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

NEW PAGE NEW HORIZONS

ANNUAL REPORT 2013

NEW STAGE
NEW OPPORTUNITIES

Shanghai Industrial Urban Development Group Limited ("SIUD") currently has 23 real estate projects in 12 major cities in China, namely Shanghai, Kunshan, Wuxi, Beijing, Sanhe, Shenyang, Tianjin, Xi'an, Chongqing, Changsha, Shenzhen and Zhuhai. Most of the projects are mid- to high-end residential projects which are under construction at full steam, presenting the Group with an approximately 7.59 million-square-meter land bank and excellent foundation for long term development.

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ni Jianda *(Chairman)*
Ji Gang *(Vice Chairman & President)*
Zhou Jun
Yang Jianwei *(appointed on 22 March 2013)*
Yang Biao
Huang Fei *(appointed on 22 March 2013)*
Ye Weiqi *(appointed on 22 March 2013)*

Independent Non-Executive Directors

Doo Wai-Hoi, William, J.P.
Wong Ying Ho, Kennedy, BBS, J.P.
Fan Ren Da, Anthony
Li Ka Fai, David

AUTHORIZED REPRESENTATIVES

Ni Jianda
Chan Kin Chu, Harry

BOARD COMMITTEES

- **Audit Committee**
  Li Ka Fai, David *(Committee Chairman)*
  Doo Wai-Hoi, William, J.P.
  Wong Ying Ho, Kennedy, BBS, J.P.
  Fan Ren Da, Anthony

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

- **Nomination Committee**
  Wong Ying Ho, Kennedy, BBS, J.P. *(Committee Chairman)*
  Fan Ren Da, Anthony
  Ni Jianda

- **Investment Appraisal Committee**
  Fan Ren Da, Anthony *(Committee Chairman)*
  Zhou Jun
  Ye Weiqi

COMPANY SECRETARY

Chan Kin Chu, Harry

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Services Limited
Clarendon House,
2 Church Street,
Hamilton, HM11,
Bermuda.

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Secretaries Limited
Level 22, Hopewell Centre,
183 Queen's Road East,
Hong Kong.

LEGAL ADVISERS

As to Hong Kong Law

Ashurst Hong Kong

As to Bermuda Law

Conyers Dill & Pearman

COMPLIANCE ADVISER

Somerley Capital Limited

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suites 3003–3007, 30th Floor,
Great Eagle Centre,
23 Harbour Road,
Wanchai, Hong Kong.
Tel: (852) 2544 8000
Fax: (852) 2544 8004

WEBSITE

http://www.siud.com

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
China Development Bank Corporation
Shanghai Pudong Development Bank Company Limited
China Construction Bank Corporation
Agricultural Bank of China Limited
Hua Xia Bank Company 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)

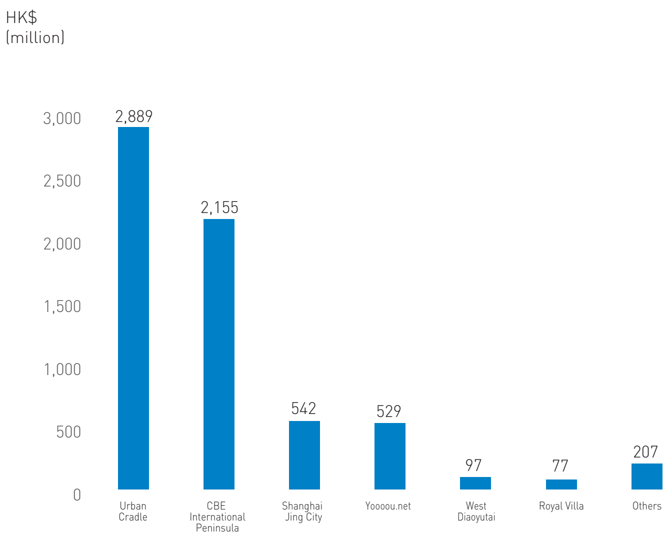
FINANCIAL HIGHLIGHTS

	For the year ended 31 December 2013	For the year ended 31 December 2012	Change %
Financial Highlights (HK$'000)			
Turnover	**9,773,547**	8,782,561	11.3%
Profit/(Loss) attributable to equity owners of the Company	**143,471**	(190,166)	Turnaround
Financial Information per share (HK cents)			
Profit/(Loss)			
– Basic	**2.98**	(3.95)	Turnaround
– Diluted	**2.98**	(3.95)	Turnaround

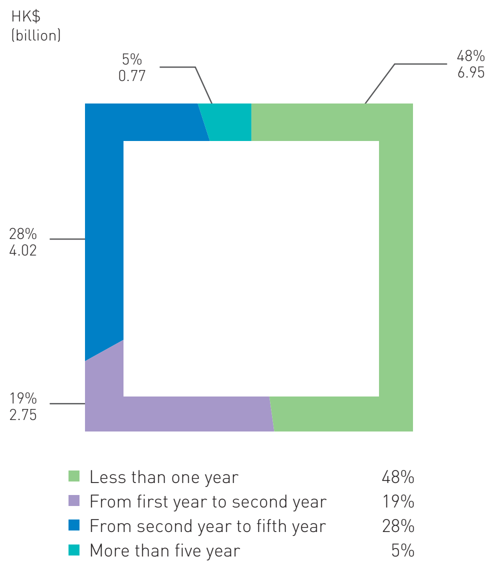
	As at 31 December 2013	As at 31 December 2012
Pre-sale receipts from customers (HK$'000)	**6,496,160**	7,826,181
Financial Ratios		
Net debt to total equity (%)	**41.3%**	50.2%
Current ratio	**1.9**	2.0

Note: Net debt = total borrowings (including bank and other borrowings and senior notes – bank balances and cash and restricted and pledged bank deposits.

ANALYSIS ON ACCUMULATED PRE-SALE RECEIPTS FROM CUSTOMERS



DEBT MATURITY PROFILE




GRASP CHANCES
SIUD will adopt flexible strategies to strengthen its position by embracing market demand and changes in policy to grasp the market share.
SEIZE OPPORTUNITIES BRED BY MARKET CHANGES

CHAIRMAN'S STATEMENT

2013 was a key transitional year for the implementation of China's 12th Five-Year Plan. With the changeover of the leadership in China, the government actively speeded up the restructuring of China's economy and the reform of management systems. Continued attention was given to the property market to ensure its healthy development due to its direct impact on people's livelihood. A new round of regulatory measures was announced by the previous government at the beginning of the year, including implementing capital-gain tax on property sales, as well as tightening the second- and third-home mortgage. The new President Xi Jinping, also instructed the acceleration of the setup of housing guarantee and supply system. All these measures demonstrated the government's determination in establishing a regulated and secure property market with stable and sustainable growth for its people.

Looking back in 2013, China's GDP grew by 7.7% year-on-year. Despite the moderation of China's economic growth, the domestic per capita income and household wealth continued to rise. These factors coupled with the urbanization across the nation have further catalyzed the inelastic demand in China's property market, especially the demand of home-buyers in first–, second-tier and coastal cities. These solid fundamentals kept the property market buoyant in 2013.

CAPTURING MARKET OPPORTUNITIES IN THE ADVANTAGEOUS YANGTZE RIVER DELTA

Riding on the favorable market momentum over the year, the Group targeted at the solid housing demand of the rising number of permanent residents and newly-married couples in Shanghai and other major cities, brought by the improved economic conditions and urbanization. During the year, the Group accelerated the sales of medium- to high-end small-sized homes by deploying flexible marketing strategies to address the demand in those regions. These projects were well-received by the market, and successfully fostered the image of the quality "SUD" brand. Besides, the management skillfully captured market opportunities and implemented strategic project launch schedule, which in turn effectively elevated the average selling price in a steady pace. This further enhanced the Group's profitability by making best use of our resources.

In 2013, the Group achieved good results according to our plan, and bringing us to a new chapter of harvest. Since the acquisition of Neo-China Land in 2010, the Group has been concentrating our development in the Yangtze River Delta and coastal cities. In spite of the macroeconomic regulations by the Central Government, the Group is backed by its quality reserve of residential housing. During the year, we successfully captured the rigid demand in major cities by launching quality projects in a timely manner. This drove our contract sales to RMB6.6 billion, which exceeded the sales target set at the beginning of the year. In addition, the Group accelerated project construction and delivery during the year, recording a revenue growth of 11.3% to almost HK$10 billion as a result. The Group also optimized our project portfolio, consolidated or disposed some of our assets to realize their market values. This contributed to a business turnaround and a net profit of HK$143 million for the year.

In addition to the marketing tactics, the Group has been committed to strengthening our existing advantages in the Yangtze River Delta, with efforts to replenish land resources at low costs, as such laying a solid foundation for our long-term development. During the year, the Group reached an agreement with the Xuhui District Government in Shanghai to swap a piece of land parcel in Xujiahui Centre project for four parcels located in Binjiang, Xuhui District. Located at a premium location adjacent to the Huangpu River, these land parcels have greater geographic advantages, higher flexibility and longer land use right. As they are situated at the key development area of Shanghai, they have now formed another important part of our land reserve. Moreover, the Group disposed 25% interest in U Center for a premium price to unlock part of its true asset value and generated sizeable profit. This helped expedite the Group's land acquisition and development plan. To invest our resources in high-return projects, the Group consolidated our portfolio, and progressively disposed projects located away from the Yangtze River Delta or those with low economic value and long development cycle. Following the disposal of a loss-making project in Chengdu in 2012, the Group sold our non-core project Chongqing Ivy Aroma Town in December 2013. This allowed the Group to allocate our resources on projects that are of higher economic efficiency and appreciation potentials.

The steady growth of Chinese property industry in 2013 carried on to early 2014 with the government's priority to set up the affordable housing supply system. The Group will continue to leverage on our state-owned background, and combine it with our market-oriented approach. We will promptly react to changes in regulatory policies and market demand with flexible and sustainable strategies accordingly. In general, the Board is confident in the outlook of the property market and the Group's long-term development.

In the coming year, the Group will remain focused in Shanghai, while expanding our business in the Yangtze River Delta and coastal cities. We will be more market-driven in project positioning, setting launch schedule and sales prices to respond to the robust market demand with quality and value-for-money housing options in a timely manner. In 2014, the municipal governments of Beijing, Shanghai and other first-tier cities relaxed the one-child policy, the size of families and urban population are expected to gradually expand over the next few years. This will continue to fuel the upgrading demand and the needs of first-time home buyers, and is favorable for the development of property market in the long-run. In addition, the State Council of China approved the establishment of Shanghai Free Trade Zone in the third quarter of 2013, to promote the liberalization and internationalization of the Shanghai capital market, and the opening up of onshore and offshore funding channels. This would stimulate commercial activities in the area, as well as the demand for commercial properties. The establishment of the free trade zone will also facilitate the innovative combination between property market and financial sector, making it a breakthrough in the industry that reduces the funding constraints on the property industry. In the future, the Group will venture into the financial property development to accelerate business cycles. As the Group expanded our investment in non-residential projects, a number of commercial complexes will be completed in the future, and will generate greater rental income.

THE CHINESE SAYING "NOT RETURNING UNTIL WE BEAT THE FOE"

2014 is expected to be another tough year for the Chinese property market as regulatory policies persist. Market competition will be more intensified as some of the Group's peers choose to viciously decrease the prices of their projects to provoke sales. Nonetheless, the Group is now on an upward track with high morale. To cite Chinese Poet Wang Changling's saying, "We will fight across the desert, and will not return until we beat the foe." (黃沙百戰穿金甲，不破樓蘭終不還).This quote from Wang's poem speaks for the Group's determination in overcoming the obstacles ahead and obtaining victory. After three years of restructuring and land bank consolidation, the Group equipped with premium resources in first- and second-tier cities; together with the capital support from our parent company Shanghai Industrial Holdings Limited ("SIHL": stock code: 363) and our experienced management, the Group will forge a breakthrough in financial property in 2014.

The Group will retain our developmental focus in the Yangtze River Delta and coastal cities. We will strengthen and make use of our existing advantages to obtain land resources, improve profitability of our projects, reinforce our internal and cost control, refine our capital structure as well as maintain good corporate governance and transparency. These will contribute to the maximizing of the benefits for our shareholders.

Finally, on behalf of the Board of Directors, I would like to express my gratitude to the management of the Group and every staff for their whole-hearted contribution, as well as the long-term support from the Group's business partners, customers and shareholders.

Ni Jianda
Chairman

27 March 2014

CHAT WITH PRESIDENT

Q: THE CONTRACT SALES OF THE GROUP IN 2013 WAS IN LINE WITH 2012. WHY DID THE GROUP NOT PUT MORE PROPERTIES FOR SALE?

A: The Group insisted to capture market share through quality properties, brands advantages and flexible sales strategies, and to maintain a sustained rise in price, so as to improve the gross profit margin and enhance the overall profitability. Currently, the Group has fully settled the land premiums and is in a healthy financial position. Leveraging on this advantage, the Group does not have to cut property prices to boost sales volume, but is able to adopt more flexible sales strategies in launching the property projects by grasping market opportunities and changes in policy thereby expanding the return on the products.

Q: WHAT ARE THE GROUP'S KEY PROJECTS IN 2014? WHAT IS THE SALES TARGET OF THE GROUP?

A: Since the Group's launch of Phase IV of Shanghai Urban Cradle (small-sized apartments) that targeted at first-time home buyers, the sales performance has been outstanding. The sales record was ranked the fourth in Shanghai Housing Sales Chart (上海樓盤銷量榜) in 2013. As at 31 December 2013, the Group had a total saleable GFA of 7,593,000 sq.m. in the land bank. The Group plans to launch 10 commodity housing projects in 2014 with an aggregate area of approximately 600,000 sq.m., most of which are residential units.

In the short run, Shanghai Urban Cradle and Xi'an CBE International Peninsula remain the focuses of sales campaign. The Group will launch the large-sized deluxe fitted-out mansions of Phase V of Urban Cradle in 2014. The products in this phase are equipped with luxurious decoration and comprehensive facilities. In addition, Urban Cradle is located in the prime location in Shanghai and near Lianhua Road metro station; therefore, we expect that the selling price will further increase and will become the main source of sales of the Group for 2014.

Furthermore, the Group plans to launch the high-rise residential units, deluxe mansions and a small number of villas at Xi'an CBE International Peninsula project in 2014. Although CBE International Peninsula is a project inherited from the former Neo-China Land, reforms were made after the Group took over, such as replacing the contractor, modifying architectural design and using quality construction materials. The Group reduced the cost step-by-step and upgraded the products. We expect that the profitability of this project will be significantly improved.

Xi'an is a major city in western China, which populates immigrants from the surrounding cities. Housing vacancy is low in Xi'an, which provides a firm support to the property market. CBE International Peninsula sold in previous years have already become a small community with comprehensive facilities and is now houses of many happy families. We expect that CBE International Peninsula will continue to leverage on the uniqueness of Xi'an in the future to capture the huge housing demand and contribute a considerable income to the Group.

Q: AUSTERITY MEASURES ARE STILL AFFECTING THE DEVELOPMENT OF PROPERTIES MARKET. WHAT POLITICAL RISKS DOES THE GROUP EXPECT IN 2014?

A: Last year, the country introduced austerity measures such as implementing capital-gain tax on property sales, tightened mortgage and home purchase restriction. Also, Xi Jinping, the president of the PRC, suggested the direction of increasing housing supply. All these aimed balancing the demand and supply and curbing speculative activities, so as to promote a healthy and orderly development in the property market. In respect of the current market environment, we believe that austerity measures will sustain and direct the market in the near term. However, as income per capita increases steadily and urbanization continues, the burgeoning demand for housing in first- and second-tier cities is expected to remain, and will continue to drive the development of China's property market. Our strategy to focus development in the Yangtze River Delta and coastal prosperous cities will certainly seize this enormous potential.

Looking forward to 2014, the Group will pay close attention to the government policies and the changes in market demand, and will adjust our sales strategies to deal with the local policies in different cities. We will continue to expand the sales channels, introduce an operational model consisting of distributors, joint agencies and online sales platform to further improve the gross profit margin and overall performance steadily.

Q: MARKET BEGINS TO CONCERN WHETHER THE PROPERTY MARKETS IN THE FIRST-TIER CITIES SUCH AS SHANGHAI, WILL REMAIN BUOYANT. WHAT IS THE GROUP'S OPINION?

A: (1) From the perspective of the Group, there are uncertainties on whether the third- and fourth-tier cities can continue to support the property market, but it remains confident in the property market in the first-tier cities.

(2) As the financial regulations mature in the Shanghai Free Trade Zone, it will surely bring up commercial and trading activities in Shanghai and benefit the commercial property sector. In the meantime, with the objective to open up channels for onshore and offshore capital, the Shanghai Free Trade Zone will lead to the combination of financial and property sectors to solve the constraint of capital shortage on property developers, and build a new arena for the industry.

(3) The one-child policy has already been relaxed in cities such as Beijing and Shanghai. In the long run, the property market in the first-tier cities will benefit from this new policy.

Q: THE GROUP HAS BEEN FOCUSING ON ASSETS RESTRUCTURING IN RECENT YEARS. IS THERE ANY SPECIFIC STRATEGY?

A: In the long run, our focus will remain in the Yangtze River Delta and coastal prosperous cities. As such, the Group will consolidate the assets and land resources in three levels. Firstly, the Group will gradually exit from the projects which deviate from our development strategy, and focus on the development of the first- and second-tier cities. Secondly, for the assets and land reserve left by the former Neo-China Land, the Group will assess its development potential and profitability, and will consider disposing the less cost-effective ones at reasonable price to converge the resources on projects with high profitability and inventory. Lastly, the Group will further expand quality land bank in the Yangtze River Delta region and coastal prosperous cities by leveraging on our strong shareholder background and our own competitive advantages to acquire quality land resources. At the same time, the Group will gradually increase the proportion of investment properties, improve the stability of cash inflow and disperse operational risks, improve the financial position, thereby laying a solid foundation for our long-term development.

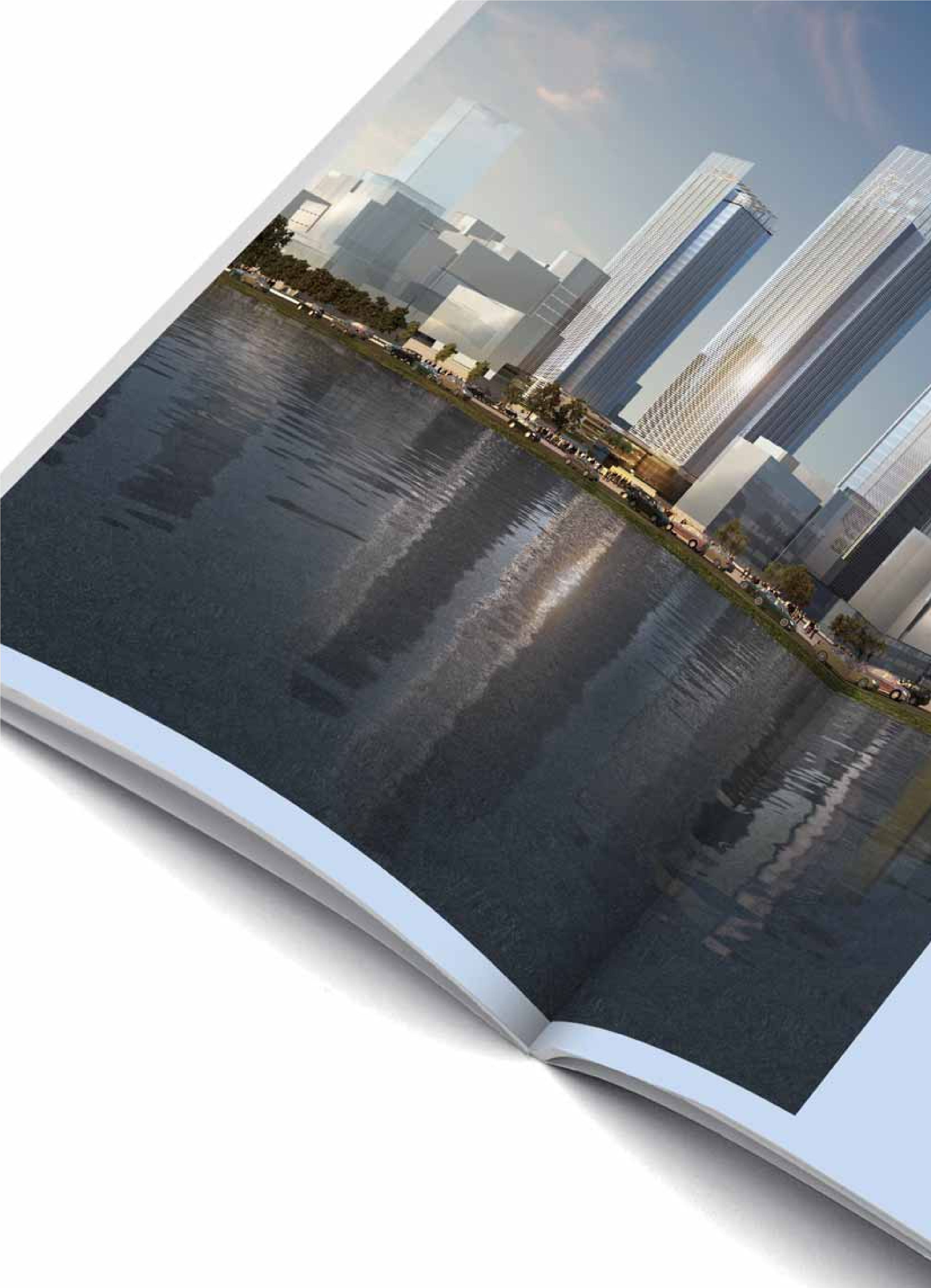
Q: THE PROPERTY MARKET IS FACING FUNDING SHORTAGE. WHAT IS THE GROUP'S FINANCING PLAN FOR THE COMING YEAR? AND HOW WOULD YOU ENSURE SUFFICIENT WORKING CAPITAL?

A: The Group's entire land premium has already been paid off. Our net gearing ratio is among the lowest in the industry and funding pressure is relatively small. The senior notes of an aggregate principal amount of USD400 million left by the former Neo-China Land will be due in July 2014. Currently, the Group is examining the cost-effectiveness of different financing alternatives and has formulated execution plans. After everything concluded, it is expected that the Group's finance costs will decrease and the Group's financial condition will further improve. This will help the Group to get well-prepared for the land bank expansion.

Q: BOTH THE GROUP AND SHANGHAI INDUSTRIAL DEVELOPMENT CO., LTD. ("SID", STOCK CODE 600748 ON THE SHANGHAI STOCK EXCHANGE) ARE SUBSIDIARIES OF SIHL AND OPERATE IN SIMILAR BUSINESS MODELS. WHAT WILL THEIR RESPECTIVE DEVELOPMENT STRATEGIES AND MARKET POSITIONING BE IN THE FUTURE?

A: The Group is listed on the Stock Exchange of Hong Kong and is the sole offshore property listed flagship of the parent company, SIHL. With our mission to connect to the international capital markets, the Group is an important part of the long-term strategic plan of SIIC Group. Along the years, the parent company has provided strong support for the long-term development of the Group, including quality asset injection into the Group at a discount price to net asset value to fuel its growth, designate talents to strengthen the management team as well as provide timely financial support. All of these demonstrated the recognition of the parent company to the Group's roadmap.

In the long run, we will concentrate the Group's development in the Yangtze River Delta region and coastal prosperous cities. Since both the Group and SID are subsidiaries of SIHL, it is believed that SIHL will work out a clear development goal and precise market positioning in consideration of the long-term benefits of both companies.




CONSOLIDATE LAND BANK
RELEASE POTENTIAL VALUE
SIUD will keep consolidating the land bank to release its potential value
and focus resources on the Yangtze River Delta, coastal major cities and
projects with production efficiency.

DETAILS OF PROPERTIES

The Group has 23 projects in 12 cities, comprising mid- to high-end residential units, serviced apartments, hotels, commercial and office buildings. As at 31 December 2013, the Group's saleable land bank totally approximately 7,593,000 square meters in G.F.A.

The Group has restructured its projects and will adopt prudent strategies in future land acquisition.

As at 31 December 2013

Project	City	Site Area (sq.m.)	G.F.A. (sq.m.)	Saleable G.F.A. (sq.m.)	G.F.A. sold in 2013 (sq.m.)	Accumulated G.F.A. Sold (sq.m.)	G.F.A. for future sale (sq.m.)	Under construction (sq.m.)	Future development (sq.m.)	Expected Completion Date	Ownership (%)
Urban Cradle	Shanghai	908,950	1,124,245	824,586	83,695	627,297	197,289	187,085	–	2007–2015, in phases	53.1%
Binjiang Land	Shanghai	77,371	324,600	284,600	–	–	284,600	–	284,600	Planning	35.4%
Shanghai Youth City	Shanghai	57,944	212,130	164,688	7,322	137,150	27,538	–	–	Completed	100.0%
U Center	Shanghai	65,727	388,125	242,010	–	–	242,010	38,902	203,108	2014–2016, in phases	59.0%
Shanghai Jing City	Shanghai	259,182	602,400	471,996	42,688	323,235	148,761	–	38,187	2012–2016, in phases	59.0%
Jingjie Yuan[1]	Shanghai	49,764	125,143	95,594	95,594	95,594	–	–	–	Completed	59.0%
Xinzhuang Metro Superstructure	Shanghai	117,825	405,000	405,000	–	–	405,000	–	405,000	Planning	20.7%
American Rock	Beijing	121,499	523,833	454,610	2,266	449,356	5,254	–	–	Completed	100.0%
Youngman Point	Beijing	112,700	348,664	295,114	565	240,881	54,233	33,461	–	2007–2015, in phases	100.0%
West Diaoyutai	Beijing	42,541	250,930	230,801	1,707	170,260	60,541	–	49,288	2007–2015, in phases	90.0%
Yanjiao	Sanhe	333,333	666,600	666,600	–	–	666,600	–	666,600	2015–2018, in phases	100.0%
Laochengxiang	Tianjin	244,252	752,883	613,357	8,519	538,516	74,841	–	62,795	2006–2015, in phases	100.0%
Beichen	Tianjin	1,115,477	2,042,750	1,893,684	88,748	88,748	1,804,936	179,379	1,625,879	2015–2018, in phases	40.0%
Yoooou.net	Kunshan	34,223	129,498	112,812	39,357	54,089	58,723	–	–	Completed	30.7%
Royal Villa	Kunshan	205,017	267,350	214,212	20,879	125,491	88,721	48,905	12,337	2007–2017, in phases	53.1%
Urban Development International Center	Wuxi	24,041	193,368	145,363	1,323	10,530	134,833	–	–	Completed	59.0%
CBE International Peninsula	Xi'an	2,071,487	3,820,400	3,221,390	61,211	1,710,043	1,511,347	481,970	1,239,201	2008–2017, in phases	71.5%
Shenyang•U Center	Shenyang	22,651	229,340	174,743	–	–	174,743	174,743	–	2015–2017, in phases	80.0%
Top City	Chongqing	120,014	785,225	561,606	5,580	318,664	242,942	70,028	–	2008–2015, in phases	100.0%
Toscana[1]	Changsha	180,541	210,980	186,492	8,149	186,492	–	–	–	Completed	32.5%
Forrest Garden	Changsha	667,749	907,194	872,185	7,958	233,115	639,070	63,400	564,481	2007–2017, in phases	67.0%
Qi Ao Island	Zhuhai	2,215,516	1,090,000	770,000	–	–	770,000	–	770,000	Planning	100.0%
China Phoenix Tower	Shenzhen	11,038	106,190	79,391	–	78,343	1,048	–	–	Completed	91.0%
Total		**9,058,842**	**15,506,848**	**12,980,834**	**475,561**	**5,387,804**	**7,593,030**	**1,277,873**	**5,921,476**		

Note:

1. The Jingjie Yuan project and Toscana project are for residential use with the addresses of Lane 399, West Gumei Road, Minhang District, Shanghai and No. 28, Second section, East Xiangfu Road, Yuhua District, Changsha respectively.

