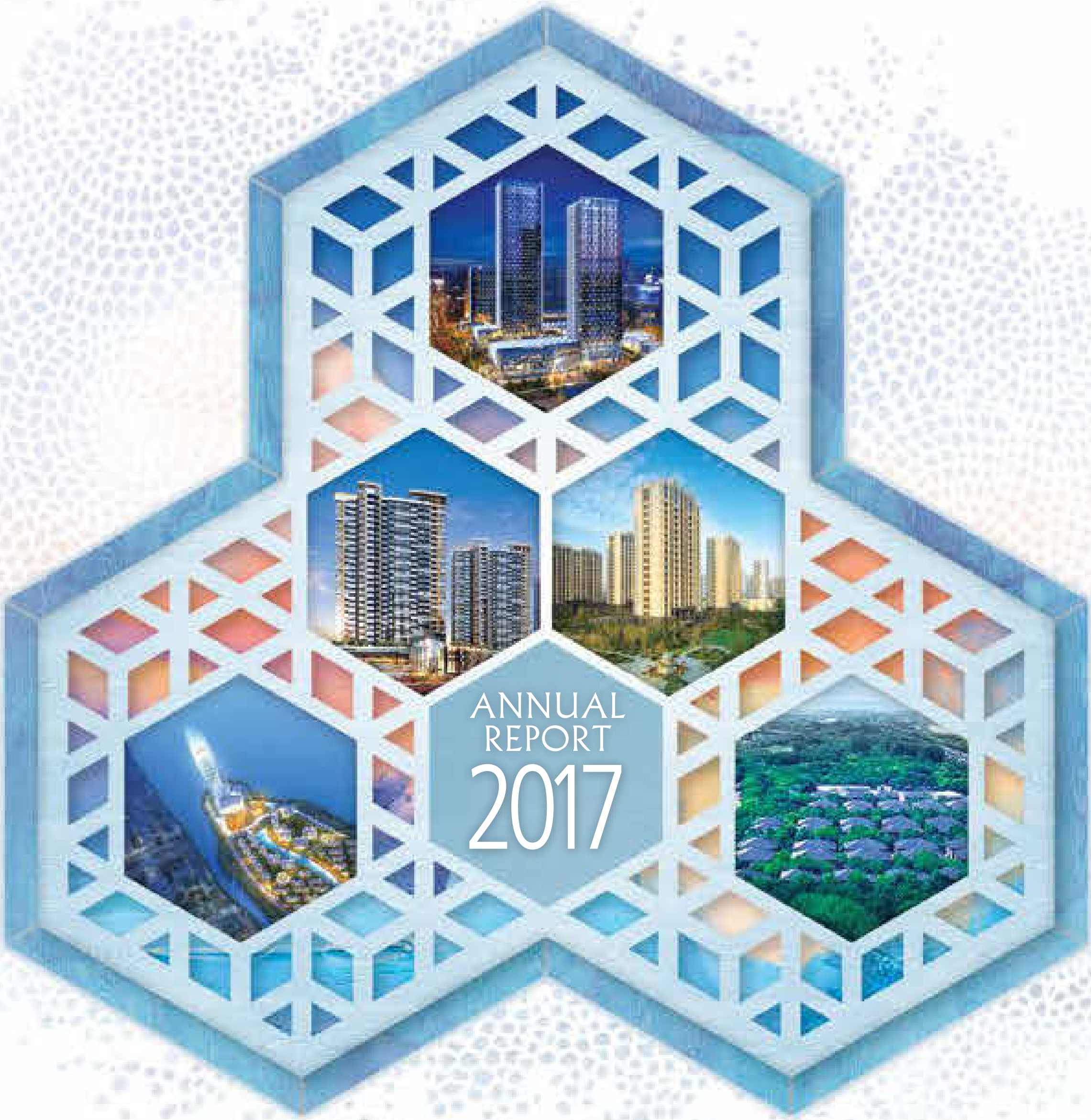
上海實業城市開發集團有限公司

SHANGHAI INDUSTRIAL URBAN DEVELOPMENT GROUP LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 563



Embellish the Essence with

INNOVATION TO CREATE VALUE

THE BEAUTY OF GOODNESS, A REFINED HAVEN

Shanghai Industrial Urban Development Group Limited ("SIUD") currently has 20 real estate projects in 11 major cities in China, mainly located at Shanghai, Kunshan, Wuxi, Beijing, Shenyang, Tianjin, Xi'an, Fuzhou, Chongqing, Changsha and Shenzhen. Most of the projects are mid- to high-end residential projects which are under construction at full steam, presenting the Group with approximately 3.86 million square meters saleable floor areas and building a marvelous foundation for our long term development.

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ji Gang *(Chairman and President)*
Lou Jun (appointed on 30 June 2017)
Yang Jianwei
Fei Zuoxiang *(appointed on 30 June 2017)*
Ye Weiqi
Huang Fei
Zhong Tao *(appointed on 30 June 2017)*

Independent Non-Executive Directors

Doo Wai-Hoi, William, *J.P.*
Fan Ren Da, Anthony
Li Ka Fai, David
