartment

Feature:

The project is an icon at the heart of the Liyuan Economic Development Zone, the new axis of Wuxi. It is only 5 km from the center of the city with Lihu Lake Scenic Spot, Lihu Central Park and Bogong Island in its vicinity to enjoy. The area is well developed, equipped with all essential facilities and convenient transportation choices. The integrated complex comprises an international five-star hotel, serviced apartments, a 5A-grade office building and a commercial center.

XI'AN

ORIGINALLY

Address:
East to Chan River,
Chanba Avenue,
Chanba Ecotope, Xi'an

Category:
Residence/
Commerce/Hotel

Feature:

In the heart of Xi'an Chanba Ecotope, the project lies where the Chan River and Ba River meet. The project with more than 2,000,000 square meters in terms of site area is the largest eco-district in northwest China. The area has been well planned and is developing rapidly, enjoying convenient access to road networks and public transports including Metro Line No. 3 which will soon commence operation.

It is the home of the Euro-Asia Economic Forum as well as the Guangyuntan national wetland park and was where the 2011 International Horticultural Exposition took place, asserting its significance in the development of Xi'an. The project has 12 land parcels in the plan to cater to diverse functions and related necessary facilities completed or soon to be completed to meet community business requirements and educational, medical and shopping needs.

To demonstrate the premium geographical location of the project, a new brand called "Originally" has been introduced into the project for sale as a new property project starting from the second half of 2014.

INVESTOR RELATIONS REPORT

SUMMARY

SIUD strives to maintain close communication with the capital market and good relationship with investors so that shareholders are accurately informed of the operational conditions and financial performance of the Company in due course.

COMMUNICATION STRATEGY:

SIUD maintained close communication with investors and analysts through the corporate communications department. Regular meetings, conference calls and seminars were organised to keep investors and analysts abreast of the development strategies and latest news of the Company and allow them to share their views on the prospects of the property market in China as well as the capital market in Hong Kong in order to bolster the mid- and long-term stable development strategy of the Group.

The Company appreciates and values the support and trust bestowed by shareholders. To further strengthen its relationship with existing and potential investors, the Company will focus on the following aspects in the future:

1. Create value for shareholders;

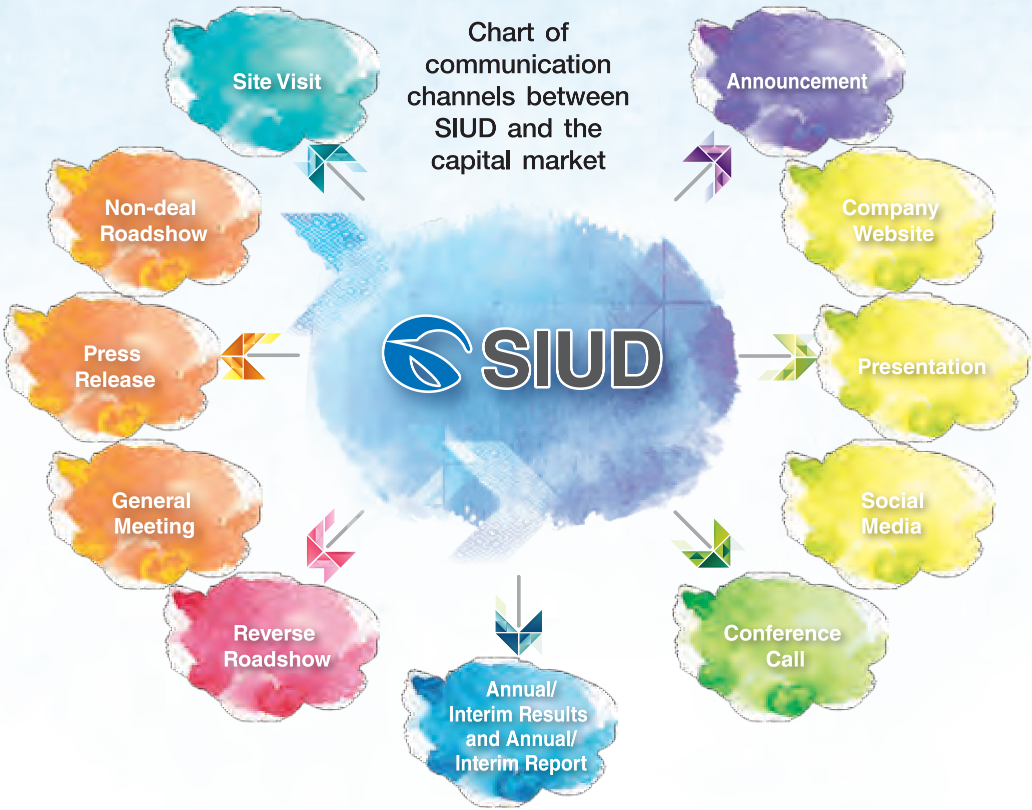
2. Devise development strategies and operate the Company's business on the basis of meeting the values and expectation of shareholders; and

3. Review business decisions in a manner responsible to shareholders, maintain close and effective communication with shareholders with openness and sincerity, and disclose and explain relevant decisions in a timely manner.

CHANNELS AND METHODS:

In 2019, SIUD disseminated information to the capital market through multiple channels, including annual reports, interim reports, press releases and announcements. All these information is available on the Company's website. The corporate communications department also shared the announcements and press releases with investors via email, WeChat official account and other ways in due course, and proactively responded to relevant inquiries and provided guidance.

Dedicated management members were assigned to closely communicate with financial market participants such as investors and analysts to keep them abreast of the Company's strategies and latest developments as well as share our views on the outlook of the mainland property industry and Hong Kong capital market through means such as regular meetings, conference calls and seminars, to ensure that the Company stays on top of the market pulse and respond to the ever-changing financial market in the nick of time.



CONTINUOUS COMMUNICATION WITH INVESTORS FROM "SHENZHEN-HONG KONG STOCK CONNECT":

In view of the growing impact of mainland investors on the Hong Kong capital market, SIUD recognises the importance of maintaining its relationship with mainland investors. During the year, SIUD held roadshows and investors meetings in Shanghai and Shenzhen so as to communicate the long-term strategies and recent operational conditions of the Group in an effective manner. Recently, mainland investors have increased their shareholdings in the Company via "Shenzhen-Hong Kong Stock Connect", demonstrating their confidence in the future stable development of the Company.

ANNUAL GENERAL MEETING:

The Group held general meetings to ensure that the shareholders or representatives delegated by them can attend and understand the Group's performance at the meeting, make enquiries to the directors and vote on the resolutions to be proposed at general meetings for consideration and approval of the shareholders.

The Company held the annual general meeting at the ballroom of Island Shangri-La Hotel, Admiralty, Hong Kong on 22 May 2019. Matters passed on the meeting included the re-election of directors and declaration of special dividends in cash. All ordinary resolutions proposed at the annual general meeting were passed by poll.

ANNUAL REVIEW:

During the year, the Group totally attended several investor summits and non-deal roadshows staged by investment banks and large institutions, hosting more than 100 investors and capital market participants to reinforce mutual understanding.

AVAILABILITY OF INFORMATION:

As a corporate citizen with environmental awareness, SIUD encourages shareholders to access the corporate information and latest news through the Company's website (www.siud.com) or the website of HKEXnews. The Company's website is available in simplified Chinese, traditional Chinese and English for the convenience of users.

All corporate communications can be accessed from the "Investor Relations" section on the website after being published. The Group also sends information via email to all the people who have requested to join the Group's contact database. Anyone who wants to be included in the contact database may email to ir@siud.com.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRINCIPLES AND PRACTICES

The Board strives to attain and maintain high standards of corporate governance to enhance Shareholders' value and safeguard Shareholders' interests.

The Company recognizes the importance of high standards of corporate governance to sustain healthy growth and has taken a proactive approach in strengthening corporate governance practices in accordance with the needs of its business.

During the year ended 31 December 2019, the Company has complied with all the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review its corporate governance practices from time to time to ensure they comply with the Code and align with the latest developments.

BOARD OF DIRECTORS

The Board is collectively responsible for formulating of the Group's overall strategy, reviewing and monitoring the business operations and performance of the Group, preparing and approving financial statements, considering and approving material contracts and transactions as well as other significant policies and financial matters. The Board takes responsibility to oversee internal controls and risk management systems and review of the effectiveness of such systems, monitoring of the performance of the senior management and determining the policy for corporate governance. The Board also gives clear directions as to the powers delegated to the senior management for the day-to-day operation, business strategies and administrative functions of the Group.

All Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring the Board procedures and all applicable rules and regulations are followed.

Upon making request to the Board, each Director is able to seek independent professional advice at the Company's expenses, when necessary.

As at 31 December 2019, the Board comprised ten members, including six executive Directors and four independent non-executive Directors, complying with Rules 3.10(1) and 3.10A of the Listing Rules. At least one of the independent non-executive Directors has relevant financial management expertise as required by the Listing Rules. The biographical details of each Director are set out in the section headed "BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT" on pages 80 to 87 of this annual report. The Board reviews regularly its composition to ensure a balance of skills and experience appropriate for the requirements of the business of the Company.

INDEPENDENCE CONFIRMATION

The Company has received from each independent non-executive Director an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and the Board considers them to be independent.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

In accordance with the Bye-laws of the Company, the Board is empowered to appoint any person as a Director either to fill a casual vacancy on the Board or, subject to authorization by the members at the general meeting, as an additional member of the Board. Any Director so appointed by the Board shall hold office only until the first general meeting of the Company after his/her appointment and shall then be eligible for re-election at that general meeting.

Moreover, at each annual general meeting one-third of the Directors for the time being (or, if the number is not three or a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation, provided that every Director (including those appointed for a specific term but excluding those holding office as the chairman of the Board or the managing director or the chief executive of the Company) shall be subject to rotation at least once every three years. Every Director holding the office of chairman or managing director shall be subject to re-election at least once every three years. All Directors were appointed for a specific term of three years but subject to retirement by rotation as aforesaid.

DIRECTORS AND OFFICERS LIABILITY INSURANCE

The Company has arranged appropriate insurance coverage for directors' and officers' liabilities in respect of legal actions against its directors and officers arising out of corporate activities of the Group.

THE CHAIRMAN AND THE PRESIDENT

The Chairman of the Board and the President of the Company are two distinctively separate positions. Mr. Zeng Ming is the Chairman of the Board who is responsible for providing leadership for the Board and ensuring that the Board works effectively. Mr. Zhou Xiong is the President of the Company who, assuming the role of chief executive officer, is responsible for the Group's daily operations, overall business development and management.

MEETING BETWEEN THE CHAIRMAN AND INDEPENDENT NON-EXECUTIVE DIRECTORS

Under code provision A.2.7 of the Code, the chairman should at least annually hold meetings with the independent non-executive directors without the presence of other directors. There was one meeting held between the chairman of the Company and the independent non-executive Directors, without the presence of other Directors for the year ended 31 December 2019.

BOARD DIVERSITY POLICY

Pursuant to the Code, the Board had adopted a board diversity policy which sets out the approach to achieve and maintain diversity on the Board. The Company recognizes and embraces the benefits of diversity of Board members. While all Board appointments will continue to be made on a merit basis, the Company will ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the needs of the Company's business. Selection of candidates will be based on the Company's board nomination policy and a range of diverse perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills, knowledge and length of service.

The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board, having due regard to the benefits of diversity on the Board and also the needs of the Board without focusing on a single aspect.

BOARD NOMINATION POLICY

Pursuant to the Code, the Board had adopted a board nomination policy which sets out the purposes and principles, the process and criteria for identifying and recommending candidates for election to the Board. The Nomination Committee has been delegated by the Board to identify individuals suitably qualified to become Board members and make recommendations to the Board on the selection of individuals nominated for directorships. In considering candidates for director nominee, the Nomination Committee will take into account the actual needs of the Company and whether a candidate has the qualifications, skills and experience, etc. that can fulfill the needs of the Company and can at the same time add to and complement the range of diverse perspectives of the Board, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge of existing Directors. The Nomination Committee considers the following qualifications are at a minimum to be required of a director candidate in recommending to the Board potential new Director, or the continued service of existing Director:

1. the personal and professional ethics and integrity;

2. proven achievement and competence in the nominee's field and the ability to exercise sound business judgment;

3. the ability to provide practical insights and diverse perspectives;

4. the ability to assist and support management (including an understanding of the Company's business and industry landscape) and make significant contributions to the Company's success; and

5. an understanding of the fiduciary responsibilities that is required of a member of the Board and the commitment of time and energy necessary to diligently carry out those responsibilities.

To ensure that the existing policy continues to be implemented smoothly in practice, the Company shall undertake regular reviews and reassess this policy having regard to the regulatory requirements, good corporate governance practice and the expectations of the Shareholders and other stakeholders of the Company. The Company will propose amendments to the Board for approval.

DIVIDEND POLICY

The Board has adopted a dividend policy which sets out the guideline for the distribution of dividends to its shareholders by way of cash and/or shares and aims to achieve sustainability and stability. The Company's dividend policy seeks to strike a balance between its Shareholders' interests and allowing the Company to have sufficient capital for the operations and future development of the Company. The recommendation of the payment of any dividend is subject to the absolute discretion of the Board, and any declaration of final dividend will be subject to the approval of the Shareholders at the annual general meeting.

In proposing any dividend payout, the Board shall take into account, *inter alia*, the Company's financial performance, the Group's liquidity position, its business strategies and development plans, and the general economic and financial conditions.

Any distribution of dividend is also subject to any restrictions under the Companies Act of Bermuda, the Memorandum of Association and Bye-laws of the Company and any applicable rules and regulations.

The Board will review the dividend policy from time to time and reserve its right in its sole and absolute to update, amend, and/or modify the dividend policy. There can be no assurance that dividends will be paid in any particular amount for any given period.

RESPONSIBILITIES OF DIRECTORS

Each Director shall from time to time have knowledge of his/her responsibilities as Director, as well as the operations, business activities and development of the Company and shall ensure that sufficient time and effort will be put to deal with the Company's affairs. The Company offers induction materials to each Director on the first occasion of his/her appointment as well as necessary information and training during his/her term of appointment to ensure that he/she has appropriate knowledge of the Company's operations and business as well as the responsibilities of director under applicable laws.

TRAINING AND SUPPORT FOR DIRECTORS

(A) Training

Pursuant to the Code, all Directors shall participate in the continuous professional development programme to develop and update their knowledge and skills so that they can contribute to the Board. During the year ended 31 December 2019, the Company offered several appropriate training sessions for Directors. The training sessions were related to the internal controls, anti-fraud policies and site visiting. The Company has received from each of the Directors the individual training record of Directors pursuant to A.6.5 of the Code and time involved in public companies or organizations and description of other significant commitments pursuant to A.6.6 of the Code.

During the year ended 31 December 2019, the Directors participated in the following trainings:

	Attending[1]
Executive Directors	
Zeng Ming	✓
Zhou Xiong	✓
Lou Jun	✓
Fei Zuoxiang	✓
Ye Weiqi	✓
Huang Fei[2]	✓
Zhong Tao	✓
Independent Non-executive Directors	
Doo Wai-Hoi, William, *J.P.*	✓
Fan Ren Da, Anthony	✓
Li Ka Fai, David	✓
Qiao Zhigang	✓

Notes:

1. Trainings may include

   (a) seminar(s)/programme(s)/conference(s)/forums relevant to the business or directors' duties; and/or

   (b) reading newspaper, journals and updates relating to the economy, general business or directors' duties etc.; and/or

   (c) Company's site visiting.

2. Ms. Huang Fei retired as an executive Director and vice president of the Company with effect from 1 September 2019.

All the Directors also understand the importance of continuous professional development and are committed to participate in any suitable training to develop and refresh their knowledge and skills.

(B) Support

The Company continuously updates Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices. Circulars or guidance notes, such as sending the latest version of "A Guide on Directors' Duties" published by the Hong Kong Companies Registry and guidelines published by The Hong Kong Institute of Directors, are issued to directors and senior management of the Company where appropriate to ensure awareness of best corporate governance practices.

PRACTICES AND CONDUCT OF MEETINGS

Annual meeting schedules and agenda of each meeting are made available to the Directors in advance.

Notices of regular Company's board meetings are served to all Directors at least fourteen days before the meetings and reasonable notice is generally given for other board meetings of the Company. For committee meetings, notice is served in accordance with the required notice period stated in the relevant terms of reference.

Board papers together with all appropriate, complete and reliable information are sent to all directors/committee members of the Company at least three days before each board meeting or committee meeting to keep the Directors apprised 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, the financial controller of the Company and the Company Secretary attend regular Company's board meetings and when necessary, other board and committee meetings to advise on business developments, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Company.

The Company Secretary/secretary of the committees is responsible to take and keep minutes of all board meetings and committee meetings. Draft minutes are circulated to Directors for comments within a reasonable period of time after each meeting and the executed copies are open for inspection by Directors.

The Company's Bye-laws contain provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest. According to current Company's board practice, any material transaction, which 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 of the Company.

THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its own code of conduct regarding dealings in the securities of the Company by the directors and the relevant employees (who are likely to be in possession of inside information relating to the Company or its securities) (the "**Guidelines for Securities Transactions by Relevant Employees**") on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standards set out in the Model Code and its code of conduct regarding directors' securities transactions for the year ended 31 December 2019.

In addition, no incident of non-compliance of the Guidelines for Securities Transactions by Relevant Employees by the relevant employees of the Group was noted by the Company throughout the year ended 31 December 2019.

DIRECTORS' ATTENDANCE RECORD

The Directors give sufficient time and attention of the Group's affairs. The Directors play an active role in participating in the Company's meetings through contribution of their professional opinions and active participation in discussion. The attendance record of each of Director at the meetings of the Board, Audit Committee, Remuneration Committee, Nomination Committee, Investment Appraisal Committee and general meetings of the Company held during the year ended 31 December 2019 are set out as follows:

	Number of meetings attended/number of meeting held					
Name of Directors	**Board meeting**	**Audit Committee meeting**	**Remuneration Committee meeting**	**Nomination Committee meeting**	**Investment Appraisal Committee meeting**	**2019 AGM[1]**
Executive Directors						
Zeng Ming	4/4			1/1		1/1
Zhou Xiong	4/4				2/2	1/1
Lou Jun	3/4					1/1
Fei Zuoxiang	4/4					1/1
Ye Weiqi	4/4		2/2			1/1
Huang Fei[2]	4/4					1/1
Zhong Tao	4/4				2/2	1/1
Independent Non-executive Directors						
Doo Wai-Hoi, William, *J.P.*	4/4	2/2	2/2	1/1		1/1
Fan Ren Da, Anthony	4/4	2/2	2/2	1/1	2/2	1/1
Li Ka Fai, David	4/4	2/2				1/1
Qiao Zhigang	4/4				2/2	1/1

Notes:

1. The 2019 annual general meeting of the Company was held on Wednesday, 22 May 2019.

2. Ms. Huang Fei retired as an executive Director and vice president of the Company with effect from 1 September 2019.

BOARD COMMITTEES

The Board has established four Board committees, namely the Audit Committee, the Remuneration Committee, the Nomination Committee and the Investment Appraisal Committee, for overseeing particular aspects of the Company's affairs. All the Board committees should report to the Board on their decisions or recommendations made. The terms of reference of the Audit Committee, the Remuneration Committee, the Nomination Committee and corporate governance functions have been published on the Company's website and the website of the Stock Exchange pursuant to the Code, which were approved during the Board meeting.

A. Audit Committee

The Audit Committee currently consists of three independent non-executive Directors, namely Mr. Li Ka Fai, David (Committee Chairman), Mr. Doo Wai-Hoi, William, *J.P.* and Mr. Fan Ren Da, Anthony.

The main responsibilities of the Audit Committee are:

1. to review the accounting principles and practices adopted by the Group;

2. to review the financial reporting process, risk management and internal controls system of the Group; and

3. to review the independence and objectivity of the external auditor, the scope of audit services and related audit fees payable to the external auditor.

There were two Audit Committee meetings held for the year ended 31 December 2019. The Chairman of the Audit Committee, Mr. Li Ka Fai, David, possesses relevant financial management expertise and this meets the requirements of Rule 3.21 of the Listing Rules.

During the year ended 31 December 2019, the Audit Committee reviewed the independence and objectivity of the external auditor, the scope of audit services and related audit fees payable to the external auditor for the Board's approval. The Audit Committee has reviewed the audited financial statements of the Company and discussed with the management and the auditor of the Company on the accounting principles and practices adopted by the Group, risk management, internal controls matter of the Group, interim results and financial statements and the terms of reference for Audit Committee.

B. Remuneration Committee

The Remuneration Committee currently consists of two independent non-executive Directors, namely Mr. Doo Wai-Hoi, William, *J.P.* (Committee Chairman), Mr. Fan Ren Da, Anthony and one executive Director, namely Mr. Ye Weiqi.

The major responsibilities of the Remuneration Committee are:

1. to make recommendations to the Board on the Company's policy and structure for the remuneration of Directors and the senior management;

2. to have the delegated responsibility to determine the specific remuneration packages of all executive directors and senior management for submission to the Board for approval;

3. to review and approve above performance-based remuneration by reference to the corporate goals and objectives resolved by the Board from time to time;

4. to review and approve the compensation payable to executive directors and senior management in connection with any loss or termination of their office;

5. to review and approve compensation arrangements relating to dismissal or removal of directors; and

6. to ensure that no director or any of his associates is involved in deciding his own remuneration.

During the year ended 31 December 2019, two Remuneration Committee meetings were held to review the remuneration packages of all directors and senior management of the Company, directors' services contracts, the terms of reference for Remuneration Committee and the renewal of the directors' services contracts.

C. Nomination Committee

The Nomination Committee currently consists of one executive Director, namely Mr. Zeng Ming (Committee Chairman) and two independent non-executive Directors, namely Mr. Doo Wai-Hoi, William, *J.P.* and Mr. Fan Ren Da, Anthony. The primary function of the Nomination Committee is to make recommendations to the Board on potential candidates to fill vacancies or additional appointment on the Board and senior management. All appointments of Directors were nominated by the Nomination Committee based on the considerations including vacancy available, competence and experience, possession of requisite skills and qualifications, independence and integrity.

During the year ended 31 December 2019, one Nomination Committee meeting was held and the following works, *inter alia*, were performed by the Nomination Committee:

1. reviewed the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board;

2. addressed the independence of the independent non-executive Directors, having regard to the requirements under the Listing Rules;

3. made recommendations to the Board on procedures for election of Directors proposed by Shareholders; and

4. reviewed the terms of reference for Nomination Committee, the board diversity policy and board nomination policy from time to time.

D. Investment Appraisal Committee

The Investment Appraisal Committee currently consists of two independent non-executive Directors, namely Mr. Fan Ren Da, Anthony (Committee Chairman) and Mr. Qiao Zhigang and two executive Directors, namely Mr. Zhou Xiong and Mr. Zhong Tao.

The main responsibilities of the Investment Appraisal Committee are:

1. to research and advise on the long-term development strategy of the Company;

2. to research and advise on material investment projects of the Company;

3. to research and advise on material capital and asset management projects of the Company;

4. to research and advise on material events which affect the development of the Company;

5. to make subsequent assessment on investment projects; and

6. to review on the above matters.

During the year ended 31 December 2019, two Investment Appraisal Committee meetings were held to discuss and consider, *inter alia*, the following matters:

1. Major transaction in relation to acquisition of land use right in Xuhui District, Shanghai, the PRC and the joint venture arrangement (details can be found in the announcement of the Company dated 2 January 2020);

2. Discloseable and connected transaction in relation to subscription of equity interest in SIIC Financial Leasing (details can be found in the announcement of the Company dated 22 January 2020); and

3. other proposed transactions.

E. Corporate Governance Functions

No corporate governance committee has been established and the Board is responsible for performing the corporate governance functions such as developing and reviewing the Company's policies, practices on corporate governance, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, etc. The primary duties are set out in the "CORPORATE GOVERNANCE FUNCTIONS: TERMS OF REFERENCE OF THE BOARD" in the relevant section of "CORPORATE GOVERNANCE" in the Company's website.

The main responsibilities of the corporate governance functions are:

1. to consider and review the Company's corporate governance principles, practices and processes and make recommendations;

2. to propose changes when necessary;

3. to review the Company's disclosure of its corporate governance program and compliance with each annual general meeting of the Company;

4. to review and monitor the Company's policies and practices;

5. to review internal corporate policies annually;

6. to review and monitor the training and continuous professional development of directors and senior management;

7. to develop, review and monitor the code of conduct and compliance manual; and

8. to review the Company's compliance with the Code and disclosure.

COMPANY SECRETARY

The Company Secretary is a full time employee of the Group and has day-to-day knowledge of the Company's affairs. During the financial year ended 31 December 2019, the Company Secretary has duly complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules which requires the Company Secretary to take no less than 15 hours of relevant professional training. The biographical details of the Company Secretary are set out in the section of "BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT" in this annual report.

ACCOUNTABILITY

The Directors are responsible for overseeing the preparation of accounts of each financial period, which give a true and fair view of the state of affairs of the Company and the Group and of the Group's results and cash flow for the period. In preparing the financial statements for the year ended 31 December 2019, appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants which are pertinent to its operations and relevant to the financial statements on the going concern basis were adopted. The Company has received acknowledgements from all Directors of their responsibilities for preparing the financial statements. It is the responsibility of the auditor to form an independent opinion, based on their audit, of these financial statements and to report their opinion to the members of the Company, as a body, and for no other purpose. The auditor does not assume responsibilities toward or accept liability to any other person for the contents of their report.

In accordance with the Code, the management has provided monthly updates including the performance, financial position and prospects of the Company to the members of the Board on the fifth day of each month, enabling them to perform their duties under the Listing Rules. After seeking the opinion of Audit Committee, the Company provides the Directors with relevant reports each month.

INTERNAL CONTROLS

The Board is responsible for maintaining sound and effective internal controls system in order to safeguard the Group's assets and Shareholders' interests and reviewing and monitoring the effectiveness of the Company's internal controls and risk management systems on a regular basis so as to ensure that internal controls and risk management systems in place are adequate.

The Board, through the Audit Committee, has reviewed the effectiveness of the internal controls and risk management systems of the Group on a regular basis to ensure that the systems in place are adequate. The Company is always committed to maintaining a high standard of corporate governance and to continue strengthening the control systems of the Group in the interests of Shareholders. To monitor the effectiveness of the internal controls systems, in addition to the internal audit function of the Group, if necessary, the Board will appoint an independent professional firm to conduct internal controls reviews of selected areas of the Group.

Anti-fraud policies and procedures

The Company adopted its internal policy for anti-fraud system and its specific contents, the areas of which include, but without limitation, the definition of fraud, the internal institution to be responsible for monitoring the system, the reporting, investigation and handling of complaints and actions to be taken for substantiated cases.

RISK MANAGEMENT

The Group has established and maintained sufficient risk management procedures to identify and control various types of risk within the organization and the external environment with active management participation and effective internal controls procedures in the best interest of the Group and the Shareholders.

The Group's internal auditor provides annual review and confirmation on the effectiveness of the risk management and internal controls system to the Board. Besides, the Audit Committee, on behalf of the Board, has reviewed the effectiveness of the Group's internal controls and risk management systems during the period covered by this annual report.

EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company about their reporting responsibilities on the financial statements is set out in the "INDEPENDENT AUDITOR'S REPORT" on pages 100 to 105.

During the year ended 31 December 2019, the remuneration paid and accrued to the Company's auditor, Deloitte Touche Tohmatsu, is set out below:

	HK$'000
For audit services	
— audit fee paid for the year ended 31 December 2019	4,813
— other audit-related services	1,803
Total:	6,616

SHAREHOLDERS' RIGHTS

To safeguard the Shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual Directors. For more details of election of individual Directors, Shareholders can refer to the details of "PROCEDURES FOR ELECTION OF DIRECTORS BY SHAREHOLDERS" in the relevant section of "CORPORATE GOVERNANCE" in the Company's website.

The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meetings at which voting is taken on a poll are contained in the Company's Bye-laws. Shareholders may request for convening a special general meeting and putting forward proposals at a general meeting pursuant to the Company's Bye-laws.

Shareholders may send their enquiries and concerns to the Board by addressing them to the Company's principal place of business in Hong Kong.

CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2019, there is no significant change in the Company's constitutional documents.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1 ABOUT THIS REPORT

1.1 Reporting Guidelines

This Environmental, Social and Governance report ("**this report**") is to provide the environmental and social performance of Shanghai Industrial Urban Development Group Limited ("**SIUD**" or the "**Company**") and its major subsidiaries (collectively referred to as the "**Group**"), and the environmental and social issues which stakeholders are concerned about and which are related to the sustainable development of the Group during 2019, for all key stakeholders to better understand the sustainable development concept, measures and relevant performance of the Group. For the information about the corporate governance of the Group, please refer to the "Corporate Governance Report" as set out on pages 35 to 46 of this annual report.

1.2 Reporting Scope

Unless otherwise indicated, this report covers the same scope as set out in the consolidated financial statements contained in this annual report and includes the core business of the Group: residential and commercial properties development, property investment and hotel operations in the People's Republic of China (the "**PRC**"). Unless otherwise indicated, the reporting period is from 1 January 2019 to 31 December 2019 (the "**reporting period**").

1.3 Basis of Preparation

This report has been prepared by the Group in line with the Environmental, Social and Governance Reporting Guide (the "**ESG Guide**") set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Main Board Listing Rules**") published by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The Group also perfected its information disclosure with reference to the recommendations set out in the Analysis of Environmental, Social and Governance Practice Disclosure in 2018 published by the Stock Exchange.

This report has been prepared in accordance with the four reporting principles contained in the ESG Guide, i.e. materiality, quantitative, balance and consistency. The Group has determined the key disclosures of this report through materiality analysis, and adopted disclosure and statistical approaches which are consistent with those used in the Environmental, Social and Governance Report for 2018 in order to enable a meaningful comparison of measurable environmental and social performances. In addition, the Group has also made corresponding information disclosure in respect of all the "comply or explain" provisions set out in the ESG Guide.

1.4 Declaration on the Report

The Board gives high regard to environmental, social and governance issues and strives to monitor the environmental, social and governance strategy and reporting of the Group. The Board manages the environmental and social issues which stakeholders are concerned about and which are related to the sustainable development of the Group in a responsible manner. To maintain the sound operation of the Group, the Board regularly assesses and determines the ESG risks within the scope of operation of the Group, and ensures that an appropriate and effective ESG risk management and internal control system is established. The management approaches, strategies and relevant importance of the environmental and social issues of the Group will be disclosed in this report.

2 CARE FOR FEEDBACK

The Group values feedback from stakeholders and hopes to respond to public concerns on the fulfilment of our environmental and social responsibilities by incorporating their opinions to the management of corporate sustainable development. During the reporting period, the Group conducted its materiality assessment on sustainable development issues. The stakeholders involved in the assessment mainly comprised the top echelon and staff of the Group, who prioritized the materiality of various environmental and social issues by responding to a survey. Lastly, the Group filtered the material issues after combining the survey results, stakeholders' expectations and the actual operation of the Group. The materiality assessment process of the Group is set out as follows:

Identify sustainable development issues

Materiality survey

Top echelon to review findings

The Group considered each environmental and social issue in a comprehensive manner, prioritised the issues based on the materiality ratings given by its management and stakeholders, and reviewed the different levels of importance of such issues on its own operations and its stakeholders.

After reviewing the results of the materiality survey, the management of the Group identified the following relatively top 8 material issues, which will be discussed in this report.

Priority of Material Issues		
Materiality (from high to low)	**Issues**	**Corresponding section**
1	Employment management	Talent Recruitment and Retention
2	Product and service quality	Product Responsibility
3	Employee development and training	Employee Development and Training
4	Effective resource utilization	Green Buildings and Green Office
5	Environment and natural resources	Green Buildings and Green Office
6	Occupational health and safety	Occupational Health and Safety
7	Green buildings	Green Buildings
8	Community participation and contribution	Giving back to the Community

Environmental issues
Social issues

3 CARE FOR TALENTS

The Group considers talents as a fundamental element of the sustainable development of an enterprise. Upholding its "**people-oriented**" development concept, the Group strives to provide a safe and comfortable workplace, a fair competition environment and large room for personal development for the employees.

3.1 Talent Recruitment

For the mutual interests of the employees and the Group, the Group adopts a fair and open employment management policy and strictly adheres to national and local laws and regulations in its operations, including the Labour Law of the People's Republic of China (《中華人民共和國勞動法》) and the Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》). Based on these laws and regulations, the Group prepared the Staff Manual, laying out the comprehensive management approaches and standards on staff remuneration and dismissal, recruitment and promotion, working hours, leave, equal opportunities, diversity, anti-discrimination and benefit packages. The Staff Manual has been fully implemented throughout the Group.

Recruitment and Dismissal

To standardise staff recruitment management and safeguard the legitimate interests of the Group and its employees, the Group has entered into labour contracts with all its employees. In addition, the Group has also entered into an employment contract with each of its middle managerial employees. The Group makes sure that all employees are entitled to the remuneration, social insurance, benefits, labour protection, training and education as required under national and local labour laws and regulations. The Group also strives to protect its employees from discrimination based on their nationality, ethnicity, race, gender, age, marital status, social standing or religious belief. All the employees enjoy equal job and promotional opportunities.

The Group implements a probationary period system on new hires, whose performance during the probationary period would be assessed by the person-in-charge of the relevant department. Employees who have passed such assessment would be formally employed. If an employee repeatedly violates the attendance system, provides false personal information, or commits a serious breach of duty or serious violations of laws and disciplines, the Group would terminate the labour contract according to the relevant requirements and arrange the relevant employee to hand over his/her work by the date of termination to ensure that the existing work would not be affected.

Meanwhile, the Group strictly complies with the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), the Law of the People's Republic of China on the Protection of Rights and Interests of Women (《中華人民共和國婦女權益保護法》), the Law of the People's Republic of China on the Protection of Minors (《中華人民共和國未成年人保護法》) and the Provisions on the Prohibition of Using Child Labour (《禁止使用童工規定》) and prohibits any child labour and forced labour under all circumstances. The Administrative and Human Resources Centre of the Group would verify the identity and age of new hires before the commencement of their work to avoid employing any underaged workers. The Group also implements a standard working hour system in its daily operation to prevent forced labour and protect the interests of the employees. During the reporting period, the Group stringently complied with applicable national and local laws and regulations and there were no reported incidents of non-compliance in relation to employment practices.

Pay and Promotional System

The Group has set up a reasonable job ranking system, with job ranks commensurate with the duties assumed by, and the performance and competence of, the employees. The Group also has in place a pay system driven by the value of a job position and personal performance to link the pay of an employee to his/her performance and contributions in order to establish a reasonable pay allocation system and long-term incentive system. The Administrative and Human Resources Centre of the Group conducts performance assessment on all the employees every year and adjusts their pay, job positions and job promotional opportunities based on the assessment results in order to motivate the employees.

Working Hours and Leave System

The Group implements a standard working hour system. Each employee works 40 hours a week on average. Employees are encouraged to finish their work in an 8-hour working day while overtime working is not encouraged. Time-off and compensation for overtime work are granted strictly in accordance with the relevant national requirements.

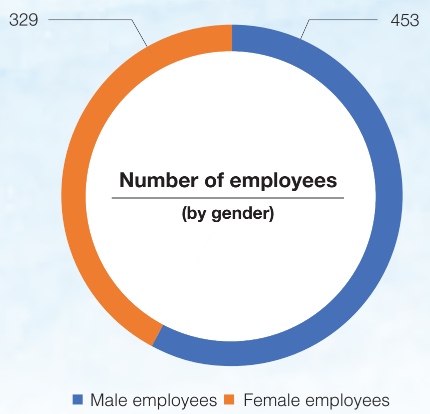
The Group's employees are entitled to different types of leave, including statutory holiday leave, marriage leave, compassionate leave, annual leave, compensatory leave, family leave, sick leave, maternity leave, lactation leave, paternity leave and casual leave. All leave applications have to be made in the Group's Office Automation system (the "**OA System**") and shall be effective after being approved in the OA leave application process to ensure standardised leave management.