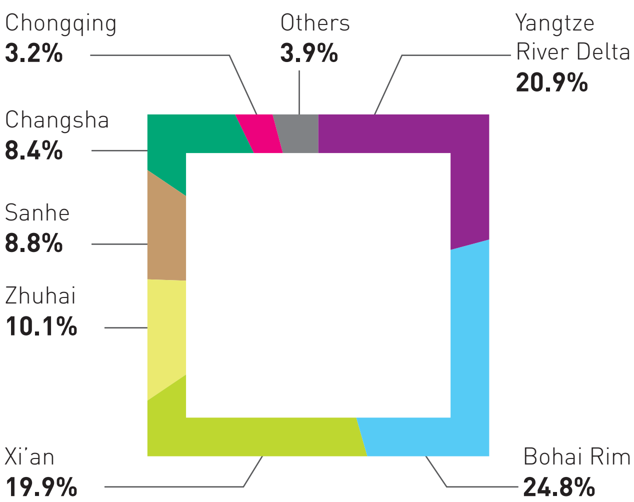
INVESTMENT PROPERTY

Project	City	Type	Lease term	Ownership (%)	G.F.A. (sq.m.)
Laochengxiang	Tianjin	Residential/ Commercial/Office	Medium term	100%	14,296[1]
Shanghai Youth City	Shanghai	Commercial	Medium term	100%	16,349[1]
Top City	Chongqing	Commercial/Car park	Medium term	100%	251,847[1]
China Phoenix Tower	Shenzhen	Office	Medium term	91%	1,048[1]
Urban Development International Tower[2]	Shanghai	Office	Medium term	59%	45,239
Huimin Commercial Tower[3]	Shanghai	Commercial	Medium term	59%	13,839
Others	Shanghai	Commercial/Office	Medium term	59%	9,249
Total					351,867

Notes:

1. Included on page 14 of this annual report
2. Address: No. 355, Hongqiao Road, Xuhui District, Shanghai
3. Address: No. 123, Tianyaoqiao Road, Xuhui District, Shanghai

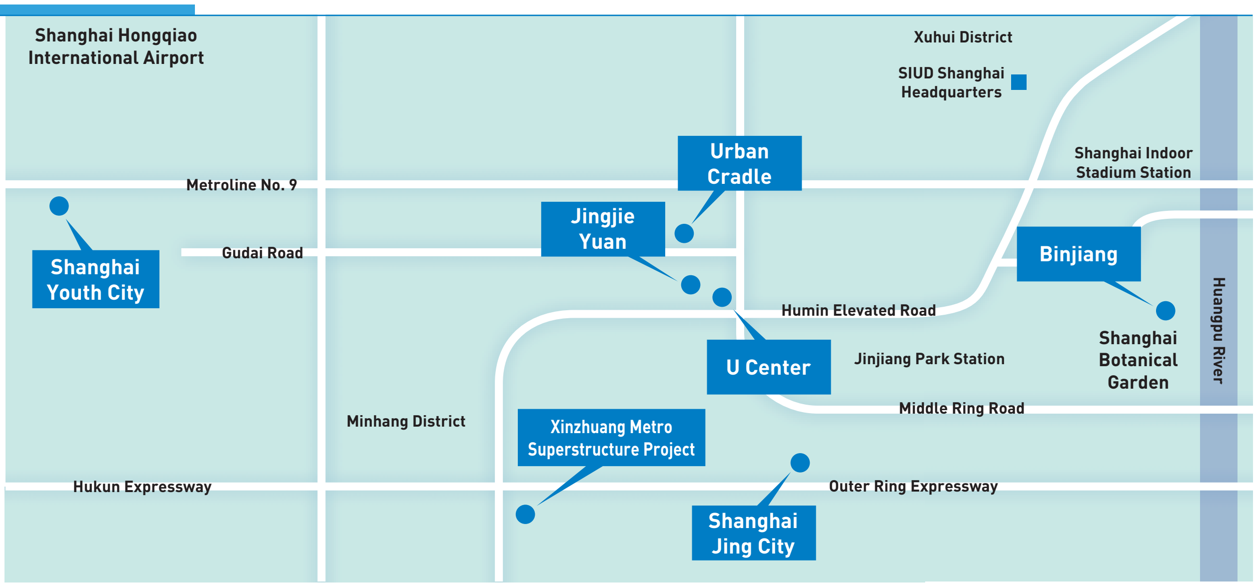
UNSOLD G.F.A. BREAKDOWN
(AS AT 31 DECEMBER 2013)



PROJECT PORTFOLIO

MAJOR PROJECT INTRODUCTION

Shanghai



Artist's Impression

URBAN CRADLE

Feature:

The project is located in Gumei, Minhang District, Shanghai, east of Lianhua Road, west of Hechuan Road, south of Gudai Road and north 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 908,950 sq.m. with a total construction area of about 1.12 million sq.m., including about 770,000 sq.m. of residences, close to nearly 220,000 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.

Address:
No. 932,
Wanyuan Road,
Minhang District,
Shanghai

Category:
Residence/
Commerce

Major Project Introduction

BINJIANG

Feature:
Facing Huangpu River in Shanghai, Binjiang land parcels are 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 lead to Pudong, coupled with the Yunjin Road Station of metro line 11 is now in use.

Address:
Xuhui Binjiang, Shanghai

Category:
Mixed use

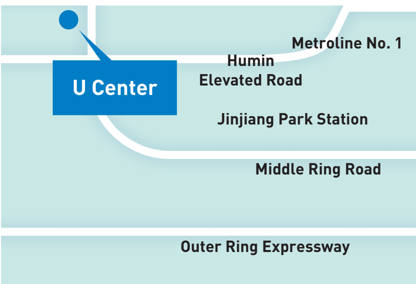
U CENTER

Artist's Impression

Feature:
U Center, primarily located at the intersection of Xuhui and Minhang District, enjoys location advantage, mature amenities and transportation network support with access to, the Lianhua Road Station on Shanghai Rail Transit Line 1 and the Middle Ring Line, and also the Humin Super Highway. It is blessed with the consuming power of an about 600,000 strong permanent population within a three kilometer radius and there are the Xujiahui business district and Caohejing New Technology Development Zone within the eight kilometer radius. The project has a total construction area of about 390,000 sq.m., approximately 100,000 sq.m. of which will be A-grade offices with LEED-CS certification. It will also home a more than 40,000 sq.m. 5-star hotel, an over 110,000 sq.m. commercial complex and a 30,000 sq.m. urban park on the south side, all of vanguard designs taking care of every need of occupants.

Address:
Meilong Town, Minhang District, Shanghai

Category:
Commerce/ Hotel/Office



XINZHUANG METRO SUPERSTRUCTURE

Artist's Impression

Feature:
In a mature neighborhood with convenient transportation support, the project is right at the terminus of Shanghai metro line 1 and 5. Residential premises, apartment (office), offices, a hotel, commercial premises and related facilities are covered in the project plan.

Address:
Xinzhuang Town,
Minhang District,
Shanghai

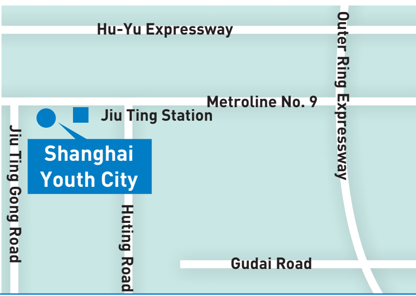
Category:
Residence/
Commerce/
Hotel/Office/
Apartment (office)

SHANGHAI YOUTH CITY

Feature:
The project is 20 kilometers from downtown Shanghai above Jiuting Station on subway line 9. The station is the first stop of the subway line in Songjiang district where major roads crisscross and business movers and shakers and crowds gather, a high traffic hub in southwest Shanghai. The project comprises eight petite LOFT apartment blocks, an office building, a deluxe boutique apartment building standing on top of an arcade of shops. Phase I and II of the project had all been sold out and Phase III is in the stage of sale.

Address:
No. 1519,
Husong Road,
Jiuting Town,
Songjiang District,
Shanghai

Category:
Commerce/Office



SHANGHAI JING CITY

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 among major construction projects of Shanghai in 2009. In Meilong Town, Minhang District, the project is on an about 259,000 sq.m. site with construction area totaling about 600,000 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.

Address:
Lane 266,
Zhumei Road,
Shanghai

Category:
Residence/
Commerce

Beijing

AMERICAN ROCK

Feature:

Right next to the CBD, the project has its first phase targeting white-collar customers, attracting them with a host of design novelties. It is an avant product with a strong sense of contemporary style. Offices are included in Phase II to provide work spaces for the many fast growing businesses in the eastern part of the city. Except for a small number of parking spaces, the project is completely developed and sold out.

Address:
No. 16,
Baiziwan Road,
Chaoyang District,
Beijing

Category:
Residence/
Commerce

YOUNGMAN POINT

Feature:
At the intersection of Qingnian Road and Chaoyang North Road in Chaoyang District, the project stands opposite Chaobei Dayuecheng – a major commercial complex in Chaobei, and is only 3.8 kilometers 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. Phase I and II had been completed and sold out and preparation has begun for Phase III development.

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

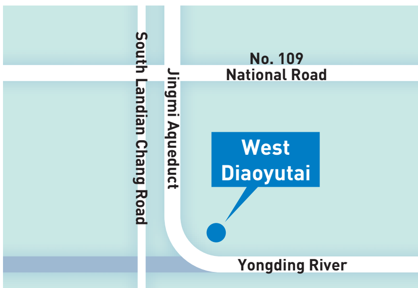
Category:
Residence/ Commerce

WEST DIAOYUTAI

Feature:
In the west third ring, on the west and south banks of Kunyu River and east 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. Phase I and II had been completed and sold out and preparation work has begun for Phase III.

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

Category:
Residence



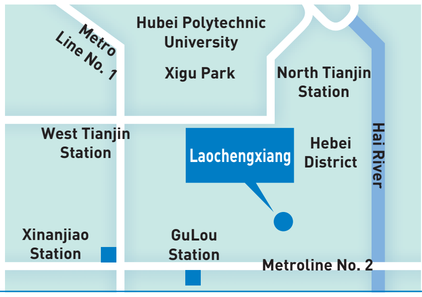
Tianjin

LAOCHENGXIANG

Feature:
In the traditional city center of Tianjin, the project is a major community with location advantage, comprising residences, commercial premises and offices. Its well-knitted cluster of buildings has become a landmark of the city.

Address:
Laochengxiang,
Nankai District,
Tianjin

Category:
Residence/
Commerce/Office

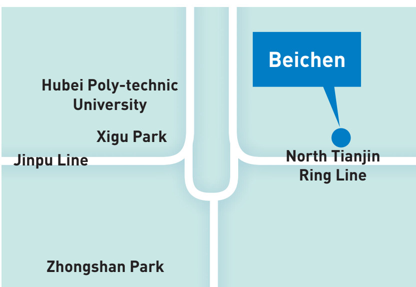


BEICHEN

Feature:
The aim of the project is to give a new face to an old village. In a transportation hub, the enormous project has the Beijing-Tianjin Railway in close vicinity. There will be a wide array of premises in it to meet residential and commercial needs. At the joint effort of SIUD and its partner Minmetals Real Estate Co., Ltd., construction of phase one of the project is in full steam.

Address:
Jiucun Village,
Yixingfu,
Tianjin

Category:
Residence/
Commerce/Hotel



Sanhe

Artist's Impression

Address:
Economic and Technological Development Zone, Yanjiao, Hebei

Category:
Residence/ Commerce/ Hotel/Office

YANJIAO

Feature:
The Yanjiao Economic Technology Development Zone is in eastern Beijing, 30 kilometers from Tiananmen Square and accessible on a less than 40 minute ride on the Jingtong and Jingha expressways. And, Hebei has reached an agreement with Beijing on extending the Batong Line eastward to Yanjiao, promising ease of transportation conducive to compatible development of the real estate markets of both places. The project will be developed into a large community.

Shenyang

Artist's Impression

Address:
South Taiyuan Street, Heping District, Shenyang

Category:
Commerce/ Office/ Serviced Apartment

SHENYANG•U CENTER

Feature:
The project is in the most prosperous business district downtown Shenyang – south of Taiyuan Street business district, with profound historical charisma and deep commercial roots. The integrated real estate complex offers appealing choices in shopping, food and beverage, leisure pleasure, entertainment, offices for work and luxurious apartments, making it an icon of the city. When completed, the project together with Taiyuan North Street and the existing Zhonghua Road business district will see the birth of the larger Taiyuan Street Commercial District.

Kunshan

YOOOOU.NET

Feature:
Located in the centre of Huacheng International Commercial City and adjoining the west gate of Shanghai, the project is less than 25 kilometers from downtown Shanghai and can be reached directly riding the Huning high-speed railway. With four youthful components – commerce, SOHO, LOFT and MINIHOTEL, it stands out as a community where young and intellectual industries such as computer games, entertainment and e-commerce can thrive.

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

Category:
Commerce/
Hotel/Office

ROYAL VILLA

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 Park, it comprises 18 high-rise apartment buildings and 92 standalone villas.

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

Category:
Residence

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 kilometers from the center of the city with the scenic Lihu Lake, 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

CBE INTERNATIONAL PENINSULA

Address:
200 meters east to Chanhe 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 m^2 in terms of site area is the largest eco-district in northwestern China. The area has been flawlessly planned and is developing rapidly, enjoying convenient access to road networks and public transports including Metro Line 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 including Kempinski Hotel where the Euro-Asia Economic Forum will permanently base and related necessary facilities completed or soon to be completed to meet community business requirements and educational, medical and shopping needs.

Major Project Introduction

Chongqing

TOP CITY

Feature:

The project is right in the center of Chongqing's main city zone, at the intersection of Jiulongpo District and Yuzhong District with the Chongqing Olympic Sports Center and the city rail line 2 as its neighbors. With prominent business presence, comprising offices and residences, it is currently one of the biggest integrated real estate projects in the main city zone of Chongqing. By the hands of a famed Canadian design company, it embraced diversity, openness and international concept championing the HOPSCA lifestyle of western origins. It is a rare and distinctive metropolis complex that stands out in Chongqing.

Address:
No. 1, Aoti Road,
Yuanjiagang,
Jiulongpo District,
Chongqing

Category:
Residence/
Commerce/
Office

Changsha

FOREST SEA

Feature:

The project not only shares the same address as Wangcheng District, but is also in the Waterfront New Town, a major development focus of the government. Leifeng Avenue and Xiangjiang View Avenue (Xiaoxiang Avenue) are on its east and the ecological technology industrial park area borders with it on the south. The project, which will serve a strong population of community businesses, is only about 200 meters from the Wangcheng old town on the west and is just on the opposite of the road of the new Wangcheng District Government to its north. Positioned as a million square meter ecological new town, the project has adopted innovative design concept, possessing all required supporting facilities while keeping green landscapes at an overall ratio of more than 40%. Its constituents include high-rise apartment buildings with scenic views, elevator-served garden houses, townhouses and elegant mixed design houses, all in pure Mediterranean architectural styles. They come together to form a low-density residential community that promises high comfort.

Address:
No. 399,
North Section,
Leifeng Avenue,
Wangcheng District,
Changsha

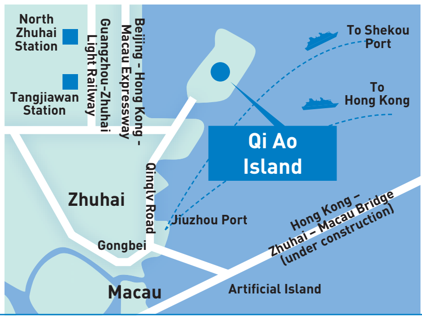
Category:
Residence/
Commerce

Zhuhai

Artist's Impression

Address:
East side of Qi'ao East Line Road, Qi'ao Island, Tangjia High-tech Zone, Zhuhai, overlooking Wangchiling Mountain Ranges and surrounding areas

Category:
Residence/ Commerce/Hotel



QI'AO ISLAND

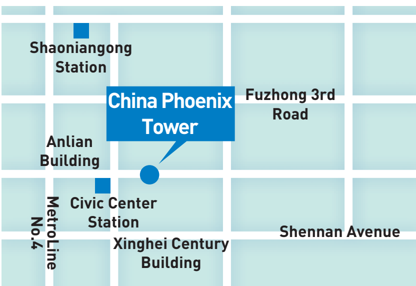
Feature:

On the east side of a planned main road (Qi'ao East Line Road) of Qi'ao Island, the project is about 20 kilometers from downtown. It is in preliminary planning stage and will be developed into a large eco-community with hotels, high-end residences and special businesses.

Shenzhen

Address:
No. 2008, Shennan Road, Futian District, Shenzhen

Category:
Residence/ Commerce/Office



CHINA PHOENIX TOWER

Feature:

The project is in the heart of Futian District served by Shennan Avenue, a major road in Shenzhen. It is a joint endeavor of SIUD and another of its shareholder Phoenix Television Holdings Co., Ltd. The project consists of an office building, a commercial/residential building and a shopping arcade, and completed construction and sale.

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In the face of China's leadership transition, the overall property market in China maintained a steady pace of development in 2013 under government control measures. During the first half of the year, the previous Central Government and provincial governments continued to refine the constriction on China's property market to stabilize prices and suppress the speculative activities. The measures included the introduction of capital-gain tax on property sales, purchase restriction and tougher mortgage rules. During the second half of the year, the new government sought to retain the stability of the property market and suggested to increase the supply of both land and affordable housing, in order to meet the housing needs of the people and achieve a market balance of supply and demand.

According to China Index Academy, the "China 10 Major Cities Composite Index (New Property)" for December 2013 recorded a month-on-month growth for the 19th consecutive month. Despite the month-on-month growth continued to narrow, the year-on-year growth for December 2013 was widened. This reflected that the property demand in major cities in China remained strong and that property prices were at a healthy growth.

BUSINESS REVIEW

Faced with fierce competition in 2013, the Group strived to capture market opportunities and maintain a scalable construction and sales volume, and improve its operational efficiency. As a result of its efforts, the Group has successfully achieved a financial turnaround after several loss-making years, and re-entered a new page.

During the year, the primary focus of the Group was to restructure its land bank and optimize its asset, to lay a solid foundation for the Group's long-term development in the Yangtze River Delta and major coastal cities. In the first half of 2013, the Group reached an agreement with the Xuhui District Government in Shanghai to swap a piece of land parcel in the Xujiahui Centre project for four parcels of land located in Binjiang, Xuhui District, which would be one of the key development areas of Shanghai in the future. Given their premium location that is adjacent to Huangpu River with great development potential and flexibility, the four parcels better align with the Group's development strategy.

In addition, the Group disposed 25% interest in U Center for RMB1,174,500,000 in June last year. Not only did this transaction further fortified the Group's financial position as at the year end by generating a substantial net cash inflow of RMB600,000,000 (the remaining balance included in the Group's trade and other receivables), it also unlocked part of the true asset value of U Center by making promising profit, and accelerated the development pace of the current project.

In December 2013, the Group sold Ivy Aroma Town in Chongqing for RMB134,750,000. This strategic move was in line with the Group's long-term strategy to allocate resources to projects with better profit margins and bigger inventory in the Yangtze River Delta and prosperous coastal cities. The Group will receive a cash inflow of RMB134,750,000 and a profit of approximately RMB12,109,000 (equivalent to approximately HK$15,276,000) before taxation.

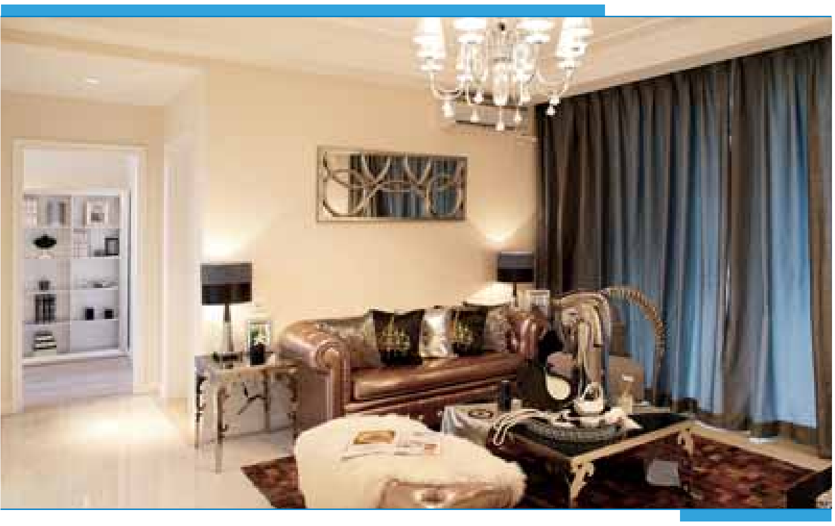
Last year, the Group successfully accomplished a business turnaround and had its long-term credit rating upgraded by international ratings services providers. Such achievements were made possible by the effective land reserve optimization, flexible sales strategy and improved operational efficiency during the year.

Property Development

During the year ended 31 December 2013, the Group had a total G.F.A of approximately 2,620,000 sq.m. under development, including principal projects like Urban Cradle and U Center located in Shanghai, and CBE International Peninsula in Xi'an, of which 740,000 sq.m. were new projects. The Group had completed construction with G.F.A. of 1,240,000 sq.m., and delivered a total G.F.A. of 810,000 sq.m., comprising 510,000 sq.m. of commodity housing and 300,000 sq.m. of affordable housing.

Contract Sales

During the year ended 31 December 2013, the Group grasped the opportunities arisen from the fast-growing population of the first- and second-tier cities and the increasing housing demand from newly married couples, by adopting flexible strategies to promote small-sized residential apartments. Coupled with strategic project launch schedule, the average selling price generally increased, resulting in satisfactory performance in contract sales in spite of unfavorable climate brought by government control measures. During the year ended 31 December 2013, the Group recorded contract sales of RMB6,609,000,000 (2012: RMB6,682,000,000) from both commodity housing and affordable housing, which was higher than the sales target initially set at the beginning of the year and similar to that of the year before. Contract sales from commodity housing increased by 27.9% to RMB4,942,000,000 (2012: RMB3,865,000,000); with G.F.A. of approximately 255,000 sq.m. sold (2012: 328,000 sq.m.). Contract sales from affordable housing decreased by 40.8% to RMB1,667,000,000 (2012: RMB2,817,000,000); with a 50.9% drop to 138,000 sq.m. of G.F.A. sold (2012: 281,000 sq.m.).



During the year, the flagship project Urban Cradle, CBE International Peninsula, Yoooou.net in Kunshan, and Laochengxiang in Tianjin were the principal projects generating sales, accounting for approximately 65.8%, 9.8%, 8.7% and 4.1% of commodity housing sales, respectively. For the affordable housing projects, Jingjie Yuan recorded contract sales of approximately RMB1,028,000,000, while Shanghai Jing City recorded sales of approximately RMB639,000,000.

The average selling price of overall contract sales, including those for lower-margin affordable housing, increased by 52.7% to approximately RMB16,800 per sq.m., compared with RMB11,000 per sq.m. in 2012. Excluding affordable housing, the average selling price showed a significant increase of 64.4% to RMB19,400 per sq.m., (2012: RMB11,800 per sq.m.). This was mainly driven by the increased sales volume of the higher-priced Urban Cradle, as well as the Group's competitive advantages in branding, quality and pricing power that resulting in general price hike of most of our projects.

FINANCIAL REVIEW

Revenue

During the year ended 31 December 2013, the Group's revenue increased by 11.3% year-on-year to HK$9,774,000,000 (2012: HK$8,783,000,000), which is the highest since the acquisition of Neo-China Land in 2010. It was mainly due to the acceleration in construction progress and delivery of properties, recognizing steadily increased in revenue. During the year, property sales remained as the Group's main source of revenue. It amounted to HK$9,344,000,000 (2012: HK$8,373,000,000), accounting for 95.6% (2012: 95.3%) of the Group's revenue. The contribution from Shanghai Jing City, CBE International Peninsula, and Urban Cradle accounted for 29.5%, 25.1%, and 20.2% of the total property sales, respectively. Revenue from leasing, property management and services, and hotel operations provided stable revenue for the Group, contributing 2.6%, 0.9%, and 0.9%, respectively (2012: 2.7%, 1.0%, and 1.0%).

Gross Profit and Gross Profit Margin

For the year ended 31 December 2013, gross profit was HK$1,519,000,000, up 11.8% compared with 2012. It was mainly due to the overall revenue growth and effective cost control. Gross profit margin was 15.5%, similar to the corresponding period of last year. During the Year, the large amount of revenue from affordable housing dragged down the Group's overall gross profit margin. Excluding affordable housing, the Group's overall gross profit margin increased from 17.4% in 2012 to 23.1% in 2013.

Investment Property Revaluation

For the year ended 31 December 2013, the Group recorded a loss of property revaluation of HK$122,835,000. This was mainly attributable to the downward adjustments made in the leasing market surrounding the Chongqing Top City project (2012: net gain of HK$18,551,000 on property revaluation).

Material Acquisition and Disposal

During the year, the Group relentlessly consolidated and optimized its land bank and asset portfolio in order to lay a solid foundation for long-term development. On 18 May 2013, the Group has reached an agreement with Xuhui District Government in Shanghai to swap a piece of land parcel of approximately 35,343 sq.m. in the Xujiahui Centre project for four parcels of land of approximately 77,371 sq.m. in Binjiang, Xuhui District. Binjiang is one of the key areas in Shanghai under the government development's plan. The new land contains huge potential value, better flexibility for development and longer land-use term that are more consistent with the Group's future development strategies.

On 21 June 2013, the Group disposed 25% interest in the U Center project in Shanghai for RMB1,174,500,000, recording a net cash inflow of RMB600,000,000 (the remaining balance included in the Group's trade and other receivables), and a profit of approximately HK$819,000,000 before taxation during the year. The disposal unlocked the potential value of some of its projects and assets as well as enabled the Group to generate a considerable amount of profit and cash inflow, in order to accelerate the Group's existing project development, and create favorable conditions for new projects.

Distribution and Selling Expenses

For the year ended 31 December 2013, the Group's distribution and selling expenses rose by 50.4% year-on-year to HK$237,518,000 (2012: HK$157,936,000). To cope with macroeconomic regulations and control over the property market in 2013, the Group deployed stronger promotional effort to meet the sales target, resulting in the increase in the distribution and selling expenses.

General and Administrative Expenses

During the year ended 31 December 2013, the Group recorded general and administrative expenses of HK$495,796,000, a decline of 2.7% from HK$509,411,000 in 2012. This was mainly because of the Group's effective cost control mechanisms.

Profit

During the year ended 31 December 2013, profit attributable to owners of the Company was HK$143,471,000 (2012: loss of HK$190,166,000). The financial turnaround was traceable to the steady revenue increase in property sales and the one-off gain from the disposal of the interest of U Center in 2013. Basic and diluted earnings per share for the year were 2.98 HK cents (2012: loss of 3.95 HK cents).

Liquidity and Capital Resources

The financial position of the Group was strengthened during the year as a result of the cash inflow generated by satisfactory contract sales performance, the collection of the Chengdu Park Avenue project's sales proceeds and the disposal of the partial interest in the U Center project. In addition, SIHL and SIIC extended the outstanding loan of HK$1,000,000,000 and RMB1,000,000,000 from June and December 2013, to June and December 2014 respectively. The extension in loan repayment period further improved the Group's cash flow. Further details of the Group's bank and other borrowings are set out in note 33 to the consolidated financial statements.

As at 31 December 2013, bank balances and cash of the Group increased by 11.0% to HK$5,827,825,000 (31 December 2012: HK$5,249,524,000).

The net debt to total equity of the Group (as calculated in the section headed "Financial Highlights" in this annual report) decreased from 50.2% as at 31 December 2012 to 41.3% as at 31 December 2013. Current ratio slipped slightly to 1.9 as at 31 December 2013 (31 December 2012: 2.0).

The satisfactory performance in the Group's contract sales during the year brought in a sizable cash inflow. The Board 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 EXPOSURE

Details of exposure to current risk are set out in note 39(b) to the consolidated financial statements.

CONTINGENT LIABILITIES

Details of contingent liabilities are set out in note 44 to the consolidated financial statements.

CHARGE ON GROUP'S ASSETS

As at 31 December 2013, certain bank deposits of approximately HK$60,471,000 (31 December 2012: HK$25,944,000) were pledged to banks to secure mortgage loans granted by banks to the purchasers of pre-sold properties. These pledged deposits will be released upon the transfer of the property title certificates to the respective purchasers.