Qiao Zhigang *(appointed on 28 September 2017)*

AUTHORIZED REPRESENTATIVES

Ji Gang
Chan Kin Chu, Harry

BOARD COMMITTEES

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Investment Appraisal Committee

Fan Ren Da, Anthony *(Committee Chairman)*
Yang Jianwei
Zhong Tao *(appointed on 30 June 2017)*
Qiao Zhigang *(appointed on 28 September 2017)*

COMPANY SECRETARY

Chan Kin Chu, Harry

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suites 3004–3007,
30th Floor, Great Eagle Centre,
23 Harbour Road,
Wanchai, Hong Kong.
Telephone: (852) 2544 8000
Facsimile: (852) 2544 8004

WEBSITE

http://www.siud.com

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Agricultural Bank of China Limited
China Construction Bank Corporation
China Everbright Bank
Industrial and Commercial Bank of China (Asia) Limited
Shanghai Pudong Development Bank Company Limited
Bank of China Limited

AUDITOR

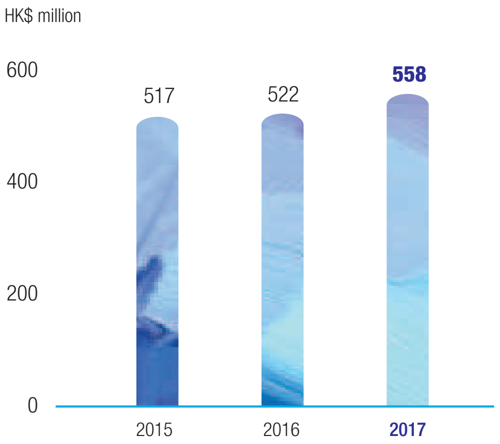
Deloitte Touche Tohmatsu
35/F., One Pacific Place,
88 Queensway, Hong Kong.

LISTING INFORMATION

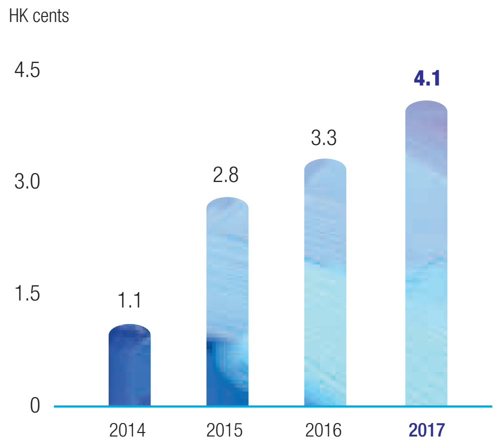
The Stock Exchange of Hong Kong Limited
Ordinary Shares
(Stock Code: 563)