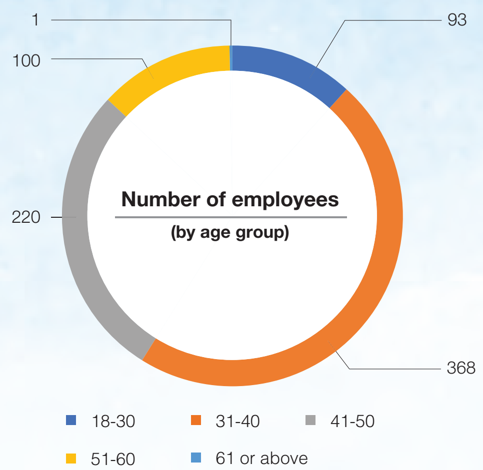
Benefit Package

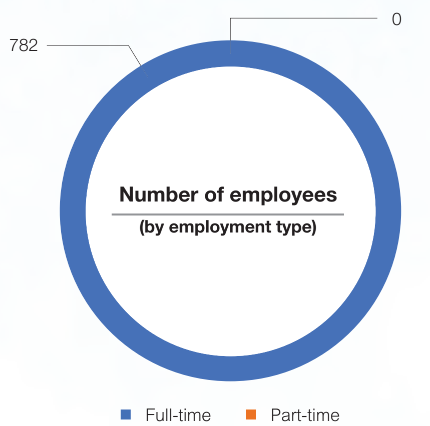
Following the relevant national and local laws and regulations, the Group enrolls the employees in various social insurance programmes, which include pension funds, medical insurance, work-related injury insurance, maternity insurance and unemployment insurance. If an employee sustains an injury, suffers an occupational disease or even dies in the course of his/her employment (whether or not as a result of work), the Group will provide compensation correspondingly according to the relevant requirements of the country and the place where it operates. Benefits for female employees during pregnancy, delivery and lactation period are also granted in accordance with the relevant national and local requirements. To ensure openness and transparency of the policy, the Group has published the specific staff benefit standards and implementation rules on the OA System for all the employees to read.

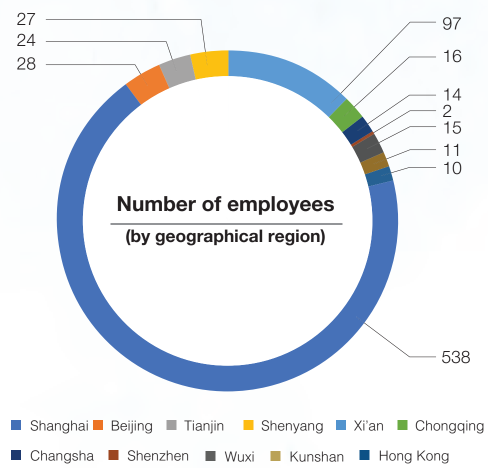
Apart from providing benefit packages as required by the laws and regulations, the Group also actively organises various staff caring activities. In 2019, the Group provided assistance and extended its care to totally 52 employees in difficulty and distributed a token of solidarity to them. During the hot weather period, the management of the Group were also arranged to visit frontline work sites to express their care to more than 300 staff members (excluding projects located beyond Shanghai) and 40 retired employees to show their care to the employees.

As at the end of the reporting period, the total workforce of the Group by gender, age group, employment type and geographical region was as follows:



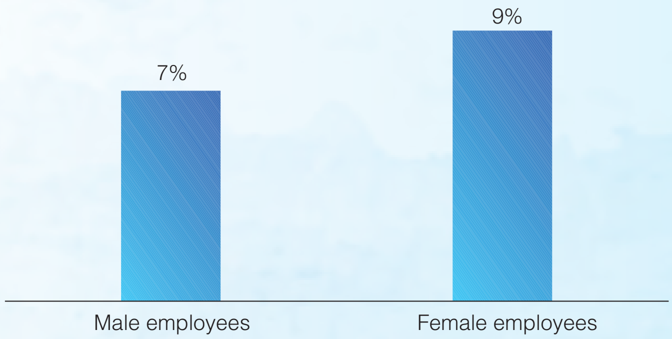




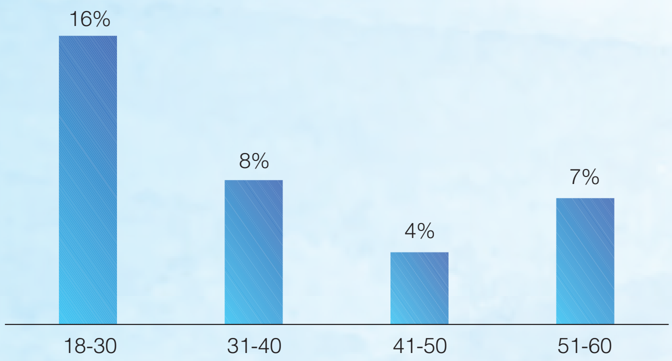


As at the end of the reporting period, the employee turnover rate of the Group by gender, age group and geographical region was as follows:

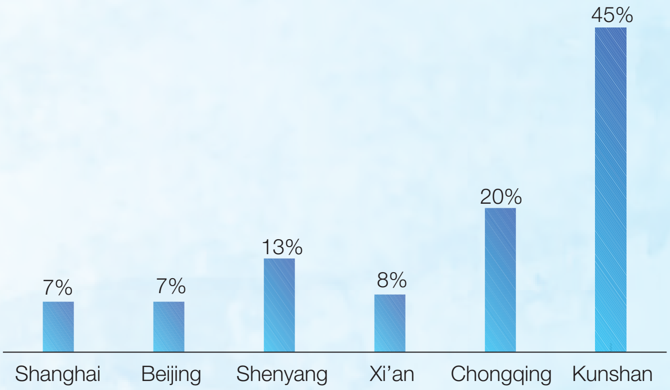
Employee turnover rate (by gender)



Employee turnover rate (by age group)



Employee turnover rate (by geographical region)

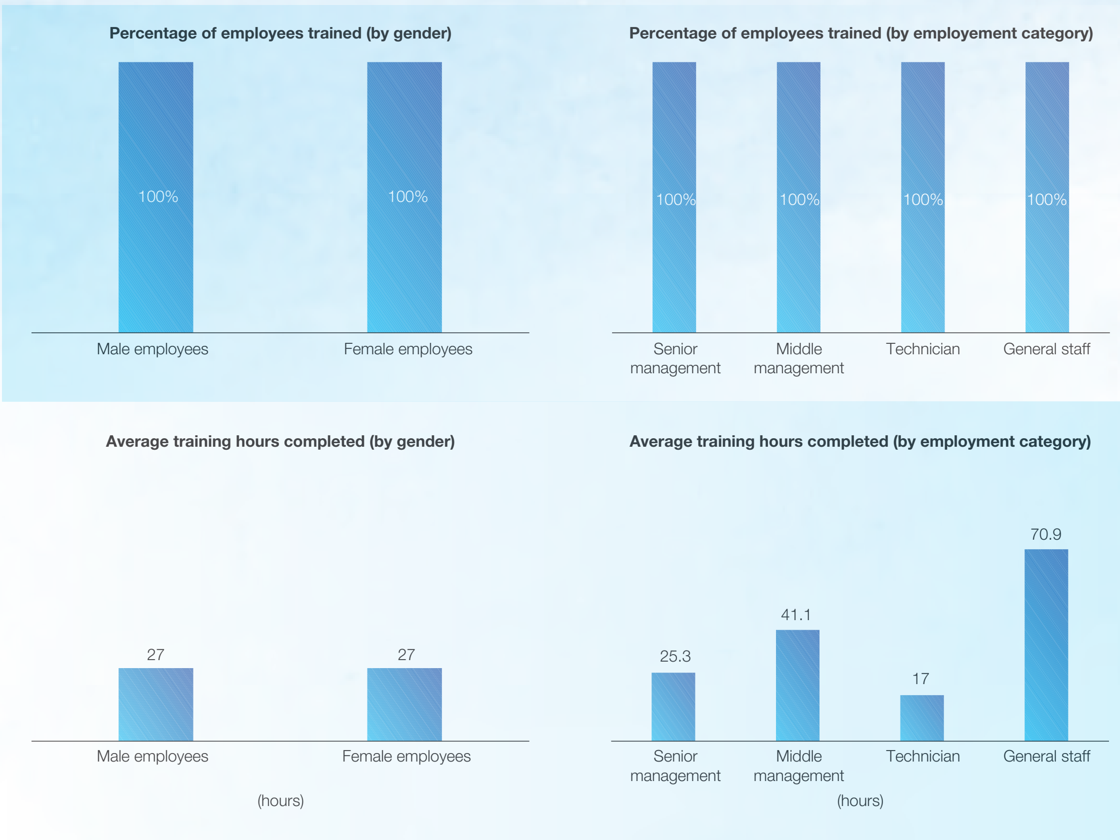


3.2 Mutual Development

The Group pays high attention to the needs for personal growth and career development of its employees in the hope of creating a platform for the employees to achieve continuous self-advancement. To this end, the Group has set up a Training Management System to strengthen the management of staff training. All the employees are encouraged to attend the relevant training to enhance their business level and job skills. The training provided by the Group is divided into two main categories, namely personal skill training and corporate training, which comprises public lectures and internal training. In respect of training content, the Group mainly provides professional knowledge and skills training, management skills training as well as corporate culture and value training.

The Administrative and Human Resources Centre of the Group is responsible for providing training to the employees at the headquarters and the managerial staff of each subsidiary, and filing the employee training programmes of each subsidiary. Each functional centre prepares a departmental training programme based on the business development needs of each department. Finally, the Administrative and Human Resources Centre formulates an annual training plan after analysing the general plan and business development needs of the Group. In 2019, the Group rolled out the Group Training Programme for 2019 to provide various training activities for staff at different levels, including the "**5th SIIC Senior Management Class**" (for senior management), the "**8th Young Talent Training Class**" (for middle-level management) and "**the City Forum**" (for all employees). During the reporting period, all of the Group's employees received training and a total of 21,114 training hours were recorded.

The employee training statistics of the Group by different categories during the reporting period is set out as follows:



Upon completion of a training programme, the Group would assess the effectiveness of the training on each employee through questionnaire and interviews and prepare a training analysis report for reference by future training programmes. The Group would conduct follow-up interviews within three months after completion of a training programme to understand the real effect of the training by interviewing the immediate supervisors of the trained employees.

The City Forum

The Group organised the "**City Forum**" series training activities in different months of the reporting period in order to train all the employees on different topics, including professional knowledge and internal policies. Here are some of the training topics:

- Calculation of the best distribution method for year-end bonuses
- A big lesson on the waste separation environment
- Efficient communication and effective collaboration
- Promotion on intellectual property
- A discussion on limited service hotels
- The Advertising Law and our daily lives

Fintech Training

Due to business needs, the Group hired an external training agency to provide training on fintech services to the middle and senior managerial staff in July 2019. The training session focused on introducing the background of Chinese-style finance, the application of fintech in China and the uncertainties of fintech, so as to equip the relevant staff members with professional knowledge.

3.3 Safety Assurance

The Group places high importance on the health and safety of its employees, and is committed to providing employees with a safe and comfortable working environment. The Group strictly adheres to national laws and regulations, including the Production Safety Law of the People's Republic of China (《中華人民共和國安全生產法》), the Fire Prevention Law of the People's Republic of China (《中華人民共和國消防法》), the Law of the People's Republic of China on Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》), the Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》), the Regulations on Work-related Injury Insurance (《工傷保險條例》) and the Measures for Ascertainment of Work-related Injuries (《工傷認定辦法》). The Group has also formulated various policies, such as the Occupational Health Management System, the Emergency Response Plan of Shanghai Industrial Urban Development Group Limited and the Safe and Civilized Management Standards and Guidelines for Work Sites (Trial), to supervise and manage the occupational health and safety of each department and project company, to ensure the safety of the working environment and to prevent occupational diseases.

Management Structure

Based on the Occupational Health Management System, the Group has set up the Occupational Safety and Health Commission, with the Group Chairman as the supervisor, the President, Vice President of Occupational Safety and Health and Chairman of the Labour Union as assistant supervisors, and the persons-in-charge of the Administrative and Human Resources Centre, Project Management Centre (Office of the Work Safety Commission), Financial Management Centre and Technical Management Centre.

The major duties of the Occupational Safety and Health Commission include:

1. Formulating strategies and measures for occupational safety and health, and seriously implementing national and local laws and regulations and the rules of the Group companies on occupational health and on the prevention and control of occupational diseases;

2. Monitoring the implementation of the management system and operational procedures for occupational safety and health and for the prevention and control of occupational diseases; and

3. Formulating the award and punishment on occupational safety and health.

Management Structure of the Occupational Safety and Health Commission

Supervisor	Chairman
Assistant Supervisors	President, Vice President of Occupational Safety and Health and Chairman of the Labour Union
Members	Persons-in-charge of the Administrative and Human Resources Centre, Project Management Centre (Office of the Work Safety Commission) , Financial Management Centre and Technical Management Centre

Analysis of Dangerous Source and Incident Response

The Group's operational premises include the offices, commercial properties and work sites of the headquarters and its subsidiaries. Based on the characteristics of its key operations, the identified dangerous sources of the Group in relation to occupational health and safety may be classified into the following types: natural disasters, incident hazard and public health. The types of potential incidents involved by the Group is set out in the table below:

Operational level	Type of potential incidents
The Group headquarters	Electric shock
	Fire
	Food poisoning
Subsidiaries	Fire
	Struck by an object
	Fall from height
	Electric shock
	Collapse
	Injury caused by a crane
	Injury caused by machinery
	Food poisoning

To minimise the possibility and impact of such potential incidents, the Group regularly performs risk assessment on each type of potential incidents. Based on the results of such assessment, the Group has set up an emergency response system to regulate the emergency management system. The composition of an emergency response system depends on the organisational structure, management approach, risk level and production scale of the subsidiaries. By integrating the real situations of different subsidiaries, the Group has formed an interlinked system between the Group headquarters and each subordinate subsidiary at different levels. The emergency response system of the Group is categorised into comprehensive emergency response plan, special emergency response plan and onsite disposal plan.

Comprehensive emergency response plan	It explains from a general perspective the basic requirements and procedures for dealing with an incident, including the emergency response approach and policies, emergency response organizational structure and the relevant duties, and emergency response actions, measures and protections. It is a comprehensive document for responding to different types of incidents.
Special emergency response plan	It is a plan or proposal designed for handling a specific type of incident (e.g. fire and collapse), dangerous source and emergency response protection as part of the comprehensive emergency response plan. It should be organised and prepared based on the procedures and requirements of the comprehensive emergency response plan and attached to the comprehensive emergency response plan. A special emergency response plan should clearly lay out the rescue procedures and specific emergency response measures.
Onsite disposal plan	It contains the emergency response disposal measures targeted to a specific device, premise, facility or job position. An onsite disposal plan should be specific, simple and relevant. An onsite disposal plan should be prepared based on the risk assessment and hazardous control measures so that the relevant personnel can understand and familiarise himself with the plan to ensure quick response and proper handling through emergency drills.

Precautions and Preventive and Control Measures

By adopting a precautionary approach in combination with prevention and control, the Group carries out a number of measures to effectively eliminate and reduce the possibility of occupational hazards. Here are some of the measures:

✓ An operational premise with occupational hazards can commence operation only when the factors of occupational hazards are in line with the national occupational health standards.

✓ An operator can work in a working premise with occupational hazards only after he/she has passed the examination on occupational health knowledge training.

✓ Annual physical examination is arranged for all the employees. Employees who have not received occupational physical examination shall not engage in any work involving any occupational hazards.

✓ Protective equipment and personal protective items which are in compliant with the national requirements are provided with timely repairs and maintenance.

✓ For job positions which may involve serious occupational hazards, warning messages are displayed at a prominent position.

✓ Various kinds of health and safety training are provided to the employees, such as the fire safety and safe production thematic training, fire prevention and fire fighting skills training, virtual reality experience of a fire scene, and fire evacuation and rescue drills.

During the reporting period, the Group arranged a total of 196 staff members to participate in the occupational health and safety training activities.

The 2nd Quarterly Work Meeting of the Work Safety Commission and Fire Prevention and Fire Fighting Thematic Training for the Safe Production Month

In June 2019, the Group held the 2nd Quarterly Work Meeting of the Work Safety Commission and Fire Prevention and Fire Fighting Thematic Training for the Safe Production Month, and organised evacuation drills and virtual reality experience of a fire scene to strengthen the employees' responsibilities and knowledge of safe production and fire safety. The safe production work meeting achieved outstanding performance in education and training by providing rich knowledge through diversified channels. It effectively enhanced the employees' awareness on safe production and fire safety, thereby laying a solid foundation for the safe production work of the Group for the year.

The Safe Production Month Activity for Subsidiaries

In 2019, the project companies under the Group carried out the safe production month activity in accordance with the "**Safe Production**" Activity Proposal for 2019 (2019年「**安全生產**」活動方案) published by the Group. For example, in June 2019, Shanghai Qiyao Property Development Co., Ltd arranged the employees to attend various safety training, including thematic talks, hazard and safety alert educational activities, on-site visits and drills. These training activities enhanced the awareness of the Group's subsidiaries on safety precautions and facilitated the implementation of safety measures and the fulfillment of their safety responsibilities.

During the reporting period, the Group strictly followed national and local laws and regulations on health and safety and there were no reported material safety-related incidents nor work injuries or deaths of the Group's employees caused by material incidents.

4 CARE FOR RESPONSIBILITIES

4.1 High Quality Products

Quality and Safety of the Product and Services

As a property developer, the Group attaches high importance to the construction quality of its projects with a vision to offer high-quality and safe properties for customers to choose. The Group strictly adhered to the national laws and regulations and industry standards, including the Construction Law of the People's Republic of China (《中華人民共和國建築法》) and the Construction Works Quality Management Ordinance (《建設工程質量管理條例》). The Group has formulated a series of policies, including the Construction Quality Management System of the Group (集團工程質量管理制度) and the Construction Quality Management Scheme (Trial) (工程質量管理計劃(試行)), to continually improve and enhance construction quality with a view to building up a good brand image for SIUD. During the reporting period, the Group did not have any projects that were required to be rebuilt or returned out of safety or quality concerns.

The Group has established a systematic project quality management organizational structure:

Vice President of Project Management

- The Group's chief person-in-charge of construction quality management
- Mainly responsible for construction quality management of the Group

Project Management Centre

- The enforcement body of the construction quality management of the Group
- In charge of quality management of the projects undertaken by the Group and each project company under the leadership of Vice President of Project Management

Project development companies

- Responsible for project construction and development
- The deputy general project manager is the first person-in-charge of the construction quality of the respective project development company
- The project department is responsible for implementing construction quality management with the assistance of the chief engineer and technical department

Under a robust construction quality management system, the Group carried out a number of construction quality management measures to standardise the management of a building from design and construction to delivery:

✓ Formulated the management institutions, implementation rules and management process on construction quality in accordance with national and local laws and regulations and the institutions of the Group.

✓ Formulated the construction quality management targets, construction quality management schemes and construction quality management approaches for implementation by the project companies upon approval.

- ✓ Established a quality work assessment and award and punishment scheme to supervise and assess construction quality management and recognise and award departments and employees with outstanding performance. Punishments were imposed on departments and employees which caused quality issues due to failure in management and breach of duty.

- ✓ Ensured that the operational units responsible for supervision and construction provided equipment and personnel as required by the contract and strictly performed their contract obligations. Effective control was exercised on supervisory work to fully exert the function of project supervision in quality control.

- ✓ Organised the technical assurance work before the commencement of construction, including construction drawing review, design communication, construction plan design and proposal review.

- ✓ Effective control was exercised on construction equipment and materials through sample review and approval, sealed sample management, random checks and acceptance inspection.

- ✓ Performed daily supervision and checking on the process, quality and quality assurance measures of construction projects. Categorised control was exercised at quality control points and corresponding measures were adopted for effective control.

- ✓ Periodically assessed the construction quality and product quality of contractors and suppliers.

- ✓ Formulated an emergency response plan for quality-related incidents and arranged for the implementation of emergency response actions.

- ✓ Set up a system on acceptance inspection upon completion and delivery management, under which pre-inspection and pre-assessment of quality would be performed before the completion and delivery of a project, and construction units would be urged to finish the repairs in case of any defects in quality.

Customer Service and Customers' Rights and Interests

Aiming at providing customer-oriented services, the Group exercises stringent control on the quality of its projects and products in order to provide customers with a comfortable working and living environment. Complaints submitted by tenants of the Group's self-owned properties are coordinated and handled by the property and commercial management department, which would then pass the issue raised by the tenants to the relevant engineering and technical departments and perform effective communication and on-site control. During the reporting period, the Group provided premium services to customers and did not receive any material complaints.

The Group strictly complies with the Law of the People's Republic of China on the Protection of the Rights and Interests of Consumers (《中華人民共和國消費者權益保護法》) and all the data and private information of customers are kept confidential. Project development companies under the Group store the data and private information of customers in the Group's management system and customers' files are placed under classified management. The Staff Manual of the Group contains the standards on the implementation of confidentiality measures. Employees are required to keep strictly confidential all customers' data and are prohibited from divulging such data in any way. If an employee discovers that any customer data has been or might have been divulged, he/she should take remedial measure immediately and report the same to the Administrative and Human Resources Centre in a timely manner.

Advertising and Intellectual Property Protection

In respect of advertising, the Group strictly adheres to national and local laws and regulations on advertising, including the Advertising Law of the People's Republic of China (《中華人民共和國廣告法》) and the Administrative Measures on Outdoor Advertising Facilities in Shanghai (《上海市戶外廣告設施管理辦法》), to ensure that all advertisements published by the Group comply with the requirements of the government and industry and do not mislead the general public. As for intellectual property protection, the Group properly manages its construction design patents and trademark registrations. Specific clauses on intellectual property protection are written in applicable contracts to explicitly set out the copyrights and rights to use of the relevant design patents and registered trademarks and state that no third-party intellectual property or trade secrets shall be infringed upon. Besides, the Group has not been involved in any product and service labelling due to the nature of its industry. During the reporting period, the Group was not involved in any violation of the relevant laws and regulations on intellectual property and advertising.

4.2 Supply Chain Management

With the objective of building a harmonious enterprise, the Group creates a sustainable supply chain with the best quality and services by creating a win-win situation for upstream and downstream suppliers and customers. To manage the cooperation with suppliers (including construction contractors and construction designers), the Group formulated policies such as the Qualified Project Supplier Administrative Measures and SIUD Design Supplier Database Management System to standardise supplier management:

✓ Established a supplier listing mechanism for refined management;

✓ Set up a supplier access mechanism. The Group would collect information about suppliers from a wide range of channels, including through the subsidiaries of the Group, to establish and continually expand the supplier list. The Group would conduct preliminary review on the information provided by suppliers to initially determine whether the scope of operation, service area, qualifications and main performance of the suppliers are in line with project requirements. The Group would pay physical visits to suppliers who have met the requirements and passed the preliminary review process. Suppliers who have met the rating standards during physical visits would be added to the Group's database;

✓ Conducted annual assessment on suppliers who completed their contracts through the assessment mechanism. As an essential part of the supply-chain risk management of the Group, the assessment was performed mainly based on the following factors: the quality of services, construction and products; whether the contract was followed for the checkpoints of the construction period or for the progress of service or product supply; overall cooperativeness; level of acceptance for order modifications; cooperativeness in settlement and payment; staff quality; service quality during the warranty period or after-sales service quality; and product maintenance, etc.;

✓ Updated the list of suppliers annually, and priority was given to the qualified suppliers on the list to ensure that the quality of the products and services provided by the selected suppliers were up to standard; and

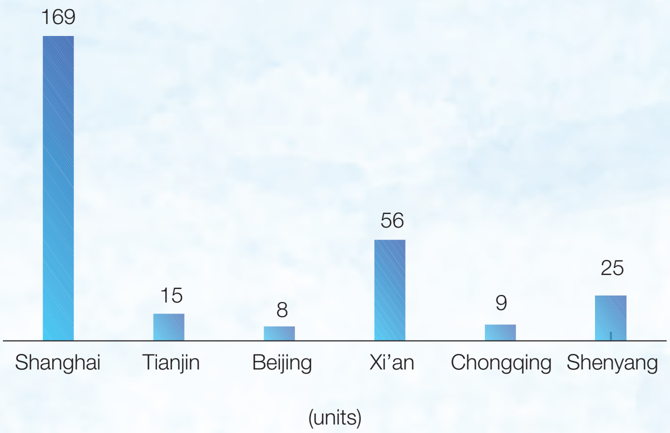
✓ Established a long-term, steady and reliable list of suppliers through informational management to safeguard the Group's interests.

If, after investigation by the Group, any of the following issues were substantiated, a supplier would be disqualified upon completion of the approval process for database removal:

- Involvement in quality-related incidents and other negative events which brought about serious social impact;
- Frequent failure in meeting the schedule in terms of project progress, delivering the products on time and providing up-to-standard services;
- Loss of competitive edge in the market in terms of service pricing;
- Sudden withdrawal after responding favourably in writing to a tender invitation without any justifications;
- Bid-rigging, collusive bidding or bribery during a bid;
- Threatening a property owner with issues such as property delivery or peasant workers and causing a loss as a result;
- Loss of contact; and
- Failure in passing the annual supplier assessment.

During the reporting period, there were totally 282 suppliers in the supplier database of the Group and a total of 234 suppliers passed the above assessment.

Number of suppliers by place of operation



4.3 Anti-corruption

As a corporation taking a stringent approach to compliance with applicable laws and regulations, the Group strongly believes that anti-corruption is the foundation of controlling business risk and safeguarding social fairness and justice. The Group has zero tolerance for any forms of corruption, including bribery, extortion, fraud and money laundering. Anti-corruption is also a part continuously emphasised by the Group in staff education. During the reporting period, the Group strictly abided by national and local laws and regulations on anti-corruption, including the Criminal Law of the People's Republic of China (《中華人民共和國刑法》), the Anti-Unfair Competition Law of the People's Republic of China (《中華和人民共和國反不正當競爭法》), the Anti-Money Laundering Law of the People's Republic of China (《中華人民共和國反洗錢法》) and the Prevention of Bribery Ordinance, and was not involved in any litigation related to corruption.

The Staff Manual of the Group stipulates that employees should uphold the professional ethics of being law-abiding, clean, honest and dedicated as promoted by the Group, and abide by all the anti-corruption codes. The Commission for Discipline Inspection of the Group is responsible for conducting anti-corruption education and investigation and handling anti-corruption cases.

The Group adopts a top-down approach in anti-corruption. All directors and senior management of the Group play a leading role in promoting integrated and disciplined practices in our operations. General managers from various functional departments and subsidiaries are incorporated into the accountability system of integrity building. During the reporting period, the Group organised an integrity talk for 16 middle managerial staff who were led and newly appointed by the Group from 2018 to 2019. In addition, to further strengthen its anti-corruption efforts, the Group organised all cadres to attend a closed book examination on "**Integrity Practice Knowledge**" and signed an "**Integrity Practice Commitment**" with the middle managerial staff. The Group also led the employees to take a closer look at typical non-compliant cases to help them stay alert to anti-corruption.

5 CARE FOR ENVIRONMENTAL PROTECTION

Against the backdrop of serious threats faced by the global environment, adopting an economic development model that can co-exist with the natural environment in harmony has become the general trend for the society and enterprises as a whole. Energy saving, emission reduction and promotion of green economy are the main duties of the Group in performing its environmental and social responsibility. The Group applies the idea of environmental protection to every part of its real estate development and property operation, ranging from planning, procurement, construction to property management etc. During the reporting period, the main operating premises of the Group were offices, commercial properties and construction sites, and their major possible impact on the environment included emissions of greenhouse gas and air pollutants due to the electricity and fuels used, generation of solid wastes, consumption of energy and water resources, and dusty materials, sewage and noises caused by construction, etc. The project development companies under the Group require the main contractors of their constructions-in-progress to carry out environmental protection measures and prepare and strictly enforce emergency response plans (special proposals) in accordance with the relevant laws, regulations and policies of the places where the projects are located.

The relevant laws and regulations related to the environment observed by the Group during the reporting period (including but not limited to)

- Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》)
- Energy Conservation Law of the People's Republic of China (《中華人民共和國節約能源法》)
- Law of the People's Republic of China on the Prevention and Control of Environmental Noise Pollution (《中華人民共和國環境噪聲污染防治法》)
- Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》)
- Water Law of the People's Republic of China (《中華人民共和國水法》)
- Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治法》)
- Environmental Impact Assessment Law of the People's Republic of China (《中華人民共和國環境影響評價法》)
- Evaluation Standard for Green Buildings (《綠色建築評價標準》)
- Shanghai Household Waste Management Regulations (《上海市生活垃圾管理條例》)

5.1 Green Buildings

All of the residential and public construction projects developed by the Group are managed according to the relevant national and local regulations and design standards. During the design stage of all of the Group's projects, professional institutions were hired to perform environmental impact appraisal, formulate an environment management checklist for the construction period and develop environmental protection measures for the operation period. The Group adopted appropriate control measures to handle the emissions and resource consumption throughout the lifecycle of its buildings in order to minimise the impact of the projects on the surrounding waters, atmosphere and ecological environment, as well as noise pollution.

Project design

The residential and public construction projects developed by the Group are located across different regions in China. The project development companies are in compliance with the national and local energy-saving design standards for buildings, and have satisfied the requirements regarding construction thermal performance, energy efficiency of building services, performance of water-saving appliances and utilization of renewable energy. On this basis, the Group seeks to exceed the energy-saving and environmental protection design standards by adopting a series of land-saving, energy-saving, water-conserving and material-saving designs in order to minimise the environmental impact of the buildings throughout their lifecycle. During the reporting period, Tower 3 of plot no. L-2 of the Binjiang U Center project, a development project of the Group, obtained the Two-star Green Building Design Label Certificate.

Project construction

During the stage of project development, the Group manages the projects according to the environment management checklist for the construction period and the relevant national and local environmental laws and regulations, requires the construction contractors to fully implement the above requirements and monitors their performance.

Air pollutants	The air pollution produced during construction mainly comes from the stages of foundation construction, structural construction and decorative construction. The Group has identified several sources of pollution, including fugitive dust emission from road works, vehicle transportation, earthwork and operation of civil machinery, and formulated the corresponding preventive and control measures. The daily measures adopted on construction sites against air pollution include installing spray devices, using water mist cannon and mobile water bowser, and registering and cleaning the vehicles entering and leaving the construction sites.
Water resources	As for the use of water resources, the development projects of the Group are located in major cities in China, which do not have any problems of water sourcing or scarce water resources. The Group uses water-saving equipment and adopts water-conserving measures on construction sites in order to save water. For example, the Group has constructed a water reclamation facility to collect and treat rainwater for greenery irrigation and road cleaning, etc. Other water-saving equipment, such as sanitary ware of higher water efficiency and water usage measuring devices, are also used. The Group also regularly calculates the water consumption of its project construction sites and controls the use of water resources. With regard to sewage treatment in the construction areas, the Group has constructed gullies on construction sites to collect sewage for treatment in sedimentation tanks before connecting to the municipal rainwater pipelines. The Group has also set up grease traps in onsite canteens and septic tanks in washrooms. Sewage is filtered through sewage screens before entering the effluent pipelines.
Hazardous and non-hazardous waste	Hazardous waste and construction waste produced from the construction process are managed separately. All of the wastes are handled properly. To treat different types of wastes, the Group has designed different collection points for source separation. All hazardous waste and construction waste are handled by professional recycling organisations.
Other environmental protection measures	Apart from the above environmental protection measures, the Group also encourages its staff members to devote themselves into technical renovation, process optimisation, energy saving and consumption reduction, innovation management and waste reusing. Through active promotion and staff participation, all staff members have realised the importance of building energy-saving green projects and establishing a resource-saving enterprise. On this basis, the Group seriously fulfils its responsibility of saving energy and reducing emissions. At the construction stage, the Group focuses on the adoption of recyclable materials and prefabricated construction method to reduce environmental pollutions.

Project operation

The Group strictly regulates energy consumption, water consumption and waste management during the project operation process. With regard to the use of energy, the Group gradually upgrades and reforms the existing commercial projects by enhancing the maintenance structure and thermal insulation capability of existing buildings through improving the energy efficiency of electromechanical system and by maximising energy savings through retrofitting environmentally-friendly treatment facilities. As for the use of water resources, the Group has renovated the water taps in the public areas of its buildings and adopted water-conserving facilities, such as sensor water taps. As for waste disposal, the Group separately collects the waste, which are then regularly transferred to professional recycling organisations for disposal. The Group has been striving to minimise the environmental impact of the buildings throughout their lifecycle to achieve real sustainable development.

The TODTOWN Development Project

During the construction of TODTOWN, a metro superstructure associate project just above Xinzhuang Station in Shanghai, the Group managed to achieve environmentally friendly and low-carbon development through integrating upstream and downstream resources, strictly controlling each green key performance indicator (KPI), and emphasising energy saving and emission reduction throughout the stages of design, procurement and construction. During the development and construction of the project, the Group adopted an innovative approach in developing the rooftop space to fully utilise the limited land resources in the surroundings with a focus on rational planning of building forms. The Group adopted new energy-saving and consumption-reducing techniques and materials, and actively employed and explored green construction techniques during the construction process. The transit-oriented development (TOD) model used by TODTOWN was also the best practice of promoting green travel, green living and green working.

The Group spared no effort in selecting and using environmentally-friendly materials for the construction project and in satisfying low carbon requirements at a higher cost. The Group also took the initiative to apply for environmental assessment certification for the project. In particular, the T18 A-grade office building obtained the gold level pre-certification under the most internationally influential Leadership in Energy and Environmental Design (LEED) programme of the United States at the design stage, making it one of the few projects that received the LEED gold level pre-certification in Minhang District, Shanghai.

The Binjiang U Center Development Project

Being adjacent to Huangpu River in Shanghai, the Binjiang U Center project is situated at the hub of Binjiang, Xuhui. By fully capitalising on the advantages of the waterfront, the project provides a modernised green office experience as an urban waterfront commercial center landmark.

Centred around the design idea of "**open area, energy saving, waterfront vitality and interactive connection**", Binjiang U Center has realised the perfect union of "**people, architecture and environment**" with its international outlook and top quality. The general construction design is based on the idea of a patio, creating a humane open green area while providing great waterfront accessibility on each land plot. The project attained the gold construction standards under the WELL Building Standards (WELL) of the United States and LEED in its construction planning. It has earned the WELL pre-certification for its T1 and T2 towers, and the LEED pre-certification for lot no. 2, 3 and 4.

5.2 Green Office

The major environmental impact caused by the Group's office premises during their operations includes consumption of energy, water resources and office supplies as well as carbon emission resulted from energy usage.