As at 31 December 2013, certain inventories, one hotel property and its land use right, certain investment properties and bank deposits of the Group located in the PRC, with total carrying amounts of approximately HK$10,763,475,000 (31 December 2012: HK$10,767,128,000), HK$798,539,000 (31 December 2012: nil), HK$3,376,629,000 (31 December 2012: HK$5,726,976,000) and HK$342,037,000 (31 December 2012: HK$177,109,000) respectively, were pledged as collateral for the Group's bank borrowings, details of which are set out in note 33 to the consolidated financial statements.

HUMAN RESOURCES AND REMUNERATION POLICIES

As at 31 December 2013, the Group employed 1,089 employees (including Hong Kong and PRC offices). The remuneration policies for the employees of the Group are determined according to the performance, qualification and experience, and competence of the employee. The emolument of the directors of the Company is determined by the Remuneration Committee, having regard to the operating results of the Company, 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 directors and eligible employees. During the year ended 31 December 2013, the Group provided training programs relating to work to employees. Activities aiming at building up team spirit were regularly organised for employees, so as to enhance the human capital of the Group and the sense of belonging of the staff.

LAND BANK

As at 31 December 2013, the Group's saleable land bank totaled approximately 7,593,000 sq.m. in G.F.A., which are developed into 23 property projects located in 12 cities. The Group will further consolidate its resources and dispose assets that do not match the Group's long term development. The Group will continue to seek high quality projects in the Yangtze River Delta region as well as the prosperous cities in coastal areas so as to set ground for future development.

PROSPECT

In 2013, the new Chinese government stated that the control measures for property market would focus on improving the supply and demand, with an aim to provide adequate housing for the entire population. Looking ahead to 2014, the Group is cautiously optimistic that the property market will develop healthily, while fully prepared to cope with market dynamics with flexible and effective strategies.

In the coming year, the Group will maintain a similar level of construction works as in 2013, with 20 projects covering a total G.F.A. of not less than 2,000,000 sq.m. (2012: 2,620,000 sq.m.), including the commencement of 9 new projects totaling 900,000 sq.m. (2012: 740,000 sq.m.). This is the largest G.F.A. of new construction projects launched by the Group since the acquisition of Neo-China Land in 2010.

In first- and second-tier cities in China, urbanization continues to take place, and population density and household income keep growing. Coupled with the relaxation of the one-child policy by the government, the housing demand of first-time home buyers and enlarged families is expected to rise high. These are favorable factors for the Group's development in the Yangtze River Delta region and coastal cities in the long run.

Moreover, the establishment of the Shanghai Free Trade Zone has stimulated the demand for both commercial and residential land in Shanghai. The Group will follow the market closely. Upon the completion of the commercial projects on hand in the next few years, the Group's revenue sources will become more diversified with stronger revenue and cash inflow from commercial projects and investment properties.

The Group will continue to optimize its asset portfolio and land bank by consolidating projects with low economic value, long development cycle and small return. Resources will be allocated to first- and second-tier cities which have high population density, rigid housing demand, strong spending power, but limited land supply. Housing prices in these areas are generally higher and have relatively strong resilience, hence strengthening the Group's ability to resist operational risks. Leveraging on the unique competitive advantages of our parent company SIHL and our strong relationship with the Shanghai government, the Group will actively search for quality project and land, and develop non-residential projects to embrace the opportunities brought by the free trade zone, thereby supporting the Group's long-term development.

Following the success of last year, the Group will strive to maintain progressive development by seizing market opportunities, addressing regional demand, launching timely projects for sale, as well as maximizing selling price, revenue and return to improve the Group's gross profit margin in 2014. In the meantime, the Group will maintain stringent internal control, enhance decision making quality and efficiency, leverage on its position in the capital market, to lay a steadfast foundation for its sustainable development and achieve its vision of being the leader in financial property.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. THE GROUP'S VISION

SIUD is of the view that performing social responsibility is a nationwide call for public companies, an inevitable choice for enterprises to realize sustainable development and an objective element for enterprises to engage in international communication and cooperation. Therefore, the Group's commitment to social responsibility becomes part of its sustainable development strategy. It establishes a safe net for the fulfillment of social responsibility in organization, systems and management decision and maintains an efficient allocation of human resources, capital resources and materials. The entire Group has been generally well-aware of social responsibility and paid high attention to performance of social responsibility. The willingness and consciousness of the enterprise of performing social responsibility forms a positive atmosphere of active participation in social responsibility among the Group's members. The Group keeps on innovating new management vision and operation mode to pay back the society with concrete actions. It commits to establishing harmonious relationship with different parties in the society and developing corporate values and cultures of fulfilling social responsibility.

In 2013, the Group continued to actively promote and engage in different types of corporate social responsibility activities, including provision of good working environment for employees, establishment of a standardized system for the Group's product lines to ensure the product quality, active participation in public welfare, promotion of energy-saving and setting an example of energy-saving and consumption reduction.

In 2014, the Group would further routinize, regulate and normalize the related work and put the concept of social responsibility into the corporate culture and branding. In addition, the Group will pay attention to unifying corporate efficiency and social responsibility to maximize the integrated value of economy, society and environment, promoting a harmonious and sustainable development for both the enterprise and society.

2. QUALITY OF WORKING ENVIRONMENT

Upholding its "people-oriented" development concept, SIUD puts the development of human resources at its first priority and considers talents as the fundamental element and biggest fortune for the development of the enterprise. It strives to create fair competition environment, sufficient development spaces and pleasant working environment for employees. It respects people, trains people and cultivate successful person with the sustainable development concept.

Working Environment:

To strengthen the scientific management and standard operation of the enterprise and to promote harmonious relationship between the enterprise and its employees, on the one hand, the Group endeavored in the creation of team spirit and atmosphere, to promote passionate career ambition, practical working attitude, a supporting working atmosphere and harmonious and unification of obligations, responsibility and rights. On the other hand, the Group emphasized on establishing a platform for the staff to involve in the enterprise's management. While it fully activated the passion of the staff in enterprise management and respect the opinions of the staff, the Group maintained a harmonious relationship internally. SUD was successively awarded the honor of "Enterprise with Harmonious Employees Relationship in Xuhui District (徐匯區勞動關係和諧企業)" in Shanghai for six years.

Health and Safety:

Safety protection is an important premise for the enterprise to engage in production operation activities and a major social responsibility. In 2013, the Group continuously perfected safe production management and control system, detailed each system of safe production management and set up "Basic requirements of daily inspection for safe production (安全生產日常檢查基本要求)" and delivered to the subsidiaries of the Group by documents. "Basic requirements of daily inspection for safe production (安全生產日常檢查基本要求)" unified and specified the main points of management and control, forming a base of safety standardization management of the enterprise. To further enhance the awareness of safe production of the staff, on the one hand, the Group established a special column for safety and quality on its intranet to create a safety awareness and culture atmosphere that has SIUD's characteristics. On the other hand, the Group organized live meetings for safety and quality management at workfield and to promote excellent model of management and control. Meanwhile, it commenced a regular investigation and governance for the hidden danger. 上海申大物業有限公司, a subsidiary of the Group, obtained the standardization of safe production (second class) qualification (安全生產標準化(二級)資格).

The Group pays high attention to the occupational health and life safety of its employees. It provides a safe and comfortable working environment, safe hygiene condition and necessary protection equipment which meet the governmental standards for employees. Meanwhile, employees are gathered to have body check. In addition, the Group promotes corporate cultures of healthy life style, and organized sports day, lessons for Yoga in offices, reading and learning activities for staff and activities of making friends to enrich leisure life of employees.

Development and Training:

The Group pays high attention to the needs of personal growth and career development of employees. It actively drives the value add of human resources, establishes a well-structured training system and forms three major training models. Firstly, there are orientation trainings for newcomers to help them to be familiar with their job and adapt to new company's environment and cultures as soon as possible. Secondly, there are professional trainings for different posts to provide professional technical training for specific staff according to specific business needs of respective departments. Thirdly, there are core trainings for talents to select potential outstanding employees to a closed training of about one week. During 2013, the Group mainly started from establishing structural training system to classify the training into three main categories: collective training, department training and professional incentive training. They fully developed the effects of guidance, enhancement and encouragement of training. The annual training fee was nearly a million Renminbi. The number of people received training was about 600. The ratio of popularization of training reached 99%. This year, major training items included 8 main themes: whole staff activity day trainings, orientation trainings for newcomers (internal), clerk trainings, training seminars for general managers of project companies, winter health care seminar (冬季養生講座), trainings for anti-fraud or dishonesty of listed company, Employees forum – policy judgments and marketing strategies exchange (員工大講壇–政策研判及營銷策略交流), Employees forum – smart home technology exchange seminar (員工大講壇–智能家居技術交流會). Through these trainings which are closely related to the daily operation of enterprises, it further cohered the staff and created a harmonious, healthy and strive cultural atmosphere.

Recruitment and Promotion:

The Group has more than a thousand of employees in Hong Kong and 13 cities in the Mainland China. It also recruits a great number of professional technical personnel and fresh graduates from universities. It provides a platform for career development and creates abundant promotion opportunities for employees while at the same time it brings about job opportunities for the society. SIUD establishes a scientific and reasonable job grading system which makes reference to types, responsibilities, levels of contributions and terms of reference of the post. The job gradings are as follows: Assistant/Officer – Supervisor – Manager – Senior Manager – Assistant of General Manager – Assistant General Manager – General Manager – Assistant to President – Vice President – President. The post ranks of employees are determined according to their responsibilities, performances and ability. In such fair and just promotion environment, a group of youth of 80s would be promoted to managers, providing endless back-up talents for the development of the Company continuously.

In 2013, the Group put a great effort in recruitment. On the one hand, it intensified the recruitment of the experienced staff for areas including financial, audit, business management and technology, in order to supplement or even strengthen the expertise effectively. On the other hand, we continued to expand the recruitment of university student and nurture them to be the back-up talents who have higher loyalty to the enterprise and greater influence on enterprise development.

3. ENVIRONMENTAL PROTECTION

The problems of relatively insufficient resources and deteriorating ecological environment create serious restrictions on the economic development of China. Increasing efforts on energy-saving and environmental protection is an inevitable element for harmonious development between human and the nature and also a critical part for the Group to perform social responsibility. The Group would apply the concept of environmental protection to the real estate development, planning of property operation, procurement, construction and property management.

During the development of construction projects, the Group encourages its employees to undergo activities on technical modification, technical optimization, energy-saving, management innovation and recycling. After active publicity and proactive participation of employees, all employees build their solid awareness of establishing energy-saving projects and enterprise. On top of this, the Group sincerely fulfills its responsibility of energy-saving and emission reduction to implement clean production by improving technological process and reducing pollutant discharge. It also increases its engagement in environmental protection and seeks to minimize the impact of production on the environment to pursue harmonized sustainable development between the enterprise, the society and the environment. There were no significant environmental pollution accidents arising from 21 projects of the Group with an area over 2,500,000 square meters under construction in 2013.

For property management, the Company underwent the technical adjustment to defected designs and facilities in held and managed properties. It eliminated the hidden safety problems and the pollution problem to the surrounding areas from the root; meanwhile, it further encouraged energy conservation and emission reduction. The renovation project of the central air-conditioning of the podium of Cross Region Plaza (飛洲國際廣場), a commercial property management under the Group, successfully applied for the city special award of energy conservation and emission reduction in 2013. Urban Cradle Elite County, Up County and Jiaxuanyuan, which are managed by the subsidiary of the Group, 上海申大物業有限公司 received the award of "5-Star Property Service Community in the PRC for 2013 (2013中國物業服務五星級小區)".

Besides, during its operation, the Group creates comprehensive energy-saving environment. It promotes economizing on even "one drop of water, one piece of paper and one watt of electricity". It drives employees to turn off taps after washing, use both sides of paper, switch off lights after use and recycle the scrap paper, print cartridge, waste battery and old computer hardware. It believes that even a small step could help saving energy.

4. OPERATING PRACTICE

The Group promotes the concept of scientific development to construct a sincere and harmonious enterprise by upholding the principle of building harmonious corporate, following the direction of creating long-term mutual benefits, using best quality products, quality services and creating win-win situation of upstream and downstream customers.

Management of Supply Chain:

The Group emphasizes its close partnership with upstream and downstream customers and encourages the customers to grow with the Group. In 2013, the Group actively boosted innovation of procurement, improved the data bank of qualified suppliers and constantly updated the contents according to practical conditions, in a bid to achieve a dynamically balance and optimize the management and control mechanism. Data banks concerning design, civil works and installation information of the development projects of the Group as well as raw material suppliers were established. It works with peers to create an honest and fair business environment for win-win cooperation.

Product Liability:

The Group considers its products are the core competitiveness of the enterprise. The Group focuses on implementing the strategy of product standardization. Through benchmark case study of the renowned enterprises, extensive research analysis and communication with the relevant divisions, the Group works out the positioning plan for residential products and commercial products (including 4 residential products, 3 commercial products and 3 design commission projects).

Anti-corruption:

Anti-corruption work is necessary to control and prevent risks of the corporate and uphold equitableness and justice of the society. It is also the basic work for the enterprise to realize sustainable development. The Group strengthens the employees' education on anti-corruption, in order to strengthen the self-consciousness of having integrity and being public-spirited of employees. In addition to professional ethics clearly stipulated in the "Employees Manual", the Company also organized the training sessions on anti-fraud and anti-corruption for all directors and senior management of over 100 in total regularly. Its systems prevent corruption and its mechanisms encourage anti-corruption and anti-fraud action. The partner suppliers are required to join anti-corruption and anti-fraud as well.

5. INVOLVEMENT IN COMMUNITY:

SIUD has considered promotion of justice and the return to the society as the responsibilities and obligations of a corporate citizen, and actively involves in helping people in need and public welfare. Meanwhile, we encourage staff to participate in voluntary activities in order to express social values.

In May 2013, the Group co-organized a beach cleaning event, namely "Join Hand, Love from SUD (牽手上海·城開有愛)" in the 2013 Shanghai Caring Day (2013上海關愛日), with Hands On Shanghai (牽手上海), a charity group. About 150 of our staff and their families helped to clean up the beach with other volunteers, collecting a total of 770 kilograms of trash.

In August 2013, new premises for relocation of Liuan SUD Hope Primary School (六安市城開希望小學), which had been funded by the Group for 17 years, completed construction. The school is a joint effort between the SUD and the local government with a funding of RBM2 million from SUD, planning to be a leading school in terms of teaching standard, student number, campus environment and teaching vision.

In addition to the improvement of facilities, the Group continues to provide additional support to the school. On one hand, we actively support the school teachers to take training programs with a view to improving the overall qualities of teachers in remote areas. On the other hand, we sponsor 17 academic excellent and disadvantaged students. Through the care of our staff, we hope to foster a healthy life for the students and encourage them to further their education so as to contribute to the society in the future.

In December 2013, SIUD joined hand with Metro Times《地鐵鋒尚》under 滬上媒體 to organize a winter relief distribution event known as Warm Winter 100 ("暖冬100" 冬季關愛貧困兒童愛心計劃公益活動) to donate winter supplies to children in need in Guizhou, Luian and Shanghai. About 6,000 pieces of supplies such as hat, gloves and scarves were delivered.

In addition, SIUD encourages staff to perform their own social responsibilities and organized staff to take part in a donation activity to raise funds for Ya'an earthquake victims. Voluntary activity known as Walk of Civilization (文明行路) was launched. A lot of staff actively participated in voluntary blood-donating activities and joined hematopoietic stem cell bank.

DIRECTORS' REPORT

The Board presents its annual report and the audited financial statements of the Group for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries and its associates are set out in notes 46 and 18 to the consolidated financial statements respectively.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2013 are set out in the consolidated statement of profit or loss and other comprehensive income on page 79.

The Board does not recommend the payment of any final dividend for the year ended 31 December 2013 (for the year ended 31 December 2012: Nil).

CLOSURE OF REGISTER OF MEMBERS

Entitlement to attend and vote at the 2014 AGM

The 2014 annual general meeting of the Company is scheduled to be held on Tuesday, 27 May 2014. For determining the entitlement to attend and vote at the 2014 AGM, the register of members of the Company will be closed from Friday, 23 May 2014 to Tuesday, 27 May 2014, 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 2014 AGM, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 22 May 2014.

INVESTMENT PROPERTIES

Details of movements during the year ended 31 December 2013 in investment properties of the Group are set out in note 14 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year ended 31 December 2013 in other property, plant and equipment of the Group are set out in note 15 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 161 of this annual report.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 December 2013 are set out in note 36 to the consolidated financial statements.

SENIOR NOTES

Details of senior notes of the Company during the year ended 31 December 2013 are set out in note 35 to the consolidated financial statements.

MATERIAL DISPOSALS

Details of material disposals of the Company are set out in note 34 and 41 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year ended 31 December 2013 are set out in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

The Company had no distributable reserve as at 31 December 2013.

Under the Companies Act 1981 of Bermuda (as amended), the Company cannot 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$10,325,453,000 as at 31 December 2013 (as at 31 December 2012: HK$10,325,453,000) may be distributed in the form of fully paid bonus shares.

DIRECTORS

The directors of the Company during the year ended 31 December 2013 and up to the date of this report have been:

Executive Directors

Ni Jianda	*(Chairman)*	
Ji Gang	*(Vice Chairman and President)*	
Zhou Jun		
Yang Jianwei		*(appointed on 22 March 2013)*
Yang Biao		
Huang Fei		*(appointed on 22 March 2013)*
Ye Weiqi		*(appointed on 22 March 2013)*
Chen Anmin		*(resigned on 22 March 2013)*

Independent Non-executive Directors

Doo Wai-Hoi, William, J.P.
Wong Ying Ho, Kennedy, BBS, J.P.
Fan Ren Da, Anthony
Li Ka Fai, David

In accordance with clause 87 of the Company's Bye-laws, Mr. Ni Jianda, Mr. Yang Biao, Mr. Fan Ren Da, Anthony and Mr. Li Ka Fai, David 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 2014 AGM to re-elect Mr. Ni Jianda and Mr. Yang Biao as an executive Director and to re-elect Mr. Fan Ren Da, Anthony and Mr. Li Ka Fai, David as an 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 45 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 2013 or at any time during the year ended 31 December 2013.

MANAGEMENT CONTRACT

During the year ended 31 December 2013, 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 AND CONTINUING 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 of 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 2013 or at any time during the year ended 31 December 2013; 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 2013 or at any time during the year ended 31 December 2013.

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 54 to 62 of this annual report.

DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

A summary of the Company's directors' and senior management's remuneration is set out in notes 11 and 45(a) to the consolidated financial statements respectively.

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

As at 31 December 2013, the interests of the directors and chief executives of the Company in the shares and underlying shares of the Company or any of its associated companies (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 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 for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules of the Stock Exchange, to be notified to the Company and the Stock Exchange, were as follows:

(1) Long positions in the shares and underlying shares of the Company

Name of Director	Capacity	Number of issued ordinary shares held	Number of underlying shares subject to options granted[1]	Approximate percentage of the issued share capital of the Company
Ni Jianda	Beneficial owner	–	8,000,000	0.17%
Ji Gang	Beneficial owner	150,000	–	0.00%
Zhou Jun	Beneficial owner	–	7,000,000	0.15%
Yang Biao	Beneficial owner	–	7,000,000	0.15%
Huang Fei[2]	Beneficial owner	–	6,000,000	0.12%
Ye Weiqi[2]	Beneficial owner	–	6,000,000	0.12%
Chen Anmin[3]	Beneficial owner	–	7,000,000	0.15%
Doo Wai-Hoi, William	Beneficial owner	–	1,000,000	0.02%
Wong Ying Ho, Kennedy	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 represented the interests in the underlying shares 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 and Mr. Ye Weiqi were appointed as executive Directors with effect from 22 March 2013.

3. Mr. Chen Anmin resigned as an executive Director with effect from 22 March 2013.

(2) Long positions in shares and underlying shares of the associated company of the Company

SIHL

Name of Director	Capacity	Number of issued ordinary shares held	Number of underlying shares subject to options granted[1]	Approximate percentage of the issued share capital
Ji Gang	Beneficial owner	–	900,000	0.08%
Zhou Jun	Beneficial owner	195,000	1,350,000	0.14%
Yang Jianwei[2]	Beneficial owner	–	730,000	0.07%

Notes:

1. These represent the interests in the underlying shares of SIHL in respect of the share options (which are unlisted and physically settled equity derivatives) granted by SIHL under its share option scheme. Particulars of such share options and their movements during the year ended 31 December 2013 were as follows:

Name of Director	Date of grant	Exercise price per share HK$	Outstanding as at 1.1.2013	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year	Outstanding as at 31.12.2013
Ji Gang	2 November 2010	36.60	550,000	–	–	–	550,000
	20 September 2011	22.71	440,000	–	90,000	–	350,000
Zhou Jun	2 November 2010	36.60	750,000	–	–	–	750,000
	20 September 2011	22.71	600,000	–	–	–	600,000
Yang Jianwei	2 November 2010	36.60	450,000	–	–	–	450,000
	20 September 2011	22.71	360,000	–	80,000	–	280,000

Share options granted in November 2010 under SIHL's share option scheme are exercisable during the period from 3 November 2010 to 2 November 2015 in three batches, being:

- 3 November 2010 to 2 November 2011 (up to 40% of the share options granted are exercisable)
- 3 November 2011 to 2 November 2012 (up to 70% of the share options granted are exercisable)
- 3 November 2012 to 2 November 2015 (all share options granted are exercisable)

Share options granted in September 2011 under SIHL's share option scheme are exercisable during the period from 21 September 2011 to 20 September 2016 in three batches, being:

- 21 September 2011 to 20 September 2012 (up to 40% of the share options granted are exercisable)
- 21 September 2012 to 20 September 2013 (up to 70% of the share options granted are exercisable)
- 21 September 2013 to 20 September 2016 (all share options granted are exercisable)

2. Mr. Yang Jianwei was appointed as an executive Director with effect from 22 March 2013.

Save as the disclosed herein, as at 31 December 2013, none of the directors or chief executives of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) and which were required to be entered into the register required to be kept under section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange 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 a share option scheme.

As at 31 December 2013, the Company granted 57,750,000 shares options to subscribe for up to total of 57,750,000 ordinary shares of nominal value of HK$0.04 each in the capital of the Company under the Share Option Scheme, representing approximately 1.2% of the issued share capital of the Company as at 31 December 2013. The Share Option Scheme expired on 11 December 2012.

Particulars of the Share Option Scheme and their movements during the year ended on 31 December 2013 were as follows:

Name of category	Date of grant	Exercise price per share HK$	Exercise period[1]	Outstanding as at 1.1.2013	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Outstanding as at 31.12.2013
Directors								
Ni Jianda	24 September 2010	2.98	24 September 2010 to 23 September 2020	8,000,000	–	–	–	8,000,000
Zhou Jun	24 September 2010	2.98	24 September 2010 to 23 September 2020	7,000,000	–	–	–	7,000,000
Yang Biao	24 September 2010	2.98	24 September 2010 to 23 September 2020	7,000,000	–	–	–	7,000,000
Huang Fei[2]	24 September 2010	2.98	24 September 2010 to 23 September 2020	6,000,000	–	–	–	6,000,000
Ye Weiqi[2]	24 September 2010	2.98	24 September 2010 to 23 September 2020	6,000,000	–	–	–	6,000,000
Chen Anmin[3]	24 September 2010	2.98	24 September 2010 to 23 September 2020	7,000,000	–	–	–	7,000,000
Doo Wai-Hoi, William	24 September 2010	2.98	24 September 2010 to 23 September 2020	1,000,000	–	–	–	1,000,000
Wong Ying Ho, Kennedy	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	15,750,000	–	–	3,000,000	12,750,000
Total				**60,750,000**	**–**	**–**	**3,000,000**	**57,750,000**

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 and Mr. Ye Weiqi were appointed as executive Directors with effect from 22 March 2013.

3. Mr. Chen Anmin resigned as an executive Director with effect from 22 March 2013.

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.

Reference was made to the circular of the Company dated 16 April 2013 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 part. 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 contribution to the Group. 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 during the period since its Adoption Date up to 31 December 2013.

Save as disclosed herein, the Company had not granted during the year ended 31 December 2013 any share options to any persons as required to be disclosed under Rule 17.07 of the Listing Rules.

ARRANGEMENTS FOR DIRECTORS TO PURCHASE SHARES OR DEBENTURES

Other than the Share Option Scheme detailed in note 37 to the consolidated financial statements, at no time during the year ended 31 December 2013 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 comprising four independent non-executive Directors, namely Mr. Doo Wai-Hoi, William, Dr. Wong Ying Ho, Kennedy, Mr. Fan Ren Da, Anthony and Mr. Li Ka Fai, David (committee chairman) has reviewed the audited financial statements of the Group for the year ended 31 December 2013 and discussed with the management and the auditor of the Company on the accounting principles and practices adopted by the Group, internal controls and financial reporting matters.

CONNECTED AND CONTINUING CONNECTED TRANSACTIONS

Certain related party transactions as set out in notes 44(a) and 45 to the consolidated financial statements are continuing connected transactions and/or connected transactions under the Listing Rules. Details of the continuing connected transaction of the Company, which is also related party transaction as disclosed in note 44(a) to the consolidated financial statements, required to be disclosed under Chapter 14A of the Listing Rules are set out below.

CONTINUING CONNECTED TRANSACTIONS

Cross Guarantee

As disclosed in the circular of SIHL dated 28 December 2009, SUD and State-owned Management Company entered into the cross guarantee agreement on 26 December 2002, whereby SUD and State-owned Management Company have agreed to guarantee each other's obligation in respect of the loans and credit facilities which they may respectively obtain from financial institutions from time to time to the extent of not more than RMB700,000,000 (equivalent to approximately HK$832,000,000). On 15 December 2009, SUD and State-owned Management Company entered into the cross guarantee supplemental agreement to amend the terms of the cross guarantee agreement whereby the parties agreed to increase the guarantee limit from RMB700,000,000 (equivalent to approximately HK$832,000,000) to RMB1,200,000,000 (equivalent to approximately HK$1,426,000,000). The cross guarantee agreement as amended by the cross guarantee supplemental agreement is for a term of three years from 1 January 2010 to 31 December 2012 (both dates inclusive).

On 6 December 2012, SUD and State-owned Management Company entered into the cross guarantee second supplemental agreement to amend the terms of the cross guarantee supplemental agreement whereby the parties have agreed to (i) extend the term of the cross guarantee agreement for three years so that it ends on 31 December 2015; and (ii) decrease the guarantee limit from RMB1,200,000,000 (equivalent to approximately HK$1,426,000,000) to RMB400,000,000 (equivalent to approximately HK$512,000,000).

As at 31 December 2013, (i) the total amount of loans and credit facilities obtained by SUD in respect of which guarantees were provided by State-owned Management Company was approximately RMB302,000,000 (equivalent to approximately HK$387,000,000) (2012: RMB333,000,000 (equivalent to approximately HK$414,000,000)); and (ii) the total amount of loans and credit facilities obtained by State-owned Management Company in respect of which guarantees were provided by SUD was approximately RMB266,000,000 (equivalent to approximately HK$341,000,000) (2012: RMB316,000,000 (equivalent to approximately HK$393,000,000)).

No security over the assets of SUD or the Company is or will be granted in respect of guarantees provided by State-owned Management Company pursuant to the cross guarantee agreement. The Directors (including all the independent non-executive Directors) are of the view that the guarantees provided by State-owned Management Company are on normal commercial terms.

The aggregate amount of loans and credit facilities obtained by State-owned Management Company in respect of which SUD would provide guarantees pursuant to the cross guarantee second supplemental agreement for each of the three years ending 31 December 2015 is subject to a cap of RMB400,000,000 (equivalent to approximately HK$512,000,000).

The independent non-executive Directors have reviewed the above continuing connected transaction and confirmed that the continuing connected transaction has been entered into:

(a) in the ordinary and usual course of business of the Group;

(b) on normal commercial terms or on terms no less favorable to the Group than terms available to or from independent third parties; and

(c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The auditor of the Company has performed procedures in respect of the continuing connected transaction in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and reference to Practice Note 740 "Auditor's Letter on continuing connected transaction under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants and has confirmed that the continuing connected transactions (a) was approved by the Board; (b) was, on a sample basis, in accordance with the relevant agreements governing the transactions; and (c) did not exceed the cap as disclosed in the relevant announcement of the Company.