FINANCIAL HIGHLIGHTS

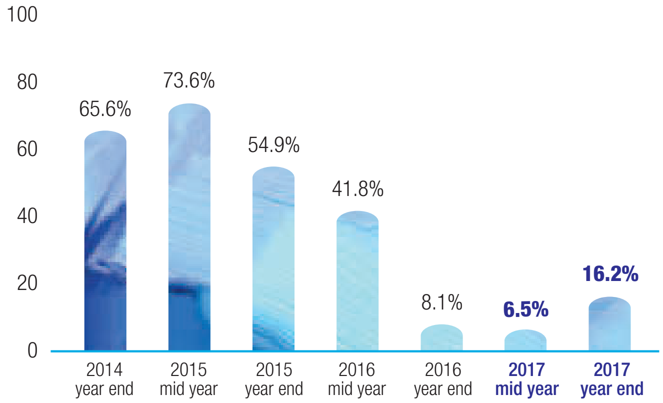
ATTRIBUTABLE PROFIT TO OWNERS



PROPOSED DIVIDEND/ DIVIDEND PAID

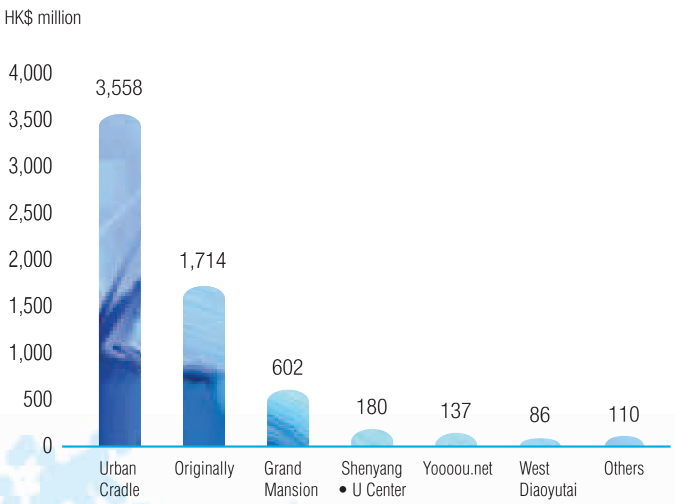


NET DEBT TO TOTAL EQUITY (%) (NOTE)

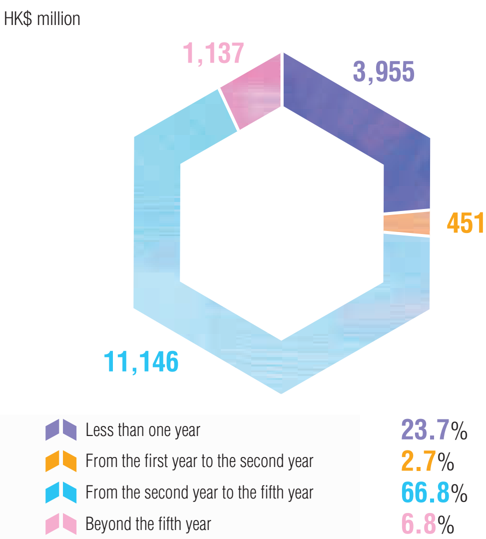


Note: Net debt = total borrowings (including bank borrowings and other borrowings less bank balances and cash and restricted and pledged bank deposits.

ANALYSIS ON PRE-SALE PROCEEDS RECEIVED ON SALES OF PROPERTIES



DEBT MATURITY PROFILE



SPLENDID DESIGN ENDURING AND EXTRAORDINARY

With 20 years of development, Shanghai industrial Urban Development Group has become one of the most representative property enterprises in Shanghai by creating numerous urban complex projects to improve the urban space and update the appearance of the city.
It witnessed and participated in the rapid development of Shanghai.