Use of electricity	✓ Purchase energy-saving office electrical appliances and equipment and LED lighting ✓ Set the power-saving mode as default in printers and computers ✓ Require staff members of all divisions to switch off lightings and computers during non-office hours ✓ Promote the reduced use of air-conditioning and minimise the difference between the air-conditioning temperature and outdoor temperature while using an air-conditioner
Use of water resources	✓ Implement new water consumption standards and centralise water supply to enhance water efficiency, save water and reduce emissions.
Waste disposal	✓ Provide waste separation bins in the office area ✓ All electronic wastes are handled separately from usual office waste ✓ Daily wastes are cleaned up in a timely manner, while office and household wastes are collected by the relevant buildings for unified disposal by property management companies
Indoor air quality	✓ Strictly enforce the regulations related to smoking ban and tobacco control. Smoking is prohibited in all office areas and no-smoking signs are placed in prominent positions
Management of office supplies	✓ Promote paperless office among staff members and reducing paper printing ✓ Office supplies are procured, stored, distributed and lent by the Administrative and Human Resources Centre. Each department may submit procurement application to the Administrative and Human Resources Centre based on its own needs
Management of motor vehicles	✓ In the acquisition of new motor vehicles, new energy vehicles and multi-purpose vehicles are the Group's top priority to reduce energy consumption and emission of air pollutants ✓ A vehicle dispatch system is implemented for the use of official vehicles, under which a staff member needs to submit an application to the Administrative and Human Resources Centre and fill in an application form for the use of vehicles ✓ Vehicles may only be used upon approval of a vehicle use application, and the use of vehicles is coordinated and arranged in a unified manner by the Administrative and Human Resources Centre

The Waste Separation Thematic Talk

The Shanghai Household Waste Management Regulations took effect on 1 July 2019. In support of the new regulations, in April 2019, Shanghai Huanyu Urban Investment Development Co., Ltd. ("**Shanghai Huanyu**") invited the Environmental and Health Management Division of the Xuhui District Landscaping & City Appearance Administrative Bureau to give a thematic talk on waste separation to all the employees to enhance their awareness and initiative on waste separation.

Separation of household wastes seems trivial but indeed represents a big step forward. Shanghai Huanyu acted as a model itself to promote environmental protection. At the beginning of 2019, Shanghai Huanyu cancelled the use of single-use lunchbox and chopsticks for staff lunch in order to implement the Shanghai Household Waste Management Regulations step by step. Through this waste separation thematic talk, Shanghai Huanyu further fostered the sense of responsibility and self-awareness of staff members in the separation of household waste.

5.3 Environmental Performance

The Group has compiled statistics on and calculated the environmental performance data for the reporting period. Here is the annual data for each type of emission and resources consumption:

Resources consumption

	2019[1]	Unit
Resources consumption		
Electricity consumption	59,459,597.80	kWh
Electricity consumption intensity	69.27	kWh/income in HK$10,000[2]
Water resources consumption	943,880.18	tonne
Water resources consumption intensity	1.10	tonne/income in HK$10,000
Total gasoline consumption (vehicles)	156,119.52	litre
Gasoline consumption intensity (vehicles)[3]	2,262.60	litre/per vehicle
Total ethanol fuel consumption (vehicles)	8,037.88	litre
Ethanol fuel consumption intensity (vehicles)	2,679.29	litre/per vehicle
Total diesel consumption (vehicles)	9,040.78	litre
Diesel consumption intensity (vehicles)	9,040.78	litre/per vehicle
Total natural gas consumption	1,708,524.03	m^3
Natural gas consumption intensity	1.99	m^3/income in HK$10,000
Total purchased heat consumption	1,049.05	GJ
Purchased heat consumption intensity	0.0012	GJ/income in HK$10,000
Total gas consumption	522,662.00	m^3
Gas consumption intensity	0.61	m^3/income in HK$10,000

Notes:

1. All environmental performance data in this report covers the same reporting scope as that of this report with the data for the reporting period as the basis year. A data comparison among different years will be made in the future.

2. For all environmental performance data in this report using the income in HK$10,000 as the denominator for intensity calculation, such income in HK$10,000 is the same as the total revenue of the Group as set out in the annual report, i.e. HK$8,583,906,000.

3. The vehicle fuel consumption intensity is calculated with the respective number of gasoline, ethanol fuel and diesel vehicles, i.e. 69 gasoline vehicles, 3 ethanol fuel vehicles and 1 diesel vehicle.

Emissions

	2019[1]	Unit
Emission of air pollutants from vehicles		
CO emissions	1,142.17	kg
NOx emissions	376.02	kg
SOx emissions	2.64	kg
PM2.5 emissions	17.48	kg
PM10 emissions	19.22	kg
Greenhouse gas emissions[4]		
— Scope 1		
Emission from vehicles	390.54	tonne
Greenhouse gas emission from refrigerants	875.30	tonne
Emission from natural gas consumption	3,694.06	tonne
Emission from gas consumption	365.72	tonne
Greenhouse gas offset by owned trees	–13.27	tonne
— Scope 2		
Emission from electricity consumption	40,875.07	tonne
Emission from purchased heat consumption	115.40	tonne
— Total emissions		
Total greenhouse gas emissions	46,302.80	tonne
Total greenhouse gas emission intensity	0.054	tonne/income in HK$10,000

Note:

4. Greenhouse gas emissions are calculated in tonnes of carbon dioxide equivalent (tCO_2e).

Solid waste

	2019[1]	Unit
Non-hazardous waste produced		
— Household waste		
Volume produced	4,128,724.56	kg
Volume recycled	2,454,719.00	kg
Intensity	4.81	kg/income in HK$10,000
— Waste paper		
Volume produced	16,363.30	kg
Volume recycled	13,939.30	kg
Intensity	0.019	kg/income in HK$10,000
— Plastic		
Volume produced	4,809.20	kg
Volume recycled	4,732.00	kg
Intensity	0.0056	kg/income in HK$10,000
— Metal		
Volume produced	3,100.00	kg
Volume recycled	3,100.00	kg
Intensity	0.0036	kg/income in HK$10,000
— Food waste		
Volume produced	1,759,129.67	kg
Volume recycled	1,187,967.00	kg
Intensity	2.05	kg/income in HK$10,000
Hazardous waste produced		
— Fluorescent tube		
Volume produced	9,165.00	unit
Volume recycled	6,142.00	unit
Intensity	0.011	unit/income in HK$10,000
— Old battery		
Volume produced	5,832.00	unit
Volume recycled	4,157.00	unit
Intensity	0.0068	unit/income in HK$10,000
— Printer cartridge		
Volume produced	961.00	unit
Volume recycled	509.00	unit
Intensity	0.0011	unit/income in HK$10,000

6 CARE FOR COMMUNITY

SIUD has always considered promotion of justice and contribution to the society as the responsibilities and obligations of a corporate citizen. The Group has been fulfilling its corporate social responsibilities and contributing to the areas of education, charity and mutual community development. In the future, SIUD will continue to adhere to the social responsibility as a corporate citizen, providing full support to rural education and promoting regional harmonious development. During the reporting period, the Group arranged its staff to actively participate in community, charitable and voluntary activities, such as voluntary service "**Walk of Civilization**" (文明行路) and blood donation. With a continued focus on art, education, environmental protection and poverty relief, the Group enhanced the systematic organisation and planning of its charity and community activities and innovated the way it carried out charity and community activities in line with the corporation branding campaign, in order to build the brand image of "**SIUD community service**".

The major donations made by the Group during the reporting period included:

1. Joined Shanghai Industrial Investment (Holdings) Co., Ltd. in making donations to Chongming District, Shanghai and made a donation of RMB1 million;

2. Sponsored two poor undergraduate students graduated from the Liu'an SUD Hope Primary School (六安城開希望小學) each year (RMB4,000 for each); and

3. Donated RMB150,000 to the Shanghai Charity Foundation Xuhui District Division.

The Group also launched several charitable programmes to help the needy in the society:

Poverty Relief through Education — Hope School

In November 2019, a team of 20 people from the Group, comprising the Group's leading team, party representatives and volunteers, visited the Liu'an SUD Hope Primary School in Anhui to launch a charitable volunteer activity under the theme of "**fulfilling initial aspiration, realising dreams and creating hopes**" (踐行初心、「**城**」就夢想、放飛希望). In order to support the educational development in Liu'an, which is an old revolutionary base area, the Group joined the Shanghai Charity Foundation Xuhui District Division and Yuan Education and Physical Education Bureau of Liu'an City in constructing a new stadium with plastic running tracks for the Hope Primary School and giving out free learning materials to provide a more comfortable and standard stadium for the children, in an effort to achieve the objective of providing quality and balanced education at the SUD Hope Primary School.

"Arts with Children" Care for Children Programme (「藝啟童行」兒童關愛計劃)

The "**Arts with Children**" charity branding campaign aims at showing care for children through arts experiences and combining arts and culture with charitable work. By calling on the general public to actively participate in charity, the campaign hopes to transmit our culture, spirit and passion to the children who are in need of social care and establish a charitable platform with arts as a bonding bridge to spread positive energy in the society.

In 2019, by incorporating the idea of environmental protection in puppet performance, the "**Arts with Children**" charitable campaign organised a puppet comedy show tour called "**Pure Earth, Happy Puppet Show**" (**純淨地球，歡樂「偶」像行**) in Binjiang. The green puppet show toured four times in primary schools, kindergartens, Kang Jian Garden and construction sites. The activity not only garnered support and care from the Xuhui District government, but also received generous support and high commendation from the society.

"Wanyuan Spark" Village Teacher Summer Training Activity for Charity (「萬源星火」鄉村教師暑期公益培訓活動)

The Group's care for village teachers started in 2013. The Group worked hand-in-hand with the Minhang District Commission of the China Association for Promoting Democracy and the Shanghai United International School, Wanyuan Campus to launch the "**Wanyuan Spark**" Village Teacher Summer Training Activity for Charity. This activity has been a success so far and has benefited more than 90 village teachers from Guizhou, Anhui and Sichuan over the past 6 years with very positive responses received. On 20 August 2019, 13 village teachers from Yunnan came to Shanghai to join the 7th "**Wanyuan Spark**" Village Teacher Training Activity for Charity for 2019. During the 5-day training, the Minhang Institution of Education arranged a wide variety of rich training contents targeting the different subjects taught by the teachers in order to help widen the horizon of the village teachers and enhance their comprehensive quality.

On 27 August 2019, the “**Sharing Sunshine and Mutual Growth**” 2019 Urban Cradle Seminar for Shanghai and Yunnan Teachers” (「**同享陽光，共助成長**」2019萬源城滬滇教師座談會) was held at the Shanghai United International School, Wanyuan Campus to let the teachers trained under the “**Wanyuan Spark**” programme discuss their insights gained from, and their suggestions to, this training activity. Working with the charity brand “**Wanyuan Spark**”, the Group invited village teachers to join the Shanghai teacher training team in an effort to provide exchange opportunities among urban and village teachers. Meanwhile, the Group also hoped that, by making use of this exchange experience as a starting point, the participating teachers could bring new teaching methods and ideas back to their own schools to enhance the quality of local teachers and create a better growth environment for children.

CONTENT INDEX OF THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE

A. ENVIRONMENTAL			
Item		Description	Reference or explanation
Aspect A1: Emissions			
General Disclosure		Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste	Environmental Management Green Buildings Green Office
Key Performance Indicators	A1.1	The types of emissions and respective emissions data	Environmental Performance
	A1.2	Greenhouse gas emissions in total and, where appropriate, intensity	Environmental Performance
	A1.3	Total hazardous waste produced and, where appropriate, intensity	Environmental Performance
	A1.4	Total non-hazardous waste produced and, where appropriate, intensity	Environmental Performance
	A1.5	Description of measures to mitigate emissions and results achieved	Green Buildings Green Office
	A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	Green Buildings Green Office
Aspect A2: Use of Resources			
General Disclosure		Policies on the efficient use of resources	Green Buildings Green Office
Key Performance Indicators	A2.1	Direct and/or indirect energy consumption by type in total and intensity	Environmental Performance
	A2.2	Water consumption in total and intensity	Environmental Performance
	A2.3	Description of energy use efficiency initiatives and results achieved	Green Buildings Green Office
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	Green Buildings Green Office
	A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced	Not involved in the consumption of packaging materials due to its business nature

A. ENVIRONMENTAL			
Item		**Description**	**Reference or explanation**
Aspect A3: The Environment and Natural Resources			
General Disclosure		Policies on minimising the issuer's significant impact on the environment and natural resources	Green Buildings
Key Performance Indicators	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	Environmental Management Green Buildings

B. SOCIAL			
Item		**Description**	**Reference or explanation**
Aspect B1: Employment			
General Disclosure		Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare	Talent Recruitment and Retention
Recommended Disclosures	B1.1	Total workforce by gender, employment type, age group and geographical region	Talent Recruitment and Retention
	B1.2	Employee turnover rate by gender, age group and geographical region	Talent Recruitment and Retention
Aspect B2: Health and Safety			
General Disclosure		Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards	Occupational Health and Safety
Recommended Disclosures	B2.1	Number and rate of work-related fatalities	Occupational Health and Safety
	B2.2	Lost days due to work injury	Occupational Health and Safety
	B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	Occupational Health and Safety

B. SOCIAL			
Item		Description	Reference or explanation
Aspect B3: Development and Training			
General Disclosure		Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities	Employee Development and Training
Recommended Disclosures	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management)	Employee Development and Training
	B3.2	The average training hours completed per employee by gender and employee category	Employee Development and Training
Aspect B4: Labour Standards			
General Disclosure		Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour	Talent Recruitment and Retention
Recommended Disclosures	B4.1	Description of measures to review employment practices to avoid child and forced labour	Talent Recruitment and Retention
	B4.2	Description of steps taken to eliminate such practices when discovered	/
Aspect B5: Supply Chain Management			
General Disclosure		Policies on managing environmental and social risks of the supply chain	Supply Chain Management
Recommended Disclosures	B5.1	Number of suppliers by geographical region	Supply Chain Management
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	Supply Chain Management

B. SOCIAL			
Item		Description	Reference or explanation
Aspect B6: Product Responsibility			
General Disclosure		Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility
Recommended Disclosures	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	Product Responsibility
	B6.2	Number of products and service related complaints received and how they are dealt with	Product Responsibility
	B6.3	Description of practices relating to observing and protecting intellectual property rights	Product Responsibility
	B6.4	Description of quality assurance process and recall procedures	Product Responsibility
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	Product Responsibility
Aspect B7: Anti-corruption			
General Disclosure		Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption
Recommended Disclosures	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	Anti-corruption
	B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	/
Aspect B8: Community Investment			
General Disclosure		Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests	Giving back to the Community
Recommended Disclosures	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport)	Giving back to the Community
	B8.2	Resources contributed (e.g. money or time) to the focus area	Giving back to the Community

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Zeng Ming
Chairman, Executive Director and Chairman of the Nomination Committee

Mr. Zhou Xiong
Vice Chairman, President, Executive Director and Member of the Investment Appraisal Committee

Mr. Lou Jun
Executive Director

Mr. Fei Zuoxiang
Executive Director

Mr. Ye Weiqi
Executive Director, Vice President and Member of the Remuneration Committee

Mr. Zhong Tao
Executive Director, Vice President and Member of the Investment Appraisal Committee

Mr. Doo Wai-Hoi, William, *J.P.*
Independent Non-executive Director, Chairman of the Remuneration Committee, Members of the Audit Committee and the Nomination Committee

Mr. Fan Ren Da, Anthony
Independent Non-executive Director, Chairman of the Investment Appraisal Committee, Members of the Audit Committee, the Remuneration Committee and the Nomination Committee

Mr. Li Ka Fai, David
Independent Non-executive Director and Chairman of the Audit Committee

Mr. Qiao Zhigang
Independent Non-executive Director and Member of the Investment Appraisal Committee

EXECUTIVE DIRECTORS

Mr. Zeng Ming, Chairman, Executive Director and Chairman of the Nomination Committee

Mr. Zeng, aged 49, was appointed as the chairman of the Board, an executive Director and the chairman of the Nomination Committee on 23 May 2018.

He is a director of Shanghai Industrial Investment (Holdings) Company Limited (a controlling shareholder of the Company) and the chairman of Shanghai Industrial Development Co., Ltd. ("**SIDC**"), a joint stock limited liability company listed on the Shanghai Stock Exchange (stock code: 600748). SIDC is a subsidiary of Shanghai Industrial Holdings Limited, which is the holding company of the Company. He graduated from Shanghai Urban Construction Vocational Institute with a Bachelor of engineering and holds the qualification of a senior engineer. Mr. Zeng was a deputy head of Shanghai Highway Administration Office, a deputy officer of Shanghai Huchong Yuejiang Passageway Preparatory Office, a deputy general manager of Shanghai Huchong Yuejiang Passageway Investment Co., Ltd., head of finance division and the construction and operation management division of the Shanghai Municipal Engineering Administration Bureau, head of the construction market supervision division of Shanghai Municipal Urban-Rural Development and Transportation Commission, chief of Shanghai Municipal Building Industry Management Office and deputy general manager of China Construction Eighth Engineering Division Corp. Ltd. He has over 20 years' experience in corporate management. He is also the chairman of Shanghai Urban Development (Holdings) Co., Ltd. ("**SUD**"), and a director of Continental Land Development Limited, Joy Century Investments Limited, Advantage World Investment Limited, Pheonix Real Properties Limited and Silvery Champ Limited, the subsidiaries of the Company.

Mr. Zhou Xiong, Vice Chairman, President, Executive Director and Member of the Investment Appraisal Committee

Mr. Zhou, aged 53, was appointed as the vice chairman of the Board, the President of the Company, an executive Director and a member of the Investment Appraisal Committee on 23 May 2018.

He is currently an assistant president of Shanghai Industrial Investment (Holdings) Company Limited, a controlling shareholder of the Company. He graduated from the Department of Finance of the School of Economics, Xiamen University with a doctorate degree in economics. He also received a master's degree in executive business administration from Peking University. He was previously the issuance manager of the Xiamen operations department of 華夏證券有限公司, deputy director of the corporate management department of the People's Daily Bureau, deputy general manager of 廈門聯合信託投資有限責任公司 and director and president of Zhongtai Trust Co., Ltd.

Mr. Lou Jun, Executive Director

Mr. Lou, aged 48, was appointed as an executive Director on 30 June 2017. He is a director, vice president, general manager of the board office and general manager of the executive office of Shanghai Industrial Investment (Holdings) Company Limited. He obtained a bachelor's degree in law and graduated from the Youth Work Department of the China Youth University of Political Studies, majoring in political education. In 2008, he acted as deputy director of the general office of the Foreign Affairs Office of the Shanghai Municipal People's Government (Hong Kong and Macao Affairs Office of the Shanghai Municipal People's Government) and was seconded to the Standing Committee Office of Shanghai Municipal People's Congress as the leading secretary of the standing committee. He previously acted as the leading secretary of the Standing Committee of Shanghai Municipal People's Congress and director of the general supervision department of the Standing Committee Office of Shanghai Municipal People's Congress.

Mr. Fei Zuoxiang, Executive Director

Mr. Fei, aged 55, was appointed as an executive Director on 30 June 2017. He is the vice chairman of SUD. He graduated from Shanghai Second Light Industry School, majoring in financial accounting for industrial enterprises, and is a senior accountant. He was previously an accountant of the Shanghai Pujiang Metalwork Factory (上海浦江金屬品廠), cadre of the Xuhui District Audit Bureau, head of the general business division of the Xuhui District Audit Bureau and director of the Xuhui District Finance Bureau.

Mr. Ye Weiqi, Executive Director, Vice President and Member of the Remuneration Committee

Mr. Ye, aged 56, was appointed as an executive Director on 22 March 2013. He is also a vice president and a member of the remuneration committee of the Company. Mr. Ye has a master's degree in business administration from EIPOS Europäisches Institut für postgraduate Bildung an der Technischen Universität Dresden in 2002 and a master's degree in business administration from Arizona State University in 2008. He was the finance manager of finance department of Shanghai Far East Aviation Technology Import and Export Company, the manager of budget finance department of Shanghai Great World Plaza Company Limited, the deputy manager of budget finance department of Shanghai Great World (Group) Company prior to his employment with the Group. He was also the director of the auditing office, manager of investment and development department and assistant to the general manager of SUD. He is currently a director and president of SUD and the chairman of Shanghai Huanyu Urban Investment and Development Co., Ltd.

Mr. Zhong Tao, Executive Director, Vice President and Member of the Investment Appraisal Committee

Mr. Zhong, aged 47, was appointed as an executive Director and a member of the Investment Appraisal Committee on 30 June 2017. He is also a vice president of the Company. He obtained a master's degree in business management from Shanghai Fudan University in 1998. He was a project manager of Shanghai Industrial Real Property Group (Shanghai) Company Limited, an assistant to the general manager of Shanghai Galaxy Digital Investment Company Limited, and the chief planning officer of Shanghai Industrial Management (Shanghai) Company Limited prior to his employment with the Company. He is also currently a director and vice president of SUD, and the chairman of each of the intercity companies in Beijing, Tianjin and Shenyang.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Doo Wai-Hoi, William, *J.P.*, Independent Non-executive Director, Chairman of the Remuneration Committee, Members of the Audit Committee and the Nomination Committee

Mr. Doo, aged 75, was appointed as an independent non-executive Director on 5 July 2010. He is the chairman of the Remuneration Committee and a member of the Audit Committee. He was appointed as a member of the Nomination Committee on 3 August 2015. Mr. Doo is the chairman and sole shareholder of Fungseng Prosperity Holdings Limited. In addition, he was appointed as a National Committee Member of the 12th Chinese People's Political Consultative Conference in February 2013. Mr. Doo is also the Honorary Consul General of the Kingdom of Morocco in Hong Kong and Macau. Since 1995 he has been serving as a Governor of the Canadian Chamber of Commerce in Hong Kong. In 2008, he was awarded the Chevalier de la Légion d'Honneur by the French Government. He was further awarded the Officier del'Ordre National de la Légion d'Honneur in 2019. He is a director of the following listed companies:

Listed Company	Role
Hong Kong listed companies	
• Lifestyle International Holdings Limited (stock code: 1212)	Non-executive director
• New World Development Company Limited (stock code: 17)	Vice chairman and non-executive director

Mr. Fan Ren Da, Anthony, Independent Non-executive Director, Chairman of the Investment Appraisal Committee, Members of the Audit Committee, the Remuneration Committee and the Nomination Committee

Mr. Fan, aged 59, was appointed as an independent non-executive Director on 5 July 2010. He is also the chairman of the Investment Appraisal Committee and members of the Audit Committee, the Remuneration Committee and the Nomination Committee. He has over six years of experience in the property industry. Mr. Fan holds a Master's Degree in Business Administration from the United States of America. He is the founding president of the Hong Kong Independent Non-Executive Director Association. He is also the chairman and managing director of AsiaLink Capital Limited. He is a director of the following listed companies:

Listed Company	Role
Hong Kong listed companies	
• Technovator International Limited (stock code: 1206)	Independent non-executive director, chairmen of the remuneration committee and the risk management committee, members of the audit committee and the nomination committee
• Raymond Industrial Limited (stock code: 229)	Independent non-executive director, members of the remuneration committee, the audit committee and the nomination committee

Listed Company	Role
• Uni-President China Holdings Ltd. (stock code: 220)	Independent non-executive director, chairman of the audit committee, members of the remuneration committee and the investment, strategy and development committee
• China Dili Group (stock code: 1387)	Independent non-executive director and chairman of the audit committee
• Tenfu (Cayman) Holdings Company Limited (stock code: 6868)	Independent non-executive director, chairman of the remuneration committee, members of the audit committee and the nomination committee
• CITIC Resources Holdings Limited (stock code: 1205)	Independent non-executive director, chairman of the audit committee, members of the remuneration committee, the nomination committee and the risk management committee
• Hong Kong Resources Holdings Company Limited (stock code: 2882)	Independent non-executive director, members of the audit committee, the nomination committee and the remuneration committee
• China Development Bank International Investment Limited (stock code:1062)	Independent non-executive director, members of the audit committee, the nomination committee and the remuneration committee
• Neo-Neon Holdings Limited (stock code:1868)	Independent non-executive director, chairman of the risk management and regulatory compliance committee, members of the audit committee, the remuneration committee and the nomination committee
• Semiconductor Manufacturing International Corporation (stock code: 981)	Independent non-executive director, chairman of the audit committee and member of the nomination committee

Mr. Li Ka Fai, David, Independent Non-executive Director and Chairman of the Audit Committee

Mr. Li, aged 64, was appointed as an independent non-executive Director on 5 July 2010. He is the chairman of the Audit Committee. He was the deputy managing partner of Li, Tang, Chen & Co. CPA (Practising) till 31 December 2019 and thereafter, he is the senior advisor of SHINEWING (HK) CPA Limited. He is also a fellow of the Association of Chartered Certified Accountants, United Kingdom. Mr. Li has over thirteen years of experience in the property industry. He is a director of the following listed companies:

Listed Company	Role
Hong Kong listed companies	
• Goldlion Holdings Limited (stock code: 533)	Independent non-executive director, chairman of the audit committee, members of the nomination committee and the remuneration committee
• China-Hongkong Photo Products Holdings Limited (stock code: 1123)	Independent non-executive director, chairman of the audit committee, members of the nomination committee and the remuneration committee
• Cosmopolitan International Holdings Limited (stock code: 120)	Independent non-executive director, chairman of the audit committee, members of the nomination committee and the remuneration committee

Listed Company	Role
• AVIC International Holding (HK) Limited (stock code: 232)	Independent non-executive director, members of the audit committee and the remuneration committee
• China Merchants Port Holdings Company Limited (stock code: 144)	Independent non-executive director, chairman of the remuneration committee, members of the audit committee and the nomination committee
• Wai Yuen Tong Medicine Holdings Limited (stock code: 897)	Independent non-executive director and chairman of the audit committee
• CR Construction Group Holdings Limited (stock code: 1582)	Independent non-executive director, chairman of the audit committee and the remuneration committee and member of nomination committee

Mr. Qiao Zhigang, Independent Non-executive Director and Member of the Investment Appraisal Committee

Mr. Qiao Zhigang, aged 52, was appointed as an independent non-executive Director and a member of the Investment Appraisal Committee on 28 September 2017. He is currently a member of the investment decision committee of Shanghai Yicheng Investment Management Co., Ltd. (上海頤成投資管理有限公司), a director of Dou Peng Education Science and Technology (Shanghai) Co., Ltd. (豆朋教育科技教育 (上海)有限公司), a director of Shanghai Yinpei Data Management Co., Ltd. (上海銀沛資料管理有限公司), a supervisor of Shanghai Xueban Software Co., Ltd. (上海學伴軟體有限公司), a director of Shanghai Royoung Biotech Co., Ltd. (上海融揚生物技術有限公司) and a director of Shanghai Nianfu Intelligent Technology Co., Ltd. (上海捻福智能科技有限公司).

Mr. Qiao graduated from Shanghai Fudan University with a bachelor's degree and a master's degree in computer as well as a doctor's degree in management. He also obtained an executive master degree of business administration from China Europe International Business School. He previously served as the chairman of Shanghai Fudan Kingstar Computer Co., Ltd., a director of Shanghai Shuwei Information Technology Co., Ltd. and Shanghai Ma Ke Bo Luo E-Commerce Limited, the deputy officer of Shanghai Municipal Commission of Informatization, the deputy district head of Shanghai Changning District People's Government and the vice general manager of Shenergy (Group) Co., Ltd. As for social responsibilities, he was the executive chairman of the Junior Chamber of Shanghai Pudong, the vice director of Shanghai Software Industry Association, the vice chairman of Shanghai Young Entrepreneurs Association, the standing committee member of the Shanghai Youth Federation, the vice chairman of Shanghai Financial Youth Federation, the vice chairman of Shanghai Federation of Industry and Commerce (Chamber of Commerce) and the standing committee member of the Shanghai Committee of the Chinese People's Political Consultative Conference.

He has also been named as one of the Ten Outstanding Young Persons of Shanghai Pudong New Area, Ten Outstanding Young Entrepreneurs of Shanghai (Golden Eagle Award), Ten Outstanding Young Persons of Shanghai and the First Session of the Ten Outstanding Young Persons in China's Software Industry.

SENIOR MANAGEMENT

Mr. Li Bin
Vice President

Mr. Li, aged 46, is a vice president of the Company. He was the chief and the independent director of company secretary and information office in Shanghai Xujiahui Commercial Company Limited, the chief of secretary department in Shanghai Xuhui District Committee Office and the supervisor of SUD. Mr. Li received a master's degree in Economics from Shanghai University of Finance and Economics in 2002. He is also an economist and a member of the Chartered Institute of Building (CIOB).

Ms. Zhou Yan
Vice President

Ms. Zhou, aged 52, is a vice president of the Company. She was an executive director of Shanghai Zendai Property Limited (stock code: 755). She received a bachelor's degree in arts from the School of Literature of Shanghai University (a branch of the Fudan University) and a master's degree in business studies from Massey University of New Zealand in 2000. Ms. Zhou has more than 23 years of experience in the real estate industry in the PRC. She is also currently a director and vice president of SUD.

Mr. Yang Yong
Vice President

Mr. Yang, aged 48, is a vice president of the Company. Mr. Yang graduated from Tongji University with a major in real estate management. He used to be the deputy general manager of Shanghai International Group Investment Development Limited. Since December 2015, he has been the vice president of Shanghai Shangtou Asset Management Limited.

Mr. He Bin
Vice President

Mr. He, aged 39, is a vice president of the Company. Mr. He received a bachelor's degree in economics from Fudan University. He was the assistant to the president of the Company and SUD. He has been the general manager of Shanghai Shentian Property Limited (上海莘天置業有限公司) since February 2013. Mr. He is also currently a vice president of SUD.

Mr. Chan Kin Chu, Harry
Company Secretary

Mr. Chan, aged 50, has been the Company Secretary of the Company since 1 June 2011. He was appointed as Board Secretary and Deputy General Counsel in February 2013. Mr. Chan graduated from the University of Hong Kong with a bachelor of laws degree. He also obtained a master of laws degree from The University of London, U.K. and a bachelor of laws degree from Tsinghua University, the PRC. He was admitted to the High Court of Hong Kong Special Administrative Region as a solicitor. Mr. Chan has over twenty years of working experience in legal, compliance and corporate governance matters. Before joining the Group, Mr. Chan worked for a sizable property developer as an in-house counsel.

DIRECTORS' REPORT

The Board presents its annual report and the audited financial statements of the Group for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries, its associates and its joint ventures are set out in notes 49, 21 and 22 to the consolidated financial statements respectively.

BUSINESS REVIEW

The discussion and analysis of the business review of the Group can be found in the section headed "MANAGEMENT DISCUSSION AND ANALYSIS" as set out on pages 12 to 16 of this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2019 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 106 to 107.

The Board recommends the payment of a final dividend of 1.8 HK cents per share in cash and a special dividend of 2.3 HK cents per share in cash for the year ended 31 December 2019 (for the year ended 31 December 2018: final dividend of 1.8 HK cents per share in cash and special dividend of 2.3 HK cents per share in cash) to Shareholders whose names appear on the register of members of the Company at the close of business on Friday, 29 May 2020, subject to approval by the Shareholders at the 2020 AGM. It is expected that the final dividend and special dividend warrants will be despatched to those entitled Shareholders on or around Tuesday, 23 June 2020.

CLOSURE OF REGISTER OF MEMBERS

Entitlement to attend and vote at the 2020 AGM

The 2020 AGM is scheduled to be held on Monday, 18 May 2020. For determining the entitlement to attend and vote at the 2020 AGM, the register of members of the Company will be closed from Wednesday, 13 May 2020 to Monday, 18 May 2020, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the 2020 AGM, unregistered holders of shares of the Company should ensure that all duly completed transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30p.m. on Tuesday, 12 May 2020.

Entitlement to receive the proposed final and special dividend

For determining the entitlement of the Shareholders to receive the proposed final and special dividend, the Company's register of members will be closed from Wednesday, 27 May 2020 to Friday, 29 May 2020, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the proposed final and special dividend (subject to Shareholders' approval at the 2020 AGM), all duly completed transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30p.m. on Tuesday, 26 May 2020.

INVESTMENT PROPERTIES

Details of movements during the year ended 31 December 2019 in investment properties of the Group are set out in note 16 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year ended 31 December 2019 in other property, plant and equipment of the Group are set out in note 17 to the consolidated financial statements.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 221 of this annual report.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 December 2019 are set out in note 37 to the consolidated financial statements.

LOAN AGREEMENT WITH SPECIFIC PERFORMANCE COVENANT ON THE CONTROLLING SHAREHOLDER

As disclosed in the Company's announcement dated 24 November 2016, the Company (as the borrower) entered into a loan agreement (the "**Loan Agreement**") with a bank (as the lender) for a term loan facility in the amount of RMB3,000,000,000 for a term of thirty-six months to repay the shareholders' loans of the Company denominated in foreign currencies. The Loan Agreement provides that Shanghai Industrial Holdings Limited ("**SIHL**"), a controlling shareholder of the Company, shall maintain not less than 51% shareholding interest in the Company, and maintain the ancillary rights to control and manage the Company pertaining to the voting rights in respect of such 51% shareholding interest (the "**Shareholding Covenant**"). A breach of the Shareholding Covenant will constitute a default under the Loan Agreement.

As disclosed in the Company's announcement dated 31 January 2019, the Company (as the borrower) entered into a facility letter (the "**Facility Letter**") with a bank (as the lender) for a revolving loan facility of up to HK$500,000,000 with maturity date being the date falling one year from the acceptance date of the Facility Letter (the "**RL Facility**"). The Facility Letter contains an undertaking by the Company that so long as the RL Facility or any sum thereunder are outstanding, SIHL and/or Shanghai Industrial Investment (Holdings) Company Limited ("**SIIC**") (both being controlling shareholders of the Company) shall collectively directly or indirectly own not less than 51% of the total share capital of the Company and maintain management control of the Company (the "**Shareholding and Management Covenant**"). A breach of the Shareholding and Management Covenant will constitute a default under the Facility Letter.

As disclosed in the Company's announcement dated 22 November 2019, the Company (as the borrower) entered into a loan agreement with a bank (as a lender) for a term loan facility in the amount of RMB1,690,000,000 for a term of eighteen months. The loan agreement provides that SIIC, being a controlling shareholder of the Company and SIHL, shall directly or indirectly own not less than 51% of the total share capital of the Company and maintain management control of the Company (the "**Shareholding and Management Covenant**"). A breach of the Shareholding and Management Covenant will constitute a default under the loan agreement.

As at 31 December 2019, SIHL and SIIC are beneficially interested in approximately 48.45% and 64.31%, respectively, of the total issued share capital of the Company. Other than as disclosed above, there are no other events which are required to be disclosed by the Company under Rule 13.18 of the Listing Rules.

MATERIAL DISPOSALS AND ACQUISITIONS

Details of material disposals and acquisitions of the Company are set out in notes 38 and 39 to the consolidated financial statements respectively.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year ended 31 December 2019 are set out in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

The Company had sufficient reserves available for distribution to the Shareholders as at 31 December 2019.

Under the Companies Act 1981 of Bermuda (as amended), the Company shall not declare or pay a dividend, or make a distribution out of the contributed surplus if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realizable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

Under the Companies Act 1981 of Bermuda (as amended), the Company's share premium account of HK$9,509,949,000 as at 31 December 2019 (as at 31 December 2018: HK$9,514,684,000) may be distributed in the form of fully paid bonus shares.

DIRECTORS

The Directors during the year ended 31 December 2019 and up to the date of this annual report have been:

Executive Directors

Zeng Ming *(Chairman)*
Zhou Xiong *(Vice Chairman and President)*
Lou Jun
Fei Zuoxiang
Ye Weiqi
Huang Fei *(retired on 1 September 2019)*
Zhong Tao

Independent Non-executive Directors

Doo Wai-Hoi, William, *J.P.*
Fan Ren Da, Anthony
Li Ka Fai, David
Qiao Zhigang

In accordance with Bye-law 87 of the Company's Bye-laws, Mr. Lou Jun, Mr. Fei Zuoxiang, Mr. Zhong Tao and Mr. Qiao Zhigang will retire by rotation at the forthcoming annual general meeting of the Company and, being eligible, have offered themselves for re-election. Separate ordinary resolutions will be proposed at the 2020 AGM to re-elect Mr. Lou Jun, Mr. Fei Zuoxiang and Mr. Zhong Tao as executive Directors and Mr. Qiao Zhigang as independent non-executive Director.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming annual general meeting has entered into any service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation). All Directors have entered into service contracts with the Company, all with a term of three years.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in note 48 to the consolidated financial statements, no contract of significance, to which the Company, its holding company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at 31 December 2019 or at any time during the year ended 31 December 2019.