SUBSTANTIAL SHAREHOLDER'S AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2013, 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 shareholder	Long/short position	Capacity	Number of shares of the Company interested	Approximate percentage of the Company's issued share capital
SIHL	Long	Held by controlled corporation	3,415,883,000 [1,2]	70.99%
SIIC[4]	Long	Beneficial owner/ Held by controlled corporation	3,415,883,000 [1,2,3]	70.99%

Notes:

1. 3,365,883,000 shares of the Company were beneficially held by Smart Charmer Limited. 50,000,000 shares of the Company are deemed to be held by Novel Good Limited under the pledge described in Note 2 below. Smart Charmer Limited and Novel Good Limited are both wholly-owned subsidiaries of SIHL.

2. These interests include 50,000,000 shares of the Company (short position) 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 was pledged to Novel Good Limited. Therefore, SIHL and SIIC are deemed or taken to be interested in these 50,000,000 shares.

3. SIIC through its subsidiaries, namely Shanghai Investment Holdings Limited, SIIC Capital (B.V.I.) Limited, SIIC Treasury (B.V.I.) Limited, Shanghai Industrial Financial (Holdings) Company Limited, South Pacific International Trading Limited, SIIC Trading Company Limited, Billion More Investments Limited and SIIC CM Development Limited held approximately 56.96% of the shares of SIHL. Therefore, SIIC is deemed or taken to be interested in the 3,415,883,000 shares held by SIHL for the purpose of the SFO.

4. As mentioned in Note 3 above, SIIC is deemed or taken to be interested in 3,415,883,000 shares of the Company as at 31 December 2013. Subsequent to 31 December 2013, SIIC had filed a Corporate Substantial Notice upon increase of 622,000 shares of the Company on 14 January 2014 which resulted in SIIC holding, together with its deemed interests in 3,415,883,000 shares of the Company, 3,416,505,000 shares of the Company, representing approximately 71.01% of the shares of the Company as at 14 January 2014.

Save as disclosed herein, as at 31 December 2013, the Company had not been notified by any persons (other than the directors and chief executive 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 42.9% of the Group's total revenue for the year ended 31 December 2013 and the sales attributable to the Group's largest customer were approximately 28.2% of the Group's total revenue for the year ended 31 December 2013.

The aggregate purchases attributable to the Group's five largest suppliers comprised approximately 17.9% of the Group's total purchases and the purchases of the year ended 31 December 2013 attributable to the Group's largest supplier were approximately 4.5% of the Group's total purchases for the year ended 31 December 2013.

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 existing Shareholders.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this 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 SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2013.

NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

No non-adjusting event after the reporting period has occurred.

AUDITOR

Following the resignation of Messrs. CCIF CPA Limited due to its merger of business with PCP CPA Limited, Crowe Horwath (HK) CPA Limited was appointed as the auditor of the Company to fill the casual vacancy on 18 January 2010. Messrs. Crowe Horwath (HK) CPA Limited resigned as the auditor of the Company on 18 November 2010 while Messrs. Deloitte Touche Tohmatsu was appointed by the Board to fill the casual vacancy on 19 November 2010.

The financial statements for the year ended 31 December 2013 of the Group have been audited by Deloitte Touche Tohmatsu who will retire and being eligible, offering itself for re-appointment. A resolution for the re-appointment of Deloitte Touche Tohmatsu as the auditor of the Company will be proposed at the 2014 AGM.

Save as disclosed herein, there were no change in the Company's auditor in the preceding three years.

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 issued on 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.

CHANGE IN INFORMATION ON DIRECTORS

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

(a) Mr. Ni Jianda, the chairman and an executive director of the Company, was appointed as an executive director of SIIC with effect from 20 November 2013. Mr. Ni was appointed as an executive director of SIHL with effect from 20 February 2014.

(b) Dr. Wong Ying Ho, Kennedy, an independent non-executive Director, was re-designated as a member of the audit committee of Goldlion Holdings Limited, a company listed on the Stock Exchange with stock code of 533, with effect from 22 August 2013.

Save as disclosed therein, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DONATIONS

During the year ended 31 December 2013, the Group made charitable donations of RMB4,150,000 (equivalent to approximately HK$5,235,000).

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
Shanghai Industrial Urban Development Group Limited

Ni Jianda
Chairman

Hong Kong, 27 March 2014

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Ni Jianda
Chairman, Executive Director and Member of the Nomination Committee

Mr. Ji Gang
Vice Chairman, President and Executive Director

Mr. Zhou Jun
Executive Director and Member of the Investment Appraisal Committee

Mr. Yang Jianwei
Executive Director

Mr. Yang Biao
Executive Director

Ms. Huang Fei
Executive Director and Vice President

Mr. Ye Weiqi
Executive Director, Vice President, Members of the Remuneration Committee and the Investment Appraisal Committee

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

Dr. Wong Ying Ho, Kennedy BBS, J.P.
Independent Non-executive Director, Chairman of the Nomination Committee and Member of the Audit Committee

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

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

EXECUTIVE DIRECTORS

Mr. Ni Jianda, Chairman, Executive Director and Member of the Nomination Committee

Mr. Ni, Chairman, aged 50, has been an executive Director since 5 July 2010 is presently a member of the Nomination Committee. He was appointed as an executive director of SIHL on 20 February 2014 and was appointed as an executive director of SIIC on 20 November 2013. He is a deputy chief executive officer of SIHL. He has been a director of SUD since 18 July 2007. He is also the president of SUD. He graduated from Shanghai University and La Trobe University of Australia with a master's degree in business administration in 1997. Mr. Ni was the general manager of Shanghai Xuhui Real Estate Management Co., Ltd., a deputy general manager of SUD and the general manager of the real estate department of China Huayuan Group Ltd. (which is primarily in the business of property development, textile, financial services and pharmaceuticals) from October 1997 to July 1998. He has more than 20 years of professional experience in real estate development and general management. Mr. Ni was elected as a member of the Shanghai Municipal People's Congress in 2003, and honoured as one of the 25 Chinese Entrepreneurs with Most Reforming Ideas, among the Top Ten Persons of the Year elected by the 2006 China International Real Estate and Architech Fair, one of the 2007 Boao Forum – Most Influential Persons in China's Real Estate Industry in 20 Years and one of the Top Ten Entrepreneurs in the Shanghai Real Estate Sector in 18 Years in 2005. He was a vice chairman of Shanghai Youth Federation and is currently the chairman of Shanghai Young Entrepreneurs Association and a vice chairman of the Shanghai Real Estate Association.

Mr. Ji Gang, Vice Chairman, President and Executive Director

Mr. Ji, aged 56, was appointed as the vice chairman, the president and an executive director of the Company on 27 April 2012. He is an independent non-executive director, the chairman of the remuneration committee and a member of the audit committee of Shanghai Jin Jiang International Hotels (Group) Company Limited (the H shares of which are listed on the main board of the Stock Exchange with stock code of 02006). He was the vice chairman and president of Shanghai Industrial Development Co., Ltd., a subsidiary of SIHL and the shares of which are listed on A Shares Market of the Shanghai Stock Exchange with stock code of 600748. He is also a director of SIIC, the controlling shareholder of SIHL. Mr. Ji graduated from Fudan University with a master's degree in economics and is designated a senior economist. Mr. Ji was the general manager of Zhongya Hotel, the chairman and general manager of Shanghai Everbright City Services Co., Ltd., an officer of the Commercial Committee and Economic Committee of the People's Government of Zhabei District, Shanghai, a vice president of Shanghai Industrial Dongtan Investment Development (Holdings) Co., Ltd., the president of Shanghai SIIC Urban Development Investment Co., Ltd., an executive director and the president of Shanghai Industrial Investment Co., Ltd.. He has over 34 years' experience in corporate management.

Mr. Zhou Jun, Executive Director and Member of the Investment Appraisal Committee

Mr. Zhou, aged 45, was appointed as an executive Director on 5 July 2010. He is a member of the Investment Appraisal Committee. Mr. Zhou is an executive director and a deputy chief executive officer of SIHL. He has been a director of SUD since 9 July 2007. He is also an executive director and vice president of SIIC and the chairman of Shanghai Galaxy Investment Co., Ltd., Shanghai Hu-Ning Expressway (Shanghai Section) Co., Ltd., Shanghai Luqiao Development Co., Ltd., Shanghai Industrial Management (Shanghai) Limited, United Run Tong Water Company Limited and Shanghai Shen-Yu Development Co., Ltd., the chairman and an executive director of SIIC Environment Holdings Ltd. (a company listed on the Singapore Stock Exchange with stock code of 5GB). He is an independent non-executive director of Zhejiang Expressway Co., Ltd. (stock code: 0576). He graduated from Nanjing University with a bachelor's degree in 1991 and from Fudan University with a master's degree in economics (international finance) in 1994. He worked for Guotai Securities Co., Ltd. (now Guotai Junan Securities Co.) before joining SIIC in April 1996. He held the positions of a deputy general manager of SIIC Real Estate Holdings (Shanghai) Co., Ltd., deputy general manager of Shanghai United Industrial Co., Ltd. (now Shanghai Pharmaceutical Co., Ltd.) and general manager of the strategic department of SIIC. Mr. Zhou has 20 years of professional experience in securities, finance, real estate and project planning.

Mr. Yang Jianwei, Executive Director

Mr. Yang, aged 42, was appointed as an executive Director on 22 March 2013. He was appointed as a deputy general manager of SIIC Management (Shanghai) Limited in June 2013. He was appointed as a director of Shanghai Industrial Development Co., Ltd. on 16 November 2012. He graduated from Huazhong University of Science and Technology and Shanghai Jiaotong University with a bachelor's degree of engineering, master's degree of management engineering and doctor's degree in management. He worked for China National Nonferrous Materials Co., Ltd. and Hong Yuan Securities Co., Ltd.. Mr. Yang joined SIIC in June 2004 and was assistant general manager of Shanghai Galaxy Investment Co., Ltd., assistant general manager of the board of directors' office and secretary to chairman of SIIC and assistant CEO of SIHL. He has more than 10 years' experience of financial investment, securities research, investment banking and project planning.

Mr. Yang Biao, Executive Director

Mr. Yang, aged 50, was appointed as an executive Director on 5 July 2010. He is based in the Group's office in Shanghai. Mr. Yang is responsible for overseeing various property development projects of the Group. He takes part in the management's project selection process, project positioning and planning and setting sales and marketing strategies for individual projects. Further, Mr. Yang oversees the execution of the Group's projects and ensures that the development progress of the projects is carried out in accordance with the approved plans. He is also responsible for public relations (including maintaining relationship with various government authorities) in his day-to-day management of the Group. He is the legal representative of a number of the Group's project companies including 成都中新錦泰房地產開發有限公司 (Chengdu Zhongxin Jintai Real Estate Development Co., Ltd.) and 重慶中華企業房地產發展有限公司 (Chongqing Chinese Enterprises Real Estate Development Co., Ltd.) and a director of 湖南淺水灣湘雅溫泉花園有限公司 (Hunan Qianshuiwan Xiangya Garden Co., Ltd.). Mr. Yang has been a director of SUD since 18 July 2007. He is also the vice chairman of SUD. Since he joined SUD, he has participated in the development of various projects such as Urban Cradle, Ivy Aroma Town and Toscana. He was also a director of SUD Chongqing Depu and Changsha Chengpu in 2008. Mr. Yang taught at Shanghai Normal University from July 1986 to March 2000. He was a deputy director of the Audit Bureau of Xuhui District in Shanghai from March 2000 to September 2005 and a director of the Xuhui District State-owned Assets Administrative Committee with primary responsibilities in the decision making and operation of its property investment from September 2005 to June 2010. He also participated in the decision making and operation of other property development project companies under the Xuhui District State-owned Assets Administrative Committee including 上海匯城集團 (Shanghai Huicheng Group) and 上海徐房(集團)有限公司 (Shanghai Xufang (Group) Co., Ltd.) in 2006. He was the deputy municipal secretary of the Xinjiang Aksu from July 2002 to July 2005. He has over five years of experience in real estate and he also has extensive experience in general management, finance and accounting. He is a qualified auditor.

Ms. Huang Fei, Executive Director and Vice President

Ms. Huang, aged 49, was appointed as an executive Director on 22 March 2013. She is also the vice president of the Company. She was awarded a master's degree in business administration and European integration by Technische Universität Dresden in 2003. She was the league secretary of the Third Tramway Company of the Public Transport Corporation in Shanghai, the chairman of the labour union of Xuhui Urban Construction Corporation, the manager of sales division of SUD, the general manager of Shanghai Urban Development (Group) Real Property Agent Company prior to her employment with the Group. She is currently a vice president of SUD and (routine) deputy general manager of Shanghai Wan Yuan.

Mr. Ye Weiqi, Executive Director, Vice President, Members of the Remuneration Committee and the Investment Appraisal Committee

Mr. Ye, is aged 50, was appointed as an executive Director on 22 March 2013. He is also vice president, members of the Remuneration Committee and the Investment Appraisal 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. 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 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 the vice president of SUD and general manager of Shanghai Huanyu Investment Co., Ltd. He is a director of Ningbo Fubang Precision Industry Group Stock Co., Ltd. (a company listed on the Shanghai Stock Exchange with stock code of 600768).

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

Mr. Doo, aged 69, 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. Mr. Doo is the Chairman of Fung Seng Enterprises 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. Mr. Doo was the vice chairman and non-executive director of New World China Land Limited (stock code: 917) and the deputy chairman and non-executive director of NWS Holdings Limited (stock code: 659) until 1 July 2013. He is a director of the following listed companies:

Listed Company	Role
Hong Kong main board listed companies	
• Lifestyle International Holdings Limited (stock code: 1212)	Executive director
• The Bank of East Asia, Limited (stock code: 23)	Independent non-executive director and member of the audit committee
• New World Development Company Limited (stock code: 17)	Vice chairman and non-executive director

Dr. Wong Ying Ho, Kennedy, BBS, J.P., Independent Non-executive Director, Chairman of the Nomination Committee and Member of the Audit Committee

Dr. Wong, aged 51, was appointed as an independent non-executive Director on 5 July 2010. He is the Chairman of the Nomination Committee and a member of the Audit Committee. He is a solicitor, a China Appointed Attesting Officer and a director of the China Law Society. He is the managing partner of Philip K.H. Wong, Kennedy Y.H. Wong & Co., Solicitors & Notaries. He is a director of Bohai Industrial Investment Fund Management Company Limited. Dr. Wong is a National Committee Member of the Chinese People's Political Consultative Conference. He is also a member of the Election Committee of Hong Kong which is responsible for the election of Hong Kong's Chief Executive and a deputy convener of the New Century Forum. He is also a co-founder of the Hong Kong Legal Forum. Dr. Wong served on Hong Kong's legislature from 1996 to 1998 and was selected as one of the Ten Outstanding Young Persons of Hong Kong in 1998 and one of the Ten Outstanding Young Persons of the World awards in 2003. Dr. Wong was also an non-executive director of International Financial Network Holdings Limited (now known as "First China Financial Network Holdings Limited") (stock code: 8123) until 11 July 2008 and Qin Jia Yuan Media Services Company Limited (stock code: 2366) until 29 November 2010; and an independent non-executive director of Great Wall Technology Company Limited (stock code: 74) until 18 June 2010, director of Pacific Alliance Asia Opportunity Fund Limited (AIM: PAX) until 31 December 2011. Dr. Wong has over seven years of experience in the property industry. He is a director of the following listed companies:

Listed Company	Role
Hong Kong main board listed companies	
• Hong Kong Resources Holdings Company Limited (stock code: 2882)	Chairman, executive director, members of the remuneration committee and the nomination committee
• Asia Cement (China) Holdings Corporation (stock code: 743)	Independent non-executive director, chairman of the remuneration committee, members of the audit committee, the nomination committee and the independence committee
• China Overseas Land & Investment Limited (stock code: 688)	Independent non-executive director, chairman of the remuneration committee, members of the audit committee and the nomination committee
• Goldlion Holdings Limited (stock code: 533)	Non-executive director and member of the audit committee

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

Mr. Fan, aged 53, was appointed as an independent non-executive Director on 5 July 2010. He is also the Chairman of the Investment Appraisal Committee, the members of the Audit Committee, Remuneration Committee and Nomination Committee. He has over three 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 chairman and managing director of AsiaLink Capital Limited. Mr. Fan was an independent non-executive director of Chinney Alliance Group Limited (stock code: 385) and an independent director of 深圳世聯地產顧問股份有限公司 (a company listed on the Shenzhen Stock Exchange with stock code of 002285). He is a director of the following listed companies:

Listed Company	Role
Hong Kong main board listed companies	
• Technovator International Limited (stock code: 1206)	Independent non-executive director, chairman of the remuneration committee, the 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
Hong Kong main board listed companies	
• Uni-President China Holdings Ltd. (stock code: 220)	Independent non-executive director, chairmen of the nomination committee and the audit committee
• Renhe Commercial Holdings Company Limited (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 and the nomination committee
• Guodian Technology & Environment Group Corporation Limited (stock code: 1296)	Independent non-executive director and chairman of the audit committee

Listed Company	Role
Hong Kong main board listed companies	
• Hong Kong Resources Holdings Company Limited (stock code: 2882)	Independent non-executive director, chairman of the remuneration committee, members of the audit committee, the nomination committee and the special committee
• China Development Bank International Investment Limited (stock code:1062)	Independent non-executive director, members of the nomination committee and the remuneration committee
• LT Holdings Limited (stock code:112)	Independent non-executive director, chairmen of the remuneration committee and the nomination committee and member of the audit committee

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

Mr. Li, aged 59, was appointed as an independent non-executive Director on 5 July 2010. He is the Chairman of the Audit Committee. He is currently the deputy managing partner of Li, Tang, Chen & Co. CPA (Practising). He is also a fellow of the Hong Kong Institute of Certified Public Accountants and a fellow of The Association of Chartered Certified Accountants, United Kingdom as well as a fellow of The Institute of Chartered Secretaries and Administrators, United Kingdom and an associate member of The Institute of Chartered Accountants in England and Wales. He was the advisor, independent director and chairman of the audit committee of China Vanke Co., Ltd. (a company listed on the Shenzhen Stock Exchange with stock code of 000002). Mr. Li has over seven years of experience in the property industry. He is a director of the following listed companies:

Listed Company	Role
Hong Kong main board 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 and chairman of the audit 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
• AVIC International Holding (HK) Limited (stock code: 232)	Independent non-executive director, members of the audit committee and the remuneration committee
• China Merchants Holdings (International) Company Limited (stock code: 144)	Independent non-executive director, chairman of the remuneration committee, members of the audit committee and the nomination committee

SENIOR MANAGEMENT

Mr. Zhong Tao
Vice President

Mr. Zhong, aged 41, is the vice president of the Company. Mr. Zhong 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 Xinghe Digital Investment Company Limited, and the chief planning officer of Shanghai Industrial Management (Shanghai) Company Limited prior to his employment with the Group. He is also currently the vice president of SUD.

Mr. Li Bin
Vice President

Mr. Li, aged 40, is a vice president of the Company. He was a director of company secretary and information office in Shanghai Xujiahui Commercial Company Limited and the chief of secretary department in Shanghai Xuhui District Committee Office. Mr. Li received a master's degree in Economics from Shanghai University of Finance and Economics in 2002.

Ms. Zhou Yan
Vice President

Ms. Zhou, aged 46, 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 20 years of experience in the real estate industry in the PRC.

Mr. Chan Kin Chu, Harry
Company Secretary

Mr. Chan, aged 44, 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 fifteen years of working experience in legal, compliance and corporate governance matters. Before joining the Group, Mr. Chan worked for a sizable property developer as in-house counsel.

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 2013, the Company has complied with the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules except as noted hereunder.

Code Provision E.1.2 of the Code

Under code provision E.1.2 of the Code, the chairman of the board should invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend the annual general meeting. In their absence, he should invite another member of the committee or failing this his duly appointed delegate, to attend. These persons should be available to answer questions at the annual general meeting. Mr. Doo Wai-Hoi, William (the chairman of the remuneration committee of the Company), Dr. Wong Ying Ho, Kennedy (the chairman of the nomination committee of the Company) and Mr. Li Ka Fai, David (the chairman of the audit committee of the Company) were unable to attend the annual general meeting of the Company held on Thursday, 16 May 2013 due to overseas commitments.

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 also gives clear directions as to the powers delegated to the senior management for the day-to-day operation 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 of the Company, 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 2013, the Board comprised eleven members*, including seven executive Directors and four independent non-executive Directors. At least one of the independent non-executive directors has relevant financial management expertise 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 54 to 61 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

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.

* Mr. Yang Jianwei, Ms. Huang Fei and Mr. Ye Weiqi were appointed as executive Directors with effect from 22 March 2013. Mr. Chen Anmin resigned as an executive Director with effect from 22 March 2013.

DIRECTORS' AND OFFICERS' LIABILITIES 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. Ni Jianda is the Chairman of the Board who is responsible for providing leadership for the Board and ensuring that the Board works effectively. Mr. Ji Gang 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 non-executive directors (including independent non-executive directors) without the executive directors present. There was one meeting between the chairman of the Company and independent non-executive Directors hold, without the presence of the executive Directors for the year ended 31 December 2013.

BOARD DIVERSITY

In compliance with the new provision of the Code, the Board had adopted the Board Diversity Policy and revised the terms of reference for the Nomination Committee of the Company.

In order to achieve a diversity of perspectives amongst the structure, size and composition of the Board, when making the recommendation to the Company for appointment or re-appointment of directors and succession planning of directors, the Nomination Committee will take into account a number of factors including but without limitation, gender, age, cultural and educational background, professional experience, skills and knowledge, and length of service.

RESPONSIBILITIES OF DIRECTORS

Each Director shall from time to time have knowledge of his/her responsibilities as Director, as well as the operation, 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 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 operation and business as well as the responsibility 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 2013, the Company offered several appropriate training sessions for Directors. The training sessions were related to the internal controls, anti-fraud policies, inside information 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 2013, the Directors participated in the following trainings:

	Attending[1]
Executive Directors	
Ni Jianda	✓
Ji Gang	✓
Zhou Jun	✓
Yang Jianwei[2]	✓
Yang Biao	✓
Huang Fei[2]	✓
Ye Weiqi[2]	✓
Chen Anmin[3]	✓
Independent Non-Executive Directors	
Doo Wai-Hoi, William	✓
Wong Ying Ho, Kennedy	✓
Fan Ren Da, Anthony	✓
Li Ka Fai, David	✓

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. Mr. Yang Jianwei, Ms. Huang Fei and Mr. Ye Weiqi were appointed as executive Directors with effect from 22 March 2013.

3. Mr. Chen Anmin resigned as an executive Director with effect from 22 March 2013.

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 normally 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 chief financial officer or the Company Secretary will 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 unpublished price-sensitive 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. Having made specific enquiry of the Directors, all Directors confirmed 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 2013.

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 for the year ended 31 December 2013.

DIRECTORS' ATTENDANCE RECORD

The Directors give sufficient time and attention of the Group's affair. 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 2013 are set out as follows:

	Number of meetings attended/Number of meetings held					
Name of Directors	Board meeting	Audit Committee meeting	Remuneration Committee meeting	Nomination Committee meeting	Investment Appraisal Committee meeting	2013 AGM[1]
Executive Directors						
Ni Jianda	4/4			2/2		1/1
Ji Gang	4/4					1/1
Zhou Jun	4/4				3/4	0/1
Yang Jianwei[2]	3/3					1/1
Yang Biao	4/4					1/1
Huang Fei[2]	3/3					1/1
Ye Weiqi[2]	3/3		2/2		4/4	1/1
Chen Anmin[3]	1/1					
Independent Non-Executive Directors						
Doo Wai-Hoi, William	4/4	1/2	1/2			0/1
Wong Ying Ho, Kennedy	4/4	1/2		2/2		0/1
Fan Ren Da, Anthony	4/4	2/2	2/2	2/2	4/4	1/1
Li Ka Fai, David	4/4	2/2				0/1

Notes:

1. The 2013 annual general meeting of the Company was held on Thursday, 16 May 2013.

2. Mr. Yang Jianwei, Ms. Huang Fei and Mr. Ye Weiqi were appointed as executive Directors with effect from 22 March 2013.

3. Mr. Chen Anmin resigned as an executive Director with effect from 22 March 2013.

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 four independent non-executive Directors, namely Mr. Li Ka Fai, David (as chairman), Mr. Doo Wai–Hoi, William, Dr. Wong Ying Ho, Kennedy 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 and internal control 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 2013. 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 2013, 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, internal controls matter, 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 (as 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 the 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 the 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 2013, two Remuneration Committee meetings were held to review the remuneration packages of all directors and the senior management of the Company, directors' services contracts and the terms of reference for Remuneration Committee.

C. Nomination Committee

The Nomination Committee currently consists of two independent non-executive Directors, namely Dr. Wong Ying Ho, Kennedy (as chairman), Mr. Fan Ren Da, Anthony and one executive Director, namely Mr. Ni Jianda. 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 the 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, the Board adopted a Board's diversity policy setting out the approach to diversity of members of the Board. The Company recognizes and embraces the benefits of diversity of its Board members. It endeavors to ensure that the Board has a balance of skills, knowledge, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the board members. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge and length of service. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board.

During the year ended 31 December 2013, two Nomination Committee meetings were 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. recommended to the Board on the appointment of Mr. Yang Jianwei, Ms. Huang Fei and Mr. Ye Weiqi as the executive Directors;

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

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

5. reviewed and approved the terms of reference for Nomination Committee and the Board's diversity policy, as appropriate.

D. Investment Appraisal Committee

An Investment Appraisal Committee currently consists of one independent non-executive Director, namely Mr. Fan Ren Da, Anthony (as chairman) and two executive Directors, namely Mr. Zhou Jun and Mr. Ye Weiqi.

The main responsibilities of the Investment Appraisal Committee are:

1. researches and advises on the long-term development strategy of the Company;

2. researches and advises on material investment projects of the Company;

3. researches and advises on material capital operation and asset operation projects of the Company;

4. researches and advises on material events which affect the development of the Company;

5. makes subsequent assessment on investment projects; and

6. reviews on the above matters.

During the year ended 31 December 2013, four Investment Appraisal Committee meetings were held to discuss and consider the following matters:

1. proposed transactions; and

2. a discloseable transaction in regard to the disposal of 100% interests in Earn Harvest Limited. (details can be found in the announcement of the Company dated 21 June 2013)

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 of the Company 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 2013, the Company Secretary has duly complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules. According to the Rule 3.29 of the Listing Rules, the Company Secretary has taken no less than 15 hours of relevant professional training. The biographical details of the Company Secretary is set out on 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 2013, 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 auditors 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 auditors do 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

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.

The Board has reviewed the effectiveness of the internal control system of the Group. 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 control reviews of selected areas of the Group.

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 77 and 78.

During the year ended 31 December 2013, the remuneration paid to the Company's auditor, Deloitte Touche Tohmatsu, is set out below:

	HK$'000
For audit service	
– audit fee paid for the year ended 31 December 2013	4,741
– other audit-related services	1,942
Total:	6,683

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

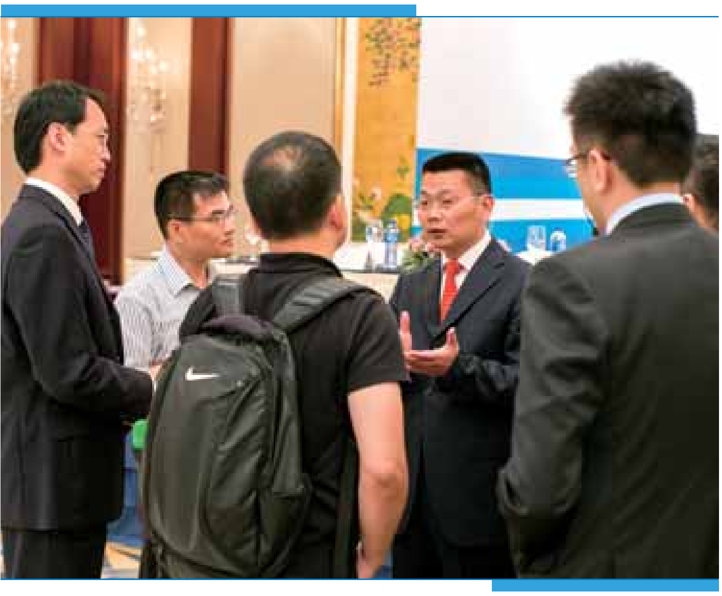
During the year ended 31 December 2013, there is no significant change in the Company's constitutional documents.