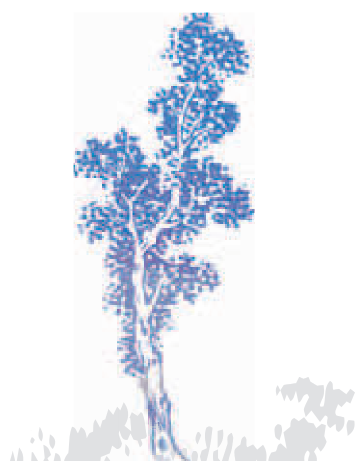
Artist Impression – TODTOWN

CHAIRMAN'S STATEMENT

In 2017, the Chinese economy stabilised and rebounded during the transition from "high-speed growth" to "high-quality growth". While the property market was developing soundly amidst the policy balance between "risk aversion" and "destocking", the drop in land supply and undaunted demand led to a shrinking volume and steady prices in Shanghai. Leveraging on its own strengths for consolidation and innovation, SIUD made successful attempts to release its potential and create value against the background of a peak in new housing supply and inventory. In 2017, by taking advantage of the development opportunities presented in the transformation and upgrading of the national economy, adhering to the vision of "focusing on innovation and reforms for vitality and development" and persisting in the strategy of "supply increment, inventory revitalization and quality enhancement", the Group achieved satisfactory operating results by adopting multi-pronged measures. During the year under review, the Group posted an overall contract sales of RMB5.94 billion. The revenue climbed up 70.4% to HK$9.36 billion, and the profit attributable to owners of the Company increased steadily by 6.9% to HK$558 million. As a token of appreciation for the trust and support of the shareholders of SIUD, the Board proposed to increase the annual dividend distribution to 4.1 HK cents per share.

In 2017, the growth rate of China's economy bottomed out to 6.9%. The property market followed the general principle announced at the end of last year that "houses are built to be inhabited, not for speculation". In spite of the tightening control measures during the year, such as purchase limits, mortgage restrictions and price limits and the introduction of new measures including "land price restriction and self-holding limits", China's property market still witnessed an all-time high in both sales area and sales amount. With an ever-increasing income level and the continuous satisfaction of basic housing needs, the driver of China's property market has changed from quantity to quality as residents are continually increasing their requirements on the living environment and quality. This is becoming more and more evident especially in first-tier cities, such as Beijing, Shanghai and Shenzhen, where the short supply in new housing has kept home prices at a steadily high level. The long-term positive outlook of the property market fundamentals has remained unchanged. 2017 was the year when SIUD continued with the implementation of its four main strategic plans of "residential property development + investment property operation + urban renewal service + cooperation between industrial and financial capital". The Group weathered the difficulties brought by the policy differences in the "City-based Policy" and sought to enhance efficiency by adopting the four key measures of "sales promotion, land bank enhancement, business expansion and capital introduction" with a view to achieving further breakthroughs in its residential and commercial projects and laying a solid foundation for the long-term and sustainable development of the Group.