MANAGEMENT CONTRACT

During the year ended 31 December 2019, no contract concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed.

CONTRACT OF SIGNIFICANCE

Save as disclosed under the section headed "CONNECTED TRANSACTIONS" in this Directors' Report:

(i) No contracts of significance in relation to the business of the Group, to which the Company or any of its subsidiaries was a party and in which a controlling shareholder of the Company or any of its subsidiaries had a material interest, whether directly or indirectly, subsisted at the year ended 31 December 2019 or at any time during the year ended 31 December 2019; and

(ii) No contracts of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder of the Company or any of its subsidiaries subsisted at the year ended 31 December 2019 or at any time during the year ended 31 December 2019.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

None of the Directors or any of their respective associates has any interests in any businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group that are required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of directors and senior management of the Group are set out on pages 80 to 87 of this annual report.

DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

A summary of the Company's directors' and senior management's remuneration is set out in notes 12 and 48(a) to the consolidated financial statements respectively.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2019, the interests of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) and required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in the shares and underlying shares of the Company

Name of Directors	Capacity	Number of issued ordinary shares held	Number of underlying shares subject to options granted[1]	Approximate% of the issued share capital of the Company
Ye Weiqi	Beneficial owner	—	6,000,000	0.12%
Huang Fei[2]	Beneficial owner	—	6,000,000	0.12%
Zhong Tao	Beneficial owner	—	6,000,000	0.12%
Doo Wai-Hoi, William, *J.P.*	Beneficial owner	—	1,000,000	0.02%
Fan Ren Da, Anthony	Beneficial owner	—	1,000,000	0.02%
Li Ka Fai, David	Beneficial owner	—	1,000,000	0.02%

Notes:

1. These interests represent the interests in the underlying shares of the Company in respect of share options granted by the Company to these Directors as beneficial owners, details of which are set out in the section headed "SHARE OPTION SCHEME" of this annual report.

2. Ms. Huang Fei retired as an executive Director and vice president of the Company with effect from 1 September 2019.

Save as disclosed herein, as at 31 December 2019, none of the Directors or the chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or pursuant to the Model Code.

SHARE OPTION SCHEME

Pursuant to ordinary resolutions passed by Shareholders at its special general meeting held on 12 December 2002, the Company adopted the Share Option Scheme.

As at 31 December 2019, the Company granted 27,750,000 shares options to subscribe for up to a total of 27,750,000 ordinary shares of nominal value of HK$0.04 each in the capital of the Company under the Share Option Scheme, representing approximately 0.58% of the issued share capital of the Company as at 31 December 2019. The Share Option Scheme expired on 11 December 2012.

The particulars and movements of the share options to subscribe for the Company's shares under the Share Option Scheme during the year ended 31 December 2019 were as follows:

Name of categories	Date of grant	Exercise price per share HK$	Exercise period[1]	Outstanding as at 1.1.2019	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Outstanding as at 31.12.2019
Directors								
Ye Weiqi	24 September 2010	2.98	24 September 2010 to 23 September 2020	6,000,000	–	–	–	6,000,000
Huang Fei[2]	24 September 2010	2.98	24 September 2010 to 23 September 2020	6,000,000	–	–	–	6,000,000
Zhong Tao	24 September 2010	2.98	24 September 2010 to 23 September 2020	6,000,000	–	–	–	6,000,000
Doo Wai-Hoi, William, *J.P.*	24 September 2010	2.98	24 September 2010 to 23 September 2020	1,000,000	–	–	–	1,000,000
Fan Ren Da, Anthony	24 September 2010	2.98	24 September 2010 to 23 September 2020	1,000,000	–	–	–	1,000,000
Li Ka Fai, David	24 September 2010	2.98	24 September 2010 to 23 September 2020	1,000,000	–	–	–	1,000,000
Senior management and employees	24 September 2010	2.98	24 September 2010 to 23 September 2020	6,750,000	–	–	–	6,750,000
Total				**27,750,000**	**–**	**–**	**–**	**27,750,000**

Notes:

1. Share options granted in September 2010 under the Share Option Scheme are exercisable during the period from 24 September 2010 to 23 September 2020 in three batches, being:

   — 24 September 2010 to 23 September 2011 (up to 40% of the share options granted are exercisable)

   — 24 September 2011 to 23 September 2012 (up to 70% of the share options granted are exercisable)

   — 24 September 2012 to 23 September 2020 (all share options granted are exercisable)

2. Ms. Huang Fei retired as an executive Director and vice president of the Company with effect from 1 September 2019.

Pursuant to ordinary resolutions passed by the Shareholders at its annual general meeting held on 16 May 2013, the Company adopted the new Share Option Scheme (the "**New Share Option Scheme**").

Reference was made to the circular of the Company dated 16 April 2013 (the "**Circular**") in relation to the adoption of the New Share Option Scheme. Unless the context requires otherwise, terms defined in the Circular shall have the same meanings when used in this annual report. As disclosed in the Circular, the New Share Option Scheme will be valid for ten years since the Adoption Date. The purpose of the New Share Option Scheme is to enable the Company to grant options to the eligible participants, as incentives and/or rewards for their contributions to the Group.

The eligible participants include the following classes of participants:

(a) any employee (whether full time or part time, including any executive Director and non-executive director but excluding any independent non-executive director and (if applicable) any supervisors) of any member of the Group or any Invested Entity;

(b) any independent non-executive directors and (if applicable) any supervisors of any member of the Group or any Invested Entity;

(c) any supplier of goods or services to any member of the Group or any Invested Entity;

(d) any customer of any member of the Group or any Invested Entity;

(e) any person or entity that provides research, development or other support (technical or otherwise) to any member of the Group or any Invested Entity;

(f) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;

(g) any adviser or consultant (professional or otherwise) to any area of business or business development of any member of the Group or any Invested Entity; and

(h) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group.

For the purposes of the New Share Option Scheme, an offer may be made to any company wholly-owned by one or more eligible participants.

The Board considers that the New Share Option Scheme will provide the eligible participants with the opportunity to acquire shares of the Company and to encourage the eligible participants to work towards enhancing the value of the Company and for the benefit of the Company and its shareholders as a whole. The provisions of the New Share Option Scheme comply with the requirements of Chapter 17 of the Listing Rules. Further details of the New Share Option Scheme can be found in the Circular.

The Company had not granted any share options under the New Share Option Scheme since its Adoption Date up to 31 December 2019.

Save as disclosed herein, the Company had not granted any share options to any persons as required to be disclosed under Rule 17.07 of the Listing Rules during the year ended 31 December 2019.

ARRANGEMENTS FOR DIRECTORS TO PURCHASE SHARES OR DEBENTURES

Other than the Share Option Scheme detailed in note 40 to the consolidated financial statements, at no time during the year ended 31 December 2019 was the Company, its holding company or any of its subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the section headed "CORPORATE GOVERNANCE REPORT" in this annual report.

AUDIT COMMITTEE

The Audit Committee currently consists of three independent non-executive Directors, namely Mr. Li Ka Fai, David (Committee Chairman), Mr. Doo Wai-Hoi, William, *J.P.* and Mr. Fan Ren Da, Anthony.

During the year ended 31 December 2019, the Audit Committee has reviewed the independence and objectivity of the external auditor, the scope of audit services and related audit fees payable to the external auditor for the Board's approval. The Audit Committee has also reviewed the unaudited interim financial statements of the Group for the six months ended 30 June 2019, the audited final financial statements of the Group for the year ended 31 December 2019 and discussed with the management and the auditor of the Company on the accounting principles and practices adopted by the Group; risk management and internal controls; and financial reporting matters.

CONNECTED TRANSACTIONS

Certain related party transactions as set out in notes 21, 38, 39 and 48 to the consolidated financial statements are connected transactions under the Listing Rules. Details of the connected transaction of the Company, which is also related party transaction as disclosed in notes 21, 38, 39 and 48 to the consolidated financial statements, required to be disclosed under Chapter 14A of the Listing Rules are set out below.

Discloseable and connected transaction in relation to subscription of equity interest in SIIC Financial Leasing

On 22 January 2020, SIUD Shanghai, a subsidiary of the Company, entered into a subscription agreement with SIIC Financial Leasing, Shanghai Galaxy, the Managing JV Partners and Mr. Lin Zhen, pursuant to which SIUD Shanghai has conditionally agreed to subscribe for a 20.0% of the enlarged register capital of SIIC Financial Leasing by injecting RMB407,942,343 in cash to SIIC Financial Leasing (the "**Subscription**"). SIIC Financial Leasing is a company established in the PRC with limited liability and is an integrated credit provider based in Shanghai.

SIIC Financial Leasing is owned by Shanghai Galaxy as to 40.0% and by the Managing JV Partners collectively as to 60.0%. Shanghai Galaxy is an indirect non-wholly owned subsidiary of SIIC, a controlling shareholder of the Company. Accordingly, each of Shanghai Galaxy and SIIC Financial Leasing is an associate of SIIC and a connected person of the Company.

The Directors believe that the Subscription represents the furtherance of the Group's strategies of integrating finance and industry and actively exploring the financial sector. By virtue of the business functions of SIIC Financial Leasing, the Group is able to achieve synergy and coordinate the linkage between industry and capital based on the foundation of its core operations. This will continuously enrich the investment management experience of the Group in the financial sector, which will in turn help form a new business model featured with multi-industrial growth, mutual support and coordinated development.

The Subscription is subject to the Independent Shareholders' approval at the special general meeting of the Company to be convened.

For further information about the Subscription, please refer to the announcement of the Company dated 22 January 2020.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2019, substantial shareholders and other persons (other than the directors and chief executives of the Company) who had interests or short positions in the shares and underlying shares of the Company which were notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO and entered in the register required to be kept by the Company pursuant to Section 336 of the SFO, or otherwise notified to the Company were as follows:

Ordinary shares of HK$0.04 each of the Company

Name of substantial shareholders	Capacity	Number of shares of the Company held	Approximate % of the issued share capital of the Company
SIHL	Held by controlled corporation	2,328,673,900(L)[1,2,3]	48.45%
SIIC	Held by controlled corporation	3,091,064,648(L)[1,2,3,4]	64.31%

Notes:

1. L denotes long positions.

2. These include 2,278,673,900 shares of the Company held by S.I. Smart Charmer Limited and 50,000,000 shares of the Company that are deemed to be held by Novel Good Limited under the pledge described in note 3 below. As S.I. Smart Charmer Limited and Novel Good Limited are both wholly-owned subsidiaries of SIHL, which is in turn controlled by SIIC, SIHL and SIIC are deemed or taken to be interested in the interests in the shares of the Company held by S.I. Smart Charmer Limited and Novel Good Limited.

3. These interests include 50,000,000 shares of the Company (short positions) held by Invest Gain Limited (a company beneficially and wholly owned by Mr. Li Song Xiao who ceased to be a substantial shareholder of the Company during the year ended 31 December 2011) which are pledged to Novel Good Limited. Therefore, SIHL and SIIC are deemed or taken to be interested in these 50,000,000 shares of the Company.

4. SIIC, through Shanghai Investment Holdings Limited (a subsidiary of SIIC) held approximately 55.13% of the shares of SIHL. Therefore, SIIC is deemed or taken to be interested in the 2,328,673,900 shares of the Company held by SIHL for the purpose of the SFO. On the other hand, SIIC is also deemed or taken to be interested in the 762,390,748 shares of the Company held by its subsidiaries, namely SIIC Trading Company Limited, Shanghai Industrial Financial (Holdings) Company Limited, SIIC CM Development Limited, SIIC Capital (B.V.I.) Limited and Shanghai Investment Holdings Limited.

Save as disclosed herein, as at 31 December 2019, the Company had not been notified by any persons (other than the Directors and chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of SFO.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's five largest customers comprised approximately 2.4% of the Group's total revenue for the year ended 31 December 2019 and the sales attributable to the Group's largest customer were approximately 0.5% of the Group's total revenue for the year ended 31 December 2019.

The aggregate purchases attributable to the Group's five largest suppliers comprised approximately 7.7% of the Group's total purchases and the purchases of the year ended 31 December 2019 attributable to the Group's largest supplier were approximately 3.7% of the Group's total purchases for the year ended 31 December 2019.

None of the directors, their associates or any shareholders of the Company which, to the knowledge of the Directors, owned more than 5% of the Company's issued share capital, had any interest in the share capital of any of the five largest customers and suppliers of the Group.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to the existing Shareholders.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Repurchase of Shares

During the year ended 31 December 2019, the Company repurchased a total of 4,650,000 ordinary shares of the Company of HK$0.04 each on the Stock Exchange at an aggregate purchase price of HK$4,916,995.17. Details of the repurchase of such ordinary shares were as follows:

Date of repurchase	Number of ordinary shares repurchased	Price per ordinary share Highest	Price per ordinary share Lowest	Aggregate purchase price
		HK$	HK$	HK$
30 August 2019	2,200,000	1.1215	1.1215	2,467,300.00
26 September 2019	1,000,000	1.02	1.00	1,008,800.00
27 September 2019	1,150,000	1.00	0.97	1,131,255.00
3 October 2019	300,000	0.99	0.99	297,000.00
Total	4,650,000			4,904,355.00
			Total expenses on shares repurchased	12,640.17
			Total	4,916,995.17

All of the above-mentioned repurchased ordinary shares were cancelled on 30 October 2019 and 27 December 2019 respectively. The issued share capital of the Company was accordingly reduced by the par value of the repurchased ordinary shares so cancelled. The above repurchase was effected by the Directors pursuant to the repurchase mandate granted at the annual general meeting of the Company held on 22 May 2019.

Save as disclosed above, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of any listed securities of the Company during the year ended 31 December 2019.

AUDITOR

The financial statements for the year ended 31 December 2019 of the Group have been audited by Messrs. Deloitte Touche Tohmatsu who will retire and being eligible, offering itself for re-appointment. A resolution for the reappointment of Messrs. Deloitte Touche Tohmatsu as the auditor of the Company will be proposed at the 2020 AGM.

NON-COMPETE UNDERTAKING

In order to address any future competition between the respective development businesses of SIIC, SIHL and the Group, SIIC and SIHL have entered into a deed of non-competition (the "**Non-compete Undertaking**") dated 28 October 2011 in favor of the Company for itself and on behalf of the subsidiaries, pursuant to which each of SIIC and SIHL has undertaken to the Company that, conditional upon completion of the Transactions and during the Non-Compete Period (as defined in the Circular of the Company dated 31 October 2011 (the "**Circular**"), other than the SIHL Excluded Business and the SIIC Excluded Business (both as defined in the Circular), each of them will not carry on, engage, invest, participate or otherwise be interested in any business of property development in the PRC which is in competition, directly or indirectly, with the restricted business of the Group. The details and particulars of the Non-compete Undertaking are set out in the Circular.

The Group has received from both SIIC and SIHL annual declarations that both of them have complied with the undertakings under the Non-compete Undertaking. The Company's independent non-executive Directors have reviewed each of SIIC and SIHL's compliance as aforesaid.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in information of Directors are set out as follows:

(a) Ms. Huang Fei retired as an executive Director and vice president of the Company with effect from 1 September 2019; and

(b) Mr. Li Ka Fai, David, an independent non-executive director of the Company, was appointed as an independent non-executive director, the chairman of the audit committee and the remuneration committee and a member of the nomination committee of CR Construction Group Holdings Limited, a company listed on the Stock Exchange with stock code of 1582, with effect from 16 October 2019.

DONATIONS

During the year ended 31 December 2019, the Group made charitable donations of RMB175,000 (equivalent to approximately HK$199,000).

APPRECIATION

I would like to express my sincere gratitude to the Board, our management and all our staff for their dedicated efforts during this year as well as to our customers, suppliers, business partners and shareholders for their continued enthusiastic support to our Group.

By order of the Board of
Shanghai Industrial Urban Development Group Limited
Zeng Ming
Chairman

Hong Kong, 30 March 2020

FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

TO THE SHAREHOLDERS OF
SHANGHAI INDUSTRIAL URBAN DEVELOPMENT GROUP LIMITED
上海實業城市開發集團有限公司
(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Shanghai Industrial Urban Development Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 106 to 220, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the 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 MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were 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 these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
We identified the valuation of investment properties as a key audit matter due to significance of its balance to the consolidated statement of financial position and estimation uncertainty associated with determining the fair value of investment properties. As disclosed in Note 16 to the consolidated financial statements, the fair value of the Group's investment properties of approximately HK$14,803,258,000 as at 31 December 2019 with the fair value gain of approximately HK$210,191,000 recognised in the consolidated statement of profit or loss and other comprehensive income for the year. The fair value of the Group's investment properties as at 31 December 2019 has been arrived at on the basis of valuation carried out by an independent qualified professional valuer not connected to the Group (the "Valuer"). Details of the valuation techniques and significant unobservable inputs used in the valuations are disclosed in Note 16 to the consolidated financial statements. The fair value is dependent on certain significant unobservable inputs that involve judgment and estimation made by the management of the Group together with the Valuer, including, among other factors, reversionary yield and adjustments to transaction prices.	Our procedures in relation to the valuation of the investment properties included: • Evaluating the competence, capabilities and objectivity of the Valuer; • Discussing with the Valuer and the management of the Group on the valuation process to understand the performance of property markets, significant assumptions adopted and data used in the valuations; • Discussing with the Valuer to understand whether the Group's investment properties were valued on a consistent basis using the same methodologies; • Evaluating the reasonableness of the methodologies adopted in the valuation models; and • Assessing the reasonableness of the significant unobservable inputs used in the valuation models by checking, on a sample basis, the publicly available information and comparing the data used in the valuations to entity-specific historical information.

Key audit matter	How our audit addressed the key audit matter
Assessing the net realisable value ("NRV") of properties held-for-sale ("PHFS")	
We identified assessing the NRV of the Group's PHFS as a key audit matter because certain of such PHFS, which are not located in first-tier cities, such as Beijing and Shanghai, in the People's Republic of China (the "PRC"), are more sensitive to changes in economic conditions and local government policy in the PRC. Accordingly, there is a risk that carrying value of such PHFS is lower than its NRV. Besides, estimation uncertainty is associated with determining the NRV of the PHFS. As disclosed in Note 26 to the consolidated financial statements, the Group has PHFS of approximately HK$6,633,624,000 as at 31 December 2019 of which an amount of approximately HK$1,859,299,000 relates to PHFS which are located in cities other than first-tier cities in the PRC and have no pre-sale agreements entered into by the Group (the "Concerned PHFS"). No impairment loss in respect of the Concerned PHFS is recognised in the consolidated statement of profit or loss and other comprehensive income for the year. The management of the Group determined the NRV of the Concerned PHFS as at 31 December 2019 by reference to the valuation reports prepared by the Valuer (the "Valuation Report"). The valuation is dependent on certain significant unobservable inputs that involve judgment and estimation made by the management of the Group together with the Valuer including, among other factors, the nature of each property, its location and the prevailing market prices.	Our procedures in relation to the valuation of the Concerned PHFS included: • Understanding and evaluating the appropriateness of the inventory provision policy adopted and assessing whether the provision policy is implemented properly and consistently with the basis adopted in prior years; • Challenging the forecasted property selling prices for those PHFS located in first-tier cities in the PRC as estimated by the management of the Group with reference to publicly available information and checking, on a sample basis, the pre-sale agreements entered into by the Group during the year, if applicable; • Obtaining the Valuation Report of the Concerned PHFS from the management of the Group; • Evaluating the competence, capabilities and objectivity of the Valuer; • Discussing with the Valuer and the management of the Group on the valuation process to understand the performance of property markets, significant assumptions adopted and data used in the valuations; • Evaluating the reasonableness of the methodologies adopted in the valuation models; and • Assessing the reasonableness of the significant unobservable inputs used in the valuation models by checking, on a sample basis, the publicly available information and comparing the data used in the valuations to entity-specific historical information.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include 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.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE 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 HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company 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.

Those charged with governance are responsible 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 solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism 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 of the Company.

- 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 those charged with governance 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 those charged with governance 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, related safeguards.

From the matters communicated with those charged with governance, 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 the independent auditor's report is Wong Yan Wah.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

30 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	NOTES	2019 HK$'000	2018 HK$'000
Revenue	5		
Goods and services		7,833,886	6,274,014
Leases		750,020	703,669
Total revenue		8,583,906	6,977,683
Cost of sales		(4,907,514)	(3,596,818)
Gross profit		3,676,392	3,380,865
Other income	7	192,252	842,885
Other expenses, gains and losses, net	8	(16,095)	(13,667)
Fair value gain (loss) on investment properties, net	16	210,191	(176,447)
Distribution and selling expenses		(254,730)	(321,707)
General and administrative expenses		(341,464)	(385,812)
Gains on disposal of subsidiaries	38	—	234,712
Finance costs	9	(728,561)	(743,301)
Share of results of associates	21	7,146	6,859
Profit before tax		2,745,131	2,824,387
Income tax	10	(1,525,433)	(1,554,640)
Profit for the year	11	1,219,698	1,269,747
Other comprehensive income (expense) for the year			
Items that will not be reclassified to profit or loss:			
Exchange differences on translation from functional currency to presentation currency		(355,064)	(1,256,914)
Fair value gain (loss) on equity instruments at fair value through other comprehensive income, net of tax		5,687	(43,079)
Fair value loss on revaluation of properties, net of tax		(13,813)	—
Other comprehensive expense for the year		(363,190)	(1,299,993)
Total comprehensive income (expense) for the year		856,508	(30,246)

	NOTE	2019 HK$'000	2018 HK$'000
Profit for the year attributable to:			
Owners of the Company		**600,292**	573,074
Non-controlling interests		**619,406**	696,673
		1,219,698	1,269,747
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**391,032**	(187,485)
Non-controlling interests		**465,476**	157,239
		856,508	(30,246)
Earnings per share			
Basic (HK cents)	15	**12.48**	11.91
Diluted (HK cents)	15	**12.48**	11.91

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	NOTES	2019 HK$'000	2018 HK$'000
Non-current assets			
Investment properties	16	14,803,258	12,002,506
Property, plant and equipment	17	2,105,869	2,160,650
Right-of-use assets	18	246,768	—
Prepaid lease payments	19	—	198,926
Intangible assets	20	57,047	57,980
Interests in associates	21	1,241,434	1,260,780
Interests in joint ventures	22	615,213	626,281
Equity instruments at fair value through other comprehensive income	23	160,208	169,599
Pledged bank deposits	24	176,749	16,566
Other receivables and prepayment	27	735,302	686,131
Deferred tax assets	36	394,706	282,089
		20,536,554	17,461,508
Current assets			
Inventories	25	2,497	3,385
Properties under development for sale and properties held-for-sale	26	28,952,836	31,071,993
Trade and other receivables	27	674,933	490,016
Amounts due from related companies	31	336,499	305,472
Prepaid lease payments	19	—	4,684
Prepaid income tax and land appreciation tax		320,841	439,144
Financial assets at fair value through profit or loss	28	3,342	2,805
Restricted and pledged bank deposits	24	504,740	83,442
Bank balances and cash	29	9,111,782	9,127,828
		39,907,470	41,528,769
Current liabilities			
Trade and other payables	30	5,900,740	5,240,804
Amounts due to related companies	31	689,723	896,787
Consideration payables for acquisition of subsidiaries	32	—	68,322
Pre-sale proceeds received on sales of properties	33	6,004,601	6,537,268
Bank and other borrowings	34	5,426,344	2,820,495
Lease liabilities	35	67,385	—
Income tax and land appreciation tax payables		2,840,367	2,655,058
Dividend payable		14,169	12,107
Dividend payable to non-controlling shareholders		284,081	170,803
		21,227,410	18,401,644

	NOTES	2019 HK$'000	2018 HK$'000
Net current assets		18,680,060	23,127,125
Total assets less current liabilities		39,216,614	40,588,633
Non-current liabilities			
Deferred revenue	30	4,853	159,751
Amounts due to related companies	31	285,508	—
Bank and other borrowings	34	11,285,958	12,575,025
Lease liabilities	35	161,201	—
Deferred tax liabilities	36	3,697,468	4,478,051
		15,434,988	17,212,827
		23,781,626	23,375,806
Capital and reserves			
Share capital	37	192,253	192,439
Reserves		13,057,300	12,868,253
Equity contributable to owners of the Company		13,249,553	13,060,692
Non-controlling interests		10,532,073	10,315,114
		23,781,626	23,375,806

The consolidated financial statements on pages 106 to 220 were approved and authorised for issue by the Board of Directors on 30 March 2020 and are signed on its behalf by:

ZENG MING
DIRECTOR

YE WEIQI
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to owners of the Company														
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000 (note (i))	Share-based payments reserve HK$'000	Other revaluation reserve HK$'000 (note (ii))	Property revaluation reserve HK$'000	Investment revaluation reserve HK$'000	Statutory reserve HK$'000	Shareholder's contribution/ merger reserve HK$'000 (note (iii))	Other reserve HK$'000 (note (iv))	Exchange reserve HK$'000	Accumulated losses/ retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2018	192,439	9,514,684	463,586	31,892	52,526	–	104,174	384,442	2,481,622	(47,317)	814,526	(224,955)	13,767,619	10,429,676	24,197,295
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	573,074	573,074	696,673	1,269,747
Exchange differences on translation from functional currency to presentation currency	–	–	–	–	–	–	–	–	–	–	(692,430)	–	(692,430)	(564,484)	(1,256,914)
Fair value loss on equity instruments at fair value through other comprehensive income, net of tax	–	–	–	–	–	–	(68,129)	–	–	–	–	–	(68,129)	25,050	(43,079)
Total comprehensive (expense) income for the year	–	–	–	–	–	–	(68,129)	–	–	–	(692,430)	573,074	(187,485)	157,239	(30,246)
Distributions of carved-out assets and liabilities (Note 39)	–	–	–	–	–	–	–	–	(322,192)	–	–	–	(322,192)	–	(322,192)
Dividends recognised as distributions (Note 53)	–	–	(197,250)	–	–	–	–	–	–	–	–	–	(197,250)	–	(197,250)
Dividends declared to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	–	(311,611)	(311,611)
Capital injection from a non-controlling shareholder without change in shareholding of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	–	39,810	39,810
Transfer upon disposal of subsidiaries	–	–	–	–	–	–	–	–	–	–	(13,653)	13,653	–	–	–
Transfer	–	–	–	–	–	–	–	158,956	–	–	–	(158,956)	–	–	–
At 31 December 2018	192,439	9,514,684	266,336	31,892	52,526	–	36,045	543,398	2,159,430	(47,317)	108,443	202,816	13,060,692	10,315,114	23,375,806
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	600,292	600,292	619,406	1,219,698
Exchange differences on translation from functional currency to presentation currency	–	–	–	–	–	–	–	–	–	–	(198,803)	–	(198,803)	(156,261)	(355,064)
Fair value gain on equity instruments at fair value through other comprehensive income, net of tax	–	–	–	–	–	–	3,356	–	–	–	–	–	3,356	2,331	5,687
Revaluation of properties upon inception of sublease arrangement	–	–	–	–	–	(13,813)	–	–	–	–	–	–	(13,813)	–	(13,813)
Total comprehensive (expense) income for the year	–	–	–	–	–	(13,813)	3,356	–	–	–	(198,803)	600,292	391,032	465,476	856,508
Reduction of share capital of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	–	(18,911)	(18,911)
Partial disposal of interest in a subsidiary (Note 31(ii)(c))	–	–	–	–	–	–	–	–	–	–	–	–	–	27,226	27,226
Dividends recognised as distributions (Note 53)	–	–	(197,250)	–	–	–	–	–	–	–	–	–	(197,250)	–	(197,250)
Dividends declared to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	–	(256,832)	(256,832)
Transfer	–	–	–	–	–	–	–	111,892	–	–	–	(111,892)	–	–	–
Transfer upon liquidation of a subsidiary	–	–	–	–	–	–	–	–	–	–	(7,987)	7,987	–	–	–
Repurchase and cancellation of ordinary shares (Note 37)	(186)	(4,718)	–	–	–	–	–	–	–	–	–	–	(4,904)	–	(4,904)
Transaction costs attributable to repurchase of ordinary shares	–	(17)	–	–	–	–	–	–	–	–	–	–	(17)	–	(17)
At 31 December 2019	192,253	9,509,949	69,086	31,892	52,526	(13,813)	39,401	655,290	2,159,430	(47,317)	(98,347)	699,203	13,249,553	10,532,073	23,781,626

Notes:

(i) Contributed surplus, serving as a distributable reserve, represents an amount transferred from share premium account which gives the Company a greater flexibility in its dividend policy and making distributions to the shareholders.

(ii) Other revaluation reserve comprises the difference between the fair value, net of deferred tax, and the carrying amount of additional interest in associates being acquired and become subsidiaries of Shanghai Industrial Urban Development Group Limited (the "Company"). This reserve will be recognised in the profit or loss upon the earlier of the disposal of the subsidiaries or the disposal by the subsidiaries of the assets to which it relates.

(iii) Merger reserve comprises of (1) the difference in the fair value the consideration paid to the intermediate holding company of the Company, Shanghai Industrial Holdings Limited ("SIHL"), for the acquisition of subsidiaries controlled by SIHL (the "Acquiree") and the fair value of net assets of the Acquiree at the date of the Company and its subsidiaries (collectively referred to as the "Group") and the Acquiree became under common control in year 2011; and (2) the difference between the consideration paid to Shanghai Shangtou Assets Operation Company Limited 上海上投資產經營有限公司 ("Shanghai Assets"), to which Shanghai Industrial Investment (Holdings) Company Limited ("SIIC"), being the ultimate parent company of the Company, exercises the authority as a state-owned shareholder, for acquisition of Shanghai Shangtou Real Estate Investment Company Limited 上海市上投房地產投資有限公司 ("Shangtou Real Estate") and its subsidiaries (collectively referred to as "Shangtou Real Estate Group") (after carving out certain assets and liabilities upon completion of the acquisition) controlled by Shangtou Assets and the fair value of net assets of Shangtou Real Estate Group at the date of the Group and Shangtou Real Estate Group became under common control.

Shareholder's contribution represents capital contribution from SIHL and State-owned Assets Supervision and Administration Commission of Shanghai Xuhui District ("Xuhui SASAC"), being non-controlling interest (based on their respective percentage of equity interest), to a subsidiary of the Group, Shanghai Urban Development (Holdings) Co., Ltd. ("SUD"), as paid-in capital in April 2011. Xuhui SASAC holds 41% interests in SUD.

(iv) Other reserve represents a premium contributed by the owners of the Company on acquiring the remaining 1.0% interests of 上海世界貿易商城有限公司 ("Shanghai World Trade") from a non-controlling shareholder subsequent to the acquisition of Continental Land Development Limited and its partially owned subsidiary in the People's Republic of China (the "PRC"), namely Shanghai World Trade. This acquisition, without changing the Group's control over Shanghai World Trade, was accounted for as an equity transaction. The difference between the cash consideration of approximately HK$92,274,000 and share of 1% fair value of net assets held by the non-controlling shareholder of approximately HK$44,957,000 amounting to approximately HK$47,317,000 was recognised directly in equity as other reserve and attributable to owners of the Company.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	2019 HK$'000	2018 HK$'000
OPERATING ACTIVITIES		
Profit before tax	2,745,131	2,824,387
Adjustments for:		
Fair value (gain) loss on investment properties, net	(210,191)	176,447
Depreciation on property, plant and equipment	138,460	126,873
Depreciation of right-of-use assets	40,603	—
Amortisation of prepaid lease payments	—	6,559
Gains on disposal of property, plant and equipment	(788)	(664)
Finance costs	728,561	743,301
Interest income	(155,657)	(252,786)
Dividend income from equity instruments at fair value through other comprehensive income	(19,049)	(653)
Fair value changes of financial assets at fair value through profit or loss, net	(596)	541
Gains on disposal of subsidiaries	—	(234,712)
Gains on land resumption	—	(538,579)
Share of results of associates	(7,146)	(6,859)
Unrealised foreign exchange loss	5,973	—
Operating cash flows before movements in working capital	3,265,301	2,843,855
Increase in inventories, properties under development for sale and properties held-for-sale	(70,350)	(720,481)
(Increase) decrease in trade and other receivables	(207,666)	6,615
Increase (decrease) in trade and other payables	654,386	(102,932)
Increase in amounts due to related companies	4,464	5,182
Decrease in pre-sale proceeds received on sales of properties	(423,047)	(72,207)
Cash from operations	3,223,088	1,960,032
Income tax paid	(2,004,693)	(1,663,813)
Net cash from operating activities	1,218,395	296,219

	NOTES	2019 HK$'000	2018 HK$'000
INVESTING ACTIVITIES			
Net proceeds from disposal of subsidiaries	38	–	160,068
Payments for acquisition of land parcels		(600,254)	(694,669)
Repayment of consideration payables for acquisition of subsidiaries		–	(628,942)
Purchase of property, plant and equipment		(155,147)	(61,891)
Proceeds from disposal of property, plant and equipment		33,189	39,563
Proceeds from refund of capital of equity instruments at fair value through other comprehensive income	43(ii)	14,066	12,125
Development costs paid for investment properties		(53,341)	(223,944)
Proceeds from land resumption		–	640,977
(Increase) decrease in restricted and pledged bank deposits		(591,520)	5,440
Advances to related companies		(341,270)	(29,731)
Repayment from a related company		310,087	555,988
Consideration paid for acquisition of an associate		–	(104,666)
Capital injection for establishment of a joint venture		–	(626,281)
Repayment of loan receivables		11,344	71,403
Dividends received from equity instruments at fair value through other comprehensive income		19,049	653
Dividends received from an associate	21	4,169	4,296
Deposit received for disposal of a subsidiary		–	235,171
Interest received		155,657	252,786
Net cash used in investing activities		(1,193,971)	(391,654)
FINANCING ACTIVITIES			
Proceeds from new bank and other borrowings		6,042,057	4,790,884
Repayments of bank and other borrowings		(4,372,992)	(5,644,216)
Repayments of lease liabilities		(69,447)	–
Advances from related companies		343,074	151,588
Repayments to related companies		(237,954)	(1,193,365)
Payments on repurchase of ordinary shares		(4,904)	–
Transaction costs attributable to repurchase of ordinary shares		(17)	–
Capital injection from a non-controlling shareholder		–	39,810
Transaction costs attributable to issue of advanced bonds and medium term notes		(11,665)	(5,030)
Dividend paid to non-controlling shareholders		(138,886)	(311,611)
Dividend paid		(195,188)	(195,187)
Distribution to a non-controlling shareholder after reduction of share capital of a subsidiary		(18,911)	–
Interest paid		(1,179,493)	(1,239,391)
Net cash from (used in) financing activities		155,674	(3,606,518)

CONSOLIDATED STATEMENT OF
CASH FLOWS

	2019 HK$'000	2018 HK$'000
Net increase (decrease) in cash and cash equivalents	**180,098**	(3,701,953)
Cash and cash equivalents at the beginning of the year	**9,127,828**	13,348,589
Effect of foreign exchange rate changes	**(196,144)**	(518,808)
Cash and cash equivalents represented by bank balances and cash at the end of the year	**9,111,782**	9,127,828

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. GENERAL

The Company is a public limited company incorporated in Bermuda under the Companies Act 1981 of Bermuda (as amended) as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its immediate holding company is S.I. Smart Charmer Limited (a private limited company incorporated in British Virgin Islands ("BVI")), its intermediate holding company is SIHL (incorporated in Hong Kong and listed on the Stock Exchange) and its ultimate holding company is SIIC (a private limited company also incorporated in Hong Kong). The addresses of the registered office and principal place of business of the Company are disclosed in the section of "Corporate Information" in the annual report.