INVESTOR RELATIONS REPORT

Maintaining and developing relationship with investors are SIUD's responsibility as a listed company. The Company places great importance on providing accurate and timely information to investors, and seeks to build effective channels with equity and bond investors in order to maintain two-way communication, deepen mutual understanding and enhance the transparency of the Company. In this regard, the Board formulates the "Shareholders Communication Policy", which forms the basis for extensive and ongoing engagement with our shareholders and potential investors. The policy is published on our website.

In 2013, we disseminated information to the market in a timely manner through multiple channels. The 2012 Annual Report, the 2013 Interim Report and announcements, circulars and press releases published this year are available on the website of the Company in due course. The Company also shared announcements and press releases with investors at first hand via email. In addition, dedicated management is assigned to proactively communicate with investors, analysts and credit rating agencies. The management interacted with them on a regular basis through meetings and conference calls to keep them abreast of the Company's strategy and latest development and shares our views on the outlook of mainland property and financial markets. The Company participated in various investment conferences and non-deal roadshows organized by the investment banks in 2013. In addition to Hong Kong, the Group also reached out to overseas equity and bond investors through trips to Singapore, Beijing, Shanghai and Macau. In addition, site visits to the Group's projects for the investment community were arranged including visits to Urban Cradle and Binjiang land in Shanghai, and Top City in Chongqing.

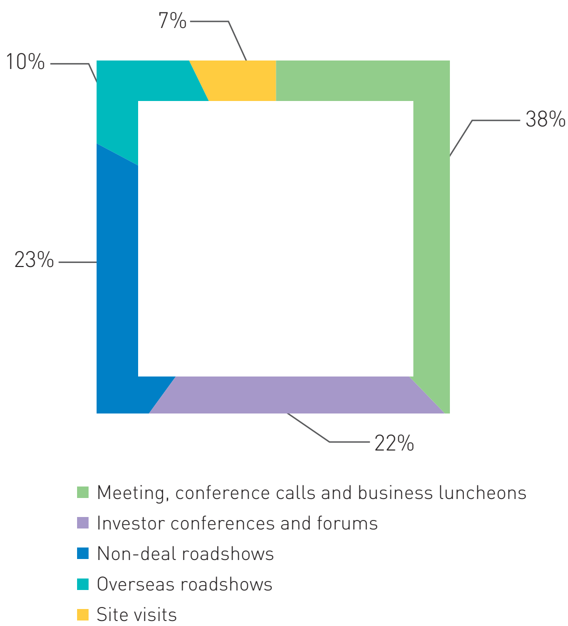
Over the past year, the Group's efforts on investor relations earned us a lot of rewards. The Company's shares are included in the FTSE – Global Real Estate Index Series (Emerging Asia Region). In addition, Standard & Poor's and Moody's, the international credit rating agencies, upgraded our credit rating after discussion with the Company, indicated that the our strength and credit quality are recognized by the financial sector.



During the year, the Company had attended 6 major investment seminars and 9 non-deal roadshows, conducted meetings with 47 individual investors, and arranged 44 conference calls and 19 site visits, reaching out to more than 279 investors and allowing them to better understand the investment potential of the Company.

As a channel to promote effective communication, the Company maintains a website at www.siud.com, where up-to-date information including updates on the Company's business development and operations, financial information, corporate governance practices and other information are available for public access. Shareholders and investors may write directly to the Company at its principal place of business in Hong Kong or via facsimile at (852) 2544 8004 for any inquiries.

COMMUNICATION WITH INVESTORS IN 2013



Key investor relations events in 2013:

Date	Events	Organizer	Location
January 2013	Non-deal roadshow	Daiwa Capital Markets	Hong Kong
February 2013	Non-deal roadshow	Kim Eng Securities	Hong Kong
March 2013	Post-annual results non-deal roadshow	Morgan Stanley	Hong Kong
March 2013	Post-annual results non-deal roadshow	Jefferies	Hong Kong
March 2013	Post-annual results non-deal roadshow	Daiwa Capital Markets	Hong Kong
April 2013	HSBC 4th Annual Greater China Property Conference	HSBC	Hong Kong
May 2013	Citi Asia Pacific Property Conference	Citi	Hong Kong
June 2013	Non-deal roadshow	Daiwa Capital Markets	Hong Kong
August 2013	Post-interim results non-deal roadshow	Daiwa Capital Markets	Hong Kong
August 2013	Post-interim results non-deal roadshow	BNP Paribas	Hong Kong, Singapore
September 2013	Post-interim results non-deal roadshow	Daiwa Capital Markets	Beijing, Shanghai
November 2013	Citi China Investor Conference 2013	Citi	Macau
November 2013	CICC SOE Reform Corporate Day	CICC	Hong Kong
November 2013	8th Annual Daiwa Investment Conference	Daiwa Capital Markets	Hong Kong
December 2013	Greater China Property Corporate Day	Bank of America Merrill Lynch	Hong Kong

FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

TO THE MEMBERS 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)

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 79 to 160, which comprise the consolidated statement of financial position as at 31 December 2013, 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 a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report 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. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2013, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

27 March 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	NOTES	2013 HK$'000	2012 HK$'000
Revenue	5	9,773,547	8,782,561
Cost of sales		(8,254,997)	(7,423,621)
Gross profit		1,518,550	1,358,940
Other income	6(a)	88,239	132,894
Other expenses, gains and losses	6(b)	(58,829)	(137,789)
Gain on disposal of subsidiaries	41	15,276	359,222
Fair value changes on investment properties	14	(122,835)	18,551
Impairment loss in respect of inventories		(36,374)	(71,627)
Distribution and selling expenses		(237,518)	(157,936)
General and administrative expenses		(495,796)	(509,411)
Gain on disposal of assets through disposal of subsidiaries	34	819,125	–
Finance costs	7	(698,583)	(566,511)
Share of losses of associates	18	(9,161)	(4,721)
Profit before tax		782,094	421,612
Income tax	9	(476,377)	(388,301)
Profit for the year	8	305,717	33,311
Other comprehensive income for the year			
Item that will not be reclassified to profit or loss:			
Exchange differences arising on translation into presentation currency		544,190	124,385
Item that may be reclassified subsequently to profit or loss:			
Reclassification adjustment for realisation of revaluation gains transferred to profit or loss upon sale of completed properties held-for-sale		(1,602)	(147)
Other comprehensive income for the year		542,588	124,238
Total comprehensive income for the year		848,305	157,549
Profit (loss) for the year attributable to:			
Owners of the Company		143,471	(190,166)
Non-controlling interests		162,246	223,477
		305,717	33,311
Total comprehensive income (expense) attributable to:			
Owners of the Company		456,777	(121,969)
Non-controlling interests		391,528	279,518
		848,305	157,549
Earnings (loss) per share			
Basic (HK cents)	13	2.98	(3.95)
Diluted (HK cents)	13	2.98	(3.95)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	NOTES	31.12.2013 HK$'000	31.12.2012 HK$'000
Non-current assets			
Investment properties	14	**5,736,299**	6,028,842
Property, plant and equipment	15	**1,511,007**	1,451,809
Prepaid lease payments	16	**92,178**	92,189
Intangible assets	17	**65,301**	63,433
Interests in associates	18	**1,647,749**	1,609,955
Interest in a joint venture	19	**65,718**	–
Amount due from an associate	20	**87,160**	84,666
Available-for-sale investments	21	**102,633**	34,398
Restricted and pledged bank deposits	22	**100,800**	231,715
Deferred tax assets	32	**217,379**	212,488
		9,626,224	9,809,495
Current assets			
Inventories	23	**34,431,317**	36,308,151
Trade and other receivables	24	**2,505,237**	1,384,348
Amounts due from related companies	29	**83,612**	195,388
Amount due from an associate	20	**19,270**	–
Prepaid lease payments	16	**2,709**	2,615
Prepaid income tax and land appreciation tax		**420,467**	296,780
Financial assets at FVTPL	25	**2,074**	12,887
Pledged bank deposits	22	**385,766**	52,731
Bank balances and cash	26	**5,827,825**	5,249,524
		43,678,277	43,502,424
Assets classified as held-for-sale	27	**132,458**	301,593
		43,810,735	43,804,017
Current liabilities			
Trade and other payables	28	**6,438,474**	4,845,705
Amounts due to related companies	29	**460,737**	606,304
Amounts due to associates	20	**94,264**	85,688
Consideration payables for acquisition of subsidiaries	30	**325,348**	316,041
Pre-sale proceeds received on sales of properties	31	**6,496,160**	7,826,181
Bank and other borrowings	33	**3,858,292**	5,777,737
Senior notes	35	**3,093,059**	–
Income tax and land appreciation tax payables		**1,988,568**	2,061,572
Dividend payable		**6,423**	6,423
Dividend payable to non-controlling shareholders		**339,309**	416,293
		23,100,634	21,941,944
Net current assets		**20,710,101**	21,862,073
Total assets less current liabilities		**30,336,325**	31,671,568

	NOTES	31.12.2013 HK$'000	31.12.2012 HK$'000
Non-current liabilities			
Bank and other borrowings	33	**7,535,109**	6,288,433
Senior notes	35	**–**	3,048,911
Deferred tax liabilities	32	**3,017,939**	3,242,628
		10,553,048	12,579,972
		19,783,277	19,091,596
Capital and reserves			
Share capital	36	**192,461**	192,461
Reserves		**12,426,509**	11,969,732
Equity contributable to owners of the Company		**12,618,970**	12,162,193
Non-controlling interests		**7,164,307**	6,929,403
		19,783,277	19,091,596

The consolidated financial statements on pages 79 to 160 were approved and authorised for issue by the Board of Directors on 27 March 2014 and are signed on its behalf by:

Ni Jianda
DIRECTOR

Ji Gang
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Share options reserve HK$'000	Other revaluation reserve HK$'000 (note (i))	Statutory reserve HK$'000	Shareholder's contribution/ merger reserve HK$'000 (note (ii))	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2012	192,461	10,325,453	93,021	54,275	44,311	2,223,975	1,288,401	(1,946,409)	12,275,488	6,696,204	18,971,692
Loss for the year	–	–	–	–	–	–	–	(190,166)	(190,166)	223,477	33,311
Exchange differences arising on translation into presentation currency	–	–	–	–	–	–	68,344	–	68,344	56,041	124,385
Reclassification adjustment for realisation of fair value gains transferred to profit or loss upon sales of completed properties held for sale	–	–	–	(147)	–	–	–	–	(147)	–	(147)
Total comprehensive income (expense) for the year	–	–	–	(147)	–	–	68,344	(190,166)	(121,969)	279,518	157,549
Deregistration of subsidiaries	–	–	–	–	–	(9,406)	–	9,406	–	(6,023)	(6,023)
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	(40,296)	(40,296)
Transfer	–	–	–	–	114,311	–	–	(114,311)	–	–	–
Recognition of equity-settled share-based payments	–	–	8,674	–	–	–	–	–	8,674	–	8,674
Transfer to accumulated losses upon forfeiture of share options	–	–	(31,358)	–	–	–	–	31,358	–	–	–
At 31 December 2012	192,461	10,325,453	70,337	54,128	158,622	2,214,569	1,356,745	(2,210,122)	12,162,193	6,929,403	19,091,596

Consolidated Statement of Changes in Equity
At 31 December 2013

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Share options reserve HK$'000	Other revaluation reserve HK$'000 (note (i))	Statutory reserve HK$'000	Shareholder's contribution/ merger reserve HK$'000 (note (ii))	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Profit for the year	–	–	–	–	–	–	–	143,471	143,471	162,246	305,717
Exchange differences arising on translation into presentation currency	–	–	–	–	–	–	314,908	–	314,908	229,282	544,190
Reclassification adjustment for realisation of fair value gains transferred to profit or loss upon sales of completed properties held for sale	–	–	–	(1,602)	–	–	–	–	(1,602)	–	(1,602)
Total comprehensive income for the year	–	–	–	(1,602)	–	–	314,908	143,471	456,777	391,528	848,305
Disposal of a subsidiary	–	–	–	–	(5,878)	–	–	5,878	–	(136,755)	(136,755)
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	(19,869)	(19,869)
Transfer	–	–	–	–	8,384	–	–	(8,384)	–	–	–
Transfer to accumulated losses upon forfeiture of share options	–	–	(3,495)	–	–	–	–	3,495	–	–	–
At 31 December 2013	192,461	10,325,453	66,842	52,526	161,128	2,214,569	1,671,653	(2,065,662)	12,618,970	7,164,307	19,783,277

Notes:

(i) The 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 the Company. This reserve will be recognised in the profit and loss upon the earlier of the disposal of the subsidiaries or the disposal by the subsidiaries of the assets to which it relates.

(ii) Merger reserve represents the difference in the fair value of the consideration paid to parent company, SIHL for the acquisition of subsidiaries controlled by SIHL and the acquired carrying amount of the subsidiaries at the date of the Group and the subsidiaries acquired became under common control. Shareholder's contribution represents capital contribution from parent company and non-controlling interests (based on their respective percentage of equity interest) to a subsidiary of the Group, SUD as paid-in capital in April 2011.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	2013 HK$'000	2012 HK$'000
OPERATING ACTIVITIES		
Profit before tax	782,094	421,612
Adjustments for:		
Fair value changes on investment properties	122,835	(18,551)
Depreciation on property, plant and equipment	71,801	76,858
Amortisation of prepaid lease payments	2,669	2,615
Gain on disposal of property, plant and equipment	(572)	(62)
Finance costs	698,583	566,511
Interest income	(50,899)	(40,105)
Changes in fair values of derivative financial instruments	–	(3)
Changes in fair values of financial assets at FVTPL	(326)	1,751
Impairment loss in respect of inventories	36,374	71,627
Impairment loss recognised on consideration receivables for disposal of assets	–	22,007
Impairment loss recognised on other receivables	1,957	–
Gain on disposal of subsidiaries	(15,276)	(359,222)
Gain on disposal of assets through disposal of subsidiaries	(819,125)	–
Gain on disposal of an associate	(25)	–
Share of losses of associates	9,161	4,721
Transfer from equity on sales of completed properties held-for-sale	(1,602)	(147)
Equity-settled share-based payment expenses	–	8,674
Unrealised foreign exchange gain	(89,290)	(39,665)
Operating cash flows before movements in working capital	748,359	718,621
Decrease in inventories	1,669,845	2,023,612
(Increase) decrease in trade and other receivables	(569,698)	42,494
Decrease in securities held-to-trading	11,353	–
Increase in trade and other payables	1,677,639	588,588
Increase in amount due to an associate	5,963	1,012
Decrease in proceeds received on sales of properties	(1,537,465)	(1,430,545)
Cash from operations	2,005,996	1,943,782
The People's Republic of China (the "PRC") income tax paid	(1,026,945)	(646,008)
Net cash from operating activities	979,051	1,297,774

Consolidated Statement of Cash Flows
For the year ended 31 December 2013

	NOTES	2013 HK$'000	2012 HK$'000
INVESTING ACTIVITIES			
Net proceeds from disposal of subsidiaries	41	(14,866)	179,296
Net proceeds from disposal of assets through disposal of subsidiaries	34	726,750	–
Repayment from a former subsidiary		626,584	487,200
Contribution to an associate		–	(12,294)
Capital contribution to a joint venture		(65,718)	–
Purchases of property, plant and equipment and investment properties		(35,913)	(115,359)
Proceeds from disposal of investment properties		328,596	187,047
Deposits received from the disposal of investment properties		66,249	188,912
Proceeds from disposal of property, plant and equipment		71,827	2,840
Increase in restricted and pledged bank deposits		(190,346)	(136,046)
Refund of capital from available-for-sale investments		–	3,659
Proceeds from disposal of an associate		340	–
Interest received		50,899	40,105
Repayment from related companies		130,934	15,640
Advance to related companies		(15,139)	–
Advance to an associate		(19,040)	–
Purchase of available-for-sale investments		(66,230)	–
Repayment to non-controlling interests upon deregistration		–	(6,023)
Payment for consideration payable for acquisition of subsidiaries	30	–	(73,964)
Net cash from investing activities		1,594,927	761,013
FINANCING ACTIVITIES			
Proceeds from new bank and other borrowings		4,834,225	8,794,109
Repayments of bank and other borrowings		(5,688,405)	(7,823,484)
Repayment to related companies		(177,670)	(127,644)
Advance from related companies		16,660	29,633
Dividend paid to non-controlling interests		(107,796)	(46,527)
Interest paid		(1,031,311)	(1,154,838)
Net cash used in financing activities		(2,154,297)	(328,751)
Net increase in cash and cash equivalents		419,681	1,730,036
Cash and cash equivalents at the beginning of the year		5,249,524	3,490,568
Effect of foreign exchange rate changes		158,620	28,920
Cash and cash equivalents represented by bank balances and cash at the end of the year		5,827,825	5,249,524

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Stock Exchange. Its parent 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 property development, property investment and hotel operation in the PRC.

The consolidated financial statements are presented in 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 RMB.

2. APPLICATION OF NEW AND REVISED HKFRSs

The Group has applied the following new and revised HKFRSs issued by the HKICPA for the first time in the current year:

Amendments to HKFRSs	Annual improvements to HKFRSs 2009–2011 cycle
Amendments to HKFRS 7	Disclosures – Offsetting financial assets and financial liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurement
HKAS 19 (as revised in 2011)	Employee benefits
HKAS 27 (as revised in 2011)	Separate financial statements
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures
Amendments to HKAS 1	Presentation of items of other comprehensive income
HK(IFRIC) – INT 20	Stripping costs in the production phase of a surface mine

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

New and revised standards on consolidation, joint arrangements, associates and disclosures

In the current year, the Group has applied for the first time HKFRS 10, HKFRS 11, HKFRS 12 and HKAS 28 (as revised in 2011) together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance. HKAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

2. APPLICATION OF NEW AND REVISED HKFRSs (CONTINUED)

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and separate financial statements" that deal with consolidated financial statements and HK(SIC) INT-12 "Consolidation – Special purpose entities". HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

The directors of the Company made an assessment as at the date of initial application of HKFRS 10 (i.e. 1 January 2013) as to whether or not the Group has control over its investees in accordance with the new definition of control and the related guidance set out in HKFRS 10 and concluded that the application had no impact on the consolidation of investees held by the Group.

Impact of the application of HKFRS 11

HKFRS 11 replaces HKAS 31 "Interests in joint ventures", and the guidance contained in a related interpretation, HK(SIC) – INT 13 "Jointly controlled entities – Non-monetary contributions by venturers", has been incorporated in HKAS 28 (as revised in 2011). HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under HKFRS 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under HKFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, HKAS 31 contemplated three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under HKAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was accounted for as a jointly controlled entity).

The initial and subsequent accounting of joint ventures and joint operations is different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

The directors of the Company reviewed and assessed the classification of the Group's investment in a joint arrangement which was established in current year in accordance with the requirements of HKFRS 11. The directors of the Company concluded that the joint arrangement of the Group properly classified as a joint venture under HKFRS 11 and accounted for using the equity method.

Impact of the application of HKFRS 12

HKFRS 12 is a new disclosure standard and is applicable to associates, joint arrangements and entities that have interests in subsidiaries. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements (please see notes 18, 25 and 47 respectively for details).

2. APPLICATION OF NEW AND REVISED HKFRSs (CONTINUED)

New and revised standards on consolidation, joint arrangements, associates and disclosures (continued)

HKFRS 13 Fair value measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to few exceptions.

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirement prospectively. Other than the additional disclosures as set out in note 40, the application of this new standard has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to HKAS 1 Presentation of items of other comprehensive income

The Group has applied the amendments to HKAS 1 for the first time in the current year. Upon the adoption of the amendments to HKAS 1, the Group's 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income'. Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

New and revised HKFRSs issued but not yet effective

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

Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities[1]
Amendments to HKAS 19	Defined benefit plans: Employee contributions[2]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities[1]
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets[1]
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting[1]
HKFRS 9	Financial instruments[3]
HK(IFRIC) – INT 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 July 2014, except as disclosed below. Early application is permitted.
3 Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.

2. APPLICATION OF NEW AND REVISED HKFRSs (CONTINUED)

New and revised HKFRSs issued but not yet effective (continued)

HKFRS 9 Financial instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held-for-trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

The directors of the Company anticipate that the adoption of HKFRS 9 in the future will have impact on classification and measurement in respect of the Group's available-for-sale investments and financial assets at fair value through profit or loss but not on the Group's other financial assets and financial liabilities. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The directors of the Company anticipate that the application of the new and revised standards, amendments and interpretation will have no material impact on the consolidated financial statements.

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 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.

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 are within the scope of HKAS 17 "Leases", 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 or value in use for the purposes of impairment assessment in HKAS 36.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

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.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing 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 interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. 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 and attributed to owners of the Company.

When the Group loses control of a subsidiary, 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 previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. 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 HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Merger Accounting for business combination involving entities under common control

Business combination involving entities under common control includes acquisition of subsidiaries/business controlled by SIHL.

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

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Merger Accounting for business combination involving entities under common control (continued)

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

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

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.

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. 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 requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, 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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates and joint ventures (continued)

When a group entity transacts with an associate or a joint venture of the Group (such as a sale or contribution of assets), 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.

Non-current assets held-for-sale

Non-current assets are classified as held-for-sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset and its sale is highly probable and the non-current asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held-for-sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Investment properties

Investment properties are properties held to earn rentals properties and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period for which they arise.

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 the profit or loss in the period in which the property is derecognised.

Property, plant and equipment

Property, plant and equipment including leasehold land (classified as finance leases) and buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress described below) are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment, (other than construction in progress) 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.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (continued)

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.

Buildings under development for future owner-occupied purpose

When buildings are in the course of development for production or for administrative purposes, the amortisation of prepaid lease payments provided during the construction period is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

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 regards as their cost).

Subsequent to initial recognition, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Impairment of tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible 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 asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs to sell 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 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. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) 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) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

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

Properties held-for-sale and properties under development held-for-sale are stated at the lower of cost and net realisable value on an individual basis. Costs comprise the acquisition costs and other direct costs attributable to such properties.

Others

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using 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.

Transfer from inventories to investment properties carried at fair value

The Group transfers a property from inventories to investment property when there is a change of intention 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 commencement 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.

Leasing

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.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. 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 FVTPL are recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets

The Group's financial assets are classified into the following specified categories: financial assets at FVTPL, loans and receivables and available-for-sale ("AFS") financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. 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 marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees 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 debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Financial assets at FVTPL

Financial assets at FVTPL include financial assets held-for-trading.

A financial asset is classified as 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.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the 'other expenses, gains and losses' line item. Fair value is determined in the manner described in note 40.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from an associate and related companies, restricted and pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy in respect of impairment loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

AFS sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been affected.

For an AFS equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For the loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flow, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity 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 the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Other financial liabilities

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash 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 liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Derecognition

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 in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

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

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the grant date and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share options 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 options reserve will be transferred to accumulated losses.

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base 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 difference 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 goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in a joint venture, 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 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 liabilities or deferred tax assets 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. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 "Income taxes" (i.e. based on the expected manner as to how the properties will be recovered).

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 on deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Specifically, revenue from sale of properties in the ordinary course of business is recognised when the respective properties have been completed and delivered to the buyers. Deposits and instalments received from purchasers prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position under current liabilities.

Rental income from operating leases is recognised in profit or loss on straight-line basis over the term of relevant lease. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable.

Property management service income is recognised when services are provided.

Revenue from hotel operations which includes room rental, food and beverage sales and other ancillary services is recognised when the services are rendered.

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. 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.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded 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 carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement and retranslation of monetary items and on the retranslation of non-monetary items carried at fair value 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 foreign 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. 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).

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATES

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, 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 JUDGEMENT AND KEY SOURCES OF ESTIMATES (CONTINUED)

Critical judgment in applying accounting policies

The following is the critical judgment that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that certain of the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over the time rather than through sales. Therefore, in measuring the Group's deferred taxation on investment properties, the directors of the Company have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is rebutted for such properties. As at 31 December 2013, the carrying amount of the properties which are recovered through use is HK$452,880,000 (2012: HK$438,557,000). For the properties on which the 'sale' presumption is not rebutted, the Group has further recognised deferred taxes on changes in fair value of investment properties 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 2013, the carrying amount of the properties which are recovered through sale is HK$5,283,419,000 (2012: HK$5,590,285,000).

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 have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Valuation of properties under development and properties held-for-sale

The Group's properties under development and properties held-for-sale are stated at the lower of cost and net realisable value. Based on the Group's recent experience and the nature of the subject properties, the Group makes estimates of the selling prices, the costs of completion in case for properties under development, and the costs to be incurred in selling the properties based on prevailing market conditions.

If there is an increase in costs to completion or a decrease in net realisable value, this may result in write-down of properties under development and completed properties held-for-sale. Such write-down requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying amount and write-down of properties in the periods in which such estimate is changed will be adjusted accordingly.

In addition, given the volatility of the PRC property market and the unique nature of individual properties, the actual outcomes in terms of costs and revenue may be higher or lower than estimated at the end of the reporting period. Any increase or decrease in the write-down of properties would affect profit or loss in future years. As at 31 December 2013, the carrying amount of properties under development and properties held-for-sale are HK$24,926,441,000 (2012: HK$30,947,763,000) and HK$9,499,440,000 (2012: HK$5,352,500,000) respectively. With the impairment loss in respect of inventories of HK$36,374,000 (2012: HK$71,627,000) has been recognised for the year.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATES (CONTINUED)

Estimation of fair value of investment properties

The valuations of investment properties were arrived at by reference to comparable sales transactions available in the relevant market or by reference to net rental income allowing revisionary income potential prices for similar properties in the similar locations and conditions, where appropriate.

For investment properties that fair value is assessed by reference to comparable sales transaction, which mainly being those investment properties held for capital appreciation or currently without an existing lease contract, 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;

(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.

The carrying amount of investment properties at 31 December 2013 was approximately HK$5,736,299,000 (2012: HK$6,028,842,000). Notwithstanding that the management employs independent professionally qualified valuers 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.

5. REVENUE AND SEGMENT INFORMATION

Revenue represents the net amounts received and receivable for goods sold by the Group in the normal course of business to outside customers, net of discounts and sales related taxes for the year. The Group is engaged in the property development, property investment and hotel operation.

Information reported to the board of directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of performance focuses only on revenue analysis. As no other discrete financial information is available for the assessment of different business activities, no segment information is presented other than entity-wide disclosures.

Entity-wide disclosures

Revenue from major business services

The following is an analysis of the Group's revenue from its major business services:

	2013 HK$'000	2012 HK$'000
Revenue from sale of properties	9,344,198	8,373,434
Rental income from leasing of properties	253,037	236,471
Property management service income	91,670	84,066
Revenue from hotel operations	84,642	88,590
	9,773,547	8,782,561

Geographical information

The Group's operations are located in the PRC. All revenue and non-current assets excluding financial instruments and deferred tax assets of the Group are generated from and located in the PRC. No revenue from a single customer or a group of customers under common control contributed 10% or more of the Group's revenue for the year ended 31 December 2013 and 2012.

6a. OTHER INCOME

	2013 HK$'000	2012 HK$'000
Government unconditional subsidies and compensation (note)	–	36,882
Interest income on bank deposits	43,238	36,954
Other interest income	7,661	3,151
Rental income from property, plant and equipment	5,654	14,557
Others	31,686	41,350
	88,239	132,894

Note: For the year ended 31 December 2012, the balance mainly represented the compensation from the government in respect of recapture of a land which was included in properties under development.