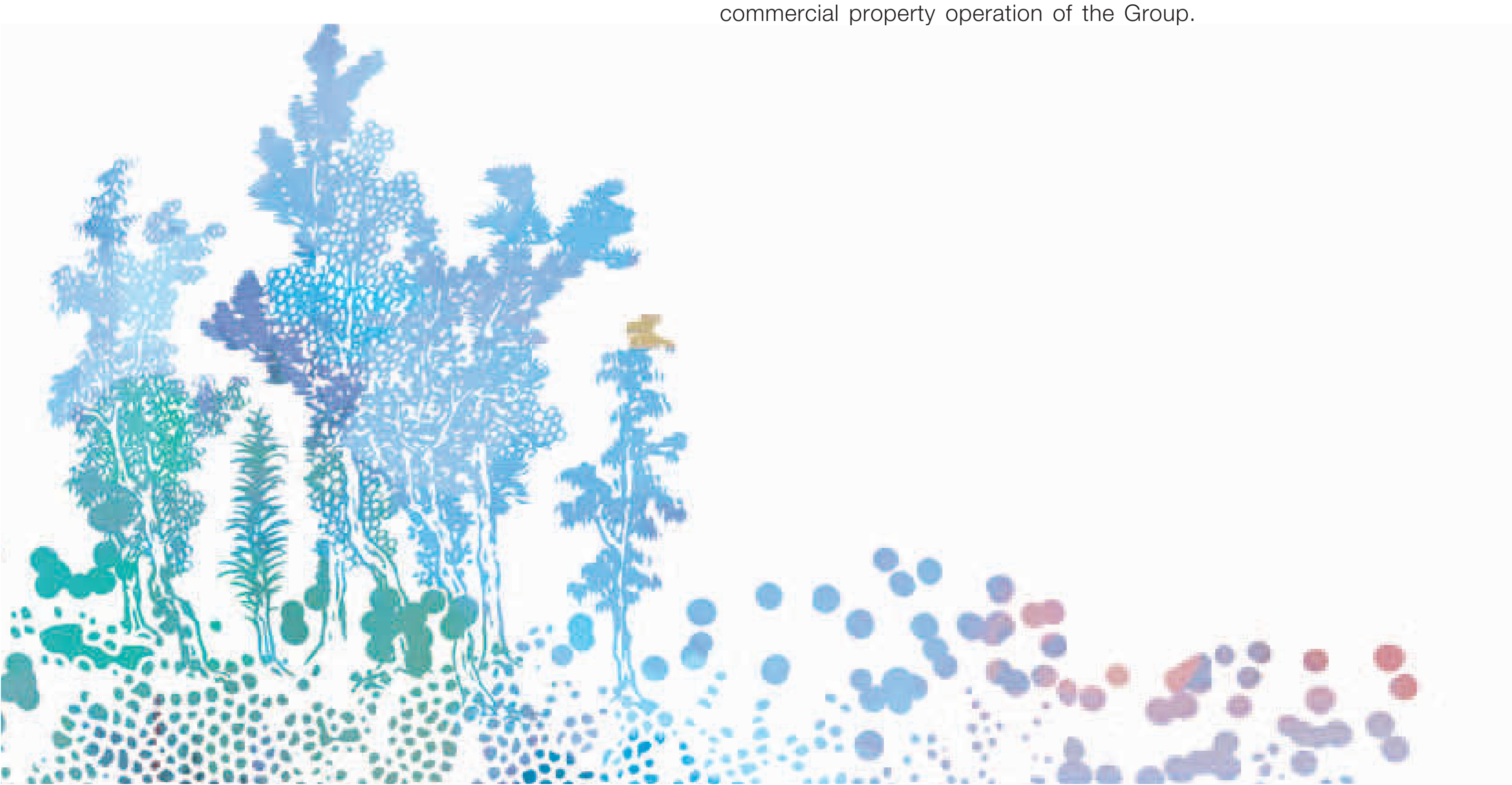
SIUD finds its root in Shanghai. The sales performance of the Group's medium to high end residential and commercial projects in Shanghai was still robust. The sufficient number of projects for sale successfully fulfilled the market demand. During the year under review, Urban Cradle and Grand Mansion, the Group's flagship projects in Shanghai, recorded exceptional sales and brought tremendous sales revenue to the Group with a total sales of nearly RMB3.4 billion. The residential portions of TODTOWN, a metro-oriented comprehensive development project in China, and Contemporary Art Villa, a high quality and low density urban villa project rarely found in the market, are planned to be launched for sale at opportune times in 2018. These two key projects are expected to generate new revenue growth for the Group. Apart from Shanghai, SIUD also launched its projects in Xi'an, Tianjin and Shenyang one by one for sale. As one of the Group's main sources of revenue, our projects in Xi'an outperformed the regional market in both trading volume and trading prices with an unshakeable prominent position in the region. In 2018, new products will be rolled out under the Xi'an projects in Chanba. As the leading projects in the region, these invaluable and unbeatable products will continue to contribute greatly to the sales revenue of the Group. With a deep and insightful understanding of the property market, especially in Shanghai, we believe that future property prices will remain at a high level given the continuously increasing purchasing power in Shanghai and popular first-tier cities and the irreversible slowdown in land supply.



CHAIRMAN'S STATEMENT

During the year under review, SIUD remained focused on the Shanghai metropolitan circle by sparing no effort in seeking progress in a pragmatic manner. SIUD achieved breakthrough in market bidding, auction and listing-for-sale as well as in merger and acquisition in the secondary market. In August 2017, the Group won the bid in the public bidding, auction and listing-for-sale of Wanyuan A land plot in Minhang District, Shanghai at a competitive price. In January and February 2018, the Group acquired 35% equity interest in Shanghai Real Estate Northern Region Investment Development Company Limited, which was engaged in primary land development, and the entire equity interest in Shanghai Shangtou Real Estate Investment Company Limited, which was engaged in secondary land development, respectively. These acquisitions further strengthened the Group's competitive advantages in various land development sectors and helped to consolidate the Group's position as a preeminent property developer in Shanghai. In future, SIUD will continue to replicate its successful experience of acquiring premium land plots in Shanghai, continually explore high quality land resources in Shanghai and other key regions, and dedicate its efforts to the boutique development model.