The principal activities of the Group are residential and commercial properties development, property investment and hotel operations in the PRC.

The consolidated financial statements are presented in Hong Kong dollars ("HK$") as the Company is listed on the Stock Exchange, where most of its investors are located in Hong Kong. The functional currency of the Company is Renminbi ("RMB").

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and Amendments to HKFRSs and an Interpretation that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs and an interpretation issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs and an interpretation in the current year has had no material impact on the Group's financial position and performance for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

HKFRS 16 "Leases"

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 "Leases" ("HKAS 17"), and the related interpretations.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

New and Amendments to HKFRSs and an Interpretation that are mandatorily effective for the current year (Continued)

HKFRS 16 "Leases" (Continued)

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

Sales and leaseback transactions

The Group acts as a seller-lessee

In accordance with the transition provisions of HKFRS 16, sales and leaseback transactions entered into before the date of initial application were not reassessed. The seller-lessee shall account for the leaseback in the same way as it accounts for any other operating lease that exists at the date of initial application; and adjust the leaseback right-of-use assets for any deferred gains or losses that relate to off-market terms recognised in the consolidated statement of financial position immediately before the date of initial application. Upon application of HKFRS 16, the Group applies the requirements of HKFRS 15 to assess whether sales and leaseback transaction constitutes a sale.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by prepaid lease payments and deferred gains that relate to off-market terms of sales and leaseback transactions by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties in the PRC was determined on a portfolio basis; and

ii. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension options.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

New and Amendments to HKFRSs and an Interpretation that are mandatorily effective for the current year (Continued)

HKFRS 16 "Leases" (Continued)

As a lessee (Continued)

	Note	At 1 January 2019 HK$'000
Operating lease commitments disclosed as at 31 December 2018		340,467
Add: Lease liabilities resulting from lease modifications of existing leases	(a)	4,047
Less: Recognition exemption — low value assets		(265)
Discounting impact using relevant incremental borrowing rates at the date of initial application of HKFRS 16		(97,275)
Lease liabilities as at 1 January 2019		246,974
Analysed as		
Non-current		191,863
Current		55,111
		246,974

Note:

(a) The Group renewed the leases of certain existing office premises by entering into new lease contracts which had commenced after date of initial application of HKFRS 16. These new contracts are accounted as lease modifications of the existing contracts upon application of HKFRS 16.

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Notes	Right-of-use assets HK$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		246,974
Add: Reclassified from prepaid lease payments	(a)	203,610
Less: Reclassified from deferred revenue	(b)	(196,436)
		254,148

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

New and Amendments to HKFRSs and an Interpretation that are mandatorily effective for the current year (Continued)

HKFRS 16 "Leases" (Continued)

As a lessee (Continued)

(a) Upfront payments for leasehold land in the PRC were classified as prepaid lease payments as at 31 December 2018. Upon initial application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to approximately HK$4,684,000 and HK$198,926,000 respectively were reclassified to right-of-use assets.

(b) The off-market term deferred gains that relate to sales and operating leaseback arrangements were included in deferred revenue as at 31 December 2018. Upon initial application of HKFRS 16, the total deferred revenue of approximately HK$196,436,000, of which HK$41,977,000 and HK$154,459,000 were included in current liabilities and non-current liabilities respectively, are reclassified to right-of-use assets.

Effective from 1 January 2019, leasehold land which were classified as properties under development for sale and properties held-for-sale are measured under HKFRS 16 at cost less any accumulated depreciation and any impairment losses.

As a lessor

In accordance with the transitional provisions in HKFRS 16, except for subleases in which the Group acts as an intermediate lessor, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

(a) Upon application of HKFRS 16, new lease contracts entered into but commenced after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 January 2019. The application has had no impact on the Group's consolidated statement of financial position as at 1 January 2019. However, starting from 1 January 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

(b) Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases, to which HKAS 17 applied, under other payables. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets and were adjusted to reflect the discounting effect at transition. In the opinion of the directors of the Company, the discounting on such refundable rental deposits received has had no material impact on the consolidated financial statements, and, thus, no adjustment was made as at 1 January 2019.

(c) Effective on 1 January 2019, the Group has applied HKFRS 15 "Revenue from Contracts with Customers" ("HKFRS 15") to allocate consideration in the contract to each lease and non-lease components. The change in allocation basis has had no material impact on the consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

New and Amendments to HKFRSs and an Interpretation that are mandatorily effective for the current year (Continued)

HKFRS 16 "Leases" (Continued)

As a lessor (Continued)

The following adjustments were made to the amounts recognised in the consolidated statement of financial position as at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported as at 31 December 2018 HK$'000	Adjustments HK$'000	**Carrying amounts under HKFRS 16 as at 1 January 2019 HK$'000**
Non-current assets			
Right-of-use assets	—	254,148	**254,148**
Prepaid lease payments	198,926	(198,926)	**—**
Current assets			
Prepaid lease payments	4,684	(4,684)	**—**
Current liabilities			
Trade and other payables	5,240,804	(41,977)	**5,198,827**
Lease liabilities	—	55,111	**55,111**
Non-current liabilities			
Deferred revenue	159,751	(154,459)	**5,292**
Lease liabilities	—	191,863	**191,863**

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2019 as disclosed above.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after 1 January 2021.

2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

3 Effective for annual periods beginning on or after a date to be determined.

4 Effective for annual periods beginning on or after 1 January 2020.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

New and amendments to HKFRSs in issue but not yet effective (Continued)

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, "the Amendments to References to the Conceptual Framework in HKFRS Standards", will be effective for annual periods beginning on or after 1 January 2020.

Except for the amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and
- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in HKFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

New and amendments to HKFRSs in issue but not yet effective (Continued)

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in HKFRS Standards (Continued)

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments that are measured at fair values as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that HKFRS 16 (since 1 January 2019) or HKAS 17 (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value for the purposes of measuring inventories in HKAS 2 "Inventories" or value in use for the purposes of impairment assessment in HKAS 36 "Impairment of Assets".

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (Continued)

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the carrying amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity component and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of businesses, other than business combination under common control, are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred 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. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date (see the accounting policy below);

- assets (or disposal groups) that are classified as held-for-sale in accordance with HKFRS 5 "Non-current Assets Held-for-Sale and Discontinued Operations" are measured in accordance with that standard; and

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations (Continued)

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed as at the acquisition date. If, after re-assessment, the net amount of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations (Continued)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Merger Accounting for business combination involving businesses under common control

The consolidated financial statements incorporate the financial statements items of the combining businesses in which the common control combination occurs as if they had been combined from the date when the combining businesses first came under the control of the controlling party.

The net assets of the combining businesses are consolidated using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where this is a shorter period.

The comparative amounts in the consolidated financial statements are presented as if the businesses had been combined at the beginning of the previous reporting period or when they first came under common control, whichever is shorter.

Acquisition of a subsidiary not constituting a business

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to investment properties which are subsequently measured under fair value model and financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Investments in associates and joint ventures

An associate is an entity over which the Group 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 joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates and joint ventures (Continued)

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Change in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in ownership interest held by the Group. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from contracts with customers

The Group applies a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- 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.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. Only pre-sale proceeds received on sales of properties of the Group are regarded as the contract liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from contracts with customers (Continued)

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

As a practical expedient, if the Group has a right to consideration in an amount that corresponds directly with the value of the Group's performance completed to date, the Group recognises revenue in the amount to which the Group has the right to invoice.

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group recognises such costs, mainly sales commissions in relation to the sales of properties, as an asset if it expects to recover these costs. The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from contracts with customers (Continued)

Incremental costs of obtaining a contract (Continued)

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

Leases

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in Note 2)

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in Note 2)

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, including contract for acquisition of ownership interests of a property which includes both leasehold land and non-lease building components, unless such allocation cannot be made reliably.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

Leases of low-value assets

The Group applies the recognition exemption for lease of low-value assets. Lease payments on leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, if any.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in Note 2) (Continued)

Right-of-use assets (Continued)

Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property or inventory as a separate line item on the consolidated statement of financial position. Right-of-use assets that meet the definition of investment property and inventory are presented within "investment properties", "properties under development for sale" and "properties held-for-sale" respectively.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 "Financial Instruments" ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in Note 2) (Continued)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as a lessee (prior to 1 January 2019)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term.

Lease incentives relating to operating leases are considered as integral part of lease payments, the aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Rental income which is derived from the Group’s ordinary course of business are presented as revenue.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

The Group as a lessor (upon application of HKFRS 16 in accordance with transitions in Note 2)

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Sublease

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

Sale and leaseback transactions (prior to 1 January 2019)

The accounting treatment of a sale and leaseback transaction depends on the type of lease involved. The leaseback may be a finance lease if it meets the condition that substantially all the risks and rewards of ownership remain with the lessee, or it may be an operating lease (in which case, some significant risks and rewards of ownership have been transferred to the purchaser).

The Group as a seller-lessee

For a leaseback that satisfies the requirements of an operating lease, and the lease payments and the sale price are at fair value, there has in effect been a normal sale transaction and any profit or loss is recognised immediately.

If the fair value at the time of a sale and leaseback transaction is less than the carrying amount of the asset, a loss equal to the amount of the difference between the carrying amount and fair value shall be recognised immediately, except that, if the loss is compensated for by future lease payments at below market price, it is deferred and amortised in proportion to the lease payments over the period for which the asset is expected to be used.

If the sale price is above fair value, the excess over fair value is deferred and amortised over the period for which the asset is expected to be used.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation, including properties under construction for such purposes.

Effective 1 January 2019, investment properties also include leased properties which are being recognised as right-of-use assets upon application of HKFRS 16 and subleased by the Group under operating leases.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties (Continued)

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value, adjusted to exclude any prepaid or accrued operating lease income.

Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below). Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Buildings in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the management of the Group and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Ownership interests in leasehold land and building

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" (upon application of HKFRS 16) or "prepaid lease payments "(before application of HKFRS 16) in the consolidated statement of financial position except for those that are classified and accounted for as investment properties under the fair value model. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment, (other than properties under construction) less their residual values over their estimated useful lives, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any. Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amount of property, plant and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. 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 (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill (Continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories of the Group comprise inventories used in hotel operations and properties under development for sale and properties held-for-sale.

Inventories used in hotel operations

Inventories used in the Group's hotel operations are stated at the lower of cost and net realisable value. Costs of these inventories are determined on the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and the costs necessary to make the sale.

Properties under development for sale and properties held-for-sale

Properties under development for sale which are intended to be sold upon completion of development and properties held-for-sale are classified as current assets. Except for the leasehold land element which is measured at cost model in accordance with the accounting policies of right-of-use assets upon the application of HKFRS 16, properties under development for sale and properties held-for-sale are carried at the lower of cost and net realisable value. Cost is determined on a specific identification basis including allocation of the related development expenditure incurred and, where appropriate, borrowing costs capitalised. Net realisable value represents the estimated selling price for the properties less estimated cost to completion and costs necessary to make the sales.

Properties under development for sale are transferred to properties held-for-sale upon completion.

The Group transfers a property from properties held-for-sale to investment property when there is a change in use to hold the property to earn rentals or/and for capital appreciation rather than for sale in the ordinary course of business, which is evidenced by the inception of an operating lease to another party. Any difference between the fair value of the property at the date of transfer and its previous carrying amount is recognised in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivable arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application of HKFRS 9/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an investment in other comprehensive income if that investment in equity instrument is neither held-for-trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or

- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income ("OCI") and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in the consolidated statement of profit or loss and other comprehensive income.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other expenses, gains and losses, net" line item in the consolidated statement of profit or loss and other comprehensive income.

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade receivables, loan receivables and amounts due from related parties, bank balances and restricted and pledged bank deposits) and other items (including lease receivables and financial guarantee contracts) which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (Continued)

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and lease receivables. The ECL on these assets are assessed individually for debtors with significant balances.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, 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. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (Continued)

(i) Significant increase in credit risk (Continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (Continued)

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16 (since 1 January 2019) or HKAS 17 (prior to 1 January 2019).

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the expected losses is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

For financial guarantee contracts, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with HKFRS 9; and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period.

Except for financial guarantee contracts, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and lease receivables where the corresponding adjustment is recognised through a loss allowance account.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to profit or loss, but is transferred to retained profits.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

Financial liabilities including trade, bills and other payables, amounts due to related companies and associates, dividend payable, dividend payable to non-controlling shareholders, consideration payables for acquisition of subsidiaries and bank and other borrowings are subsequently measured at amortised cost, using the effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Financial guarantee contract liabilities are measured initially at their fair values. It is subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with HKFRS 9; and

- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Non-substantial modifications of financial liabilities

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

Retirement benefit costs

Payments to state-managed retirement benefit plans and the Mandatory Provident Fund Scheme, which are defined contribution retirement benefit plan, are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Share-based payment arrangements

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration of all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve.

When share options are exercised, the amount previously recognised in share-based payments reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payments reserve will be transferred to retained profits.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with interests in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (Continued)

Deferred tax (Continued)

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities. For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 "Income Taxes" requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition due to application of the initial recognition exemption.

Temporary difference arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modification that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

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 taxation authority.

Current and deferred tax for the year

Current and deferred tax is recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributable to the non-controlling interests as appropriate).

Exchange differences relating to the retranslation of the Group's net assets in RMB to the Group's presentation currency (i.e. HK$) are recognised directly in other comprehensive income and accumulated in exchange reserve. Such exchange differences accumulated in the exchange reserve are not reclassified to profit or loss subsequently.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the management of the Group is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Critical judgment in applying accounting policies

The following is the critical judgment that the management of the Group has made in the process of applying the Group's accounting policies and that has the most significant effect on the amounts recognised in the consolidated financial statements.

Deferred taxation on investment properties

For the purpose of measuring deferred taxation arising from investment properties that are measured using the fair value model, the management of the Group has reviewed the Group's investment property portfolios and concluded that certain of the Group's investment properties are held under a business model which objective is to consume substantially all of the economic benefits embodied in the investment properties over time rather than through sale. Therefore, in measuring the Group's deferred taxation on these investment properties, the management of the Group has determined the presumption that the carrying amount of these investment properties are recovered entirely through sale is rebutted. As at 31 December 2019, the carrying amount of these investment properties is approximately HK$9,339,321,000 (2018: HK$7,209,293,000). For the investment properties on which the 'sale' presumption is not rebutted, the Group has further recognised deferred taxes on changes in their fair values in relation to the PRC's land appreciation tax, which is the additional tax to be charged if a property in the PRC is recovered through sale. As at 31 December 2019, the carrying amount of these investment properties is approximately HK$5,463,937,000 (2018: HK$4,793,213,000).

Details about the Group's investment properties and deferred taxation in relation to changes in fair value of investment properties are set out in Notes 16 and 36 respectively.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Net realisable value of properties held-for-sale

The Group's properties held-for-sale are stated at the lower of cost and net realisable value. If there is a decrease in net realisable value, this may result in write-down of properties held-for-sale. Such write-down requires the use of judgment and estimates. Where the expectation is different from the original estimate, the carrying amount and write-down of properties in the period in which such estimate is changed will be adjusted accordingly.

The Group's properties held-for-sale are located in various cities, including first-tier cities such as Beijing and Shanghai, in the PRC. The properties held-for-sale located in cities other than the first-tier cities in the PRC are more sensitive to change in economic conditions and local government policy in the PRC. As at 31 December 2019, the carrying amount of properties held-for-sale is approximately HK$6,633,624,000 (2018: HK$8,860,695,000), of which an amount of approximately HK$1,859,299,000 (2018: HK$1,943,274,000) is properties located in cities other than first-tier cities in the PRC and has no pre-sale agreements entered into by the Group. Details about the Group's properties held-for-sale are set out in Note 26. During the year ended 31 December 2019, no impairment loss in respect of properties held-for-sale located in cities other than first-tier cities in the PRC is recognised in profit or loss.

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (Continued)

Estimation of fair value of investment properties

The valuations of investment properties are arrived at by reference to comparable sales transactions available in the relevant market and where appropriate, using investment approach which capitalises the net rental income derived from the existing tenancies with due allowance for the reversionary potential of the investment properties.

For investment properties whereby fair value is assessed by reference to comparable sales transactions, the fair value is determined based on the current prices in an active market for similar properties. If the current prices in an active market for similar properties are not available for the purpose of estimation of fair value of investment properties, the Group considers information from a variety of sources, including:

(a) Current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences; and

(b) Recent transaction prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices.

For investment properties whereby the fair value is assessed by adopting investment approach, which are mainly those investment properties that are held for earning rental income from its existing lease contracts, the fair value is determined based on reliable estimates of future cash flows supported by the terms of any existing lease and, when possible, by external evidence such as current market rates for similar properties in the same location and condition, and using reversionary yield that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amount of investment properties as at 31 December 2019 is approximately HK$14,803,258,000 (2018: HK$12,002,506,000). Notwithstanding that the management of the Group engages independent professional qualified valuers not connected to the Group to perform fair value assessments based on these assumptions, the fair value of these investment properties may be higher or lower depending on the future market conditions.

Details about the Group's investment properties are set out in Note 16.

Provision for a legal dispute and contingent liabilities in relation to a property development project

As at 31 December 2019, the Group is subject to a legal dispute with several parties in relation to a property development project in Changsha of the PRC. In the past few years, both favourable and unfavourable results were noted for the legal dispute. Determining whether provision for subject matter in dispute is necessary requires an estimation of probability that an outflow of resources embodying economic benefits to be required for settling the obligation and an estimation of the amount of the obligation which can be measured reliably at the end of the reporting period. Despite unfavourable results of this legal dispute received by the Group subsequent to the end of the reporting period, the Group, based on the advices from the PRC's legal advisors, considers that it has a good ground to make an application for a retrial to repeal the judgement made by the Higher Court (as defined in Note 30(iv)) and obtain a favourable result to the Group. No provision has been made in relation to this legal dispute in the consolidated financial statements while it has been disclosed as contingent liability in Note 46(b).

5. REVENUE

(i) Disaggregation of revenue from contracts with customers:

	2019 HK$'000	2018 HK$'000
Types of goods or services		
Sales of properties	7,536,760	5,966,198
Hotel operations	290,232	295,653
Property management	6,894	12,163
Total	7,833,886	6,274,014
Timing of revenue recognition		
A point in time	7,536,760	5,966,198
Over time	297,126	307,816
	7,833,886	6,274,014

All the revenue of the Group generated from contracts with customers are originated in the PRC.

(ii) Performance obligations for contracts with customers

Revenue from sales of properties

For contracts entered into with customers on sales of properties, the relevant properties specified in the contracts are based on customer's specifications with no alternative use. Based on the opinion from the management of the Group, taking into consideration of the relevant contract terms, the legal environment and relevant legal precedent, the management of the Group concluded that the Group does not have an enforceable right to payment prior to transfer of the relevant properties to customers. Revenue from sales of properties is therefore recognised when the respective properties have been completed and delivered to the customers which is a point in time when customers have the ability to direct the use of the properties and obtain substantially all of the remaining benefits of the properties and, at this point of time, the Group has present right to payment and collection of the consideration is probable.

Deposits received from customers, which represent certain percentage of the contract value when they sign the sale and purchase agreement, prior to meeting the revenue recognition criteria under HKFRS 15 are the contract liabilities and included under current liabilities as pre-sale proceeds received on sales of properties in the consolidated statement of financial position.

The Group applied the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

5. REVENUE (CONTINUED)

(ii) Performance obligations for contracts with customers (Continued)

Revenue from sales of properties (Continued)

Sales-related warranties associated with properties held-for-sale cannot be purchased separately and they serve as an assurance that the properties sold comply with agreed-upon specifications. Accordingly, the Group accounts for warranties in accordance with HKAS 37 which is consistent with its previous accounting treatment and the management of the Group considers that the impact of the after sale warranties is insignificant with reference to the historical record.

Service income from property management

Revenue from provision of property management service is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation as the customers simultaneously receive and consume the benefits provided by the Group when the Group renders the service.

Revenue from hotel operations

Revenue from hotel operations includes room rental, food and beverage sales and other ancillary services. The Group's performance obligations in relation to the hotel operations are considered to be granting customers a right to access hotel's facilities, products and services. The customers simultaneously receive and consume the benefits provided by the Group in running the hotels. Accordingly, the revenue from hotel operations is recognised over time.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

The Group has elected to apply the practical expedient under HKFRS 15 for not disclosing the information of remaining performance obligations which are part of a contract that has an original expected duration of one year or less; or from satisfaction of which the Group recognises revenue in the amount, which the Group has the right to invoice, that corresponds directly with the value to the customers of the Group's performance completed to date. The transaction price allocated to the remaining performance obligations where the aforementioned practical expedients are not applicable as at 31 December 2019 is HK$8,721,180,000 (2018: HK$6,537,268,000), which relates to contract sales of properties. This amount represents the revenue expected to be recognised by the Group in the future when it satisfies the remaining performance obligations and around 47% (2018: 77%) of this balance is expected to be recognised as revenue within one year.

(iv) Leases

	2019 HK$'000	2018 HK$'000
Total revenue arising from operating leases:		
Lease payments that are fixed	750,020	703,669

6. SEGMENT INFORMATION

Information reported to the directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and performance assessment focuses on revenue analysis. No other discrete financial information is provided other than the Group's result and financial position as a whole. Accordingly, only entity-wide disclosures, major customers and geographic information are presented.

The Group's operations are located in the PRC. All revenue and non-current assets, except for certain property and equipment, of the Group are generated from and located in the PRC. No revenue from a single customer contributed 10% or more of the Group's revenue for the years ended 31 December 2019 and 2018.

7. OTHER INCOME

	2019	2018
	HK$'000	HK$'000
Interest income on bank deposits	**152,430**	249,889
Gains on land resumption (note)	**—**	538,579
Other interest income	**3,227**	2,897
Rental income from property, plant and equipment	**3,564**	3,524
Dividend income from equity instruments at FVTOCI	**19,049**	653
Income from marketing and exhibition activities	**2,149**	1,504
Government grants	**9,159**	14,256
Others	**2,674**	31,583
	192,252	842,885

Note: During the year ended 31 December 2018, two parcels of land with an aggregate carrying amount of approximately RMB86,423,000 (equivalent to approximately HK$102,398,000) held by the Group were resumed by the relevant government departments of Shanghai in the PRC for an aggregate compensation of approximately RMB540,985,000 (equivalent to approximately HK$640,977,000).

8. OTHER EXPENSES, GAINS AND LOSSES, NET

	2019 HK$'000	2018 HK$'000
Net exchange (loss) gain (note)	(6,339)	5,252
Fair value of financial assets at FVTPL, net	596	(541)
Gains on disposal of property, plant and equipment	788	664
Others	(11,140)	(19,042)
	(16,095)	(13,667)

Note: Net exchange (loss) gain mainly comprises realised and unrealised exchange (loss) gain arising on remeasurement of foreign currency denominated monetary assets.

9. FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Interests on bank and other borrowings	1,213,754	1,207,106
Interests on lease liabilities	2,164	—
Total finance costs	1,215,918	1,207,106
Less: Amount capitalised into properties under development for sale	(487,357)	(463,805)
	728,561	743,301

Borrowing costs capitalised during the year arising on the general borrowing pool are calculated by applying a capitalisation rate of 4.44% (2018: 4.74%) per annum to expenditure on qualifying assets.

10. INCOME TAX

Income tax in the consolidated statement of profit or loss and other comprehensive income represents:

	2019 HK$'000	2018 HK$'000
Current tax:		
PRC Enterprise Income Tax ("EIT") (note (i))	976,087	809,528
PRC Land Appreciation Tax ("LAT")	1,357,185	939,611
PRC withholding tax on dividend income	32,637	27,251
Capital gains tax on disposal of PRC entities by a non-resident company (note (ii))	–	14,218
	2,365,909	1,790,608
(Over)underprovision in prior years:		
PRC EIT and PRC withholding tax on dividend income (note (iii))	(7,387)	9,157
Deferred tax (Note 36)	(833,089)	(245,125)
Income tax for the year	1,525,433	1,554,640

Notes:

(i) During the year ended 31 December 2018, EIT of approximately HK$23,274,000 was provided for the gains on disposals of the Group's entire equity interests in two subsidiaries, namely Shanghai Shenda and Shanghai Commercial (both are defined in Note 38), incorporated in the PRC, by a resident company. The EIT provided for the gains on disposals of these subsidiaries was calculated at 25% on the difference between the consideration received and the investment costs of the two subsidiaries disposed. Details of these disposals are set out in Note 38(a).

(ii) During the year ended 31 December 2018, capital gains tax of approximately HK$14,218,000 was provided for the gain on disposal of the Group's entire equity interest in Fine Mark (as defined in Note 38(b)), which was a non-resident company and jointly owned Fuzhou Chengkai (as defined in Note 38(b) through a joint venture, namely Initial Point Investment Limited). The capital gains tax provided for the gain on this disposal was calculated at 10% on the difference between the consideration received for the disposal of the equity interest in Fuzhou Chengkai and the respective portion of its contributed capital. Details of this disposal are set out in Note 38(b).

(iii) During the year ended 31 December 2019, the Group recognised underprovision of the PRC EIT of HK$15,035,000 (2018: HK$9,157,000) upon completion of tax clearance procedures by certain PRC subsidiaries with their respective tax authorities. Also, the Group recognised overprovision of withholding tax of HK$22,422,000 (2018: nil) in respect of dividend income received by a Hong Kong resident company from the PRC subsidiaries in previous years.

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Pursuant to Circular 698 issued by China's State Administration of Taxation, the tax rate applicable to the capital gains from disposal of PRC entities through transfer of shares in non-resident companies is 10%.

10. INCOME TAX (CONTINUED)

Under the Provisional Regulations of LAT (《中華人民共和國土地增值稅暫行條例》) effective on 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (《中華人民共和國土地增值稅暫行條例實施細則》) effective from 27 January 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, being the proceeds of sales of properties less deductible expenditures including borrowing costs and property development expenditures in relation to the gains arising from sales of properties in the PRC effective from 1 January 2004, with an exemption provided for property sales of ordinary residential properties (普通標準住宅) if their appreciation values do not exceed 20% of the sum of the total deductible items.

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

Pursuant to the rules and regulations of Bermuda and the BVI, the Group is not subject to any income tax in BVI in respect of both years.

The income tax for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2019 HK$'000	2018 HK$'000
Profit before tax	**2,745,131**	2,824,387
Tax at PRC EIT rate of 25% (2018: 25%)	**686,283**	706,097
Tax effect of share of results of associates	**(1,787)**	(1,715)
Tax effect of expenses not deductible for tax purposes	**77,065**	40,387
Tax effect of income not taxable for tax purposes	**(2,429)**	(1,233)
Tax effect of tax losses not recognised	**132,618**	145,636
Utilisation of tax losses previously not recognised	**(8,140)**	(11,842)
Derecognition of deferred tax liabilities due to change in tax rate of LAT for certain properties sold	**(410,983)**	—
Provision for LAT for the year	**1,357,185**	939,611
Tax effect of LAT deductible for PRC EIT	**(339,296)**	(234,903)
(Over)under-provision of EIT in prior years	**(7,387)**	9,157
Effect of different tax rates of subsidiaries operating in Hong Kong	**14,829**	(29,559)
Deferred tax on LAT in respect of investment properties	**(5,162)**	(34,247)
PRC withholding tax on dividend income	**32,637**	27,251
Income tax for the year	**1,525,433**	1,554,640

11. PROFIT FOR THE YEAR

	2019 HK$'000	2018 HK$'000
Profit for the year has been arrived at after charging (crediting):		
Depreciation for property, plant and equipment	139,699	130,029
Less: Depreciation capitalised into properties under development for sale	(1,239)	(3,156)
	138,460	126,873
Depreciation of right-of-use assets	40,603	—
Amortisation of prepaid lease payments	—	6,559
Total depreciation and amortisation	179,063	133,432
Gross rental income from investment properties	(750,020)	(703,669)
Less: Direct operating expenses incurred for investment properties that generated rental income during the year	264,143	240,209
	(485,877)	(463,460)
Directors' remuneration (Note 12)	10,784	10,601
Other staff costs		
Salaries, wages and other benefits	270,438	241,580
Retirement benefit scheme contributions	34,335	42,881
Total staff costs	315,557	295,062
Less: Staff costs capitalised into properties under development for sale	(82,985)	(47,371)
	232,572	247,691
Auditors' remuneration	6,616	6,398
Cost of properties held-for-sale recognised as an expense	3,774,585	3,472,008
Cost of inventories for hotel operations recognised as an expense	21,606	22,566
Share of tax of associates (included in share of results of associates)	2,197	2,295

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the eleven (2018: thirteen) directors of the Company, including the chief executive, are as follows:

For the year ended 31 December 2019

		Other emoluments			
	Fees HK$'000	Salaries and other allowances HK$'000	Retirement benefit scheme contributions HK$'000	Equity-settled share-based payments HK$'000 (note (i))	Total emoluments HK$'000
Executive directors:					
Mr. Zeng Ming (note (iv) and note (v))	–	–	83	–	83
Mr. Zhou Xiong (note (iv) and note (v))	–	–	79	–	79
Mr. Lou Jun (note (iv))	–	–	–	–	–
Mr. Fei Zuoxiang	–	2,120	–	–	2,120
Ms. Huang Fei (note (vi))	–	1,732	–	–	1,732
Mr. Ye Weiqi	–	2,050	–	–	2,050
Mr. Zhong Tao	–	2,970	30	–	3,000
Independent non-executive directors:					
Mr. Doo Wai Hoi, William	430	–	–	–	430
Mr. Fan Ren Da, Anthony	430	–	–	–	430
Mr. Li Kai Fai, David	430	–	–	–	430
Mr. Qiao Zhigang	430	–	–	–	430
Total	1,720	8,872	192	–	10,784

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (CONTINUED)

For the year ended 31 December 2018

		Other emoluments			
	Fees HK$'000	Salaries and other allowances HK$'000	Retirement benefit scheme contributions HK$'000	Equity-settled share-based payments HK$'000 (note (i))	Total emoluments HK$'000
Executive directors:					
Mr. Zeng Ming (note (iv) and note (v))	–	–	34	–	34
Mr. Zhou Xiong (note (iv) and note (v))	–	–	51	–	51
Mr. Ji Gang (note (iii))	–	2,264	41	–	2,305
Mr. Lou Jun (note (iv))	–	–	–	–	–
Mr. Yang Jianwei (note (ii) and note (iii))	–	–	–	–	–
Mr. Fei Zuoxiang	–	1,676	–	–	1,676
Ms. Huang Fei (note (vi))	–	1,615	–	–	1,615
Mr. Ye Weiqi	–	1,645	–	–	1,645
Mr. Zhong Tao	–	1,555	–	–	1,555
Independent non-executive directors:					
Mr. Doo Wai Hoi, William	430	–	–	–	430
Mr. Fan Ren Da, Anthony	430	–	–	–	430
Mr. Li Kai Fai, David	430	–	–	–	430
Mr. Qiao Zhigang	430	–	–	–	430
Total	1,720	8,755	126	–	10,601

Notes:

(i) Equity-settled share-based payments represent the fair value of share options granted to directors of the Company under a share option scheme adopted by the Company in year 2011. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions.

Details of share options granted to directors of the Company and other employees, including the principal terms and number of options granted, are set out in Note 40.

(ii) The emolument for Mr. Yang Jianwei for the year ended 31 December 2018 was borne by SIHL.

(iii) Mr. Ji Gang and Mr. Yang Jianwei retired as the Company's executive directors on 23 May 2018.

(iv) Mr. Zeng Ming, Mr. Zhou Xiong and Mr. Lou Jun were appointed as the Company's executive directors on 23 May 2018.

(v) The emoluments for Mr. Zeng Ming and Mr. Zhou Xiong for the years ended 31 December 2019 and 2018 were borne by SIHL.

(vi) Ms. Huang Fei retired as the Company's executive director on 1 September 2019.

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (CONTINUED)

The executive directors' emoluments shown above are 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 are for their services as directors of the Company.

Mr. Zeng Ming is also the chief executive of the Company. His emolument disclosed above includes those for services rendered by him as the chief executive.

During the years ended 31 December 2019 and 2018, no emoluments have been paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company has waived any emoluments during the year.

13. EMPLOYEES' EMOLUMENTS

For the year ended 31 December 2019, of the five individuals with the highest emoluments in the Group, four (2018: four) are directors of the Company whose emoluments are included in the disclosures in Note 12. The emoluments of the remaining one (2018: one) individual are as follows:

	2019 **HK$'000**	2018 HK$'000
Salaries and other allowances	**1,841**	1,592

The emoluments of that individual are within the following band:

	2019	2018
HK$1,500,001 to HK$2,000,000	**1**	1

During the years ended 31 December 2019 and 2018, no emoluments have been paid by the Group to the five employees with the highest emoluments as an inducement to join or upon joining the Group or as compensation for loss of office.

14. EMPLOYEE RETIREMENT BENEFITS

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for those employees who are eligible to participate in the MPF Scheme in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of the employee's relevant income to the MPF Scheme subject to a cap to monthly relevant income of HK$30,000 since 1 June 2014, which contribution is matched by employees.

Pursuant to the relevant labour rules and regulations in the PRC, the Group participates in state-managed retirement schemes (the "Schemes") operated by the relevant local government authorities whereby the Group is required to make contributions to the Schemes at rates ranging from 18% to 22% of the eligible employees' salaries. The local government authorities are responsible for the entire pension obligations payable to retired employees while the Group's only obligation is to make the specified contributions.

The Group has no other obligation for the payment of post-retirement benefits beyond the contributions described above.

15. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

Earnings

	2019 HK$'000	2018 HK$'000
Earnings for the purposes of calculating basic and diluted earnings per share: Profit for the year attributable to owners of the Company	600,292	573,074

Number of shares

	2019 '000	2018 '000
Weighted average number of ordinary shares for the purposes of calculating basic and diluted earnings per share	4,809,596	4,810,973

The computation of diluted earnings per share in both years does not assume the exercise of the Company's share options because the exercise price of the share options was higher than the average market price for both years.

16. INVESTMENT PROPERTIES

The Group leases out various commercial and residential properties including offices, shopping malls, stores, mart, exhibition hall, car park and apartments under operating leases with rentals payable monthly. The leases typically run for an initial period of one to twenty years and the lessees have the option to extend the lease beyond initial agreed period but it is subject to mutual agreement between the Group and the lessees. The extension option is subject to market review clauses in the event the lessee exercises the option.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

16. INVESTMENT PROPERTIES (CONTINUED)

	2019 HK$'000	2018 HK$'000
FAIR VALUE		
At 1 January	12,002,506	14,946,610
Subsequent expenditure	53,341	223,944
Acquisition (note (i))	517,845	—
Addition under sublease arrangement of leased properties	7,383	—
Fair value gain (loss) on investment properties, net	210,191	(176,447)
Carved-out (Note 39)	—	(14,253)
Transfer to properties held-for-sale (note (ii))	—	(2,290,284)
Transfer from properties held-for-sale (note (iii))	2,235,045	—
Exchange realignment	(223,053)	(687,064)
At 31 December	14,803,258	12,002,506
Unrealised gains (losses) on revaluation of investment properties included in profit or loss for the year	210,191	(176,447)

Notes:

(i) During the year ended 31 December 2019, the Group acquired a parcel of land in Shanghai Xuhui District in the PRC, where residential properties will be developed for earning rentals, at a consideration of RMB456,480,000 (equivalent to approximately HK$517,845,000) which was prepaid by the Group in prior year.