6b. OTHER EXPENSES, GAINS AND LOSSES

	2013 HK$'000	2012 HK$'000
Exchange gain on senior notes	**89,789**	26,951
Exchange gain on other borrowing from SIHL Finance Limited	**29,449**	8,852
Other net exchange (loss) gain	**(29,948)**	3,862
Gain on fair value change of derivative financial instrument	**–**	3
Change in fair value of financial assets at FVTPL	**326**	(1,751)
Compensation to customers in respect of late delivery of properties	**(79,704)**	(181,677)
Impairment loss recognised on consideration receivables for disposal of assets	**–**	(22,007)
Impairment loss recognised on other receivables	**(1,957)**	–
Gain on disposal of property, plant and equipment	**572**	62
Gain on disposal of an associate	**25**	–
Others	**(67,381)**	27,916
	(58,829)	(137,789)

7. FINANCE COSTS

	2013 HK$'000	2012 HK$'000
Interest on:		
Bank and other borrowings wholly repayable within five years	**818,637**	765,246
Bank and other borrowings not wholly repayable within five years	**36,113**	37,632
Senior notes	**348,697**	344,534
Total borrowing costs	**1,203,447**	1,147,412
Less: Amount capitalised under properties under development	**(504,864)**	(580,901)
	698,583	566,511

Borrowing costs capitalised during the year arising on the general borrowing pool are calculated by applying a capitalisation rate of 9.14% (2012: 9.30%) per annum to expenditure on qualifying assets.

8. PROFIT FOR THE YEAR

	2013 HK$'000	2012 HK$'000
Profit for the year has been arrived at after charging (crediting):		
Depreciation for property, plant and equipment	**75,661**	82,311
Less: Depreciation capitalised into properties under development	**(3,860)**	(5,453)
	71,801	76,858
Amortisation of prepaid lease payments	**2,669**	2,615
Auditors' remuneration	**6,683**	7,571
Gross rental income from investment properties	**(253,037)**	(236,471)
Less: Operating expenses	**19,142**	10,424
	(233,895)	(226,047)
Directors' remuneration (note 10)	**10,751**	17,917
Other staff costs		
Salaries, wages and other benefits	**216,939**	156,019
Retirement benefit scheme contributions	**23,069**	23,974
Equity-settled share-based payment expenses	**–**	3,960
Total staff costs	**250,759**	201,870
Less: Staff costs capitalised into properties under development	**(53,985)**	(65,469)
	196,774	136,401
Cost of properties held-for-sale recognised as an expense	**7,810,494**	7,180,426
Cost of inventories for hotel operations recognised as an expense	**21,919**	12,448
Share of tax of associates (included in share of results of associates)	**1,291**	1,122

9. INCOME TAX

Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	2013 HK$'000	2012 HK$'000
Current tax:		
PRC EIT	301,372	302,055
PRC LAT	391,795	447,817
Capital gain tax on gain derived from disposal of PRC entity by non-resident companies	81,913	–
	775,080	749,872
Under(over)provision in prior years:		
PRC EIT (note)	271	(161,631)
PRC LAT (note)	16,335	(64,587)
	16,606	(226,218)
Deferred tax (note 32)	(315,309)	(135,353)
	476,377	388,301

Note: The Group recognised a write-back of overprovision of PRC EIT and LAT during the year ended 31 December 2012 upon completion of tax clearance procedures by certain PRC subsidiaries with their respective tax authorities.

Under the Law of the People's Republic of China on 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 the State Administration of Taxation, the PRC, the tax rate applicable to the capital gain from disposal of PRC entities through transfer of shares in non-resident companies is 10%.

Under the Provisional Regulations of LAT (《中華人民共和國土地增值税暫行條例》) 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税暫行條例實施細則》) 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.

9. INCOME TAX (CONTINUED)

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 British Virgin Islands, the Group is not subject to any income tax in Bermuda and the British Virgin Islands in respect of both years.

The tax charge 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:

	2013 HK$'000	2012 HK$'000
Profit before tax	782,094	421,612
Tax at PRC EIT rate of 25%	195,524	105,403
Tax effect of share of losses of associates	2,290	1,180
Tax effect of expenses not deductible for tax purposes	141,798	200,519
Tax effect of income not taxable for tax purposes	(22,094)	(99,811)
Tax effect of tax losses not recognised	83,175	128,285
Utilisation of tax losses previously not recognised	(12,374)	(7,482)
Provision for LAT for the year	391,796	447,817
Under(over)provision of LAT in prior years	16,335	(64,587)
Tax effect of LAT deductible for PRC EIT	(102,033)	(111,954)
Under(over)provision of EIT in prior years	271	(161,631)
Effect of different tax rates of subsidiaries operating in Hong Kong	(85,214)	43,801
Deferred tax on LAT in respect of investment properties	(129,523)	(91,288)
Others	(3,574)	(1,951)
Tax charge for the year	476,377	388,301

10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the 12 (2012: 12) directors including (the chief executive) were as follows:

For the year ended 31 December 2013

	Fees HK$'000	Salaries and other benefits HK$'000	Other emoluments Performance related incentive payments HK$'000	Retirement benefit scheme contributions HK$'000	Equity-settled share-based payments HK$'000 (note i)	Total emoluments HK$'000
Executive director:						
Mr. Chen Anmin (note ii)	–	625	–	–	–	625
Ms. Huang Fei (note iii)	–	1,415	–	–	–	1,415
Mr. Ji Gang	–	1,836	–	50	–	1,886
Mr. Ni Jianda	–	2,071	–	51	–	2,122
Mr. Yang Jianwei (note iii)	–	–	–	–	–	–
Mr. Yang Biao	–	1,768	–	–	–	1,768
Mr. Ye Weiqi (note iii)	–	1,415	–	–	–	1,415
Mr. Zhou Jun	–	–	–	–	–	–
Independent non-executive director:						
Mr. Doo Wai Hoi, William	380	–	–	–	–	380
Dr. Wong Ying Ho, Kennedy	380	–	–	–	–	380
Mr. Fan Ren Da, Anthony	380	–	–	–	–	380
Mr. Li Kai Fai, David	380	–	–	–	–	380
Total	1,520	9,130	–	101	–	10,751

10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (CONTINUED)

For the year ended 31 December 2012

			Other emoluments			
	Fees HK$'000	Salaries and other benefits HK$'000	Performance related incentive payments HK$'000	Retirement benefit scheme contributions HK$'000	Equity-settled share-based payments HK$'000 (note i)	Total emoluments HK$'000
Executive director:						
Mr. Cai Yu Tian (note v)	–	–	–	–	–	–
Mr. Chen Anmin	–	2,500	–	–	1,000	3,500
Mr. Ji Gang (note iv)	–	1,644	–	–	–	1,644
Mr. Jia Bowei (note v)	–	2,039	–	–	–	2,039
Mr. Ni Jianda	–	3,000	–	–	1,142	4,142
Mr. Qian Shizheng (note v)	–	–	–	–	–	–
Mr. Yang Biao	–	2,500	–	–	1,000	3,500
Mr. Zhou Jun	–	–	–	–	1,000	1,000
Independent non-executive director:						
Mr. Doo Wai Hoi, William	380	–	–	–	143	523
Dr. Wong Ying Ho, Kennedy	380	–	–	–	143	523
Mr. Fan Ren Da, Anthony	380	–	–	–	143	523
Mr. Li Kai Fai, David	380	–	–	–	143	523
Total	1,520	11,683	–	–	4,714	17,917

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 37.

ii. Mr. Chen Anmin resigned on 22 March 2013.

iii. Mr. Yang Jianwei, Ms. Huang Fei and Mr. Ye Weiqi were appointed on 22 March 2013.

iv. Mr. Ji Gang was appointed on 27 April 2012.

v. Mr. Jia Bowei, Mr. Cai Yu Tian and Mr. Qian Shizheng resigned on 1 March 2012, 24 April 2012 and 27 April 2012 respectively.

Mr. Ji Gang was also the chief executive of the Company. His emoluments disclosed above include those for services rendered by him as the chief executive.

During the years ended 31 December 2013 and 2012, no emoluments have been paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the year (2012: nil).

11. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, for the year ended 31 December 2013, four (2012: three) were directors of the Company whose emoluments are included in the disclosures in note 10. The emoluments of the remaining one (2012: two) individual is as follows:

	2013 HK$'000	2012 HK$'000
Salaries and other benefits	1,875	4,000
Equity-settled share-based payments	–	1,713
	1,875	5,713

Their emoluments were both within the following bands:

	2013 HK$'000	2012 HK$'000
HK$1,500,001 to HK$2,000,000	1	–
HK$2,500,001 to HK$3,000,000	–	2

During the years ended 31 December 2013 and 2012, 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.

12. EMPLOYEE RETIREMENT BENEFITS

The Group operates a 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$25,000 since 1 June 2012 (previously HK$20,000), which contribution is matched by employees.

Pursuant to the relevant labour rules and regulations in the PRC, the Group participates in Retirement Schemes operated by the relevant local government authorities whereby the Group is required to make contributions to the Retirement 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.

13. EARNINGS (LOSS) PER SHARE

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

	2013 HK$'000	2012 HK$'000
Earnings (loss)		
Earnings (loss) for the purpose of basic and diluted earnings/loss per share:		
Profit (loss) for the year attributable to owners of the Company	**143,471**	(190,166)

	2013 '000	2012 '000
Number of shares		
Number of ordinary shares for the purposes of basic and diluted earnings/loss per share	**4,811,523**	4,811,523

The computation of diluted earnings per share in current year 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 the year ended 31 December 2013.

The computation of diluted loss per share in prior year does not assume the exercise of the Company's share options/warrants because the exercise price of those share option/warrants was higher than the average market price for the year ended 31 December 2012.

14. INVESTMENT PROPERTIES

	2013 HK$'000	2012 HK$'000
FAIR VALUE		
At 1 January	**6,028,842**	6,168,963
Subsequent expenditures	**6,102**	20,369
Transfer from inventories	**–**	257,836
Fair value (loss) gain on investment properties	**(122,835)**	18,551
Reclassified as assets classified as held-for-sale (note 27)	**(132,458)**	(301,593)
Disposals	**(215,915)**	(187,047)
Exchange realignment	**172,563**	51,763
At 31 December	**5,736,299**	6,028,842
Unrealised (losses) gains on properties revaluation included in profit or loss	**(125,419)**	14,689

14. INVESTMENT PROPERTIES (CONTINUED)

The carrying value of investment properties shown above comprises:

	2013 HK$'000	2012 HK$'000
Land in PRC		
Medium-term lease	**5,736,299**	6,028,842

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.

During the year ended 31 December 2012, inventories with carrying amount of approximately HK$257,836,000 were transferred to investment properties as the management had changed the intended use of the properties upon entering into various operating leases with tenants. The properties were fair-valued by external valuer, DTZ, at the date of transfer by reference to net rental income allowing for reversionary income potential. No fair value gain was recognised directly in profit or loss.

The fair value of the Group's investment properties at 31 December 2013 and 2012 have been arrived at on the basis of a valuation carried out on the respective dates by DTZ, an independent qualified professional valuer not connected with the Group. DTZ is a member of the institute of valuer and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The fair value was arrived at by reference to comparable sales transactions available in the relevant market and where appropriate, investment approach by capitalising 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 directors of the Company has considered that the highest and best use of the properties is their current use upon the application of HKFRS 13 "Fair value measurement". There has been no change of the valuation technique during the year.

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2013 are as follows:

		Fair value		
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	2013 HK$'000
Commercial property units located in the PRC	–	–	5,736,299	**5,736,299**

There were no transfers into or out of Level 3 during the year.

At the end of the reporting period, the management of the Group works closely with the independent qualified external valuer 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 directors of the Company.

14. 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 2013 HK$'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Office in various locations	**2,405,569**	Investment approach	Reversionary rate derived from existing contracts rent and market rent	6.0% – 7.0%	The higher the reversionary rate, the lower the fair value The higher the market rent, the higher the fair value
Car parking spaces	**48,656**	Investment approach	Reversionary rate derived from market rent	5.5%	The higher the reversionary rate, the lower the fair value The higher the market rent, the higher the fair value
Commercial – shopping mall in various locations	**3,257,746**	Investment approach	Reversionary rate derived from existing contracts rent and market rent	4.5% – 8.0%	The higher the reversionary rate, the lower the fair value The higher the market rent, the higher the fair value
Residential – service apartments	**24,328**	Comparison approach	Adjustment to transaction price to reflect direction and height	10.0% – 16.0%	The higher the adjusted transaction price, the higher the fair value
	5,736,299				

At 31 December 2013, the fair value of the investment properties amounting to HK$132,458,000 (2012: HK$301,593,000) reclassified as assets classified as held-for-sale is arrived at by reference to the selling price as stated in the sales and purchases agreements entered into with independent third parties during the year.

During the year, the Group disposed of certain investment properties as well as those reclassified as assets held-for-sale as at 31 December 2012, for total cash proceeds of HK$328,596,000 (2012: HK$187,047,000).

15. PROPERTY, PLANT AND EQUIPMENT

	Hotel buildings and improvements HK$'000	Hotel furniture and equipment HK$'000	Leasehold land and 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 2012	633,952	85,812	171,438	7,667	34,400	67,682	90,355	340,536	1,431,842
Additions	97	723	60,856	–	3,633	11,957	9,116	8,608	94,990
Disposals	(23)	(18)	–	–	(687)	(1,925)	(3,931)	–	(6,584)
Disposal of subsidiaries	–	–	–	–	–	(734)	(2,691)	–	(3,425)
Transfer from inventories	–	–	246,672	–	–	–	–	–	246,672
Exchange realignment	5,134	692	5,131	69	319	692	786	3,779	16,602
At 31 December 2012	639,160	87,209	484,097	7,736	37,665	77,672	93,635	352,923	1,780,097
Additions	4,737	106	34	–	9,510	9,820	2,792	2,812	29,811
Disposals	(119)	(315)	(62,445)	–	(408)	(19,639)	(12,465)	–	(95,391)
Disposal of a subsidiary	–	–	–	–	–	(1,089)	(1,452)	–	(2,541)
Transfer from inventories	–	–	134,276	–	–	–	–	–	134,276
Transfer	216,062	27,750	–	–	–	–	–	(243,812)	–
Exchange realignment	22,127	2,980	15,332	227	1,169	2,003	2,424	6,781	53,043
At 31 December 2013	881,967	117,730	571,294	7,963	47,936	68,767	84,934	118,704	1,899,295
DEPRECIATION									
At 1 January 2012	101,608	18,312	1,332	3,028	23,810	43,481	58,061	–	249,632
Provided for the year	27,602	8,894	7,651	285	8,921	17,344	11,614	–	82,311
Eliminated on disposals	(5)	(16)	–	–	(177)	(1,323)	(2,287)	–	(3,808)
Disposal of subsidiaries	–	–	–	–	–	(552)	(2,319)	–	(2,871)
Exchange realignment	1,252	249	101	30	302	531	559	–	3,024
At 31 December 2012	130,457	27,439	9,084	3,343	32,856	59,481	65,628	–	328,288
Provided for the year	36,648	10,308	7,551	250	11,095	1,800	8,009	–	75,661
Eliminated on disposals	(90)	(205)	(390)	–	(299)	(11,887)	(11,265)	–	(24,136)
Disposal of a subsidiary	–	–	–	–	–	(568)	(1,078)	–	(1,646)
Exchange realignment	4,391	959	375	104	1,080	1,468	1,744	–	10,121
At 31 December 2013	171,406	38,501	16,620	3,697	44,732	50,294	63,038	–	388,288
CARRYING VALUES									
At 31 December 2013	710,561	79,229	554,674	4,266	3,204	18,473	21,896	118,704	1,511,007
At 31 December 2012	508,703	59,770	475,013	4,393	4,809`	18,191	28,007	352,923	1,451,809

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The above property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis at the following rates per annum:

Hotel buildings and improvements	25 years
Hotel furniture and equipment	5–15 years
Leasehold land and other buildings	Over the lease term
Plant and machinery	5–20 years
Leasehold improvements	5 years
Other furniture and equipment	3–5 years
Motor vehicles	5–8 years

As at 31 December 2013, the Group has pledged the interest in leasehold land held for own use under operating leases and hotel buildings and improvements with carrying amounts of HK$710,561,000 (2012: nil) to secure general banking facilities granted to the Group.

Except for the building of HK$220,354,000 (2012: HK$230,234,000) are erected on land in the PRC under long lease, the Group's remaining buildings are erected on land held under medium-term land use rights in the PRC.

16. PREPAID LEASE PAYMENTS

	2013 **HK$'000**	2012 HK$'000
Medium-term leasehold land in the PRC analysed for reporting purposes as:		
Current asset	**2,709**	2,615
Non-current asset	**92,178**	92,189
	94,887	94,804

As at 31 December 2013, the Group has pledged the interest in land use right for operating the hotel buildings with carrying amount of HK$87,978,000 (2012: nil) to secure general banking facilities granted to the Group.

17. INTANGIBLE ASSETS

	Trademark HK$'000
COST	
At 1 January 2012	62,870
Exchange realignment	563
At 31 December 2012	63,433
Exchange realignment	1,868
At 31 December 2013	65,301

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 would renew the trademark 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 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 has been allocated to the individual CGU. During the year ended 31 December 2013, management of the Group determines that there is no impairment (2012: 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.

18. INTERESTS IN ASSOCIATES

	2013 HK$'000	2012 HK$'000
Unlisted shares, at cost less impairment loss recognised	**1,666,959**	1,619,583
Share of post-acquisition profits and other comprehensive income, net of dividends received	**(19,210)**	(9,628)
	1,647,749	1,609,955

18. INTERESTS IN ASSOCIATES (CONTINUED)

As at 31 December 2013 and 2012, the Group had interests in the following associate:

Name of associate	Form of entity	Place of incorporation/ registration and operation	Issued and fully paid share capital/ registration capital	Proportion of ownership interest Group's effective interest 2013	2012	Held by subsidiary 2013	2012	Principal activity
天津市億嘉合置業有限公司 ("Tianjin Yijiahe") (note (a))	Limited company	The PRC	RMB38,000,000	**40%**	40%	**40%**	40%	Property development
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
上海城大水處理科技有限公司 ("Shanghai Water Sewage") (note (b))	Limited company	The PRC	RMB1,000,000	**–**	14.8%	**–**	25%	Provision of water sewage
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
上海東方低碳系統集成有限公司 ("Shanghai Assembly")	Limited company	The PRC	RMB40,000,000	**14.8%**	14.8%	**25%**	25%	Trading of energy-saving products

Notes:

(a) The Group agreed to pledge of the Group's shareholdings in Tianjin Yijiahe after the disposal in 2009 of 40% interest of Tianjin Yijiahe to Minmetals, the major shareholder of Tianjin Yijiahe in 2009, who owns 60% of the equity interest in Tianjin Yijiahe, as security for any possible breach of the responsibilities of the Group under the supplemental agreement in relation to the disposal. The main responsibilities of the Group are as follows:

(i) The Group is responsible for undertaking the preliminary development works of the property development project in respect of the piece of land (the "Land") situated at Tianjin Beichen Qu Yi Xing Bu Project (the "Project") including demolishment and re-settlement and obtaining planning approval and land clearance;

(ii) Minmetals is responsible for contributing a total amount of funds of RMB1,584,000,000 (equivalent to approximately HK$1,796,000,000) ("Minmetal's contribution") for the demolishment and re-settlement expenses of the land lot nos. 7 and 8 with a gross construction area of 800,000 square meters of the Land, whilst the Group is responsible for payment of any excess amount of the actual amount of the demolishment and re-settlement expenses over Minmetals's Contribution; and

(iii) In the event that there is any change in the shareholding of the Project, the affected outgoing shareholder shall provide complete and full disclosure to the new shareholder of the Project of all relevant matters and legal documents, and agreed terms of co-operation among the parties with respect to the Project.

(b) Shanghai Water Sewage was disposed of at a consideration of RMB250,000 (equivalent to HK$340,000) during the year ended 31 December 2013.

18. INTERESTS IN ASSOCIATES (CONTINUED)

Summarised financial information of material associates

Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with PRC's generally accepted accounting principles which comply with HKFRSs for the purpose of preparation of these consolidated financial statements.

All of the Group's associates are accounted for using the equity method in these consolidated financial statements:

	2013 HK$'000	2012 HK$'000
Shanghai Shentian		
Current assets (note)	3,705,148	3,537,714
Non-current assets	–	7,406
Current liabilities	(55,980)	(343)
Non-current liabilities	–	–
Net assets	3,649,168	3,544,777
Revenue	–	–
Profit and total comprehensive expense for the year	–	–

Note: The balance mainly comprises land cost relating to properties held-for-sale which are under development. The development plan is still subject to the approval of the respective government departments in the PRC.

Reconciliation of the above summarised financial information to the carrying amount of the interests in the associates recognised in the consolidated financial statements:

	2013 HK$'000	2012 HK$'000
Net assets of Shanghai Shentian	3,649,168	3,544,777
Proportion of the Group's ownership interest in Shanghai Shentian	35%	35%
Carrying amount of the Group's interest in Shanghai Shentian reflected in the Group's consolidated statement of financial position	1,277,209	1,240,672

	2013 HK$'000	2012 HK$'000
Aggregate information of associates that are not individually material		
The Group's share of losses	(9,161)	(4,721)
Aggregate carrying amount of the Group's interests in these associates	370,540	369,283

19. INTEREST IN A JOINT VENTURE

	2013 HK$'000
Unlisted shares, at cost	65,718
Share of post-acquisition loss and other comprehensive expense	–
	65,718

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	Proportion of ownership interest: Group's effective interest 2013	Group's effective interest 2012	Held by subsidiary 2013	Held by subsidiary 2012	Principal activities
Initial Point Investment Limited ("Initial Point") (Note)	Limited company	Hong Kong	HK$100	51%	–	51%	–	Investment holding
Subsidiary of Initial Point								
福州城開實業有限公司 ("Fuzhou Chengkai")	Limited company	The PRC	RMB200,000,000	51%	–	51%	–	Property development

Note: Initial Point was established during the year ended 31 December 2013. The Group has the power to appoint two out of five directors in the board of Initial Point. The remaining three directors are appointed by another two investors. According to the shareholders agreement of Initial Point, all board resolutions require approval from over 66.67% of the board members. Therefore, Initial Point is classified as a joint venture of the Group. Fuzhou Chengkai which is a wholly owned subsidiary of Initial Point was established for a short period of time during the current year and still in the pre-operating stage with insignificant expenses incurred. Therefore, no sharing of result is made accordingly.

Financial information of the joint venture

The financial information below represents amounts shown in the joint venture's consolidated financial statements prepared in accordance with HKFRSs.

The Group's joint venture is accounted for using the equity method in these consolidated financial statements.

19. INTEREST IN A JOINT VENTURE (CONTINUED)

Initial Point and its subsidiary

	2013 HK$'000
Current assets	260,154
Non-current assets	4,025
Current liabilities	(141,004)
Non-current liabilities	–
Net assets	123,175

	2013 HK$'000
The above amounts of assets and liabilities include the following:	
Cash and cash equivalents	8,965

	2013 HK$'000
Revenue	–
Loss for the period from date of establishment	(4,245)
Other comprehensive expense for the period	(1,439)
Total comprehensive expense for the period	(5,684)

Reconciliation of the above summarised financial information to the carrying amount of the interest in a joint venture recognised in the consolidated financial statements:

	2013 HK$'000
Net assets of Initial Point	123,175
Proportion of the Group's ownership interest in Initial Point	51%
	62,819
Add: Unadjusted share of total comprehensive expense of the joint venture	2,899
Carrying amount of the Group's interest in the joint venture	65,718

20. AMOUNTS DUE FROM (TO) ASSOCIATES

The amounts due from associates are non-trade in nature, unsecured, interest free and repayable on demand. The directors of the Company consider that the amount due from an associate, amounting to HK$87,160,000 (2012: HK$84,666,000), will not be repaid within twelve months. Accordingly, it is classified as non-current assets as at 31 December 2013 and 2012.

The amounts due to associates are trading in nature, unsecured, interest-free and have an average credit period of 30 days.

21. AVAILABLE-FOR-SALE INVESTMENTS

	2013	2012
	HK$'000	HK$'000
Unlisted equity securities	**102,633**	34,398

The above unlisted equity investments represent investments in unlisted equity securities issued by private entities established in the PRC. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

22. RESTRICTED AND PLEDGED BANK DEPOSITS

Included in restricted bank deposits an amount of approximately HK$84,058,000 at 31 December 2013 (2012: HK$81,393,000) represent deposits under restriction for use by the Group as a result of a commercial court case of a non-controlling shareholder of a subsidiary and the bank deposits were frozen accordingly. The restricted bank deposits carry fixed interest at a rate of 0.5% per annum as at 31 December 2013 (2012: 0.5%). As the deposits are frozen and are not expected to be released within one year, the restricted deposits are classified as non-current.

The Group has entered into agreements with certain banks with respect to mortgage loans provided to the buyers of the Group's property units. The Group made deposits as security for the settlement of the mortgage instalments by the mortgagors under these agreements. Should the mortgagors fail to pay the mortgage instalments, the banks can draw down the security deposits up to the amount of outstanding mortgage instalments and demand the Group to pay the outstanding balance to the extent that the deposit balance is insufficient. These pledged bank deposits, amounting to HK$60,471,000 (2012: HK$25,944,000), will be released when the property title deeds are pledged to banks as security for respective mortgage loans, which generally take place within one year after the property title deeds are passed to the buyers. As at 31 December 2013, deposits which are expected by the directors of the Company to be released within twelve months, amounting to HK$43,729,000 (2012: nil), are classified as current assets. The remaining balances which are expected to be released more than one year after the property title deeds are passed to the buyers, amounting to HK$16,742,000 (2012: HK$25,944,000) are classified as non-current assets. These pledged bank deposits carry variable interest rate of 0.4% at 31 December 2013 per annum (2012: 0.4% per annum).

22. RESTRICTED AND PLEDGED BANK DEPOSITS (CONTINUED)

Pledged bank deposits represent deposits pledged to banks to secure general banking facilities granted to the Group. Deposits with maturity of less than twelve months amounting to HK$342,037,000 (2012: HK$52,731,000) are classified as current assets. As at 31 December 2012, deposits with maturity of more than one year, amounting to HK$124,378,000 (2013: nil), are classified as non-current assets. The pledged bank deposits carry interest at fixed interest rates ranging from 2.0% to 2.6% per annum (2012: 2.1% to 2.5% per annum). The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

23. INVENTORIES

Inventories in the consolidated statement of financial position comprise:

	2013 HK$'000	2012 HK$'000
Property development		
Properties under development	**24,926,441**	30,947,763
Properties held-for-sale	**9,499,440**	5,352,500
	34,425,881	36,300,263
Hotel operations		
Food and beverage and others	**5,436**	7,888
	34,431,317	36,308,151

All of the properties under development and completed properties held-for-sale are located in the PRC.

At 31 December 2013, properties under development of HK$2,854,078,000 (2012: HK$2,719,827,000) and properties held-for-sale of HK$257,195,000 (2012: HK$470,352,000) were carried at net realisable value.

At 31 December 2013, property under development of HK$21,103,891,000 (2012: HK$20,521,915,000) are not expected to be realised within one year.

At 31 December 2013, included in inventories are 4 pieces of land with carrying amount of RMB4,206,852,000 (equivalent to HK$5,386,494,000) which were obtained from Shanghai Xuhui District Planning and Land Administration Bureau（上海市徐匯區規劃和土地管理局）("Shanghai Xuhui") under a land swap arrangement (the "Arrangement"). Under the Arrangement, the Group transferred a piece of land with similar carrying amount to Shanghai Xuhui. No land premium or any other amounts are payable by the Group for the land swap. In the opinion of directors of the Company, there is no material difference in fair values of the lands involved in the Arrangement. The land swap procedures have been completed as at year ended 31 December 2013.

24. TRADE AND OTHER RECEIVABLES

	2013 HK$'000	2012 HK$'000
Trade receivables	257,714	80,586
Less: Allowance for doubtful debts	–	(829)
	257,714	79,757
Other receivables	312,832	291,172
Advance payments to contractors	38,355	23,960
Amounts due from former subsidiaries (note 1)	186,649	628,726
Sales commission deposits	11,754	11,754
Prepaid other taxes	248,555	328,635
Deposits and prepayments	269,941	20,344
Consideration receivable for disposal of a subsidiary (note 2)	172,535	–
Consideration receivables for disposal of assets through disposal of subsidiaries (note 3)	1,006,902	–
	2,505,237	1,384,348

Notes:

(1) The amounts are composed of the amount due from Chengdu Zhongxin, the subsidiary disposed of in prior year, amounting to HK$2,142,000 (2012: HK$628,726,000) and the amount due from Chongqing Depu, the subsidiary disposed of in current year, amounting to HK$184,507,000 (2012: nil). Details of disposal of Chengdu Zhongxin and Chongqing Depu are set out in note 41. The amount due from Chengdu Zhongxin is interest-free, repayable on demand and secured by the shares of Leadway which holds 70% shareholding in Chengdu Zhongxin. The amount due from Chongqing Depu is unsecured, interest bearing at People's Bank of China's interest rate plus a premium and repayable installments, with RMB19,250,000 (equivalent to HK$24,648,000) and RMB62,425,000 (equivalent to HK$79,930,000) to be repaid on or before 31 March 2014 and 30 June 2014 respectively and the remaining balances to be repaid on or before 30 September 2014..