(ii) In July 2018, the management of the Group decided to terminate the operating leases in relation to the villa located in Shanghai in the PRC, which the Group used to earn rental income and commenced the renovation on the villa with a purpose to sale. Therefore, the villa with fair value of approximately HK$2,290,284,000 was transferred from investment properties to properties held-for-sale.

(iii) During the year ended 31 December 2019, the management of the Group changed the intention from selling the apartments and commercial units of several residential property projects to lease them out for rentals. Accordingly, properties held-for-sale with carrying amount of approximately HK$2,235,045,000 was transferred to investment properties upon inception of lease agreements with the tenants during the year.

16. INVESTMENT PROPERTIES (CONTINUED)

The carrying value of investment properties shown above comprises completed properties and a parcel of land where an investment property will be constructed but yet commenced the construction work during the year ended 31 December 2019.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The fair values of the Group's investment properties as at 31 December 2019 and 2018 have been arrived at on the basis of valuations carried out on the respective dates by Cushman & Wakefield Limited ("CWL"), an independent qualified professional valuer not connected to the Group. CWL has appropriate qualification and recent experience in the valuation of similar properties in the relevant locations. The address of CWL is 16/F, 1063 Kings Road, Quarry Bay, Hong Kong. The Group's investment properties are valued individually on market value basis, which conforms to HKIS Valuation Standards 2017 Edition published by Hong Kong Institute of Surveyors. The fair value is arrived at by reference to comparable sales transactions available in the relevant markets and, where appropriate, using investment approach which capitalises the net rental income derived from the existing tenancies with due allowance for the reversionary potential of the properties.

In estimating the fair value of the investment properties, the management of the Group has considered that the highest and best use of the properties is their current use. The fair values of certain investment properties have been adjusted to exclude prepaid or accrued operating lease income to avoid double counting.

All of the Group's investment properties are located in the PRC and classified as Level 3 in the fair value hierarchy for both years.

There were no transfers into or out of Level 3 during both years.

At the end of the reporting period, the management of the Group works closely with CWL to establish and determine the appropriate valuation techniques and inputs for Level 3 fair value measurements. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to the management of the Group.

16. INVESTMENT PROPERTIES (CONTINUED)

Information about fair value measurements using key unobservable inputs (Level 3)

The following table shows the valuation techniques used in the determination of fair values for investment properties and the key unobservable inputs used in the valuation models.

Description	Fair value as at 31 December 2019 HK$'000	31 December 2018 HK$'000	Valuation techniques	Key unobservable inputs	Range of key unobservable inputs	Relationship of key unobservable inputs to fair value
Commercial — offices and related car park units in various locations	3,761,857	3,575,610	Investment approach	For offices: Reversionary yield derived from market rent and transaction price of comparable properties in the same location	2019: 4.75% — 6.75% 2018: 4.75% — 6.75%	The higher the reversionary yield, the lower the fair value
			Direct comparison approach	For car park units: Price per unit	2019: RMB200,000 per unit 2018: RMB200,000 per unit	The higher the price per unit, the higher the fair value
Commercial — shopping malls, stores, mart and the related car park units in various locations	9,988,815	8,127,989	Investment approach	For shopping malls, stores and mart: Reversionary yield derived from market rent and transaction price of comparable properties in the same location	2019: 3.5% — 7.75% 2018: 3.5% — 5.5%	The higher the reversionary yield, the lower the fair value
			Direct comparison approach	For car park units: Price per unit	2019: RMB110,000 to RMB140,000 per unit 2018: RMB110,000 to RMB140,000 per unit	The higher the price per unit, the higher the fair value
Commercial — exhibition hall in Shanghai	260,626	264,177	Investment approach	Reversionary yield derived from market rent and transaction price of comparable properties in the same location	2019: 5.25% 2018: 5.5%	The higher the reversionary yield, the lower the fair value
Residential — a detached villa, service apartments and a parcel of land in various locations	791,960	34,730	Investment approach	For a detached villa: Reversionary yield derived from market rent and transaction price of comparable properties in the same location	2019: 3.5% 2018: 3.5%	The higher the reversionary yield, the lower the fair value
			Direct comparison approach	For service apartments: Price per unit	2019: RMB11,052 to RMB11,382 per unit 2018: N/A	The higher the price per unit, the higher the fair value
				For a parcel of land yet commenced construction for service apartments: Price per unit	2019: RMB20,182 to RMB27,250 per unit 2018: N/A	The higher the price per unit, the higher the fair value
	14,803,258	12,002,506				

As at 31 December 2019, certain of the investment properties of the Group with carrying amount of approximately HK$8,616,868,000 (2018: HK$8,128,213,000) are pledged as collaterals for bank borrowings.

17. PROPERTY, PLANT AND EQUIPMENT

	Hotel buildings and improvements HK$'000	Hotel furniture and equipment HK$'000	Other buildings HK$'000	Plant and machinery HK$'000	Leasehold improvements HK$'000	Other furniture and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
COST									
At 1 January 2018	1,941,343	158,046	575,645	7,231	53,101	57,543	64,963	221,448	3,079,320
Additions	3,128	615	6,888	–	–	14,788	772	35,700	61,891
Disposals	(941)	(9,718)	(30,906)	(7,029)	–	(6,331)	(12,838)	–	(67,763)
Transfer	159,735	17,759	–	–	–	–	–	(177,494)	–
Exchange realignment	(109,895)	(8,562)	(29,018)	(202)	(1,947)	(4,391)	(3,039)	(3,704)	(160,758)
At 31 December 2018	1,993,370	158,140	522,609	–	51,154	61,609	49,858	75,950	2,912,690
Additions	1,365	1,809	–	–	6,270	19,083	440	126,180	155,147
Disposals	(562)	(1,068)	(57,508)	–	(3,453)	(4,499)	(4,968)	–	(72,058)
Transfer	116,859	–	–	–	–	–	–	(116,859)	–
Exchange realignment	(37,586)	(2,805)	(8,431)	–	(627)	(1,584)	(858)	(703)	(52,594)
At 31 December 2019	2,073,446	156,076	456,670	–	53,344	74,609	44,472	84,568	2,943,185
ACCUMULATED DEPRECIATION									
At 1 January 2018	420,060	75,406	54,229	4,461	48,717	40,417	48,398	–	691,688
Provided for the year	85,698	7,997	17,106	196	1,562	12,695	4,775	–	130,029
Eliminated on disposals	(881)	(6,651)	(984)	(3,974)	–	(5,383)	(10,991)	–	(28,864)
Exchange realignment	(26,262)	(3,963)	(3,390)	(683)	(1,782)	(2,361)	(2,372)	–	(40,813)
At 31 December 2018	478,615	72,789	66,961	–	48,497	45,368	39,810	–	752,040
Provided for the year	104,671	6,882	8,572	–	2,110	14,184	3,280	–	139,699
Eliminated on disposals	(562)	(968)	(25,993)	–	(3,453)	(3,860)	(4,821)	–	(39,657)
Exchange realignment	(10,287)	(1,365)	(920)	–	(597)	(890)	(707)	–	(14,766)
At 31 December 2019	572,437	77,338	48,620	–	46,557	54,802	37,562	–	837,316
CARRYING AMOUNTS									
At 31 December 2019	1,501,009	78,738	408,050	–	6,787	19,807	6,910	84,568	2,105,869
At 31 December 2018	1,514,755	85,351	455,648	–	2,657	16,241	10,048	75,950	2,160,650

17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The above property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis, after taking into account of their estimated residual value, over the following years:

Hotel buildings and improvements	20–25 years
Hotel furniture and equipment	5–15 years
Other buildings	Over the term of the lease
Plant and machinery	5–20 years
Leasehold improvements	5 years
Other furniture and equipment	3–10 years
Motor vehicles	5–10 years

18. RIGHT-OF-USE ASSETS

	Leasehold land HK$'000	Leased properties (note (i)) HK$'000	Total HK$'000
At 1 January 2019			
Carrying amounts	203,610	50,538	254,148
At 31 December 2019			
Carrying amounts	193,838	52,930	246,768
For the year ended 31 December 2019			
Depreciation charge	6,260	34,343	40,603
Total cash outflow for leases (note (ii))			71,611
Additions to right-of-use assets			54,300

Notes:

(i) The leased properties include office premises and apartment units.

(ii) Total cash outflow for leases included the repayment of lease liabilities and interest paid.

19. PREPAID LEASE PAYMENTS

	2018 HK$'000
Leasehold land in the PRC analysed for reporting purposes as:	
— Non-current asset	198,926
— Current asset	4,684
	203,610

20. INTANGIBLE ASSETS

	Trademark HK$'000
COST	
At 1 January 2018	61,261
Exchange realignment	(3,281)
At 31 December 2018	57,980
Exchange realignment	(933)
At 31 December 2019	57,047

Intangible assets of the Group represent trademarks acquired, which have legal life of 10 years from September 2001 to September 2011 but are renewable upon expiry. During the year ended 31 December 2011, the trademarks were renewed for 10 years to September 2021. The directors of the Company are of the opinion that the Group will renew the trademarks continuously and has the ability to do so at minimal cost. Various studies including product life cycle studies, market, competitive and environment trends, and brand extension opportunities have been performed by the management of the Group, which supports that the trademarks have no foreseeable limit to the period over which the trademarked products are expected to generate net cash flows for the Group. As a result, the trademarks are considered by the management of the Group as having an indefinite useful life because they are expected to contribute to net cash inflows indefinitely. The trademarks will not be amortised until their useful lives are determined to be finite. Instead, they will be tested for impairment annually and whenever there is an indication that it may be impaired.

For the purpose of impairment testing, trademarks with indefinite useful life set out above have been allocated to the individual cash-generating unit ("CGU") which refers to SUD. During the year ended 31 December 2019, the management of the Group determines that there is no impairment (2018: nil) of the CGU containing trademarks by reference to the recoverable amount of CGU, which has been determined based on a value in use calculation.

21. INTERESTS IN ASSOCIATES

	2019 HK$'000	2018 HK$'000
Unlisted shares, at cost	1,231,026	1,253,175
Share of post-acquisition results, net of dividends received	10,408	7,605
	1,241,434	1,260,780

As at 31 December 2019 and 2018, the Group has interests in the following associates:

Name of associate	Form of entity	Place of incorporation/ registration and operation	Issued and fully paid share capital/ registered capital	Proportion of ownership interest				Principal activity
				The Group's effective interest		Held by a subsidiary		
				2019	2018	2019	2018	
上海城開房地產經紀有限公司	Sino-foreign joint venture	The PRC	RMB20,000,000	28.9%	28.9%	49%	49%	Provision of property agency services
上海莘天置業有限公司 ("Shanghai Shentian")	Sino-foreign joint venture	The PRC	RMB2,850,000,000	20.7%	20.7%	35%	35%	Property development
上海地產北部投資發展有限公司 ("NR Investment") (note)	Limited liability company	The PRC	RMB250,000,000	20.7%	20.7%	35%	35%	Property development

Note:

On 31 January 2018, the Group entered into an asset and equity transfer agreement with Shangtou Assets. Pursuant to the agreement, the Group agreed to acquire a 35% equity interest in NR Investment at a cash consideration of approximately RMB88,338,000 (equivalent to approximately HK$104,666,000). NR Investment is a company incorporated in the PRC and principally engaged in primary land development. The consideration was fully settled on 9 April 2018 and the acquisition was completed in April 2018. After the acquisition, the Group has the power to appoint two out of seven directors in the board of NR Investment. The remaining five directors are appointed by the other investors. According to the articles of association of NR Investment, all board resolutions are required approval from over two-thirds of the board members. Accordingly, the Group exercised significant influence over NR Investment and it was regarded as an associate of the Group. As SIIC exercised the authority as a state-owned shareholder of Shangtou Assets, this transaction was regarded as a connected transaction and a related party transaction.

21. INTERESTS IN ASSOCIATES (CONTINUED)

Summarised financial information of material associates

Summarised financial information in respect of the Group's material associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

All of the Group's associates are accounted for using the equity method in these consolidated financial statements:

	2019 HK$'000	2018 HK$'000
Shanghai Shentian		
Non-current assets	1,290	1,369
Current assets (note)	8,320,899	7,741,987
Non-current liabilities	(472,371)	(1,391,824)
Current liabilities	(4,661,898)	(3,106,257)
Net assets	3,187,920	3,245,275
Revenue	–	–
Profit and total comprehensive income for the year	–	–

Note: The balance mainly comprises land and construction costs relating to properties under development for sale and properties held-for-sale. The development plan was approved by the respective government departments in the PRC and the construction commenced during the year ended 31 December 2014. The pre-sale activities for certain phases were carried out continuously since year 2018 and the constructions were completed by phases since early of year 2019. The management of the Group expects the properties held by this associate will be transferred to the buyers by batches in year 2020.

Reconciliation of the above summarised financial information to the carrying amount of the interests in the associates recognised in the consolidated financial statements:

	2019 HK$'000	2018 HK$'000
Net assets of Shanghai Shentian	3,187,920	3,245,275
Proportion of the Group's ownership interest in Shanghai Shentian	35%	35%
Carrying amount of the Group's interest in Shanghai Shentian	1,115,772	1,135,846

21. INTERESTS IN ASSOCIATES (CONTINUED)

Aggregate information of associates that are not individually material

	2019 HK$'000	2018 HK$'000
The Group's share of profit	7,146	6,859
Dividends received from an associate during the year	4,169	4,296
Aggregate carrying amount of the Group's interests in these associates	125,662	124,934

22. INTERESTS IN JOINT VENTURES

	2019 HK$'000	2018 HK$'000
Unlisted shares, at cost	615,213	626,281
Share of post-acquisition results	–	–
	615,213	626,281

Details of the Group's joint venture at the end of the reporting period are as follows:

Name of joint venture	Form of entity	Place of incorporation/ registration and operation	Issued and fully paid share capital/ registration capital	Proportion of ownership interest: The Group's effective interest 2019	2018	Held by a subsidiary 2019	2018	Held by a joint venture (note) 2019	2018	Principal activity
上海莘至城置業有限公司 ("Shenzhicheng")	Limited liability company	The PRC	RMB1,100,000,000	29.5%	29.5%	50%	50%	–	–	Property development, property investment and property management
上海諾卓企業管理有限公司 ("Shanghai Nuozhuo")	Limited liability company	The PRC	RMB10,000,000	29.5%	–	50%	–	–	–	Integrated management service
上海天宇實宏企業發展有限公司 ("Shanghai Tianyu")	Limited liability company	The PRC	RMB4,700,000,000	21.2%	–	5%	–	55%	–	Property development

Note: The joint venture is Shanghai Nuozhuo.

22. INTERESTS IN JOINT VENTURES (CONTINUED)

Financial information of the joint venture

The financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs.

The Group's joint venture is accounted for using the equity method in these financial statements.

Shenzhicheng

	2019 HK$'000	2018 HK$'000
Non-current assets (note (i))	1,204,386	447
Current assets (note (ii))	26,066	1,252,120
Current liabilities	(26)	(5)
Net assets	1,230,426	1,252,562

Notes:

(i) The balance as at 31 December 2019 mainly comprises land costs relating to properties under development for rentals.

(ii) The balance as at 31 December 2018 mainly comprised a deposit for acquisition of a parcel of land situated in Minhang District in Shanghai in the PRC.

	2019 HK$'000	2018 HK$'000
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	24,427	85,101

	2019 HK$'000	2018 HK$'000
Revenue	–	–
Profit and other comprehensive income for the year	–	–

22. INTERESTS IN JOINT VENTURES (CONTINUED)

Financial information of the joint venture (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in a joint venture recognised in the consolidated financial statements:

Shenzhicheng

	2019 HK$'000	2018 HK$'000
Net assets of Shenzhicheng	1,230,426	1,252,562
Proportion of the Group's ownership interest in Shenzhicheng	50%	50%
Carrying amount of the Group's interest in Shenzhicheng	615,213	626,281

23. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019 HK$'000	2018 HK$'000
Equity securities:		
— Listed in the PRC (note (i))	101,588	91,407
— Unlisted (note (ii))	58,620	78,192
	160,208	169,599

Notes:

(i) The above listed equity investments represent the Group's equity interest in an entity listed in the PRC. These investments are not held-for-trading. Instead, they are held for long-term strategic purpose. The management of the Group elected to designate these investments as equity instruments at FVTOCI as they believe that recognising short-term fluctuations in fair value of these investments in profit or loss is not consistent with the Group's strategy of holding these investments for long-term strategic purpose and realising their performance potential in the long run.

(ii) The above unlisted equity investments represent the Group's equity interest in several private entities established in the PRC. The management of the Group elected to designate these investments at FVTOCI as they believe that these investments will benefit the Group in long run through realisation or receiving steady dividends. The Group engaged GW Financial Advisory Services Limited, an independent qualified professional valuer not connected to the Group, to determine the fair values of certain of the Group's unlisted equity investments. The carrying amount of the Group's unlisted equity investments which are subject to fair value review by the valuer is approximately HK$54,257,000 (2018: HK$75,635,000). Details of the valuation for these investments are set out in Note 43.

24. RESTRICTED AND PLEDGED BANK DEPOSITS

The Group has entered into agreements with certain banks with respect to mortgage loans provided for buyers of the Group's property units and has made deposits as security to and given guarantees on mortgage loans provided for the buyers by these banks under the agreements. Pursuant to the terms of agreements, upon default in payments of mortgage instalments by these buyers, the Group is liable to repay to the banks the remaining outstanding mortgage principals together with accrued interest and penalty owed by the defaulted buyers, after netting off the pledged bank deposits and the Group is entitled to take over the legal title and possession of the related properties. These pledged bank deposits of approximately HK$190,419,000 (2018: HK$27,831,000), and the related guarantees, will be released when the property title deeds of the buyers are pledged to banks as security for respective mortgage loans. As at 31 December 2019, deposits of approximately HK$15,152,000 (2018: HK$12,771,000), which are expected to be released within twelve months, are classified as current assets. The remaining balances of approximately HK$175,267,000 (2018: HK$15,060,000), which are expected to be released more than one year after the property title deeds are passed to the buyers, are classified as non-current assets. These pledged bank deposits carry variable interest rate of 0.5% (2018: 0.4%) per annum as at 31 December 2019. Details of the mortgage guarantees are set out in Note 46.

Pledged bank deposits also include deposits of approximately HK$491,070,000 (2018: HK$5,602,000) pledged to banks to secure bank borrowings granted to the Group. As at 31 December 2019, deposits of approximately HK$489,588,000 (2018: HK$4,096,000) with maturity of less than twelve months, are classified as current assets. As at 31 December 2019, deposits of approximately HK$1,482,000 (2018: HK$1,506,000) with maturity of more than one year, are classified as non-current assets. These pledged bank deposits carry interest at fixed interest rates ranging from 1.8% to 3.0% (2018: 1.8% to 3.0%) per annum as at 31 December 2019 and they will be released upon the settlement of relevant bank borrowings.

As at 31 December 2018, bank deposits of approximately HK$66,575,000 were restricted for use by the Group as a result of demolishment and relocation process undergoing for a property development project located at Beijing in the PRC. These restricted bank deposits carried variable interest at a rate of 0.4% per annum. The demolishment and relocation process of this property development project were completed during the year ended 31 December 2019 and these restricted bank deposits were released.

25. INVENTORIES

	2019 **HK$'000**	2018 HK$'000
Hotel operations		
Finished goods — food and beverage and others	**2,497**	3,385

26. PROPERTIES UNDER DEVELOPMENT FOR SALE AND PROPERTIES HELD-FOR-SALE

	2019 HK$'000	2018 HK$'000
Property development		
Properties under development for sale	22,319,212	22,211,298
Properties held-for-sale	6,633,624	8,860,695
	28,952,836	31,071,993

All of the properties under development for sale and properties held-for-sale are located in the PRC.

Included in the properties held-for-sale as at 31 December 2019, an amount of approximately HK$3,765,253,000 (2018: HK$5,975,930,000) is properties located in first-tier cities, such as Beijing and Shanghai, in the PRC and an amount of approximately HK$2,868,371,000 (2018: HK$2,884,765,000) are properties located in cities other than first-tier cities in the PRC, of which an amount of approximately HK$1,859,299,000 (2018: HK$1,943,274,000) has no pre-sale agreements entered into by the Group.

The net realisable value of the Group's properties held-for-sale, which are not located in first-tier cities in the PRC and have no pre-sale agreements entered into by the Group, as at 31 December 2019 has been arrived at on the basis of a valuation carried out by CWL. CWL has appropriate qualification and recent experience in the valuation of similar properties in the relevant locations. The Group's properties held-for-sale are valued individually on market value basis, which conforms to HKIS Valuation Standards 2017 published by Hong Kong Institute of Surveyors. The net realisable value of the Group's properties held-for-sale is arrived at by reference to comparable sales transactions available in the relevant markets with adjustments according to nature of each property, its location and the prevailing market prices.

As at 31 December 2019, properties held-for-sale of approximately HK$828,514,000 (2018: HK$862,813,000) are carried at net realisable value.

As at 31 December 2019, properties under development for sale of approximately HK$20,586,158,000 (2018: HK$18,464,169,000) are not expected to be realised within one year.

As at 31 December 2019, properties under development for sale of approximately HK$4,483,418,000 (2018: HK$1,115,987,000) and properties held-for-sale of approximately HK$645,466,000 (2018: HK$736,551,000) are pledged as collaterals for bank borrowings.

27. TRADE AND OTHER RECEIVABLES AND PREPAYMENT

	2019 HK$'000	2018 HK$'000
Other receivables and prepayment recognised as non-current assets		
Loan receivables (note (ii))	9,239	18,515
Prepayment for acquisition of land parcels (note (iii))	726,063	667,616
	735,302	686,131
Trade and other receivables recognised as current assets		
Trade receivables		
— Contracts with customers	2,236	7,150
— Lease receivables	14,019	12,496
	16,255	19,646
Less: Loss allowance	(271)	(737)
	15,984	18,909
Other receivables (note (i))	226,832	207,938
Advance payments to contractors	26,173	70,467
Prepaid other taxes	364,719	180,939
Deposits and prepayments	41,225	11,763
	674,933	490,016

Notes:

(i) Other receivables mainly comprise various warranty deposits placed with the relevant government bodies in respect of properties being sold and receivables in respect of advances made to contractors for resumption of land. Included in current other receivables as at 31 December 2019, there is an amount of RMB8,000,000 (equivalent to approximately HK$8,949,000) (2018: RMB10,000,000 (equivalent to approximately HK$11,387,000)) which represents current portion of loans advanced to a subsidiary of a former tenant of one of the Group's investment properties (the "Borrower") through an entrusted loan agreement administrated by a trust company, and the amount is repayable on 31 December 2020 (2018: 31 December 2019). The loan carries fixed interest a rate of 5% per annum.

(ii) As at 31 December 2019, included in non-current other receivables, there are loan receivables of RMB8,260,000 (equivalent to approximately HK$9,239,000) (2018: RMB16,260,000 (equivalent to approximately HK$18,515,000)) which represent non-current portion of loans advanced to the Borrower. RMB8,260,000 of the loan receivables is repayable on 31 December 2021 (2018: RMB8,000,000 and RMB8,260,000 of the loan receivables are repayable on 31 December 2020 and 31 December 2021 respectively). The loans carry fixed interest at a rate of 5% per annum. The loans are secured by the registered share capital of the immediate and intermediate holding companies of the Borrower and loans are also guaranteed by the entity controlled by the beneficial owner of the Borrower for a maximum amount of RMB25,000,000. These companies are principally engaged in commercial properties management.

27. TRADE AND OTHER RECEIVABLES AND PREPAYMENT (CONTINUED)

Notes: (Continued)

(iii) During the year ended 31 December 2018, the Group entered into two land use rights transfer contracts with Shanghai Minhang Land Bureau and Shanghai Xuhui Land Bureau respectively to acquire two parcels of land in Shanghai in the PRC for the development of residential properties held for earning rentals at a total consideration of RMB1,105,580,000. As at 31 December 2018, the Group paid a sum of RMB586,300,000 (equivalent to approximately HK$667,616,000), of which RMB129,820,000 (equivalent to approximately HK$147,825,000) related to the parcel of land located in Minhang District and RMB456,480,000 (equivalent to approximately HK$519,791,000) related the parcel of land located in Xuhui District, as prepayments for these acquisitions. During the year ended 31 December 2019, the Group obtained the land use right for the parcel of land located in the Xuhui District (See Note 16(i)). In addition, the Group also paid the remaining consideration for the parcel of land located in the Minhang District (the "Land Acquisition"), which amounts to RMB519,280,000 as a prepayment. As at 31 December 2019, total consideration paid as a prepayment for the Land Acquisition is RMB649,100,000 (equivalent to approximately HK$726,063,000).

As at 1 January 2018, trade receivables in respect of from contracts with customers amounted to HK$7,257,000.

The Group allows an average credit period of 90 days to its corporate hotel customers and generally grants no credit period to property buyers and tenants unless it is specifically approved.

The following is an ageing analysis of trade receivables, net of loss allowance, presented based on the date of billing at the end of the reporting period:

	2019 HK$'000	2018 HK$'000
Within 90 days	1,348	18,552
Within 91–180 days	1,138	357
Over 180 days	13,498	—
	15,984	18,909

Ageing of trade receivables which are past due

	2019 HK$'000	2018 HK$'000
Within 91–180 days	1,138	357
Over 180 days	13,498	—
	14,636	357

The management of the Group considers that the impact of ECL for this past due trade receivables is insignificant.

27. TRADE AND OTHER RECEIVABLES AND PREPAYMENT (CONTINUED)

Movement in the loss allowance for trade receivables

	2019 HK$'000	2018 HK$'000
At 1 January	737	777
Written-off as uncollectible	(466)	—
Exchange realignment	—	(40)
At 31 December	271	737

Included in trade and other receivables, there is an amount of approximately HK$32,474,000 (2018: HK$2,908,000) denominated in HK$ which is the foreign currency of respective companies of the Group.

As at 31 December 2019, certain lease receivables with carrying amount of approximately HK$9,888,000 (2018: HK$6,502,000) are pledged as collaterals for bank borrowings.

Details of impairment assessment of trade and other receivables are set out in Note 42.

28. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 HK$'000	2018 HK$'000
Listed securities held-for-trading		
— Equity securities listed in the PRC	3,342	2,805

29. BANK BALANCES AND CASH

Bank balances which comprise saving deposits and fixed deposits with maturity less than three months carry interest at market rates ranging from 0.35% to 3.0% (2018: 0.35% to 3.0%) per annum.

Included in the bank balances, there are amounts of approximately HK$5,579,000 (2018: HK$7,175,000) and HK$72,128,000 (2018: HK$26,604,000) that are denominated in United States Dollars ("US$") and HK$ respectively which are foreign currency of respective companies of the Group.

30. TRADE AND OTHER PAYABLES AND DEFERRED REVENUE

	2019 HK$'000	2018 HK$'000
Trade and other payables recognised as current liabilities		
Trade payables	1,236,195	729,566
Bills payables	632,627	—
Accrued expenditure on properties under development for sale	2,595,930	2,464,448
Amounts due to former shareholders of the Company's former subsidiaries (note (i))	158,364	160,831
Rental deposits and receipt in advance from tenants	239,239	202,945
Interest payable	90,924	54,499
Payables to the Shanghai government department (note (ii))	197,887	543,055
Provision for compensation expense in relation to settlement of a legal case (note (iii))	—	117,879
Deposit received for disposal of a subsidiary (note (iv))	213,758	217,604
Deferred revenue (note (v))	—	41,977
Accrued charges and other payables	459,012	567,554
Other taxes payables (note (vi))	76,804	140,446
	5,900,740	5,240,804
Deferred revenue recognised as non-current liabilities		
Deferred revenue (note (v))	4,853	159,751

Notes:

(i) The amounts are non-trade in nature, interest-free and repayable on demand.

(ii) The amount represents the receipts of approximately HK$1,376,684,000 (2018: HK$1,717,013,000) from the purchasers of affordable housings which are collected on behalf of the Shanghai government department and but are not repaid to it at the end of the reporting period, net of receivables of approximately HK$1,178,797,000 (2018: HK$1,173,958,000) for the construction and other related costs and the agreed profit margin for the affordable housings. The amount is repayable on demand. During the year ended 31 December 2019, HK$340,329,000 (2018: none) was repaid to Shanghai government department.

(iii) In prior years, the Group was in a legal proceeding with a purchaser of its subsidiary regarding the fulfilment of terms and actual performance of the disposal transaction that happened in year 2009. Pursuant to the commitment letter issued by a subsidiary of the Group (the "Seller") to the purchaser, after receiving consideration from the purchaser, the Seller assumed certain liabilities of the subsidiary being disposed of and agreed to settle these liabilities, which would in turn discharge the purchaser's obligation to pay these liabilities. However, the Seller did not settle the liabilities in full in previous years. A court in Beijing of the PRC had made a judgment and ruled that the Seller was required to settle the liabilities of approximately RMB90,333,000 and pay damages of approximately RMB13,188,000 to the purchaser. As at 31 December 2018, these amounts were not yet settled but were fully provided for. As at 31 December 2019, the subsidiary carrying this provision completed the liquidation process and only certain administrative procedures are outstanding with the respective court. The Group, after obtaining an advice from the PRC's legal advisor, considered it was no longer liable to this litigation compensation payable and deconsolidated this subsidiary from the consolidated financial statements. The amount is recognised in the profit or loss during the year ended 31 December 2019.

30. TRADE AND OTHER PAYABLES AND DEFERRED REVENUE (CONTINUED)

Notes: (Continued)

(iv) The amount represents deposit of RMB191,100,000 (equivalent to approximately HK$217,703,000) received about disposal of Hunan Qianshuiwan Xiangya Garden Co., Ltd 湖南淺水灣湘雅溫泉花園有限公司 ("Hunan Qianshuiwan"), a partially owned subsidiary of the Group. On 8 April 2018, the Group entered into an equity transfer agreement (the "Agreement") with Hengda Real Estate Group Changsha Zhiye Company Limited 恒大地產集團長沙置業有限公司 ("Hengda Changsha"), being a non-controlling shareholder of Hunan Qianshuiwan, in relation to the disposal of the Group's entire equity interest in Hunan Qianshuiwan, at a cash consideration of RMB637,000,000 (equivalent to approximately HK$755,008,000) which comprises RMB191,100,000 (the "Initial Payment") for disposal of the equity interest in Hunan Qianshuiwan and RMB445,900,000 for settlement of intercompany balances. According to the terms set out in the Agreement, completion would take place when the consideration was fully settled. Following the completion of this transaction, the Group will cease to have control in Hunan Qianshuiwan. Hengda Changsha is a non-controlling shareholder of Hunan Qianshuiwan and this transaction is a related party transaction.

As at 31 December 2018, the transaction was not completed and a consideration of RMB445,900,000 remains outstanding. As disclosed in the Company's announcement on 2 November 2018, the Group received a summons issued by a court in the PRC that Hengda Changsha pleaded with the court to grant orders to rescind the Agreement and enforced the Group to return the Initial Payment and the earnest money of RMB10,000,000 to Hengda Changsha due to the potential substantial loss that Hengda Changsha would suffer in relation to potential compensation as result of a decision handed down by a court in the PRC against Hunan Qianshuiwan. The Group, after taking the advice from the PRC's legal advisor, initiated respective legal actions against Hengda Changsha, during the year ended 31 December 2019. The judgment received from Hunan Higher People's Court 湖南省高級人民法院 (the "Higher Court") on 4 March 2020 is favourable to the Group. At the date of these consolidated financial statements are authorised for issue, Hengda Changsha has submitted the appeal to The Supreme People's Court of The People's Republic of China 中華人民共和國最高人民法院.

(v) The balances as at 31 December 2018 mainly represent current and non-current portion of the off-market term deferred gains that relate to the Group's sales and operating leaseback arrangements.

(vi) Other taxes payables comprise urban real estate tax payable, city maintenance and construction tax payable, business tax payable and value-added tax payable.

The following is an ageing analysis of the Group's trade and bills payables presented based on the invoice date at the end of the reporting period:

	2019 HK$'000	2018 HK$'000
Within 30 days	**805,946**	—
Within 31–180 days	**631,708**	315,839
Within 181–365 days	**276,219**	21,752
Over 365 days	**154,949**	391,975
	1,868,822	729,566

Included in trade and other payables, there is an amount of approximately HK$9,814,000 (2018: HK$18,282,000) denominated HK$ which is the foreign currency of respective companies of the Group.

31. AMOUNTS DUE FROM (TO) RELATED COMPANIES

The Group had the following balances with related parties:

	Notes	2019 HK$'000	2018 HK$'000
Amount due from a related company recognised in current assets:			
— A non-controlling shareholder	(ii)(a)	—	305,472
— Joint ventures	(ii)(b)	336,499	—
		336,499	305,472
Amounts due to related companies recognised in current liabilities:			
— Xuhui SASAC and entities controlled by Xuhui SASAC	(i)(a)	220,605	452,242
— A non-controlling shareholder	(i)(b)	41,539	—
— Non-controlling shareholders	(ii)(c)	386,224	406,689
— SIHL	(iii)	26,505	27,405
— Associates	(iv)	14,850	10,451
		689,723	896,787
Amounts due to related companies recognised in non-current liabilities:			
— Entities controlled by Xuhui SASAC	(i)(a)	223,714	—
— A non-controlling shareholder	(i)(b)	61,794	—
		285,508	—

Notes:

(i)(a) The entire amounts due to Xuhui SASAC and entities controlled by Xuhui SASAC are non-trade in nature and unsecured.

Included in the amounts due to Xuhui SASAC and entities controlled by Xuhui SASAC as at 31 December 2019, there is an aggregated amount of RMB200,000,000 (equivalent to approximately HK$223,714,000), which represents loans advanced from entities controlled by Xuhui SASAC through entrusted loan agreements administrated by banks, carrying fixed interest ranging 7.5% per annum to 9.0% per annum and are repayable in June 2021. The aggregated amount of RMB200,000,000 (equivalent to approximately HK$227,738,000) as at 31 December 2018, which was also loans advanced from entities controlled by Xuhui SASAC through entrusted loan agreements administrated by banks, carrying fixed interest at 9.0% per annum was repaid in full during the year ended 31 December 2019.

The remaining balance is interest-free and repayable on demand.

31. AMOUNTS DUE FROM (TO) RELATED COMPANIES (CONTINUED)

Notes: (Continued)

(i)(b) The entire amount due to a non-controlling shareholder is non-trade in nature and unsecured.

Included in the amount due to a non-controlling shareholder as at 31 December 2019, there is an amount of RMB55,243,000 (equivalent to approximately HK$61,794,000), which represents a loan advanced from a non-controlling shareholder. This loan carries a fixed interest at 108% of three year's People's Bank of China Benchmark Lending Rate ("PBOC Rate") per annum at the date of borrowing and it is repayable on 12 July 2021.

The remaining balance is interest-free and repayable within one year.

(ii)(a) The amount was due from a non-controlling shareholder of the Group's subsidiary and it was non-trade in nature and unsecured.

It represented an interest bearing loan granted to a non-controlling shareholder for resumption of a parcel of land in relation to a potential property development project in Shanghai. The amount and its accrued interest were repayable upon completion of the land resumption and land auction procedures regardless of whether the land auction was successful or not. The amount carried variable interest at 90% of PBOC Rate per annum. The aforementioned procedures were completed in prior year and the amount has been received in full during the year ended 31 December 2019.

(ii)(b) The amounts are due from joint ventures and they are non-trade in nature, interest free and unsecured.

During the year ended 31 December 2019, the Group established joint ventures, namely Shanghai Nuozhuo, and Shanghai Tianyu, with other investors for the purpose of bidding a parcel of land situated at Xuhui District in Shanghai in the PRC. Shanghai Tianyu is the project company for the bidding. The Group holds 5% equity interest in Shanghai Tianyu directly and 27.5% equity interest in Shanghai Tianyu indirectly through Shanghai Nuozhuo. A refundable guarantee deposit of RMB925,600,000 was required to secure for the bidding and it was contributed by the shareholders of Shanghai Tianyu according to their respective shareholdings. Accordingly, the Group advanced RMB46,280,000 (equivalent to approximately HK$51,767,000) and RMB254,540,000 (equivalent to approximately HK$284,732,000) to Shanghai Tianyu and Shanghai Nuozhuo respectively. Shanghai Tianyu successfully bided the land and the amounts were repaid to the Group subsequent to the end of the reporting period.

(ii)(c) The amounts are due to non-controlling shareholders of the Group's subsidiaries and they are non-trade in nature and unsecured.

Included in the amounts due to non-controlling shareholders as at 31 December 2019, there is an amount of RMB104,486,000 (equivalent to approximately HK$116,875,000), which represents interest-free loans advanced from a non-controlling shareholder and repayable in a year by batches with last payments in December 2020. These interest-free loans include an aggregate amount of RMB92,486,000 (equivalent to approximately HK$103,452,000) which are loans brought forward from year ended 31 December 2018 with extension of repayment dates to 31 December 2020 and cessation of interest bearing. An amount of RMB24,000,000 (equivalent to approximately HK$27,226,000), which is loan brought forward from the year ended 31 December 2018, was converted to the non-controlling shareholder's contribution to the relevant subsidiary of the Group, upon mutual agreement between the Group and the non-controlling shareholder.

Included in the amounts due to non-controlling shareholders as at 31 December 2018, there was an aggregated amount of RMB116,486,000 (equivalent to approximately HK$132,642,000, which represented loans advanced from a non-controlling shareholder, carrying variable interest at 120% of PBOC Rate per annum. These loans were repayable on various dates in year 2019, with last repayment in December 2019.

The remaining balance is interest-free and repayable on demand.

(iii) The amounts are due to the Group's intermediate holding company (i.e. SIHL) and they are non-trade in nature, interest-free and repayable on demand.

(iv) The amounts are trade in nature, unsecured and interest-free. The Group is granted an average credit period of 30 days for the balances.

32. CONSIDERATION PAYABLES FOR ACQUISITION OF SUBSIDIARIES

Acquisition of 北京君合百年房地產開發有限公司 ("Jun He Bai Nian")

On 30 June 2008, the Group acquired 12% equity interest in Jun He Bai Nian, a company established in the PRC and engaged in property development in Beijing of the PRC, for a cash consideration of RMB82,090,000 (equivalent to approximately HK$93,369,000). Prior to the acquisition, the Group held 43.95% interest in Jun He Bai Nian and this was accounted for as interest in an associate. Jun He Bai Nian then became a 55.95% owned subsidiary of the Group subsequent to the acquisition. The Group disposed of Jun He Bai Nian in year 2009. As at 31 December 2018, a consideration payable of approximately HK$68,322,000 was not settled as the amount of consideration as interpreted by the sale and purchase agreement was still in dispute. Legal proceeding was carried out in previous year regarding the consideration payable. The previous court decision was in favour of the seller and the Group accrued the full amount of the consideration payable in previous year which represented the maximum amount that the Group would be obliged to pay. As at 31 December 2019, the subsidiary carrying this payable, which acquired and disposed of Jun He Bai Nian in the past, completed the liquidation process and only certain administrative procedures are outstanding with the respective court. The Group, after obtaining an advice from the PRC's legal advisor, considered it was no longer liable to this consideration payable and deconsolidated this subsidiary from the consolidated financial statements. The amount is recognised in profit or loss during the year ended 31 December 2019.

33. PRE-SALE PROCEEDS RECEIVED ON SALES OF PROPERTIES

Pre-sale proceeds received on sales of properties are contract liabilities in relation to sale and purchase agreement entered into with property buyers. These proceeds are advance payments received on sales of property units and recognised as liabilities throughout the property construction period. These proceeds are recognised as revenue when the property buyers obtain control of the completed properties. The Group normally receives 30% to 100% of the contract value as pre-sale proceeds from property buyers when they sign the sale and purchase agreement. The following table shows how much of the revenue recognised in the current year relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in prior periods.

	2019 HK$'000	2018 HK$'000
Revenue recognised that was included in the balance of "pre-sale proceeds received on sales of properties" at the beginning of the year	5,024,018	3,484,668

For properties under development for sale, the Group typically provides guarantees to banks in connection with the property buyers' mortgage loans to finance their purchase of the properties for an amount up to 70% of the total purchase price of the property. 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 is able to retain the property buyer's deposits and sell the property to recover any amounts paid by the Group to the bank. Unless there is significant drop in the market price, which is remote, the Group would not be in a significant loss position in selling those properties out.

34. BANK AND OTHER BORROWINGS

	2019 HK$'000	2018 HK$'000
Bank borrowings	9,190,100	10,059,617
Other borrowings (note (ii))	7,522,202	5,335,903
	16,712,302	15,395,520
Analysed as:		
Secured bank borrowings (note (i))	4,907,102	5,698,082
Unsecured bank and other borrowings	11,805,200	9,697,438
	16,712,302	15,395,520
Carrying amount repayable:		
Within one year	5,426,344	2,820,495
More than one year, but not exceeding two years	3,242,916	1,023,647
More than two years, but not exceeding five years	6,902,203	10,473,038
Over five years	1,140,839	1,078,340
	16,712,302	15,395,520
Less: Amount due within one year shown under current liabilities	(5,426,344)	(2,820,495)
Amount due after one year (note (iii))	11,285,958	12,575,025
Floating rate		
— expiring within one year	3,190,916	2,649,690
— expiring beyond one year	6,997,754	5,991,115
Fixed rate		
— expiring within one year	2,235,428	170,805
— expiring beyond one year	4,288,204	6,583,910
	16,712,302	15,395,520

34. BANK AND OTHER BORROWINGS (CONTINUED)

Notes:

(i) Assets that are pledged as collaterals to secure bank borrowings are as follows:

	2019 HK$'000	2018 HK$'000
Properties under development for sale	4,483,418	1,115,987
Properties held-for-sale	645,466	736,551
Investment properties	8,616,868	8,128,213
Pledged bank deposits	491,070	5,602
Trade receivables	9,888	6,502
	14,246,710	9,992,855

(ii) The Group's other borrowings are analysed as follows:

	2019 HK$'000	2018 HK$'000
Advanced bonds — 2015 (note (a))	2,009,477	2,041,026
Advanced bonds — 2016 (note (b))	615,213	1,932,968
Advanced bonds — 2019 (note (c))	1,282,055	—
Medium term notes — 2018 (note (d))	1,115,645	1,134,170
Medium term notes — 2019 (note (e))	1,113,098	—
Borrowings from SIHL Finance Limited (note (f))	1,163,000	—
Others (note (g))	223,714	227,739
	7,522,202	5,335,903

(a) The advanced bonds — 2015 represent bonds issued during the year ended 31 December 2015 by SUD, the subsidiary of the Company, which are listed on the Shanghai Stock Exchange. The bonds are unsecured and have maturity of seven years falling due on 6 November 2022. The bonds carry fixed interest at 4.47% per annum for the first five years and 4.47% per annum plus a premium determined by SUD for the last two years. The bondholders have the rights to request SUD to redeem the bonds at the fifth anniversary (i.e. 7 November 2020) at the principal amount of RMB1,800,000,000. Transaction costs of approximately RMB19,220,000 (equivalent to approximately HK$22,952,000) were directly deducted from the carrying amount of the bonds. The bonds, net of transaction costs, carry effective interest at 4.71% per annum.

(b) The advanced bonds — 2016 represent bonds issued during the year ended 31 December 2016 by SUD, the subsidiary of the Company, which are listed on the Shanghai Stock Exchange. The bonds are unsecured and have maturity of six years falling due on 30 August 2022. The bonds carry fixed interest rate at 3.90% per annum for the first three years and 3.90% per annum plus a premium determined by SUD for the last three years. The bondholders have the rights to request SUD to redeem the bonds at the third anniversary (i.e. 31 August 2019) at the principal amount of RMB1,700,000,000. Transaction costs of approximately RMB10,555,000 (equivalent to approximately HK$12,331,000) were directly deducted from the carrying amount of the bonds. The bonds, net of transaction costs, carry effective interest at 4.12% per annum. In August 2019, certain bondholders exercised their rights to request SUD to redeem the bonds. As at 31 December 2019, the principal amount of the bonds outstanding is RMB550,000,000.

34. BANK AND OTHER BORROWINGS (CONTINUED)

Notes: (Continued)

(ii) The Group's other borrowings are analysed as follows: (Continued)

(c) The advanced bonds — 2019 represent bonds issued during the year ended 31 December 2019 by SUD, the subsidiary of the Company, which are listed on the Shanghai Stock Exchange. The bonds are unsecured and have maturity of six years falling due on 23 August 2022. The bonds have principal amount of RMB1,150,000,000 and they carry fixed interest rate at 3.95% per annum. Transaction costs of approximately RMB4,340,000 (equivalent to approximately HK$4,923,000) were directly deducted from the carrying amount of the bonds. The bonds, net of transaction costs, carry effective interest at 4.09% per annum.

(d) The medium term notes — 2018 represent notes issued during the year ended 31 December 2018 by SUD, the subsidiary of the Company, which are listed on the Shanghai Stock Exchange. The notes are unsecured and have maturity of three years falling due on 18 October 2021. The notes have principal amount of RMB1,000,000,000 and they carry fixed interest rate at 4.60% per annum. Transaction costs of approximately RMB4,245,000 (equivalent to approximately HK$5,030,000) were directly deducted from the carrying amount of the notes. The notes, net of transactions costs, carry effective interest at 4.75% per annum.

(e) The medium term notes — 2019 represent notes issued during the year ended 31 December 2019 by SUD, the subsidiary of the Company, which are listed on the Shanghai Stock Exchange. The notes are unsecured and have maturity of three years falling due on 11 June 2022. The notes have principal amount of RMB1,000,000,000 and they carry fixed interest rate at 4.00% per annum. Transaction costs of approximately RMB5,943,000 (equivalent to approximately HK$6,742,000) were directly deducted from the carrying amount of the notes. The medium term notes — 2019, net of transactions costs, carry effective interest at 4.21% per annum.

(f) On 6 May 2019 and 12 August 2019, the Group entered into loan agreements with SIHL Finance Limited, a subsidiary of SIHL, for two unsecured borrowings with principal amounts of HK$430,000,000 and HK$740,000,000 respectively. The borrowing with principal amount of HK$430,000,000 carries variable interest at 3 months Hong Kong Interbank Offered Rate ("HIBOR") plus a premium of 2.4% per annum and the maturity date is on 17 May 2020. The borrowing with principal amount of HK$740,000,000 carries variable interest at 3 months HIBOR plus a premium of 2.2% per annum and the maturity date is on 12 August 2020.

(g) In January 2015, the Group entered into a loan facility agreement with an independent third party. Pursuant to the loan facility agreement, the Group was granted a RMB denominated loan facility of RMB200,000,000, which carried fixed interest at 9% per annum. The loan facility could be drawn down in any amount and at any time from the date of the loan facility agreement and it was unsecured and administrated by a bank. During the year ended 31 December 2016, loans with aggregated amount of RMB200,000,000 with maturity dates during May 2017 to June 2018 were drawn down by the Group. On 20 April 2017, the Group and the lender entered into a loan extension agreement and, pursuant to the agreement, the maturity dates of the loans were extended to 3 May 2020 and the fixed interest rate was revised to 7.5% per annum.

(iii) As at 31 December 2019, included in the Group's other borrowings are amounts of approximately HK$4,126,011,000 (2018: HK$5,335,903,000) due after one year.

34. BANK AND OTHER BORROWINGS (CONTINUED)

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2019	2018
Effective interest rate:		
Fixed-rate borrowings	4.75% — 7.50%	4.35% — 7.50%
Variable-rate borrowings	3.80% — 6.51%	3.80% — 6.50%

35. LEASE LIABILITIES

	2019 HK$'000
Lease liabilities payable:	
Within one year	67,385
Within a period of more than one year but not more than two years	58,222
Within a period of more than two years but not more than five years	98,247
Within a period of more than five years	4,732
	228,586
Less: Amount due for settlement within twelve months shown under current liabilities	(67,385)
Amount due for settlement after twelve months under non-current liabilities	161,201

The lease liabilities are denominated in currency other than the functional currency of the relevant group entity are set out below:

	HK$ against RMB HK$'000
As at 31 December 2019	10,460

36. DEFERRED TAXATION

The followings are the major deferred tax assets and (liabilities) recognised and movements thereon during the current and prior years:

	Fair value adjustment on properties under development for sale and properties held-for-sale HK$'000	Revaluation of investment properties HK$'000	Fair value adjustment on hotel properties HK$'000	Accrued expenses HK$'000	LAT deferred tax HK$'000	Leases HK$'000	Undistributed earnings of the PRC entities HK$'000	Others HK$'000	Total HK$'000
At 1 January 2018	(745,213)	(3,984,281)	(19,173)	182,263	(75,980)	–	(69,148)	23,899	(4,687,633)
Credit to profit or loss for the year	76,761	93,071	205	52,203	15,938	–	–	6,947	245,125
Credit to OCI upon fair value changes of equity instruments at FVTOCI	–	–	–	–	–	–	–	14,361	14,361
Carved-out (Note 39)	–	–	–	–	–	–	–	(441)	(441)
Transfer (note)	(1,355,053)	1,355,053	–	–	–	–	–	–	–
Exchange realignment	35,668	202,594	990	(11,518)	3,333	–	3,598	(2,039)	232,626
At 31 December 2018	(1,987,837)	(2,333,563)	(17,978)	222,948	(56,709)	–	(65,550)	42,727	(4,195,962)
Credit (charge) to profit or loss for the year	742,124	(45,606)	–	114,769	17,792	(491)	–	4,501	833,089
Debit to OCI upon fair value changes of equity instruments at FVTOCI	–	–	–	–	–	–	–	(1,896)	(1,896)
Exchange realignment	24,123	41,317	318	(5,545)	753	7	1,158	(124)	62,007
At 31 December 2019	(1,221,590)	(2,337,852)	(17,660)	332,172	(38,164)	(484)	(64,392)	45,208	(3,302,762)

Note: As disclosed in Note 16, during the year ended 31 December 2018, certain of the Group's investment properties were transferred to properties held-for-sale at fair value and the deferred tax liabilities in relation to these investment properties were transferred from the category of "revaluation of investment properties" to "fair value adjustment on properties under development for sale and properties held-for-sale" within the deferred taxation.

36. DEFERRED TAXATION (CONTINUED)

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2019 HK$'000	2018 HK$'000
Deferred tax assets	**394,706**	282,089
Deferred tax liabilities	**(3,697,468)**	(4,478,051)
	(3,302,762)	(4,195,962)

As at 31 December 2019, the Group has unused tax losses of approximately HK$3,569,269,000 (2018: HK$3,388,497,000) available for offset against future profits, which are subject to the confirmation from Hong Kong Inland Revenue Department and the respective PRC tax authorities. No deferred tax asset was recognised in respect of such losses due to the unpredictability of future profit streams of respective group entities. During the year ended 31 December 2019, tax losses of approximately HK$317,140,000 (2018: HK$342,512,000) were expired. Included in unrecognised tax losses, there are losses of approximately HK$3,239,556,000 (2018: HK$3,058,786,000) that will expire in various dates in the next five years. Other losses may be carried forward indefinitely.

Under the EIT law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. No deferred taxation was provided in the consolidated financial statements in respect of temporary differences of approximately HK$8,672,276,000 (2018: HK$7,525,804,000) which arises from the undistributed profits of certain PRC subsidiaries as the Company controls the dividend policy of these subsidiaries and it is probable that the profits will not be distributed in the foreseeable future.

37. SHARE CAPITAL

	Number of shares '000	Amount HK$'000
Ordinary shares of HK$0.04 each		
Authorised:		
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	10,000,000	400,000
Issued and fully paid:		
At 1 January 2018, 31 December 2018 and 1 January 2019	4,810,973	192,439
Shares repurchased and cancelled	(4,650)	(186)
At 31 December 2019	4,806,323	192,253

During the year ended 31 December 2019, the Company repurchased its own ordinary shares through the Stock Exchange as follows:

Date of repurchase	Number of ordinary shares of HK$0.04 each '000	Price per share Highest HK$	Price per share Lowest HK$	Aggregate consideration paid (excluding transaction costs) HK$'000	Transaction costs HK$'000
30 August 2019	2,200	1.12	1.12	2,467	9
26 September 2019	1,000	1.02	1.00	1,009	3
27 September 2019	1,150	1.00	0.97	1,131	4
3 October 2019	300	0.99	0.99	297	1
				4,904	17

The above ordinary shares were cancelled during the year ended 31 December 2019.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

38. GAINS ON DISPOSAL OF SUBSIDIARIES

(a) Disposals of Shanghai Shenda and Shanghai Commercial (both are defined below)

On 17 November 2017, the Group entered into equity transfer agreements (the "ET Agreements") with Shanghai Shangshi Property Management Company Limited 上海上實物業管理有限公司 and Shanghai New Century Real Estate Services Company Limited 上海新世紀房產服務有限公司, both of which are non-wholly owned indirect subsidiaries of SIHL, in relation to disposal of Shanghai Shenda Property Company Limited 上海申大物業有限公司 ("Shanghai Shenda") at a cash consideration of RMB70,000,000 and Shanghai Urban Development Commercial Property Development Company Limited 上海城開商用物業發展有限公司 ("Shanghai Commercial") at a cash consideration of RMB17,000,000, respectively. According to the terms set out in the ET Agreements, completion of such disposals would take place within 10 business days following settlement in full of the purchase price of each disposal by the purchasers (the "Completion"). Following the Completion, the Group would cease to have controls on Shanghai Shenda and Shanghai Commercial.

The Company was exempted from obtaining approval from its independent shareholders pursuant to the Listing Rules. These disposals were completed in February 2018 and the consideration was fully settled during the year ended 31 December 2018. As Shanghai Shenda and Shanghai Commercial were disposed to entities under common control of SIHL, the transactions were connected transaction and related party transactions.

The net assets of Shanghai Shenda at the disposal date are as follows:

	HK$'000
Consideration:	
Cash received	86,881
Analysis of assets and liabilities over which control was lost:	
Plant and equipment	140
Trade and other receivables	4,266
Bank balances and cash	138,642
Trade and other payables	(124,502)
Income tax payable	(697)
Net assets disposed of	17,849
Gain on disposal of Shanghai Shenda:	
Total cash consideration	86,881
Net assets disposed of	(17,849)
Gain on disposal	69,032
Net cash outflow arising on the disposal:	
Cash received	86,881
Less: bank balances and cash disposed of	(138,642)
	(51,761)

38. GAINS ON DISPOSAL OF SUBSIDIARIES (CONTINUED)

(a) Disposals of Shanghai Shenda and Shanghai Commercial (Continued)

The net assets of Shanghai Commercial at the disposal date are as follows:

	HK$'000
Consideration:	
Cash received	21,100
Analysis of assets and liabilities over which control was lost:	
Plant and equipment	409
Inventories	41
Other receivables	4,309
Bank balances and cash	30,129
Other payables	(23,800)
Income tax payable	(528)
Net assets disposed of	10,560
Gain on disposal of Shanghai Commercial:	
Total cash consideration	21,100
Net assets disposed of	(10,560)
Gain on disposal	10,540
Net cash outflow arising on the disposal:	
Cash received	21,100
Less: bank balances and cash disposed of	(30,129)
	(9,029)

(b) Disposal of Fine Mark (as defined below)

On 17 April 2018, the Group entered into a share transfer agreement with Hong Kong Ruimin Investment Co., Limited 香港瑞閩投資有限公司 ("HK Ruimin") in relation to disposal of the Group's entire equity interest in Fine Mark Investment Limited ("Fine Mark"), a wholly-owned subsidiary of the Group, at a cash consideration of RMB176,750,000 (equivalent to approximately HK$220,858,000), which comprised RMB120,750,000 for the acquisition of equity interest in Fine Mark (the "Sale Share Consideration") and RMB56,000,000 for repayment of assigned debts due to the Company (the "Loan Assignment Consideration").

38. GAINS ON DISPOSAL OF SUBSIDIARIES (CONTINUED)

(b) Disposal of Fine Mark (Continued)

The principal asset of Fine Mark was interest in Initial Point, the joint venture of the Group, with a carrying amount of HK$65,718,000. Initial Point jointly owned with other investors, an entity incorporated in the PRC, namely Fuzhou Chengkai Shiye Company Limited 福州城開實業有限公司 ("Fuzhou Chengkai"), and its subsidiary (collectively referred to as "Fuzhou Chengkai Group"). Fuzhou Chengkai Group had a property development project in Fuzhou in the PRC.

During the year ended 31 December 2018, the Sale Share Consideration and the Loan Assignment Consideration were settled in full and the disposal was completed.

The asset of Fine Mark at the disposal date is as follows:

	HK$'000
Consideration:	
Cash received	220,858
Analysis of the asset over which control was lost:	
Interest in a joint venture	65,718
Gain on disposal of Fine Mark:	
Total consideration	220,858
The asset disposed of	(65,718)
Gain on disposal	155,140
Net cash inflow arising on the disposal:	
Cash received	220,858
Less: bank balances and cash disposed of	—
	220,858

Fine Mark did not have any significant contribution to the results and cash flows of the Group during the year ended 31 December 2018 prior to the disposal.

38. GAINS ON DISPOSAL OF SUBSIDIARIES (CONTINUED)

(c)(i) Summary of gains on disposal of subsidiaries

	HK$'000
Gains on disposal of subsidiaries:	
— Shanghai Shenda	69,032
— Shanghai Commercial	10,540
— Fine Mark	155,140
	234,712

(c)(ii) Summary of net proceeds from disposal of subsidiaries

	HK$'000
Cash inflow (outflow) from disposal of subsidiaries:	
— Shanghai Shenda	(51,761)
— Shanghai Commercial	(9,029)
— Fine Mark	220,858
	160,068

39. ACQUISITION OF SUBSIDIARIES

On 28 February 2018, the Group entered into an asset and equity transfer agreement and a supplemental agreement (collectively referred to "Acquisition Agreement") with Shangtou Assets. Pursuant to the Acquisition Agreement, the Group agreed to acquire the entire equity interest in Shangtou Real Estate, at a cash consideration of approximately RMB530,827,000 (equivalent to approximately HK$657,086,000). Certain assets including other receivables, inventories and equity instruments at FVTOCI, investment properties, amount due from a related company and deferred tax assets ("Carved-out Assets") and certain liabilities including other payables and income tax payable ("Carved-out Liabilities") of Shangtou Real Estate Group would not form part of the acquisition and would be transferred to an entity controlled by Shangtou Assets at nil consideration prior to completion of the acquisition. Shangtou Real Estate is a company established in the PRC and is principally engaged in secondary land development. Shangtou Real Estate holds two secondary land development projects in the PRC. The acquisition was completed in April 2018. The Carved-out Assets and the Carved-out Liabilities with carrying amounts of approximately HK$332,516,000 and approximately HK$10,324,000 respectively were treated as distributions by Shangtou Real Estate Group to Shangtou Assets. The Group and Shangtou Real Estate Group were under common control of SIIC. This acquisition was accounted for by applying the principles of merger accounting. Details of the merger accounting in respect of this acquisition are set out in Note 2 to the consolidated financial statements included in the Company's annual report for the year ended 31 December 2018.

39. ACQUISITION OF SUBSIDIARIES (CONTINUED)

Details of the Carved-out Assets and the Carved-out Liabilities recognised as distributions are set out below:

	HK$'000
Other receivables	173,363
Inventories	89,971
Equity instruments at FVTOCI	24,757
Investment properties	14,253
Amount due from a related company	29,731
Deferred tax assets	441
Other payables	(10,192)
Income tax payable	(132)
	322,192

40. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme of the Company

Pursuant to a special general meeting of the Company held on 12 December 2002, the Company adopted a share option scheme (the "Scheme"). Pursuant to the Scheme, the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and options granted and yet to be exercised under any other schemes shall not exceed 30% of the issued share capital of the Company from time to time. The maximum number of shares issued and to be issued upon exercise of the options granted to each participant in any 12-month period must not exceed 1% of the issued share capital of the Company at any time. The offer of a grant of options may be accepted within 21 days from the date of the offer with signed acceptance letter comprising consideration of HK$1.00 received by the Company. The exercise period of the share options granted is determinable by the directors, but no later than 10 years from the date of the offer. The subscription price for the shares in respect of which options are granted is determinable by the directors of the Company, but in any case must be the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of the grant; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

As at 31 December 2019, the number of shares of the Company in respect of which options had been granted and remained outstanding under the Scheme of the Company is 27,750,000 (2018: 27,750,000), representing 0.58% (2018: 0.58%) of the shares of the Company in issue at that date.

40. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

Equity-settled share option scheme of the Company (Continued)

The following tables disclose movements of the Company's share options during the year:

Grantees	Date of grant	Outstanding at 1 January 2019	Transfer during the year	Forfeited during the year	Outstanding at 31 December 2019	Exercisable period	Exercised price per share (subject to anti-dilutive adjustment)
Directors	24 September 2010	21,000,000	–	–	21,000,000	24 September 2010 – 23 September 2020	2.98
Employees	24 September 2010	6,750,000	–	–	6,750,000	24 September 2010 – 23 September 2020	2.98
Exercisable at the end of the year					27,750,000		
Weighted average exercise price		2.98	–	–	2.98		

Grantees	Date of grant	Outstanding at 1 January 2018	Transfer during the year	Forfeited during the year	Outstanding at 31 December 2018	Exercisable period	Exercised price per share (subject to anti-dilutive adjustment)
Directors	24 September 2010	21,000,000	–	–	21,000,000	24 September 2010 – 23 September 2020	2.98
Employees	24 September 2010	6,750,000	–	–	6,750,000	24 September 2010 – 23 September 2020	2.98
Exercisable at the end of the year					27,750,000		
Weighted average exercise price		2.98	–	–	2.98		

40. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

Equity-settled share option scheme of the Company (Continued)

No share option was granted since year 2010. Share options granted in year 2010 are vested in three tranches over two years, with 40% of the options granted were vested on the date of grant, 30% vested on the first anniversary of the date of grant and the remaining 30% vested on two years from the date of grant.

All the share options under the Scheme were vested and the related expenses were recognised in profit or loss in previous years.

41. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the bank and other borrowings, cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The management of the Group actively and regularly reviews the capital structure. As part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital. The Group has a target gearing ratio of not more than 100% determined as the proportion net debt, which includes and bank and other borrowings less bank balances and cash and restricted and pledged bank deposits to equity. As at 31 December 2019, the gearing ratio of the Group is 29.1% (2018: 26.4%). Based on recommendations of the management of the Group, the Group will balance its overall capital structure through new shares issue, and share buy-backs as well as the issue of new debt or the redemption of existing debts.

42. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2019 HK$'000	2018 HK$'000
Financial assets		
Financial assets at FVTPL	3,342	2,805
Equity instruments at FVTOCI	160,208	169,599
Financial assets at amortised cost	10,381,827	9,778,670
Financial liabilities		
Amortised cost	20,301,780	18,149,369

42. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies

The Group's major financial instruments include equity instruments at FVTOCI, financial assets at FVTPL, restricted and pledged bank deposits, bank balances and cash, trade and other receivables, amounts due from related companies, trade and other payables, amounts due to related companies, consideration payables for acquisition of subsidiaries, dividend payable, dividend payable to non-controlling shareholders and bank and other borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The Group actively and regularly reviews and manages its capital structure to strictly control the debt level. The Group maintains a strategy on acquiring land only if development of the projects can commence within a short period of time so as to minimise the time period between acquisition and development of the acquired land, thus the Group's capital can be efficiently deployed.

Market risk

(i) Currency risk

All the revenue-generating operations of the Group are transacted in RMB. The Group is exposed to foreign currency risk on financing transactions denominated in currencies other than RMB. Depreciation or appreciation of the RMB against foreign currencies can affect the Group's results. The Group did not hedge its currency exposure.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities, excluding intercompany balances, at the reporting date are as follows:

	Assets		Liabilities	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
US$	**5,579**	7,175	**–**	–
HK$	**72,128**	29,512	**1,182,977**	18,282

42. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(i) Currency risk (Continued)

Sensitivity analysis

The Group is mainly exposed to the currency of US$ and HK$ against RMB, the functional currency of relevant group entities.

The following table details the Group's sensitivity to a 5% (2018: 5%) increase and decrease in RMB against the relevant foreign currencies. 5% (2018: 5%) is the sensitivity rate used when reporting foreign currency risk internally and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items. A negative number below indicates a decrease in post-tax profit where RMB strengthen 5% (2018: 5%) against US$ and HK$ respectively. For a 5% (2018: 5%) weakening of RMB against US$ and HK$ respectively, there would be an equal and opposite impact on the result.

	US$ (i)		HK$ (ii)	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
Impact for post-tax profit for the year	**(279)**	(359)	**(55,542)**	(562)

(i) This is mainly attributable to the exposure to bank balances denominated in US$.

(ii) This is mainly attributable to the exposure to bank balances and amount due to a related company denominated in HK$.

42. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank and other borrowings (see Note 34), amounts due from/to non-controlling shareholders (see Note 31), restricted and pledged bank deposits and bank balances. It is the Group's policy to keep its bank borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group is also exposed to fair value interest rate risk in relation to fixed-rate other borrowings, amounts due to entities controlled by Xuhui SASAC, amount due to a non-controlling shareholder, interest-bearing other receivables, bank balances and pledged bank deposits. The Group currently does not enter into any hedging instrument for fair value interest rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group cash flow interest rate risk is mainly concentrated on the fluctuations of the PBOC Rate and HIBOR arising from the Group's RMB and HK$ denominated borrowings respectively.

Sensitivity analysis

The Group does not anticipate there is any significant impact on its interest-bearing assets resulting from the changes in interest rates as the interest rate of bank deposits are not expected to change significantly.

The sensitivity analyses below have been determined based on the exposure to interest rates for bank and other borrowings and amounts due to related companies at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 (2018: 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.

If interest rates had been 100 (2018: 100) basis point higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2019 would have decreased/increased by approximately HK$55,486,000 (2018: HK$38,717,000) assuming interest of approximately HK$33,221,000 (2018: HK$35,325,000) are capitalised into qualifying assets.

42. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(iii) Other price risk

The Group is exposed to equity price risk arising from changes in the fair value of its financial assets at FVTPL and equity instruments at FVTOCI (both listed and unlisted).

No sensitivity analysis on other price risk is presented for the financial assets at FVTPL and unlisted equity instruments at FVTOCI as the management of the Group considers a reasonable possible change to the fair value of these financial instruments will not have a significant effect to the Group's profit or loss and investment revaluation reserve respectively.

The sensitivity analysis below has been determined assuming that the change in prices had occurred at the end of the reporting period and had been applied to the exposure to price risk for the Group's listed equity instrument at FVTOCI at that date.

A 10% (2018: 10%) change in equity prices represents the management's assessment of the reasonably possible changes in prices. 10% is used in current year as a result of the volatile financial market.

As at 31 December 2019, if the price of the listed equity instruments at FVTOCI had been 10% higher/lower and all other variables were held constant, the Group's investment revaluation reserve, net of tax, would have increased/decreased by approximately HK$4,495,000 (2018: HK$4,045,000) as a result of the changes in fair value of listed equity instruments at FVTOCI.

Credit risk and impairment assessment

As at 31 December 2019, other than those financial assets whose carrying amounts best represent the maximum exposure to credit risk, 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 amount of contingent liabilities in relation to financial guarantees provided by the Group as disclosed in Note 46(a). The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets and financial guarantee contracts.

42. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The Group's credit risk is primarily attributable to its trade and other receivables, amounts due from related companies, restricted and pledged bank deposits and bank balances.

With respect to the credit risk of the Group's treasury operations, the management of the Group has established internal procedures to monitor the Group's bank balances and cash to be placed and securities investments and entered into with financial institution of good reputation. These internal procedures also impose limitation on the amount outstanding and to manage the credit ratings on equity investments to be held, so as to minimise the Group's credit risk exposure.

The credit risk on bank balances and restricted and pledged bank deposits is limited because the counterparties are banks with good reputation and having high credit ratings assigned by international credit rating agencies. There has been no recent history of default in relation to these banks and thus the risk of default is regard as low.

In order to minimise the credit risk on trade and other receivables and amounts due from related companies, the management of the Group implements monitoring procedures to ensure that follow-up action is taken to recover overdue debts and reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate allowance are made for irrecoverable amounts on trade and other receivables (including lease receivables). In this regard, the management of the Group considers that the credit risk on trade and other receivables (including lease receivables) are significantly reduced. The Group applies simplified approach on trade receivables and 12m ECL on other receivables and lease receivables to provide for ECL prescribed by HKFRS 9. To measure the ECL on trade and other receivables (including lease receivables), they are assessed individually on the recoverability based on historical settlement records, past experience, and also the available and supportive forward-looking information. The management of the Group believes that there is no material credit risk inherent in the Group's outstanding balances of trade and other receivables (including lease receivables).

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which account for 100% (2018: 100%) of the total trade and other receivables (including lease receivables) as at 31 December 2019. The management of the Group closely monitors the subsequent settlement of trade and other receivables (including lease receivables) and financial positions of related companies and debtors which the Group made advancements. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

42. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

In relation to the guarantees provided by the Group to secure obligations of the buyers of the property units for the repayment of their mortgage loans, if there is a default in repayment by these buyers, the Group is responsible for repaying the outstanding mortgage loans together with any accrued interests and penalties owed by the defaulted buyers to banks. Under such circumstances, the Group is able to retain the customer's deposits, take over the ownership of the relevant properties and sell the properties to recover any amounts paid by the Group to banks. In this regard, the management of the Group considers that the Group's credit risk on such guarantees is significantly reduced. Details disclosure of these guarantees are set out in Note 46(a).

The Group's exposure to credit risk is mainly influenced mainly by the characteristics of each individual customer rather than the industry or country in which the customers operate and therefore significant concentration of credit risk arises when the Group has significant exposure to any individual customer. At the end of the reporting period, the Group has no significant concentration of credit risk within its business property development, property investment and hotel operations.

The Group's credit risk position on other receivables are closely monitored by the management of the Group.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management of the Group monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2019, the Group had available unutilised overdraft and bank borrowings facilities of approximately HK$1,469,036,000 (2018: HK$1,476,308,000).

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

42. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

	Weighted average interest rate %	On demand or less than 1 year HK$'000	1–2 years HK$'000	2–5 years HK$'000	More than 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 2019 HK$'000
2019							
Non-derivative financial liabilities							
Trade and other payables	N/A	2,315,997	–	–	–	2,315,997	2,315,997
Amounts due to related companies	2.3	689,723	298,324	–	–	988,047	975,231
Dividend payable	N/A	14,169	–	–	–	14,169	14,169
Dividend payable to non-controlling shareholders	N/A	284,081	–	–	–	284,081	284,081
Bank and other borrowings	4.08	4,162,882	4,933,282	9,632,700	1,161,605	19,890,469	16,712,302
Financial guarantee contracts issued							
Maximum amount guaranteed (Note 46(a))	N/A	3,454,511	–	–	–	3,454,511	–
		10,921,363	5,231,606	9,632,700	1,161,605	26,947,274	20,301,780
Lease liabilities	4.75	70,586	63,885	113,267	5,055	252,793	228,586

42. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

	Weighted average interest rate %	On demand or less than 1 year HK$'000	1–2 years HK$'000	2–5 years HK$'000	More than 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 2018 HK$'000
2018							
Non-derivative financial liabilities							
Trade and other payables	N/A	1,605,830	–	–	–	1,605,830	1,605,830
Amounts due to related companies	3.14	908,661	–	–	–	908,661	896,787
Consideration payables for acquisition of subsidiaries	N/A	68,322	–	–	–	68,322	68,322
Dividend payable	N/A	12,107	–	–	–	12,107	12,107
Dividend payable to non-controlling shareholders	N/A	170,803	–	–	–	170,803	170,803
Bank and other borrowings	4.55	3,504,043	1,817,406	11,028,383	1,430,600	17,780,432	15,395,520
Financial guarantee contracts issued							
Maximum amount guaranteed (Note 46(a))	N/A	2,790,731	–	–	–	2,790,731	–
		9,060,497	1,817,406	11,028,383	1,430,600	23,336,886	18,149,369

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the financial guarantee arrangement if the counterparty to the guarantee claims the amount. Based on expectations made by the management of the Group, at the end of the reporting period, certain amount may be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty to guarantee who exercises the right to claim. It 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 non-derivative financial liabilities with variable interest rate are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

43. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

This note provides information about how the Group determines fair values of various financial assets.