(2) The balance represents the consideration received for disposal Chongqing Depu. Details of the disposal are set out in note 41. The amount is interest bearing at People's Bank of China's interest rate, unsecured and repayable in installments, with RMB40,425,000 (equivalent to HK$51,761,000 to be payable within three days after the transaction certificate dated 30 December 2013 issued by the relevant government authority, with RMB26,950,000 (equivalent to HK$34,507,000) to be repaid on or before 10 January 2014 and the remaining balances to be repaid on or before 31 March 2014. Up to the date when the financial statements are authorised for issue, RMB67,375,000 (equivalent to HK$86,268,000) has been settled.

(3) The balance represents the consideration receivables for disposal of its wholly owned subsidiaries, Earn Harvest Limited and Power Tact Investment Limited. Details of the disposal are set out in note 34. The amount is interest-free, secured by ordinary shares of Earn Harvest Limited and Power Tact Investment Limited and repayable in installments, with RMB300,000,000 (equivalent to HK$384,123,000) to be repaid on or before 31 March 2014 and the remaining balances to be repaid on or before 30 June 2014.

24. TRADE AND OTHER RECEIVABLES (CONTINUED)

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. Balances as at 31 December 2013 mainly included the retention receivables of HK$201,792,000 (2012: HK$68,876,000) for affordable housing sold to the Shanghai government department for which a retention period of few months to one year was granted. These balances have not been due at the end of the reporting period. The following is of trade receivables, net of allowance for doubtful debts, presented based on the date of billing at the end of the reporting period.

	2013	2012
	HK$'000	HK$'000
Within 90 days	**130,101**	77,057
Within 91–180 days	**53,780**	1,591
Over 180 days	**73,833**	1,109
	257,714	79,757

Majority of the trade receivables that are neither past due nor impaired has no default payment history.

Ageing of trade receivables which are past due but not impaired

	2013	2012
	HK$'000	HK$'000
Within 91–180 days	**1,997**	1,591
Over 180 days	**962**	1,109
	2,959	2,700

Trade receivables that were past due but not provided for impairment loss relate to a number of independent customers. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Movement in the allowance of doubtful debts

	2013	2012
	HK$'000	HK$'000
At 1 January	**829**	822
Exchange realignment	**25**	7
Written off as uncollectible	**(854)**	–
At 31 December	**–**	829

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2013 HK$'000	2012 HK$'000
Held-for-trading investment		
Equity securities listed outside Hong Kong	2,074	12,887

The fair value measurement of the held-for-trading investments are derived from quoted prices (unadjusted) in active market for identical assets.

26. BANK BALANCES AND CASH

Bank balances which include saving deposits and fixed deposits with maturity less than three months carry interest at market rates which range from 0.01% to 3.25% per annum (2012: 0.01% to 3.30% per annum).

27. ASSETS CLASSIFIED AS HELD-FOR-SALE

	2013 HK$'000	2012 HK$'000
Assets classified as held-for-sale		
– Investment properties	132,458	301,593

As disclosed in note 14, the Group entered into sales and purchase agreements to dispose of certain investment properties to independent third parties during both years. The properties classified as assets held-for-sale as at 31 December 2012 were fully disposed of during current year. The properties classified as assets held-for-sale as at 31 December 2013 will be delivered and the disposal is expected to be completed in next twelve months upon the conditions stated in the respective agreements are fulfilled. Deposits of HK$66,249,000 (2012: HK$188,912,000) were received by the Group before the end of the reporting period and are included in trade and other payables as set out in note 28.

28. TRADE AND OTHER PAYABLES

	2013 HK$'000	2012 HK$'000
Trade payables	**892,941**	1,204,283
Accrued expenditure on properties under development	**3,822,551**	2,115,834
Amounts due to former shareholders of the Company's former subsidiaries (note 1)	**178,112**	147,524
Compensation payables to customers in respect of late delivery of properties	**136,801**	135,958
Deposits received for the disposal of investment properties	**66,249**	188,912
Receipts from customers for payment of expenses on their behalf	**61,537**	99,280
Interest payable	**190,187**	230,359
Payables to the Shanghai government department (note 2)	**366,528**	–
Accrued charges and other payables	**646,393**	696,495
Other taxes payables (note 3)	**77,175**	27,060
	6,438,474	4,845,705

Notes:

(1) The amounts are non-trade in nature, interest-free and repayable on demand.

(2) The amount represents the receipts from the purchasers of affordable housings on behalf of the Shanghai government department, net of receivable from the relevant Shanghai government department arising from the sales of affordable housings.

(3) Other taxes payables comprise urban real estate tax payable, city maintenance and construction tax payable and business tax payable.

The following is an aged analysis of the Group's trade payables presented based on the invoice date at the end of the reporting period.

	2013 HK$'000	2012 HK$'000
Within 30 days	**4,707**	386,014
Within 31–180 days	**41,583**	114,162
Within 181–365 days	**671,971**	480,932
Over 365 days	**174,680**	223,175
	892,941	1,204,283

29. AMOUNTS DUE FROM (TO) RELATED COMPANIES

The Group had the following balances with related parties:

	NOTES	2013 HK$'000	2012 HK$'000
Amounts due from related companies:			
– Xuhui SASAC and entities controlled by Xuhui SASAC	note (i)	–	128,755
– An entity controlled by a former controlling shareholder	note (ii)	–	339
– Non-controlling shareholders	note (iii)	**83,612**	66,294
		83,612	195,388
Amounts due to related companies:			
– Xuhui SASAC and entities controlled by Xuhui SASAC	note (iv)	**310,088**	304,868
– An entity controlled by a former controlling shareholder	note (ii)	**2,466**	2,466
– Non-controlling shareholders	note (iii)	**117,843**	269,498
– SIHL	note (v)	**30,340**	29,472
		460,737	606,304

Notes:

(i) Xuhui District State-owned Assets Supervision and Administrative Committee ("Xuhui SASAC") owns 41% equity interests in SUD and therefore a non-controlling shareholder of the Group. Xuhui SASAC is a government authority authorised by and established directly under the Shanghai Xuhui District People's Government for supervising and managing state-owned assets in the Xuhui District, the PRC.

An amount of HK$111,568,000 as at 31 December 2012 represented loan advanced to an entity controlled by Xuhui SASAC through an entrusted loan agreement administrated by a bank, which carries fixed interest at 5.80% per annum, and was unsecured and repayable within one year. The remaining balances were unsecured, interest-free and repayable on demand. The whole balances were fully settled during the year ended 31 December 2013.

(ii) The entity is controlled by Mr. Li Song Xiao, the former controlling shareholder of the Company. Mr. Li Song Xiao was a substantial shareholder of the Company at 31 December 2010. The amount is unsecured, interest-free and repayable on demand.

(iii) The amounts are due from (to) non-controlling shareholders of the Group. Included in the amounts due from non-controlling shareholders at 31 December 2013 of HK$83,612,000 (2012: HK$66,045,000), which are non-trade in nature, unsecured, interest-free and repayment term was extended to 7 July 2014 (2012: fully repayable on 7 July 2013) according to the agreement with the non-controlling shareholder. Included in the amounts due to non-controlling shareholders at 31 December 2013 of HK$16,364,000 (2012: HK$120,510,000) represents loans advanced from non-controlling shareholders through entrusted loan agreements administrated by banks, which carry fixed interest ranging from 6.00% to 7.00% per annum (2012: 7.02% to 7.80% per annum) and repayable within one year. The remaining amounts are non-trade in nature, unsecured, interest-free and repayable on demand.

(iv) The amounts due to Xuhui SASAC and entities controlled by Xuhui SASAC are unsecured. An amount of HK$202,790,000 (2012: HK$226,952,000) included in the balances as at 31 December 2013 represents loan advanced from an entity controlled by Xuhui SASAC through an entrusted loan agreement administrated by a bank, which carries fixed interest at 5.80% per annum (2012: 7.10% per annum) and are repayable within one year. The remaining balances are unsecured, interest free bearing and repayable on demand.

(v) The amount is unsecured, interest-free and repayable on demand.

30. CONSIDERATION PAYABLES FOR ACQUISITION OF SUBSIDIARIES

In November 2007, the Group entered into purchase agreements with independent third parties to acquire a 80% equity interest in Shenyang Xiangming, a company established in the PRC to carry out a property development project in Shenyang, the PRC, for a total cash consideration of HK$609,800,000. The remaining consideration payable of HK$73,964,000 was settled during the year ended 31 December 2012.

In November 2007, the Group entered into purchase agreements with independent third parties to acquire a 100% equity interest in Qizhou Island Movie Town, a company established in the PRC to carry out a property development project in Zhuhai, the PRC, for a total cash consideration of HK$3,076,232,000. At 31 December 2013, a consideration payable of HK$164,016,000 (2012: HK$159,324,000) is not yet settled. The seller has taken legal action against the Group for the non-payment of the consideration. Details are set out in note 44(c).

In December 2007, the Group entered into purchase agreements with independent third parties to acquire a 90% equity interest in Zhong Ou Cheng Kai, a company established in the PRC to carry out a property development project in Hebei Province, the PRC, for a total cash consideration of HK$547,260,000. Zhong Ou Cheng Kai became a wholly-owned subsidiary of the Company in 2009. At 31 December 2013, a consideration payable of HK$84,507,000 (2012: HK$82,090,000) is not yet settled.

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, the PRC, for a total consideration of RMB82,090,000 (equivalent to HK$93,369,000). Prior to the acquisition, the Group held 43.95% interest in Jun He Bai Nian and this has been 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 has disposed of Jun He Bai Nian in 2009. At 31 December 2013, a consideration payable of HK$76,825,000 (2012: HK$74,627,000) is not yet settled as the amount of consideration as interpreted by the sales and purchase agreement is 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 has accrued the consideration in prior year which represents the maximum amount that the Group has an obligation to pay in previous years. The Group is taking legal action against previous court decision and awaiting for the court's decision.

The consideration payables are not yet paid either due to certain conditions of the respective sales and purchase agreements are not yet fulfilled as at the end of the reporting period or the parties involved in the transactions are still in dispute regarding the terms of agreements.

31. PRE-SALE PROCEEDS RECEIVED ON SALES OF PROPERTIES

Pre-sale proceeds received on sales of properties represent proceeds received on property unit sales that have not been recognised as revenue in accordance with the Group's revenue recognition policy. An amount of HK$457,864,000 (2012: HK$2,228,196,000) is expected to be recognised as revenue after more than one year.

32. DEFERRED TAXATION

The following are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior years:

	Fair value adjustment on revaluation of inventories HK$'000	Revaluation of investment properties HK$'000	Fair value adjustment on hotel properties HK$'000	Accrued expenses HK$'000	LAT deferred tax HK$'000	Undistributed earnings of PRC entities HK$'000	Others HK$'000	Total HK$'000
At 1 January 2012	(1,058,268)	(2,003,802)	(21,007)	245,383	(232,491)	(68,214)	(807)	(3,139,206)
Credit (charge) for the year	34,050	74,984	221	(34,689)	60,322	–	465	135,353
Exchange realignment	(9,356)	(17,160)	(185)	1,794	(1,377)	–	(3)	(26,287)
At 31 December 2012	(1,033,574)	(1,945,978)	(20,971)	212,488	(173,546)	(68,214)	(345)	(3,030,140)
Credit (charge) for the year	60,446	233,352	227	(1,346)	22,710	–	(80)	315,309
Exchange realignment	(29,579)	(54,980)	(614)	6,237	(4,771)	(2,009)	(13)	(85,729)
At 31 December 2013	(1,002,707)	(1,767,606)	(21,358)	217,379	(155,607)	(70,223)	(438)	(2,800,560)

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:

	31.12.2013 HK$'000	31.12.2012 HK$'000
Deferred tax assets	**217,379**	212,488
Deferred tax liabilities	**(3,017,939)**	(3,242,628)
	(2,800,560)	(3,030,140)

At the end of the reporting period, the Group has unused tax losses of HK$3,422,602,000 (At 31 December 2012: HK$3,139,398,000) available for offset against future profits, which are subject to the confirmation from Hong Kong Inland Revenue Department and the PRC Tax Bureau. No deferred tax asset has been recognised in respect of such losses and deductible temporary difference due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK$3,329,825,000 (2012: HK$3,046,621,000) that will expire in 2018 (2012: expire in 2017). Other losses may be carried forward indefinitely.

33. BANK AND OTHER BORROWINGS

	2013 HK$'000	2012 HK$'000
Bank borrowings (Note (i))	**7,212,461**	7,488,212
Other borrowings (Note (ii))	**4,180,940**	4,577,958
	11,393,401	12,066,170
Analysed as:		
Secured	**6,193,255**	6,949,653
Unsecured	**5,200,146**	5,116,517
	11,393,401	12,066,170
Carrying amount repayable:		
Within one year	**3,858,292**	5,777,737
More than one year, but not exceeding two years	**2,748,335**	1,803,981
More than two years, but not exceeding five years	**4,019,929**	1,658,134
Over five years	**766,845**	2,826,318
	11,393,401	12,066,170
Less: Amount due within one year shown under current liabilities	**(3,858,292)**	(5,777,737)
Amount due after one year (Note (iii))	**7,535,109**	6,288,433

	2013 HK$'000	2012 HK$'000
Floating rate		
– expiring within one year	**1,453,683**	4,736,816
– expiring beyond one year	**7,535,109**	6,028,246
Fixed rate		
– expiring within one year	**2,404,609**	1,040,921
– expiring beyond one year	**–**	260,187
	11,393,401	12,066,170

33. BANK AND OTHER BORROWINGS (CONTINUED)

Notes:

(i) Assets that have been pledged as collateral to secure bank borrowings are as follows:

	2013 HK$'000	2012 HK$'000
Properties under developments	**10,630,517**	10,736,310
Properties held-for-sales	**132,958**	30,818
Hotel buildings and improvement	**710,561**	–
Land use right	**87,978**	–
Investment properties	**3,376,629**	5,726,976
Pledged bank deposits	**342,037**	177,109
	15,280,680	16,671,213

(ii) The Group's other borrowings are analysed as follows:

	2013 HK$'000	2012 HK$'000
Borrowings from SIHL Finance Limited (note (a))	**1,000,000**	1,000,000
Borrowings from SIIC (note (b))	**1,280,410**	1,243,781
Advanced bond (note (c))	**1,900,530**	1,835,545
	4,180,940	4,079,326
Other Borrowings (note (d))	**–**	498,632
	4,180,940	4,577,958

(a) In January 2012, the Company and SIHL Finance Limited, a wholly-owned subsidiary of SIHL, entered into a renewed loan agreement. Pursuant to which SIHL Finance Limited agreed to extend the repayment of the loan of HK$1,000,000,000. The balance was unsecured and bearing variable interest at 6.30% per annum and repayable on 30 June 2013. In January 2013, the repayment of the loan was further extended to 30 June 2014 with revised fixed interest rate at 5.85% per annum.

(b) The balance represents unsecured loans of HK$1,280,410,000 in aggregate (2012: HK$1,243,781,000) advance from SIIC through an entrusted loan agreement administered by a bank. Such loans carried fixed interest at 6.52% per annum (2012: 6.52% per annum) and was repayable within one year.

(c) The advanced bond represented a bond issued during the year ended 31 December 2012 by SUD, the subsidiary of the Company, which the bond is listed on Shanghai Stock Exchange. The bond was unsecured and has maturity of six years until 20 August 2018. The bond carried interest at 6.50% for the first three years, and 6.50% plus 0 to 100 basis point for the next three years. The bondholders have the right to request SUD to redeem the bonds from the fourth year onwards at principal amount. Transaction costs of approximately HK$33,194,000 were directly deducted from carrying amount of advance bond and the advance bond carried effective interest at 7.19% per annum (2012: 7.19% per annum).

(d) The balance as at 31 December 2012 represented unsecured loans of RMB400,900,000 (equivalent to HK$498,632,000) advanced from non-controlling shareholders, which carried interest at effective rate of 9.55% per annum and were repayable within one year. The loans were fully settled during the year ended 31 December 2013.

33. BANK AND OTHER BORROWINGS (CONTINUED)

Notes (continued)

(iii) As at 31 December 2013, included in the Group's balance are other borrowings of approximately HK$1,900,530,000 (2012: HK$1,835,545,000) due after one year.

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2013	2012
Effective interest rate:		
Fixed-rate borrowings	**5.85% – 6.60%**	6.10% – 12.0%
Variable-rate borrowings	**1.98% – 7.48%**	5.76% – 8.31%

34. GAIN ON DISPOSAL OF ASSETS THROUGH DISPOSAL OF SUBSIDIARIES

During the year ended 31 December 2013, the Group disposed of an exclusive right for a specific piece of land ("Specific Land") held by a subsidiary, Shanghai Urban Development Group Longcheng Properties Co., Ltd. 上海城開集團龍城置業有限公司 ("SUD Longcheng"), through disposal of its wholly owned subsidiaries, Earn Harvest Limited and Power Tact Investment Limited, which holds 25% equity interest in SUD Longcheng to an independent third party at a consideration of RMB1,174,500,000 (equivalent to HK$1,463,369,000) ("Purchase Consideration"). In addition to the Purchase Consideration, the purchaser agreed to take up 25% of SUD Longcheng's net liabilities at the date of completion of the disposal and is not entitled to exert influence or share of any appropriations of SUD Longcheng generated from operations or obliged to bear any additional obligations of SUD Longcheng after the completion, other than its exclusive right for the Specific Land. The disposal was completed on 27 June 2013. At the date of completion, the net liabilities shared by the purchaser was RMB217,022,000 (equivalent to HK$270,399,000) which in aggregate with Purchase Consideration amounted to RMB1,391,522,000 (equivalent to HK$1,733,768,000).

The land use right of the Specific Land is still held under the name of SUD Longcheng.

34. GAIN ON DISPOSAL OF ASSETS THROUGH DISPOSAL OF SUBSIDIARIES (CONTINUED)

The net assets of subsidiaries and assets (including the Specific Land) at the date of disposal were as follows:

	HK$'000
Consideration received:	
Cash received	244,365
Deferred cash consideration	1,489,403
Total consideration	1,733,768
Analysis of assets and liabilities disposed of:	
Specific Land included in inventories of the Group	914,715
Bank balances and cash	116
Other payables	(188)
	914,643
Gain on disposal	819,125

	HK$'000
As at 31 December 2013	
Net cash inflow arising on disposal:	
Cash received	244,365
Deferred cash consideration received in the current year	482,501
Less: Bank balances and cash disposal of	(116)
	726,750

Pursuant to the agreement, the deferred consideration will be settled by instalments in cash by the acquirer. Deferred cash consideration of RMB400,000,000 (equivalent to HK$482,501,000) was received before the end of the reporting period. The detail terms on the settlement of the remaining deferred cash consideration are set out in note 24(3).

35. SENIOR NOTES/WARRANTS

On 23 July 2007, the Company issued 4,000 units of senior notes at a par value of US$400,000,000, (equivalent to approximately HK$3,120,000,000) ("Senior Notes 2014") and 264,000,000 warrants ("Warrants 2012"). The Senior Notes 2014 bear interest at 9.75% per annum and will mature on 23 July 2014 ("Notes Maturity Date"). The Senior Notes 2014 are guaranteed by all of the Company's existing subsidiaries at the date of issue other than those established under the laws of the PRC.

The Senior Notes 2014 and Warrants 2012 are separated immediately upon their issuance and the Warrants 2012 are detachable from the Senior Notes 2014.

The Warrants 2012 are exercisable at any time from the date of issue to 23 July 2012 at an exercise price of HK$1.68 per share, subject to anti-dilutive adjustments, to subscribe for shares of the Company. The Warrants 2012 are denominated in HK$ and settlement of the warrant is structured at a net share settlement basis. As the Warrants 2012 may be settled other than by exchange of a fixed amount of cash for a fixed number of the Company's shares, the Warrants 2012 is classified as a derivative financial liability and measured at fair value with changes in fair value recognised in the profit or loss. A change in fair value of warrants of HK$3,000 was charged to the profit or loss during the year ended 31 December 2012 upon the maturity of warrant 2012.

At any time prior to the Notes Maturity Date, the Company may redeem the Senior Notes 2014, in whole or in part, at a redemption price equal to 100% of the principal amount plus the greater of (1) 1% of the principal amount of Senior Notes 2014 being redeemed and (2) the excess of (A) the present value at such redemption date of (i) 100% of the principal amount of the Senior Notes 2014 plus (ii) all required remaining scheduled interest payments due on Senior Notes 2014 through to the Notes Maturity Date, computed using a discount rate equal to the comparable treasury issue plus 100 basis points, over (B) the principal amount of Senior Notes 2014 on such redemption date ("100% Redemption Right of the Issuer – Senior Notes 2014"). As the economic characteristics and risks of the 100% Redemption Right of the Issuer – Senior Notes 2014 are not closely related to the host contract, the 100% Redemption Right of the Issuer – Senior Notes 2014 is separately accounted for at fair value at each reporting date as a derivative financial instrument. The fair value of the 100% Redemption Right of the Issuer – Senior Notes 2014 was insignificant as at 31 December 2013 and 2012.

35. SENIOR NOTES/WARRANTS (CONTINUED)

At any time prior to 23 July 2011, the Company may redeem up to 35% of the principal amount of the Senior Notes 2014 with the net cash proceeds of one or more sales of common stock of the Company in an equity offering at a redemption price of 109.75% of the principal amount of the Senior Notes 2014 ("35% Redemption Right of the Issuer – Senior Note 2014"). As the economic characteristics and risk of the 35% Redemption Right of the Issuer – Senior Notes 2014 are not closely related to the host contract, the 35% Redemption Right of the Issuer – Senior Notes 2014 is separately accounted for at fair value at each reporting dates as a derivative financial instrument. The Company did not exercise its right to early redeem the Senior Notes 2014 and therefore, the 35% Redemption Right of the Issuer – Senior Note 2014 lapsed in 2011.

The Senior Notes 2014 contain a liability element, Warrants 2012, 100% Redemption Right of the Issuer – Senior Notes 2014 and 35% Redemption Right of the Issuer – Senior Notes 2014. At 31 December 2013, the effective interest rate of the liability element is 11.4% (2012: 11.4%).

36. SHARE CAPITAL

	Number of shares '000	Amount HK$'000
Ordinary shares of HK$0.04 each		
Authorised:		
At 1 January 2012, 31 December 2012 and 31 December 2013	10,000,000	400,000
Issued and fully paid:		
At 1 January 2012, 31 December 2012 and 2013	4,811,523	192,461

There was no movement in the Company's share capital in both years.

37. SHARE OPTIONS

Pursuant to a special general meeting of the Company held on 12 December 2002, the Company adopted a Share Option Scheme. Pursuant to the Share Option Scheme, the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and 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.

37. SHARE OPTIONS (CONTINUED)

At 31 December 2013, the number of shares of the Company in respect of which options had been granted and remained outstanding under the Scheme of the Company was 57,750,000 (2012: 60,750,000), representing 1.2% (2012: 1.3%) of the shares of the Company in issue at that date.

The following tables disclose movements of the Company's share options during the year.

Grantees	Date of grant	Outstanding at 1.1.2013	Transfer during year (note (i) & (ii))	Forfeited during year	Outstanding at 31.12.2013	Exercisable period	Exercised price per share (subject to anti-dilutive adjustment)
Directors	24 September 2010	33,000,000	5,000,000	–	38,000,000	24 September 2010 – 23 September 2020	2.98
Employees	24 September 2010	27,750,000	(12,000,000)	(3,000,000)	12,750,000	24 September 2010 – 23 September 2020	2.98
Others	24 September 2010	–	7,000,000	–	7,000,000	24 September 2010 – 23 September 2020	2.98
Exercisable at the end of the year					57,750,000		
Weighted average exercise price		2.98	–	2.98	2.98		

Grantees	Date of grant	Outstanding at 1.1.2012	Transfer during year	Forfeited during year	Outstanding at 31.12.2012	Exercisable period	Exercised price per share (subject to anti-dilutive adjustment)
Directors	24 September 2010	56,000,000	–	(23,000,000)	33,000,000	24 September 2010 – 23 September 2020	2.98
Employees	24 September 2010	35,000,000	–	(7,250,000)	27,750,000	24 September 2010 – 23 September 2020	2.98
Exercisable at the end of the year					60,750,000		
Weighted average exercise price		2.98	–	2.98	2.98		

Notes:

(i) During the year ended 31 December 2013, Mr. Chen Anmin holding 7,000,000 share options resigned as a director of the Company and was employed as a consultant of the Group. As he remains in providing service to the Group, the share options are still valid in accordance with the Scheme.

(ii) During the year ended 31 December 2013, Ms. Huang Fei and Mr. Ye Weiqi, holding 6,000,000 share options each, used to be an employee of the Group were appointed as a director of the Company.

37. SHARE OPTIONS (CONTINUED)

No share option was granted since 2010. Share options granted in 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.

The Group recognised HK$8,674,000 in profit or loss for the year ended 31 December 2012 in relation to share options granted by the Company (2013: nil).

38. CAPITAL RISK MANAGEMENT

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

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

The directors of the Company actively and regularly review the capital structure. As part of this review, the directors of the Company consider 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 senior notes and bank and other borrowings less bank balances and cash and restricted and pledged bank deposits (2012: senior notes and bank and other borrowings less bank balances and cash and restricted and pledged bank deposits) to equity. As at 31 December 2013, the gearing ratio of the Group was 41.3% (2012: 50.2%). Based on recommendations of the directors of the Company, 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.

39. FINANCIAL INSTRUMENTS

a. *Categories of financial instruments*

	2013 HK$'000	2012 HK$'000
Financial assets		
Available-for-sale investments	**102,633**	34,398
Financial assets at FVTPL	**2,074**	12,887
Loans and receivables (including cash and cash equivalents)	**8,452,819**	6,825,433
Financial liabilities		
Other financial liabilities	**17,538,647**	18,363,234

39. FINANCIAL INSTRUMENTS (CONTINUED)

b. *Financial risk management objectives and policies*

The Group's major financial instruments include available-for-sale investments, financial assets at FVTPL, restricted and pledged bank deposits, bank balances and cash, trade and other receivables, trade and other payables, amounts due from an associate and related companies, amounts due to associates and related companies, consideration payables for acquisition of subsidiaries, bank and other borrowings and senior notes. 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 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 the project development 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 at the reporting date are as follows:

	Assets		Liabilities	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
United States dollar ("US$")	**109**	1,100	**3,348,821**	3,183,578
HK$	**62,272**	88,750	**1,015,173**	1,014,630

39. 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% (2012: 5%) increase and decrease in RMB against the relevant foreign currencies. 5% (2012: 5%) are 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 positive/negative number below indicates an increase/decrease in post-tax profit (2012: increase/decrease in post-tax profit) where RMB strengthen 5% (2012: 5%) against US$ and HK$ respectively. For a 5% (2012: 5%) weakening of RMB against US$ and HK$ respectively, there would be an equal and opposite impact on the result.

	US$ (i)		HK$ (ii)	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Increase in post-tax profit for the year	**167,436**	159,124	**47,645**	46,294

(i) This is mainly attributable to the exposure to outstanding senior notes and a bank borrowing denominated in US$ at the year end.

(ii) This is mainly attributable to the exposure to outstanding other borrowings due to SIHL and bank balances denominated in HK$ at the year end.

(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 33 for details of these borrowings), 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 risks.

The Group is also exposed to fair value interest rate risk in relation to fixed-rate bank and other borrowings, amounts due to Xuhui SASAC and entities controlled by Xuhui SASAC, senior notes and restricted and pledged bank deposits. The Group currently does not enter into any hedging instrument for fair value interest rate risks.