Some of the Group's financial instruments are measured at fair value for financial reporting purposes. In estimating the fair value, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engaged an independent qualified professional valuer to perform the valuation. The management of the Group works closely with the valuer to establish the appropriate valuation techniques and inputs to the model.

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis

The Group's financial assets at FVTPL and equity instruments at FVTOCI are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined.

Financial assets	Fair value 2019	Fair value 2018	Fair value hierarchy	Valuation techniques and inputs	Significant unobservable inputs
Financial assets at FVTPL	**Listed equity securities in the PRC – HK$3,342,000**	Listed equity securities in the PRC – HK$2,805,000	Level 1	Quoted bid prices in an active market	N/A
Equity instruments at FVTOCI	**Listed equity securities in the PRC – HK$101,588,000**	Listed equity securities in the PRC – HK$91,407,000	Level 1	Quoted bid prices in an active market	N/A
	Unlisted equity securities in the PRC – HK$58,620,000	Unlisted equity securities in the PRC – HK$78,192,000	Level 3	Adjusted net asset value method under cost approach	Discount factor of 4.6% (2018: 10%)

43. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

(ii) Reconciliation of Level 3 fair value measurement

	Unlisted equity securities classified as equity instruments at FVTOCI HK$'000
At 1 January 2018	118,800
Carved-out (Note 39)	(24,757)
Refund of capital	(12,125)
Exchange realignment	(3,726)
At 31 December 2018	78,192
Change in fair value recognised in OCI	(4,381)
Refund of capital	(14,066)
Exchange realignment	(1,125)
At 31 December 2019	58,620

In the opinion of the management of the Group, there was no material change in fair value of unlisted equity instruments at FVTOCI during the years ended 31 December 2019 and 2018. Besides, no material impact on the fair value of these instruments is expected given 5% increase or decrease of the discount factor. Therefore, no sensitivity analysis for these level 3 instruments are presented.

There were no transfer between instruments in Level 1, 2 and 3 in both years.

(iii) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

The fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cashflow analysis.

The management of the Group considers that the carrying amounts of other financial assets and financial liabilities carried at amortised cost approximate their respective fair values.

44. CAPITAL COMMITMENTS

The Group

	2019 HK$'000	2018 HK$'000
Expenditure contracted for but not provided for in the consolidated financial statements		
— additions in properties under development for sale	8,826,760	8,084,176
— acquisition of a parcel of land	—	591,300
— capital contribution into joint ventures	1,708,613	—
	10,535,373	8,675,476

45. OPERATING LEASES

The Group as lessee

Minimum lease payments paid under operating leases during the year in respect of office premises and apartment units were approximately HK$29,177,000 for the year ended 31 December 2018.

As at 31 December 2018, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2018 HK$'000
Within one year	67,476
In the second to fifth year inclusive	204,936
Over five years	68,055
	340,467

45. OPERATING LEASES (CONTINUED)

The Group as lessor

Property rental income earned during the year is approximately HK$750,020,000 (2018: HK$703,669,000). Certain of the Group's investment properties have committed tenants for the next two to ten years with an option to renew the lease after that date at which time all terms are renegotiated.

Minimum lease payments receivable on lease are as follows:

	2019 **HK$'000**
Within one year	**629,598**
In the second year	**424,095**
In the third year	**330,116**
In the fourth year	**244,062**
In the fifth year	**149,207**
After five years	**396,527**
	2,173,605

As at 31 December 2018, the Group had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases:

	2018 HK$'000
Within one year	614,756
In the second to fifth year inclusive	1,002,718
Over five years	476,185
	2,093,659

46. CONTINGENT LIABILITIES

(a) Corporate guarantees

	2019 HK$'000	2018 HK$'000
Guarantees given to banks in respect of banking facilities utilised by:		
— property buyers	3,055,182	2,790,731
— an associate	399,329	—
	3,454,511	2,790,731

Guarantees given to banks in respect of banking facilities utilised by property buyers

The Group entered into agreements with certain banks with respect to mortgage loans provided to buyers of the Group's property units and made deposits as security to and gave guarantees on mortgage loans provided to the buyers by these banks under the agreements. The management of the Group considers that the possibility of default of repayment of the mortgage loans by the relevant buyers is remote and, in case of the default, the net realisable value of the related properties withheld by the Group can recover the repayment of the outstanding mortgage principals together with the accrued interests and penalties. Accordingly, no ECL under HKFRS 9 has been made in the consolidated financial statements for these guarantees.

Guarantee given to banks in respect of banking facilities utilised by an associate of the Group

The Group entered into an agreement with a bank to provide a corporate guarantee with respect to the bank loan granted to an associate of the Group. As at 31 December 2019, the maximum liability of the Company under such guarantee was the outstanding amount of the bank loan to the associate of RMB357,000,000 (equivalent to approximately HK$399,329,000).

In the opinion of the management of the Group, the fair values of the aforementioned financial guarantee contracts of the Group are insignificant at initial recognition.

46. CONTINGENT LIABILITIES (CONTINUED)

(b) Litigation

As set out in the Company's announcement dated 1 October 2018, Hunan Qianshuiwan, being a non-wholly owned subsidiary of the Group, commenced legal proceedings against XiangYa School of Medicine, Central South University 中南大學湘雅醫學院 ("Xiangya") and Hunan Shangdi Property Development Co., Ltd. 湖南上地置業發展有限公司 ("Shangdi") (Xiangya and Shangdi collectively referred to as the "Defendants") (the "Litigation") in previous years claiming, among others, the return of the surety money to the Group and damages and to seek a ruling from the court to release the parties from a series of agreements entered into between the Group and the Defendants in relation to a proposed residential real estate development on a parcel of land (the "Land") located in Changsha (the "Land Development Agreements"). In the course of proceedings, the Group received counterclaims from the Defendants. The Litigation was conducted at different levels of court in the PRC during the year 2010 to 2017 and the judgment rulings were generally in favour of the Group. However, the judgment handed down by the court on 25 September 2018 after the Defendant's appeal was unfavourable to the Group and the Group was required, among others, to make a compensation of RMB402.8 million to the Defendants, of which RMB22.8 million relating to the developed part of the Land and RMB380 million relating to the undeveloped part of the Land. The Group made appeal the Higher Court and it was heard on 7 June 2019.

The judgment received from the Higher Court on 4 March 2020 is unfavourable to the Group. The Higher Court ruled that the Land Development Agreements can no longer be performed and while there were breaches committed by both Hunan Qianshuiwan and Shangdi, the fundamental cause was that Hunan Qianshuiwan had changed the development plan without having properly notified the other parties of the termination of the Land Development Agreements, and thereby violating the original intent of the joint development. Pursuant to the Higher Court's ruling, (i) the Land Development Agreements should be released with effect from 6 January 2009; (ii) Shangdi shall return to Hunan Qianshuiwan the surety money in the sum of RMB20 million (together with interest accrued from year 2009 to the date of payment); (iii) Hunan Qianshuiwan shall return to Shangdi the earnest money in the sum of RMB10 million (together with interest accrued from 2009 to the date of payment); (iv) Hunan Qianshuiwan is required to pay Shangdi damages in the amount of RMB122 million (together with interest accrued from year 2007 to the date of payment) as compensation for loss of land use rights in respect of the Land. At the date of this consolidated financial statements are authorised for issue, the net amount Hunan Qianshuiwan is required to pay under the judgment is approximately RMB375 million.

The Group, after obtaining opinions from the PRC's legal advisors, has considered that it has a good ground to make an application for a retrial to repeal the judgement made by the Higher Court and obtain a favourable result to the Group. Accordingly, Hunan Qianshuiwan, has commenced the process to pursue civil procuratorial protest against the judgment to the People's Procuratorates 人民檢察院 for a retrial. As a result, no provision has been made in the consolidated financial statements for the amounts ruled by the Higher Court. Details of this case are set out in the Company's announcement dated 13 March 2020.

47. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Dividend payable HK$'000	Interest payable (Note 30) HK$'000	Bank and other borrowings (Note 34) HK$'000	Amounts due to related companies (Note 31) HK$'000	Lease liabilities (Note 35) HK$'000	Total HK$'000
At 1 January 2018	190,224	86,786	17,091,255	1,979,848	–	19,348,113
Financing cash flows (note)	(506,798)	(1,239,393)	(858,362)	(1,041,777)	–	(3,646,330)
Finance costs recognised (Note 9)	–	1,207,106	–	–	–	1,207,106
Dividend declared	508,861	–	–	–	–	508,861
Foreign exchange translation	(9,377)	–	(837,373)	(51,735)	–	(898,485)
At 31 December 2018	182,910	54,499	15,395,520	886,336	–	16,519,265
Adjustments (Note 2)	–	–	–	–	246,974	246,974
At 1 January 2019 (restated)	182,910	54,499	15,395,520	886,336	246,974	16,766,239
Financing cash flows (note)	(334,074)	(920,979)	1,401,050	105,120	(71,611)	179,506
Finance costs recognised (Note 9)	–	946,245	267,509	–	2,164	1,215,918
New leases entered/lease modified	–	–	–	–	54,300	54,300
Non-cash transaction (Note 31(ii)(c))	–	–	–	(27,226)	–	(27,226)
Dividend declared	454,082	–	–	–	–	454,082
Foreign exchange translation	(4,668)	11,159	(351,777)	(3,849)	(3,241)	(352,376)
At 31 December 2019	298,250	90,924	16,712,302	960,381	228,586	18,290,443

Note: The financing cash flows represented the net amount of proceeds from bank and other borrowings, advances from related companies, payments of transaction costs for issue of advanced bonds and medium term notes, payments of finance costs, repayments of bank and other borrowings, repayments to related companies and payments of dividend.

48. RELATED PARTY TRANSACTIONS

(a) Transactions with key management personnel

Remuneration for key management personnel of the Group, including amounts paid to the directors of the Company as disclosed in Note 12, is as follows:

	2019 HK$'000	2018 HK$'000
Short-term employee benefits	10,592	10,475
Post-employment benefits	192	126
	10,784	10,601

Total remuneration is included in "total staff costs" (Note 11).

(b) Transactions and balances with related parties

Saved as disclosed in elsewhere in these consolidated financial statements, the Group has following transactions and balances with related parties:

Name of related company	Nature of transactions	2019 HK$'000	2018 HK$'000
Associates	Property agency fees	(49,397)	(20,034)
	Rental income	1,483	1,255
	Management fee	(3,564)	(3,713)
Non-controlling shareholder of a subsidiary	Interest expenses	–	(9,023)
	Management fee	(4,733)	(4,037)
	Rental expense	(123)	–
An entity controlled by Xuhui SASAC	Interest expenses	(20,746)	(20,399)

Details of the balances with related parties as at 31 December 2019 and 2018 are set out in Note 31.

48. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Government-related entities

The Group itself is part of a larger group of companies under SIIC (SIIC and its subsidiaries are referred to as the "SIIC Group") which is controlled by the PRC government. The management of the Group consider that the Company is ultimately controlled by the PRC government and the Group operates in an economic environment currently predominated by entities controlled, jointly controlled or significantly influenced by the PRC government ("PRC Government Related Entities"). Apart from the transactions with the SIIC Group and Xuhui SASAC which have been disclosed above and in other notes to the consolidated financial statements, the Group also conducts businesses with other PRC Government Related Entities in the ordinary course of business. The Group's saving deposits placements, borrowings and other general banking facilities are placed or entered into with certain banks which are PRC Government Related Entities in its ordinary course of business. In view of the nature of those banking transactions, the management of the Group are of the opinion that separate disclosures would not be meaningful.

In addition, the Group entered into various transactions, including sales, purchases and other operating expenses with other PRC Government Related Entities. In the opinion of the management of the Group, these transactions are considered as individually and collectively insignificant to the operation of the Group during the years ended 31 December 2019 and 2018.

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Name of subsidiary	Place of incorporation/ registration and operation	Particulars of issued and paid-up share capital/registered capital	Percentage of issued share capital/ and paid-up registered capital held				Principal activities
			2019		2018		
			Directly	Indirectly	Directly	Indirectly	
深圳鳳凰置業有限公司 (note (i))	The PRC	US$10,000,000	–	82%	–	82%	Property investment
中置(北京)企業管理有限公司 (note (ii))	The PRC	HK$200,000,000	–	100%	–	100%	Investment holding
北京金馬文華園房地產開發有限公司 (note (i))	The PRC	US$12,000,000	–	85%	–	85%	Property development
北京新松房地產開發有限公司 (note (i))	The PRC	RMB190,000,000	–	51.6%	–	51.6%	Property development and property investment
北京市御水苑房地產開發有限責任公司 (note (iii))	The PRC	RMB20,000,000	–	90%	–	90%	Property development
北京新松置地投資顧問有限公司 (note (iii))	The PRC	RMB30,000,000	–	100%	–	100%	Investment holding

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

Name of subsidiary	Place of incorporation/ registration and operation	Particulars of issued and paid-up share capital/registered capital	Percentage of issued share capital/ and paid-up registered capital held 2019 Directly	2019 Indirectly	2018 Directly	2018 Indirectly	Principal activities
西安中新滻灞歐亞酒店發展有限公司 (note (iii))	The PRC	RMB50,000,000	–	71.5%	–	71.5%	Hotel operations
西安中新永佳房地產開發有限公司 (note (iii))	The PRC	RMB10,000,000	–	71.5%	–	71.5%	Property development
西安中新沁園房地產開發有限公司 (note (iii))	The PRC	RMB10,000,000	–	71.5%	–	71.5%	Property development
西安中新華勝房地產開發有限公司 (note (iii))	The PRC	RMB10,000,000	–	71.5%	–	71.5%	Property development
西安中新榮景房地產開發有限公司 (note (iii))	The PRC	RMB10,000,000	–	71.5%	–	71.5%	Property development
西安中新永景房地產開發有限公司 (note (iii))	The PRC	RMB10,000,000	–	71.5%	–	71.5%	Property development
湖南淺水灣湘雅溫泉花園有限公司 (note (iii))	The PRC	RMB30,000,000	–	67%	–	67%	Property development
重慶中華企業房地產發展有限公司 (note (iii))	The PRC	RMB200,000,000	–	100%	–	100%	Property development and property investment
天津中新濱海房地產開發有限公司 (note (ii))	The PRC	HK$100,000,000	–	100%	–	100%	Property development
天津中新華安房地產開發有限公司 (note (ii))	The PRC	RMB240,000,000	–	100%	–	100%	Property development
天津中新華城房地產開發有限公司 (note (ii))	The PRC	RMB80,000,000	–	100%	–	100%	Property investment
天津中新嘉業房地產開發有限公司 (note (ii))	The PRC	RMB120,000,000	–	100%	–	100%	Property development
天津中新信捷房地產開發有限公司 (note (ii))	The PRC	RMB240,000,000	–	100%	–	100%	Property development
天津凱津房地產開發有限公司 (note (iii))	The PRC	RMB210,000,000	–	100%	–	100%	Property development

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

Name of subsidiary	Place of incorporation/ registration and operation	Particulars of issued and paid-up share capital/registered capital	Percentage of issued share capital/ and paid-up registered capital held				Principal activities
			2019		2018		
			Directly	Indirectly	Directly	Indirectly	
上海九久廣場投資開發有限公司 (note (iii))	The PRC	RMB226,160,000	–	100%	–	100%	Property investment
上海啟耀房地產開發有限公司 (note (iii))	The PRC	US$12,000,000	–	100%	–	100%	Property development and property investment
上海海輝房地產有限公司 (note (iii))	The PRC	RMB12,000,000	–	100%	–	100%	Property development
上海海輝物業管理有限公司 (note (iii))	The PRC	RMB500,000	–	100%	–	100%	Property management
瀋陽向明長益置業有限公司 (note (i))	The PRC	US$63,750,000	–	80%	–	80%	Property development
北京盈通房地產開發有限公司 (note (i))	The PRC	US$6,000,000	–	67.5%	–	67.5%	Property development
上海城開(集團)有限公司 (note (i))	The PRC	RMB3,200,000,000	–	59%	–	59%	Investment holding and property development
上海萬源房地產開發有限公司 (note (iii))	The PRC	RMB300,000,000	–	53%	–	53%	Property development
上海石龍工業區聯合發展有限公司 (note (iii))	The PRC	RMB20,000,000	–	59%	–	59%	Property development
上海城開(集團)無錫置業有限公司 (note (iii))	The PRC	RMB500,000,000	–	59%	–	59%	Property development
上海城開集團晶實置業有限公司 (note (iii))	The PRC	RMB300,000,000	–	59%	–	59%	Property development
昆山城開房地產開發有限公司 (note (iii))	The PRC	RMB167,000,000	–	53%	–	53%	Property development
Advantage World Investment Limited (note (iv))	BVI	US$100	–	51%	–	51%	Investment holding
上海世界貿易商城有限公司 (note (iii))	The PRC	US$100,000,000	–	51%	–	51%	Property investment
上海城寰企業管理諮詢有限公司(note (iii))	The PRC	RMB100,000	–	100%	–	100%	Investment holding

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

Name of subsidiary	Place of incorporation/ registration and operation	Particulars of issued and paid-up share capital/registered capital	Percentage of issued share capital/ and paid-up registered capital held 2019 Directly	2019 Indirectly	2018 Directly	2018 Indirectly	Principal activities
上海上投寶旭置業有限公司 (note (iii))	The PRC	RMB100,000,000	–	100%	–	100%	Property development
上海上投新虹投資有限公司 (note (iii))	The PRC	RMB50,000,000	–	90%	–	90%	Property development
上海市上投房地產投資有限公司 ("Shanghai Shangtou") (note (iii))	The PRC	RMB770,000,000	–	100%	–	100%	Investment holding

Notes:

(i) These companies were established in the PRC in the form of sino-foreign equity joint ventures.

(ii) These companies were established in the PRC in the form of wholly-owned foreign enterprises.

(iii) These companies were established in the PRC in the form of limited liability company.

(iv) This company was established in the BVI in the form of limited liability company.

The above table only includes those subsidiaries which, in the opinion of the directors of the Company, principally affected the results of the Group for the year or formed a substantial portion of the net assets of the Group. To give details of all subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year except SUD which has outstanding issued advanced bonds — 2015 of RMB1,800,000,000 advanced bonds — 2016 of RMB550,000,000 medium term notes — 2018 RMB1,000,000,000, advanced bonds — 2019 of RMB1,150,000,000 and medium term notes — 2019 of RMB1,000,000,000 in which the Group has no interest. Details of advanced bonds — 2015, advanced bonds — 2016, advanced bonds — 2019, medium term notes — 2018 and medium term notes — 2019 are set out in Note 34(ii).

50. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS

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

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2019	2018	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000
SUD and its subsidiaries	Incorporated and operating in the PRC — Shanghai	41%	41%	527,290	644,938	7,745,818	7,695,191
AWI and its subsidiaries	Incorporated in the BVI and the PRC and operating in the PRC — Shanghai	49%	49%	163,242	100,203	2,359,563	2,261,289
Individually immaterial subsidiaries with non-controlling interests				(71,126)	(48,468)	426,692	358,634
				619,406	696,673	10,532,073	10,315,114

Summarised financial information in respect of each of the Group's subsidiary that has material non-controlling interests is set out below.

The summarised financial information below represents amounts shown in SUD's consolidated financial statements prepared in accordance with HKFRSs and before intragroup eliminations.

SUD and its subsidiaries

	2019 HK$'000	2018 HK$'000
Non-current assets	7,430,706	6,024,816
Current assets	25,784,640	28,024,853
Current liabilities	(8,280,007)	(8,215,030)
Non-current liabilities	(7,972,356)	(8,863,663)
Equity attributable to owners of the Company	9,217,165	9,275,785
Non-controlling of SUD	6,405,148	6,445,884
Non-controlling interests of SUD's subsidiaries	1,340,670	1,249,307

50. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS (CONTINUED)

SUD and its subsidiaries (Continued)

	2019 HK$'000	2018 HK$'000
Revenue	4,478,849	5,335,971
Expenses	(1,926,866)	(2,519,681)
Profit before tax	2,551,983	2,816,290
Profit for the year	1,175,146	1,505,752
Profit attributable to owners of the Company	647,856	860,814
Profit attributable to the non-controlling interests of SUD	450,205	600,703
Profit attributable to the non-controlling interests of SUD's subsidiaries	77,085	44,235
Profit for the year	1,175,146	1,505,752
Other comprehensive income (expense) attributable to owners of the Company	72,144	(539,687)
Other comprehensive expense attributable to the non-controlling interests of SUD	(213,148)	(338,759)
Other comprehensive expense attributable to the non-controlling interests of SUD's subsidiaries	(37,687)	(118,943)
Other comprehensive expense for the year	(178,691)	(997,389)
Total comprehensive income attributable to owners of the Company	720,000	321,127
Total comprehensive income attributable to the non-controlling interests of SUD	237,057	261,944
Total comprehensive income (expense) attributable to the non-controlling interests of SUD's subsidiaries	39,398	(74,708)

50. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS (CONTINUED)

SUD and its subsidiaries (Continued)

	2019 HK$'000	2018 HK$'000
Total comprehensive income for the year	996,455	508,363
Dividends paid to non-controlling interests of SUD	116,279	126,138
Net cash outflow from operating activities	(807,009)	(9,252)
Net cash outflow from investing activities	(476,832)	(785,507)
Net cash inflow (outflow) from financing activities	247,703	(1,082,557)
Net cash outflow	(1,036,138)	(1,877,316)

The summarised financial information below represents amounts shown in AWI's consolidated financial statements prepared in accordance with HKFRSs and before intragroup eliminations.

AWI and its subsidiaries

	2019 HK$'000	2018 HK$'000
Non-current assets	6,410,610	6,317,894
Current assets	131,270	103,504
Current liabilities	(197,323)	(335,120)
Non-current liabilities	(1,529,123)	(1,471,403)
Equity attributable to owners of the Company	2,455,871	2,353,586
Non-controlling interests of AWI	2,359,563	2,261,289

50. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS (CONTINUED)

AWI and its subsidiaries (Continued)

	2019 HK$'000	2018 HK$'000
Revenue	627,435	480,265
Expenses	(195,327)	(207,059)
Profit before tax	432,108	273,206
Profit for the year	333,146	204,495
Profit attributable to owners of the Company	169,904	104,292
Profit attributable to the non-controlling interests of AWI	163,242	100,203
Profit for the year	333,146	204,495
Other comprehensive expense attributable to owners of the Company	(44,116)	(124,761)
Other comprehensive expense attributable to the non-controlling interests of AWI	(42,386)	(119,869)
Other comprehensive expense for the year	(86,502)	(244,630)
Total comprehensive income (expense) attributable to owners of the Company	125,788	(20,469)
Total comprehensive income (expense) attributable to the non-controlling interests of AWI	120,856	(19,666)
Total comprehensive income (expense) for the year	246,644	(40,135)
Dividends paid to non-controlling interests of AWI	22,582	66,051
Net cash inflow from operating activities	201,082	210,020
Net cash (outflow) inflow from investing activities	(274)	1,935
Net cash outflow from financing activities	(167,082)	(281,740)
Net cash inflow (outflow)	33,726	(69,785)

51. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2019 HK$'000	2018 HK$'000
Non-current assets		
Property equipment	6,397	1,286
Investments in subsidiaries	2,405,964	2,405,964
Amounts due from subsidiaries	6,597,020	6,403,975
Right-of-use assets	10,521	—
	9,019,902	8,811,225
Current assets		
Amounts due from subsidiaries	9,366,392	9,166,636
Deposit and prepayment	2,474	5,020
Bank balances and cash	17,063	21,359
	9,385,929	9,193,015
Current liabilities		
Other payables and accruals	9,815	10,447
Amount due to intermediate holding company	78,819	103,185
Amounts due to subsidiaries	3,333,014	3,341,341
Bank and other borrowings	2,423,626	2,271,692
Lease liabilities	5,256	—
Dividend payable	14,169	12,107
	5,864,699	5,738,772
Net current assets	3,521,230	3,454,243
Total assets less current liabilities	12,541,132	12,265,468
Non-current liabilities		
Bank borrowings	1,636,465	1,024,824
Lease liabilities	5,204	—
	1,641,669	1,024,824
Total assets less total liabilities	10,899,463	11,240,644
Capital and reserves		
Share capital	192,253	192,439
Reserves	10,707,210	11,048,205
	10,899,463	11,240,644

52. STATEMENT OF CHANGES IN EQUITY OF THE COMPANY

	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Share-based payments reserve HK$'000	Exchange reserve HK$'000	Shareholders' contribution HK$'000 (note)	Accumulated losses HK$'000	Total HK$'000
As at 1 January 2018	192,439	9,514,684	463,586	31,892	1,020,542	2,475,111	(2,212,889)	11,485,365
Profit for the year	–	–	–	–	–	–	583,017	583,017
Exchange difference on translation from functional currency to presentation currency	–	–	–	–	(630,488)	–	–	(630,488)
Total comprehensive (expense) income for the year	–	–	–	–	(630,488)	–	583,017	(47,471)
Dividends recognised as distributions (Note 53)	–	–	(197,250)	–	–	–	–	(197,250)
As at 31 December 2018	192,439	9,514,684	266,336	31,892	390,054	2,475,111	(1,629,872)	11,240,644
Profit for the year	–	–	–	–	–	–	63,224	63,224
Exchange difference on translation from functional currency to presentation currency	–	–	–	–	(202,234)	–	–	(202,234)
Total comprehensive (expense) income for the year	–	–	–	–	(202,234)	–	63,224	(139,010)
Repurchase and cancellation of ordinary shares	(186)	(4,718)	–	–	–	–	–	(4,904)
Transaction costs attributable to repurchase of ordinary shares	–	(17)	–	–	–	–	–	(17)
Dividends recognised as distributions (Note 53)	–	–	(197,250)	–	–	–	–	(197,250)
As at 31 December 2019	192,253	9,509,949	69,086	31,892	187,820	2,475,111	(1,566,648)	10,899,463

Note: The shareholders' contribution represents contribution from SIHL arising from combination under common control during the year ended 31 December 2011.

53. DIVIDENDS

Dividends recognised as distribution during the year:

	Year ended 31 December 2019 HK$'000	2018 HK$'000
2018 final dividend declared — HK1.8 cents (2018: HK1.6 cents for year 2017)	**76,976**	76,976
2018 special dividend declared — HK2.3 cents (2018: HK2.5 cents for year 2017)	**120,274**	120,274
	197,250	197,250

53. DIVIDENDS (CONTINUED)

A final dividend and a special dividend of HK1.8 cents (2018: HK1.6 cents) per ordinary share and HK2.3 cents (2018: HK2.5 cents) per ordinary share respectively, in an aggregate amount of approximately HK$197,250,000 (2018: HK$197,250,000), in respect of the year ended 31 December 2018, were declared and an amount of approximately HK$195,188,000 (2018: HK$195,187,000) was paid during the year ended 31 December 2019.

Subsequent to the end of the reporting period, a final dividend and a special dividend of HK1.8 cents per ordinary share and HK2.3 cents per ordinary share respectively, in respect of the year ended 31 December 2019, has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

54. EVENTS AFTER THE END OF THE REPORTING PERIOD

Saved as disclosed elsewhere in these consolidated financial statements, the Group has the following events subsequent to the end of the reporting period:

On 2 January 2020, a project company, which the Group has certain direct and indirect equity interest, had entered into a land use right grant contract with Shanghai government department in relation to a parcel of land situated at Xuhui District, Shanghai, the PRC. The consideration for the acquisition of this parcel of land is RMB4,628,000,000. The Group is committed to contribute RMB1,527,500,000 according to its ownership in the project company. Details of this acquisition and the related arrangement are set out in the Company's announcement on 2 January 2020.

On 22 January 2020, the Group entered into a subscription agreement with, among others, SIIC Financial Leasing Co., Ltd 上實融資租賃有限公司 ("SIIC Financial Leasing"), which is an associate of the Company's controlling shareholder. Pursuant to the subscription agreement the Group has conditionally agreed to subscribe for a 20.0% of the enlarged register capital of SIIC Financial Leasing by injecting RMB407,942,343 in cash to SIIC Financial Leasing. SIIC Financial Leasing is an integrated credit provider based in Shanghai. Its business includes providing finance to regional governments and its platform companies to fund their projects in local infrastructure, water supply and construction of rail transportation as well as providing automobile financing to individual customers. Details of this transaction is set out in the Company's announcement on 22 January 2020.

The development and spread of the COVID-19 subsequent to the end of the reporting period have adversely impacted global economic activities and market sentiments. A series of precautionary and control measures have been and continued to be implemented across the PRC. These events have directly impacted on the operations of the Group including postpone of pre-sale activities of properties and suspension of hotel operations. However, the directors of the Company considered that the financial effects of the COVID-19 on the Group's consolidated financial statements cannot be reasonably estimated at this stage as the Group is still in the process of adjusting its business plans and exploring measures to mitigate the impacts. Nevertheless, the COVID-19 outbreak is expected to affect the consolidated financial performance of the Group for the year ending 31 December 2020.

FINANCIAL SUMMARY

	Year ended 31 December				
	2015	2016	2017	2018	**2019**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Revenue	3,871,923	5,490,564	9,372,903	6,977,683	**8,583,906**
Profit before tax	1,009,274	2,585,589	3,306,381	2,824,387	**2,745,131**
Income tax	(469,288)	(1,259,024)	(2,081,971)	(1,554,640)	**(1,525,433)**
Profit for the year	539,986	1,326,565	1,224,410	1,269,747	**1,219,698**
Attributable to:					
Owners of the Company	517,385	521,888	536,109	573,074	**600,292**
Non-controlling interests	22,601	804,677	688,301	696,673	**619,406**
	539,986	1,326,565	1,224,410	1,269,747	**1,219,698**

	As at 31 December				
	2015	2016	2017	2018	**2019**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Assets and liabilities					
Total assets	63,780,450	60,136,208	64,477,607	58,990,277	**60,444,024**
Total liabilities	(44,266,699)	(38,157,202)	(40,280,312)	(35,614,471)	**(36,662,398)**
	19,513,751	21,979,006	24,197,295	23,375,806	**23,781,626**
Equity contributable to:					
Owners of the Company	12,535,906	12,544,893	13,767,619	13,060,692	**13,249,553**
Non-controlling interests	6,977,845	9,434,113	10,429,676	10,315,114	**10,532,073**
	19,513,751	21,979,006	24,197,295	23,375,806	**23,781,626**

GLOSSARY OF TERMS

Term used	Brief description
"2020 AGM"	forthcoming annual general meeting of the Company is scheduled to be held on Monday, 18 May 2020
"Adoption Date"	16 May 2013, adoption date of the New Share Option Scheme
"Audit Committee"	audit committee of the Company
"Board"	board of Directors
"Circular"	reference was made to the circular of the Company dated 16 April 2013 in relation to the adoption of the New Share Option Scheme
"Code"	code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules
"Company" or "SIUD"	Shanghai Industrial Urban Development Group Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange
"Company Secretary"	company secretary of the Company
"Director(s)"	director(s) of the Company
"Group"	the Company and its subsidiaries
"Independent Third Parties"	independent third parties who are not connected person(s) of the Company and are independent of and not connected with the Company and its connected persons
"Invested Entities"	any entity in which any member of the Group holds any equity interest
"Investment Appraisal Committee"	investment appraisal committee of the Company
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Managing JV Partners"	Independent Third Parties including Beijing Zhenchen Asset Management Co., Ltd. (北京真辰資產管理有限公司), Shanghai Zhenchen Industrial Development Co., Ltd. (上海真辰實業發展有限公司), companies established in the PRC and controlled by Mr. Lin Zhen, and Happy Sincere Investment Limited, a company incorporated in Hong Kong with limited liability
"Member(s)"	Duly registered holder(s) from time to time of the share(s) in the capital of the Company

Term used	Brief description
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules of the Stock Exchange
"New Share Option Scheme"	pursuant to ordinary resolutions passed by Shareholders at its annual general meeting held on 16 May 2013, the Company adopted a new share option scheme
"Nomination Committee"	nomination committee of the Company
"Remuneration Committee"	remuneration committee of the Company
"RMB"	Renminbi
"SFO"	Securities and Futures Ordinance (Chapter 571) of the laws of Hong Kong
"Shanghai Galaxy"	Shanghai Galaxy Investments Co., Ltd. (上海星河數碼投資有限公司), a company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of SIIC as to 10% of its equity interest. The remaining equity interest of Shanghai Galaxy was held as to 45% indirectly by SIHL and 45% by SIIC Shanghai
"Shareholder(s)"	holder(s) of share(s) of the Company
"Share Option Scheme"	pursuant to ordinary resolutions passed by Shareholders at its special general meeting held on 12 December 2002, the Company adopted a share option scheme
"SIHL"	Shanghai Industrial Holdings Limited, a company listed on the Stock Exchange with stock code of 363
"SIIC"	Shanghai Industrial Investment (Holdings) Company Limited
"SIIC Financial Leasing"	SIIC Financial Leasing Co., Ltd. (上實融資租賃有限公司), a company established in the PRC with limited liability
"SIIC Shanghai"	SIIC Shanghai Holdings Co., Ltd. (上海上實(集團)有限公司), a company established in the PRC with limited liability with SIIC as the authorised representative exercising state-owned shareholder's right over it
"SIUD Shanghai"	Shanghai Industrial Urban Development (Shanghai) City Construction and Development Company Limited (上實城開(上海)城市建設開發有限公司), a company established in the PRC with limited liability, a wholly-owned subsidiary of the Company

GLOSSARY OF TERMS

Term used	Brief description
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"SUD"	Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司), a company incorporated in the PRC with limited liability and is indirectly owned by the Company as to 59% and by Xuhui SASAC as to 41%
"Xuhui SASAC"	State-owned Assets Supervision and Administration Commission of Shanghai Xuhui District (上海市徐匯區國有資產監督管理委員會), a government authority authorised by and established directly under Shanghai Xuhui District People's Government for supervising and managing state-owned assets in the possession of Xuhui District, including but not limited to, exercising state-owned shareholders' right over SUD and a shareholder holding 41% of the equity interest in SUD

www.siud.com

WeChat Official Account QR Code

上海實業城市開發集團有限公司
SHANGHAI INDUSTRIAL URBAN DEVELOPMENT GROUP LIMITED

Hong Kong Office

Address : 11/F, Henley Building,
5 Queen's Road Central, Central, Hong Kong
Tel : +852 2544 8000
Fax : +852 2544 8004

General Enquiry : info@siud.com
Investor Enquiry : ir@siud.com

Shanghai Office

Address : 43F, Building 2. Grand Gateway,
No.1 Hongqiao Road, Shanghai, China
General Line : +86 021 6447 2222
Fax : +86 021 6448 2699

Website : www.siud.com
Weibo : weibo.com/siud

FSC
www.fsc.org
MIX
Paper from responsible sources
FSC™ C007445