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 fluctuation of the Benchmark Lending Rate of the People's Bank of China arising from the Group's RMB and HK$ denominated borrowings.

39. FINANCIAL INSTRUMENTS (CONTINUED)

b. *Financial risk management objectives and policies (continued)*

Market risk (continued)

(ii) Interest rate risk (continued)

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 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 basis point (2012: 100 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points (2012: 100 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2013 would decrease/increase by HK$44,338,000 (2012: post-tax profit decrease/increase by HK$33,426,000) assuming HK$24,891,000 (2012: HK$38,781,000) interest are capitalised into qualifying assets.

The Group's sensitivity to interest rates has increased during the current year mainly due to the decrease in variable rate debt instruments are utilised for development of qualifying assets.

(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.

No sensitivity analysis on other price risk is presented as the directors of the Company consider a reasonable possible change to the fair value of the financial assets at FVTPL will not have a significant effect to the Group's profit or loss.

Credit risk

As at 31 December 2013, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position; and

- the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in note 44(a).

39. FINANCIAL INSTRUMENTS (CONTINUED)

b. *Financial risk management objectives and policies (continued)*

Credit risk (continued)

The Group's credit risk is primarily attributable to its trade and other receivables, amounts due from related companies and an associate. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

With respect to the credit risk of the Group's treasury operations, management has established internal procedures to monitor the Group's bank balances and cash, securities investments to be placed 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.

The Group's concentration of credit risk by geographical locations is mainly in PRC, which accounted for 100% (2012: 100%) of the total trade receivable as at 31 December 2013.

In relation to the Group providing guarantees 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 purchasers, the Group is responsible for repaying the outstanding mortgage loans together with any accrued interests and penalties owed by the defaulted purchasers 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 directors of the Company consider that the Group's credit risk on such guarantees is significantly reduced. Detailed disclosure of these guarantees has been made in note 44(a).

The Group has concentration of credit risk on amounts due from related companies and an associate. In the opinion of the directors of the Company, since the related companies and the associate are either with strong financial background or holding valuable assets, the credit risk is limited.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, the Group had no significant concentrations of credit risk within the property development business segment and hotel operations segment.

The Group's credit risk position on other receivables, amounts due from related companies and an associate are closely monitored by management.

39. FINANCIAL INSTRUMENTS (CONTINUED)

b. *Financial risk management objectives and policies (continued)*

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 to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management 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 2013, the Group has available unutilised overdraft and short-term bank loan facilities of HK$1,032,969,000 (2012: HK$1,386,586,000).

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.

	Weighted average interest rate %	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$'000	Carrying amount at 31.12.2013 HK$'000
2013							
Non-derivative financial liabilities							
Trade and other payables	N/A	1,826,106	-	-	-	1,826,106	1,826,106
Amount due to related companies	N/A	460,737	-	-	-	460,737	460,737
Amounts due to associates	N/A	94,264	-	-	-	94,264	94,264
Consideration payables for acquisition of subsidiaries	N/A	325,348	-	-	-	325,348	325,348
Dividend payable	N/A	6,423	-	-	-	6,423	6,423
Dividend payable to non-controlling shareholders	N/A	339,309	-	-	-	339,309	339,309
Bank and other borrowings	2.0–7.9	5,325,029	3,600,853	3,991,556	654,688	13,572,126	11,393,401
Senior notes	11.4	3,424,200	-	-	-	3,424,200	3,093,059
Financial guarantee contracts issued							
Maximum amount guaranteed (Note 44(a))	N/A	2,775,799	-	-	-	2,775,799	-
		14,577,215	3,600,853	3,991,556	654,688	22,824,312	17,538,647

39. FINANCIAL INSTRUMENTS (CONTINUED)

b. *Financial risk management objectives and policies (continued)*

Liquidity risk (continued)

	Weighted average interest rate %	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$'000	Carrying amount at 31.12.2012 HK$'000
2012							
Non-derivative financial liabilities							
Trade and other payables	N/A	1,817,404	–	–	–	1,817,404	1,817,404
Amount due to related companies	N/A	606,304	–	–	–	606,304	606,304
Amounts due to associates	N/A	85,688	–	–	–	85,688	85,688
Consideration payables for acquisition of subsidiaries	N/A	316,041	–	–	–	316,041	316,041
Dividend payable	N/A	6,423	–	–	–	6,423	6,423
Dividend payable to non-controlling shareholders	N/A	416,293	–	–	–	416,293	416,293
Bank and other borrowings	5.8–12.0	6,170,036	2,389,737	1,953,232	3,085,685	13,598,690	12,066,170
Senior notes	11.4	303,831	3,424,200	–	–	3,728,031	3,048,911
Financial guarantee contracts issued							
Maximum amount guaranteed (Note 44(a))	N/A	2,430,295	–	–	–	2,430,295	–
		12,152,315	5,813,937	1,953,232	3,085,685	23,005,169	18,363,234

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

40. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

This note provides information about how the Group determines fair values of various financial assets.

(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 are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined.

	Fair value		
Financial assets	**2013**	2012	**Fair value hierarchy**
Held-for-trading investment	**Listed equity securities in the PRC – HK$2,074,000**	Listed equity securities in the PRC – HK$12,887,000	Level 1

There were no transfer between instruments in Level 1 and 2 in both years.

40. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

(ii) *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 directors of the Company consider that the carrying amounts of other financial assets and financial liabilities carried at amortised cost approximate their respective fair values.

41. DISPOSAL OF SUBSIDIARIES

For the year ended 31 December 2013

At 27 December 2013, the Company disposed of its 100% equity interest in Chongqing Depu, a partially owned subsidiary of the Group, to an independent third party at an aggregate consideration of RMB134,750,000 (equivalent to approximately HK$172,535,000).

	HK$'000
Consideration:	
Deferred cash consideration	172,535
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	895
Inventories	652,259
Trade and other receivables	26,351
Bank balances and cash	14,866
Bank and other borrowings	(274,232)
Trade and other payables	(126,125)
Net assets disposed of	294,014
Gain on disposal:	
Deferred cash consideration	172,535
Net assets disposed of	(294,014)
Non-controlling interest in non-wholly owned subsidiary of Chongqing Depu	136,755
Gain on disposal	15,276
Net cash outflow arising on disposal:	
Bank balances and cash disposed of	14,866

The deferred cash consideration will be settled in cash by instalments and will be settled in full on or before 31 March 2014. In January 2014, an amount of RMB67,375,000 (equivalent to HK$86,268,000) has been received. Details of the settlement schedule are set out in note 24(2).

The subsidiary disposed of was principally engaged in property development in Chongqing. The main assets of the subsidiary were properties held-for-sale and properties under development including the leasehold land in Chongqing region.

The subsidiary disposed of during the year ended 31 December 2013 did not have any significant contribution to the results and cash flows of the Group during the period prior to the disposal.

41. DISPOSAL OF SUBSIDIARIES (CONTINUED)

For the year ended 31 December 2012

In December 2012, the Company disposed of its 100% equity interest in Chengdu Zhongxin, a wholly owned subsidiary of the Group through disposal of Leadway and Zhongzhi (Beijing) Enterprise management Co., Ltd, wholly owned subsidiaries of the Company, holding 70% and 30% interests in Chengdu Zhongxin respectively, to independent third parties at an aggregate consideration of RMB158,000,000 (equivalent to approximately HK$196,517,000).

	HK$'000
Consideration:	
Cash received	196,517
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	554
Inventories	1,570,036
Trade and other receivables	9,241
Prepaid income tax and land appreciation tax	13,699
Pledged bank deposits	632
Bank balances and cash	17,221
Pre-sale proceeds received on sales of properties	(189,398)
Bank and other borrowings	(90,796)
Trade and other payables	(415,282)
Amounts due to group companies	(1,078,612)
Net liabilities disposal of attributable to owners of the Company	(162,705)
Gain on disposal:	
Consideration	196,517
Net liabilities disposed of attributable to owners of the Company	162,705
Gain on disposal	359,222
Net cash inflow arising on disposal:	
Cash consideration received	196,517
Less: Bank balances and cash disposed of	(17,221)
	179,296

The subsidiaries disposed was principally engaged in property development in Chengdu. The main assets of the subsidiaries were properties held-for-sale and properties under development including the leasehold land in Chengdu region.

The subsidiaries disposed of during the year ended 31 December 2012 did not have any significant contribution to the results and cash flows of the Group during the period prior to the disposal.

42. CAPITAL COMMITMENTS

Capital expenditure in respect of the acquisition of properties under development:

	The Group	
	2013	2012
	HK$'000	HK$'000
Contracted for but not provided for in the consolidated financial statements – additions in properties under development	**5,636,786**	6,063,806

The Group is responsible for payment of any excess amount of the actual amount of the demolishment and resettlement expenses over Minmetals's Contribution. As the demolishment and re-settlement of the property project is still in an early stage, in the opinion of the directors of the Company, the capital commitment cannot be quantified as at 31 December 2013 and 2012.

43. OPERATING LEASES

The Group as lessee

Minimum lease payments paid under operating leases during the year in respect of office premises are HK$42,141,000 (2012: HK$49,006,000).

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2013	2012
	HK$'000	HK$'000
Within one year	**33,584**	25,709
In the second to fifth years inclusive	**15,937**	14,309
	49,521	40,018

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for a term ranging from three months to three years.

43. OPERATING LEASES (CONTINUED)

The Group as lessor

Property rental income earned during the year was HK$253,037,000 (2012: HK$236,471,000). Certain of the Group's properties have committed tenants for the next 2 to 20 years with an option to renew the lease after that date at which time all terms are renegotiated.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2013 HK$'000	2012 HK$'000
Within one year	**211,331**	246,241
In the second to fifth year inclusive	**572,766**	555,246
After five years	**607,539**	929,581
	1,391,636	1,731,068

44. CONTINGENT LIABILITIES

(a) Corporate guarantees

	2013 HK$'000	2012 HK$'000
Guarantee given to banks in respect of banking facilities utilised by:		
– property buyers	**2,435,210**	2,037,260
– an entity controlled by Xuhui SASAC	**340,589**	393,035
	2,775,799	2,430,295

As at 31 December 2013, the total amount of loans and credit facilities obtained by the Group in respect of which guarantees were provided by Xuhui SASAC was approximately HK$387,000,000 (2012: HK$414,000,000).

In the opinion of the directors of the Company, the fair values of the financial guarantee contracts of the Group are insignificant at initial recognition, and the directors of the Company consider that the possibility of default by the relevant buyers is remote and, in case of default in payments, the net realisable value of the related properties can recover the repayment of the outstanding mortgage principals together with the accrued interest and penalty. Accordingly, no provision has been made in the consolidated financial statements for these guarantees.

44. CONTINGENT LIABILITIES (CONTINUED)

(b) *Warranty against defects of properties*

Properties purchased by buyers are provided with various warranties with terms ranging from one to two years against certain specified defects as stipulated in the PRC laws and regulations which are covered by back-to-back warranties provided by the relevant contractors of the projects.

(c) *Legal proceedings initiated by a third party against the Company*

The Group is a defendant to a claim by a third party regarding non-payment of certain outstanding consideration which has been accrued but unpaid by the Group. The third party claim also includes liquidated damage which amounted to approximately HK$273,000,000 up to 25 July 2012 and which is to be accumulated at a daily rate of approximately HK$160,000 thereafter until settlement. The Group after taking legal advice, is of opinion that it has a good ground for withholding the payment of the outstanding consideration and that it is pre-mature to estimate the outcome of the third party claim. Accordingly, no provision for the liquidated damage has been made.

45. RELATED PARTY TRANSACTIONS

(a) *Transactions with key management personnel*

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 10, is as follows:

	2013 **HK$'000**	2012 HK$'000
Short-term employee benefits	**10,650**	13,203
Post-employment benefits	**101**	–
Equity-settled share-based payments	**–**	4,714
	10,751	17,917

Total remuneration is included in "staff costs" (note 8).

(b) *Balances with related parties*

Details of the balances with related parties as at 31 December 2013 and 2012 are set out in the notes 20, 29 and 33.

45. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) *Transactions with related parties*

The Group entered into the following significant transactions with related parties during the year:

Name of related company	Nature of transactions	2013 HK$'000	2012 HK$'000
Entities controlled by SIHL	Interest expenses	**60,719**	61,933
	Rental expenses	**138**	211
Ultimate holding company	Interest expenses	**82,251**	90,528
Entity controlled by an independent non-executive director of SIHL	Rental expense, rate and management fee	**6,202**	5,881
Associates	Property agency fees	**58,591**	38,802
	Rental income	**(2,139)**	(4,075)
	Interest income	**(710)**	–
Entities controlled by Xuhui SASAC	Interest income	**(6,516)**	(8,300)
	Interest expenses	**647**	776
Non-controlling shareholder of a subsidiary	Interest expenses	**10,963**	7,806

Except for the above transactions, the Group has following guarantees and loans arrangement during the year:

(i) The Group entered into the loan agreements with SIIC and a subsidiary of SIHL. Details of which are set out in note 33.

(ii) The Group also granted financial guarantees to an entity controlled by Xuhui SASAC. Details of which are set out in note 44(a).

45. RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Government-related entities

The Group itself is part of a larger group of companies under SIIC Group which is controlled by the PRC government. The directors of the Company consider that the Company is ultimately controlled by the PRC government and the Group operates in an economic environment currently predenominated 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 financial information, the Group also conducts businesses with other PRC government-related entities in the ordinary course of business. The Group's deposits placements, borrowings and other general banking facilities are 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 directors of the Company are of the opinion that separate disclosures would not be meaningful.

In addition, the Group has entered into various transactions, including sales, purchases and other operating expenses with other PRC government-related entities. In the opinion of the directors of the Company, these transactions are considered as individually and collectively insignificant to the operation of the Group during the years ended 31 December 2013 and 2012.

46. 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 2013 Directly	2013 Indirectly	2012 Directly	2012 Indirectly	Principal activities
Shenzhen Phoenix Real Estates Company Limited 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	-	100%	-	100%	Property development
北京新松房地產開發有限公司 (note (i))	The PRC	RMB190,000,000	-	100%	-	100%	Property development
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

46. 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
			2013		2012		
			Directly	Indirectly	Directly	Indirectly	
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
西安滻灞建設開發有限公司(note (i))	The PRC	US$86,880,000	-	71.5%	–	71.5%	Property development
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
西安中新永榮房地產開發有限公司 (note (iii))	The PRC	RMB10,000,000	-	71.5%	–	71.5%	Property development
西安中新佳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
西安中新柳域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
西安中新濱河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

46. 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 2013 Directly	2013 Indirectly	2012 Directly	2012 Indirectly	Principal activities
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
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
上海九久廣場投資開發有限公司 (note (iii))	The PRC	RMB226,160,000	–	100%	–	100%	Property development
瀋陽向明長益置業有限公司 (note (i))	The PRC	USD63,750,000	–	80%	–	80%	Property development
珠海市淇洲島影視城有限公司 (note (i))	The PRC	RMB90,000,000	–	100%	–	100%	Property development

46. 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 2013 Directly	2013 Indirectly	2012 Directly	2012 Indirectly	Principal activities
中歐城開有限公司 (note (iii))	The PRC	RMB100,000,000	–	100%	–	100%	Property development
北京盈通房地產開發有限公司 (note (i))	The PRC	USD6,000,000	–	67.5%	–	67.5%	Primary land development
Shanghai Urban Development (Holdings) Co. Ltd. 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
上海城開商用物業發展有限公司 (note (iii))	The PRC	RMB5,000,000	–	59%	–	59%	Property management
上海申大物業有限公司 (note (iii))	The PRC	RMB5,000,000	–	59%	–	59%	Property management
上海萬源房地產開發有限公司 (note (iii))	The PRC	RMB300,000,000	–	53%	–	53%	Property development and sales
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 and sales
上海城開集團晶傑置業有限公司 (note (iii))	The PRC	RMB150,000,000	–	59%	–	59%	Property development and sales
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 and sales
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 and sales
上海城開集團龍城置業有限公司（"上海龍城"）(note (i))	The PRC	RMB2,100,000,000	–	69%	–	69%	Property development and sales

46. 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
			2013		2012		
			Directly	Indirectly	Directly	Indirectly	
昆山城開房地產開發有限公司 (note (iii))	The PRC	RMB167,000,000	-	53%	-	53%	Property development and sales
城開綠碳(天津)股權投資基金合夥企業 ("SUDG JV") (note (iv))	The PRC	RMB1,135,900,000	-	59%	-	59%	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) SUDG JV was established in the PRC in the form of joint venture enterprise. 64.7% of the paid-in capital of SUDG JV was contributed by the Group. Investor of SUDG JV, other than the Group, which contributed the remaining 35.3% of the paid-in capital of SUDG JV, are entitled to annual return of 9.55% per annum on their paid-in capital. One of the other investors which contributed 34.9% of the paid in capital of SUDG JV has an option to dispose of its equity interests in SUDG JV to the Group after 24 months from February 2011 (the "Option") at initial consideration. The Group has an obligation to acquire such equity interests in SUDG JV from that investor in February 2013 (if the Option has not been exercised) at an annual effective interest rate of 9.55% per annum net of any result previously distributed. This arrangement was accounted for as a financing activity and SUDG JV is thus accounted for as a wholly-owned subsidiary of the Group. The remaining 0.4% of paid-in capital of SUDG JV contributed by a fund management company was only entitled a fixed return of 9.55% per annum.

During the year ended 31 December 2013, the Option was exercised by the investor. Besides, the fund management company also disposed all of its 0.4% interests in SUDG JV to the Group. These transactions were fully settled in cash at aggregate amounts of RMB400,900,000 (equivalent to HK$505,740,000).

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 issued RMB1,500,000,000 of advance bond during the year ended 31 December 2012, in which the Group has no interest. Details of advance bond are set out in note 33.

47. 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 (loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2013	2012	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
SUD and its subsidiaries	PRC – Shanghai	**41%**	41%	**245,067**	328,134	**6,900,311**	6,591,295
Individually immaterial subsidiaries with non-controlling interests						**263,996**	338,108
						7,164,307	6,929,403

Summarised financial information in respect of each of the Group's subsidiaries 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

	2013 HK$'000	2012 HK$'000
Current assets	**28,764,421**	29,098,393
Non-current assets	**4,350,855**	3,651,950
Current liabilities	**(11,975,221)**	(12,342,751)
Non-current liabilities	**(7,272,850)**	(7,310,460)
Equity attributable to owners of the Company	**6,966,894**	6,505,837
Non-controlling interests	**6,900,311**	6,591,295

47. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS (CONTINUED)

SUD and its subsidiaries (continued)

	2013 HK$'000	2012 HK$'000
Revenue	6,916,593	4,082,200
Expenses	(6,377,084)	(3,422,784)
Profit for the year	539,509	659,416
Profit attributable to owners of the Company	294,442	331,282
Profit attributable to the non-controlling interests	245,067	328,134
Profit for the year	539,509	659,416
Other comprehensive income attributable to owners of the Company	307,273	118,131
Other comprehensive income attributable to the non-controlling interests	104,673	62,835
Other comprehensive income for the year	411,946	180,966
Total comprehensive income attributable to owners of the Company	601,715	449,413
Total comprehensive income attributable to the non-controlling interests	349,740	390,969
Total comprehensive income for the year	951,455	840,382
Dividends paid to non-controlling interests	19,869	40,296
Net cash inflow from operating activities	2,359,267	2,448,404
Net cash inflow (outflow) from investing activities	802,375	(647,845)
Net cash outflow from financing activities	(3,219,346)	(61,505)
Net cash (outflow) inflow	(57,704)	1,739,054

48. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2013 HK$'000	2012 HK$'000
Non-current assets		
Property, plant and equipment	952	1,789
Investments in subsidiaries	2,658,713	2,568,335
Amounts due from subsidiaries	15,240,579	15,511,377
	17,900,244	18,081,501
Current assets		
Deposit and prepayment	17,477	14,165
Dividend receivables	469,589	469,589
Bank balances and cash	54,098	84,055
	541,164	567,809
Current liabilities		
Other payables and accruals	691,095	692,761
Amount due to immediate holding company	103,185	102,696
Amounts due to subsidiaries	1,443,438	1,328,373
Amount due to a related company	2,466	2,466
Dividend payable	6,423	6,423
Other borrowings	1,000,000	1,000,000
Senior notes	3,093,059	–
	6,339,666	3,132,719
Net current liabilities	(5,798,502)	(2,564,910)
Total assets less current liabilities	12,101,742	15,516,591
Non-current liability		
Senior notes	–	3,048,911
Total assets less total liabilities	12,101,742	12,467,680
Capital and reserves		
Share capital	192,461	192,461
Reserves	11,909,281	12,275,219
	12,101,742	12,467,680

49. STATEMENT OF CHANGES IN EQUITY OF THE COMPANY

	Share capital HK$'000	Share premium HK$'000	Share options reserve HK$'000	Exchange reserve HK$'000	Shareholders' contribution HK$'000	Accumulated losses HK$'000	Total HK$'000
As at 31 December 2011 or 1 January 2012	192,461	10,325,453	93,021	1,444,004	2,475,111	(1,598,616)	12,931,434
Loss for the year	–	–	–	–	–	(581,534)	(581,534)
Exchange difference	–	–	–	109,106	–	–	109,106
Total comprehensive income (expense)	–	–	–	109,106	–	(581,534)	(472,428)
Recognition of equity-settled share-based payment	–	–	8,674	–	–	–	8,674
Transfer to accumulated losses upon forfeiture of share options	–	–	(31,358)	–	–	31,358	–
As at 31 December 2012	192,461	10,325,453	70,337	1,553,110	2,475,111	(2,148,792)	12,467,680
Loss for the year	–	–	–	–	–	(722,284)	(722,284)
Exchange difference	–	–	–	356,346	–	–	356,346
Total comprehensive income (expense)	–	–	–	356,346	–	(722,284)	(365,938)
Transfer to accumulated losses upon forfeiture of share options	–	–	(3,495)	–	–	3,495	–
As at 31 December 2013	192,461	10,325,453	66,842	1,909,456	2,475,111	(2,867,581)	12,101,742

50. DIVIDENDS

No dividend was paid or proposed during year ended 31 December 2013, nor has any dividend been proposed since the end of the reporting period (2012: nil).

FINANCIAL SUMMARY

	8 months ended 2009 HK$'000 (restated)	2010 HK$'000 (restated)	Year ended 31 December 2011 HK$'000	2012 HK$'000	**2013 HK$'000**
Revenue	513,086	4,881,135	4,433,476	8,782,561	**9,773,547**
Profit (loss) before taxation	(2,034,501)	(656,785)	166,442	421,612	**782,094**
Income tax expense	(149,798)	(161,374)	(731,953)	(388,301)	**(476,377)**
Profit (loss) for the year	(2,184,299)	(818,159)	(565,511)	33,311	**305,717**
Attributable to:					
Owners of the Company	(2,106,392)	(740,523)	(601,668)	(190,166)	**143,471**
Non-controlling interests	(77,907)	(77,636)	36,157	223,477	**162,246**
Profit (loss) for the year	(2,184,299)	(818,519)	(565,511)	33,311	**305,717**

	2009 HK$'000	2010 HK$'000	As at 31 December 2011 HK$'000	2012 HK$'000	**2013 HK$'000**
Assets and liabilities					
Total assets	25,991,780	49,854,617	54,051,725	53,613,512	**53,436,959**
Total liabilities	(19,331,798)	(31,398,110)	(35,080,033)	(34,521,916)	**(33,653,682)**
	6,659,982	18,456,507	18,971,692	19,091,596	**19,783,277**
Owners to equity					
Owners of the Company	6,073,429	11,865,017	12,275,488	12,162,193	**12,618,970**
Non-controlling interests	586,553	6,591,490	6,696,204	6,929,403	**7,164,307**
	6,659,982	18,456,507	18,971,692	19,091,596	**19,783,277**

GLOSSARY OF TERMS

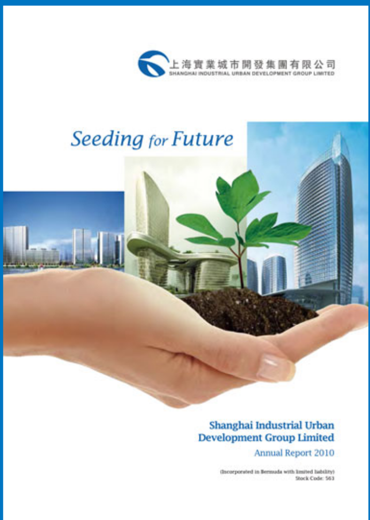
Term used	Brief description
"2014 AGM"	forthcoming annual general meeting of the Company is scheduled to be held on Tuesday, 27 May 2014
"Adoption Date"	16 May 2013, adoption date of the New Share Option Scheme
"Audit Committee"	audit committee of the Company
"Board"	board of directors of the Company
"CGU"	Cash generating unit
"Chengdu Zhongxin"	成都中新錦泰房地產開發有限公司
"Chongqing Depu"	上海城開集團重慶德普置業有限公司
"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
"Company Website"	www.siud.com
"Director(s)"	director(s) of the Company
"DTZ"	DTZ Debenham Tie Leung Limited
"EIT"	Enterprise Income Tax
"EIT LAW"	the Law of the People's Republic of China on Enterprise Income Tax
"FVTPL"	Fair value through profit or loss
"G.F.A."	Gross Floor Area
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars

Term used	Brief description
"HKFRSs"	Hong Kong Financial Reporting Standards
"HKICPA"	The Hong Kong Institute of Certified Public Accountants
"Interim Report"	2013 Interim Report of the Company
"Investment Appraisal Committee"	investment appraisal committee of the Company
"Jun He Bai Nian"	北京君合百年房地產開發有限公司
"LAT"	Land Appreciation Tax
"Leadway"	Leadway Pacific Limited, a company incorporated in the British Virgin Islands with limited liability
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Minmetals"	五礦置業有限公司
"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
"MPF scheme"	Mandatory Provident Fund Scheme
"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"	the nomination committee of the Company
"PRC"	the People's Republic of China
"Qizhou Island Movie Town"	珠海市淇州島影視城有限公司
"Remuneration Committee"	the remuneration committee of the Company
"Retirement Scheme"	state-managed retirement scheme
"RMB"	Renminbi
"SFO"	Securities and Futures Ordinance (Chapter 571) of the laws of Hong Kong
"Shanghai Free Trade Zone"	China (Shanghai) Pilot Free Trade Zone

Glossary of Terms

Term used	Brief description
"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
"Shareholder(s)"	holder(s) of share(s) of the Company
"Shenyang Xiangming"	瀋陽向明長益置業有限公司
"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 Group"	SIIC and its subsidiaries
"State-owned Management Company"	上海徐滙國有資產投資經營有限公司 (Shanghai Xuhui State-owned Assets Management Co., Ltd.), a state-owned enterprise established under the laws of the PRC with Xuhui SASAC as the authorized representative exercising state-owned Shareholder's right over it
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"SUD"	上海城開(集團)有限公司 (Shanghai Urban Development (Holdings) Co., Ltd.), a sino-foreign equity joint venture company established in the PRC and is indirectly owned by the Company as to 59% and by Xuhui SASAC as to 41%
"Xuhui SASAC"	上海市徐匯區國有資產監督管理委員會 (State-owned Assets Supervision and Administration Commission of Shanghai Xuhui District), 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
"Zhong Ou Cheng Kai"	中歐城開有限公司

2010 ANNUAL REPORT



2011
25TH ARC AWARDS

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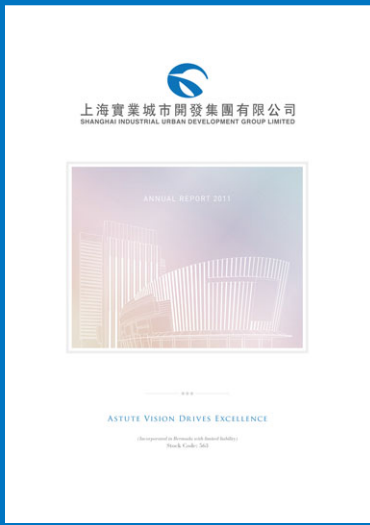
Annual Reports – Printing & Production: Real Estate Development / Service: Various & Multi-Use

2011 ANNUAL REPORT



2012/2013
26TH MERCURY EXCELLENCE AWARDS

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