Against the backdrop of a reduction in land supply in popular first-tier cities, the era of property inventory has quietly arrived. As a pioneer in the property industry, we will exert our brand advantages and make advance planning with our more than two decades of solid property development experience to embrace the golden opportunity of "conversion from residential properties to commercial properties" in the property industry and step up our efforts in building complex and cross-disciplinary mixed residential and commercial property projects for the sustainable development of SIUD. At present, the Group has three main product lines in its commercial property projects, namely, the "Ucenter series", "Uplaza+ series" and "Urban renewal series". The newly acquired Wanyuan A land plot in Minhang District, Shanghai is planned to be developed into a low-density commercial complex with office buildings and other facilities. The Group has also set up complementary business management centers and capital management companies to provide a range of systematic business solutions for the development, promotion and operation of commercial properties. Going forward, the renewal and renovation of ShanghaiMart, the completion of our commercial and office property landmarks in Shanghai, including Binjiang U Center and TODTOWN, and the continuous stable rental income brought by the mature and premium commercial properties operated by the Group in core areas will further consolidate and refine the commercial property operation of the Group.



The capital market in Hong Kong flourished in 2017. The Hang Seng Index surged by 35.99%, and the total market capitalisation of the Hong Kong stock market reached HK$33,998.8 billion. Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect reported a significant increase in trading volumes and Southbound turnover reached HK$2,259.0 billion, an increase of 170.2% as compared with 2016. Fully benefited from the advantages of the Shenzhen-Hong Kong Stock Connect, SIUD has attracted attention from mainland investors under the Mainland-Hong Kong Stock Connect programme. In future, the Group will further expand its financing channels by fully utilizing its brand impact and listing status. Leveraging on its foothold in the mainland property market, the Group will seek investment opportunities which are in line with its strategies in Hong Kong and China and continue to strengthen and expand its principal operations, with an aim to gain more attention and support from investors in Hong Kong, China and even overseas.

In 2018, the Group will continue to closely monitor the actual situation of each city under the "One city, One Policy" and consolidate its business plan according to the long-term strategic planning of the Group. The Group will also acquire new land resources at reasonable risk levels and capital costs through different channels, as well as develop commercial properties with a focus on commercial and office buildings. Moreover, taking advantage of the stable yet positive economic development in China and the new trend of mixed commercial and residential property development, the Group will innovate its business model and facilitate the transformation and upgrading of its business operations for creating continuous value for the shareholders.

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

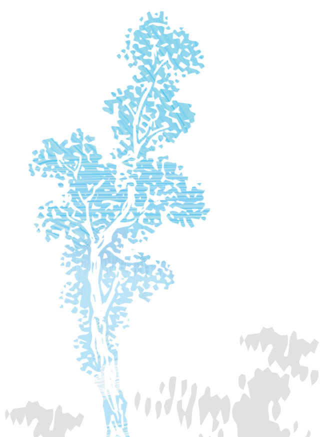
Ji Gang
Chairman

27 March 2018

Notes:

The gross domestic product data of China for 2017 is gathered from the National Bureau of Statistics.

The Hang Seng Index and Hong Kong stock market data for 2017 are derived from the Hong Kong Stock Exchange.



Artist Impression – Originally

TO CREATE A CLASSIC THROUGH UNIQUE CRAFTSMANSHIP

The Group will deepen cooperation with other developers and government. Healthy financial conditions have also prepared the Group for acquiring high-quality land reserves in the core areas.

MANAGEMENT DISCUSSION AND ANALYSIS

PROPERTY MARKET REVIEW

In 2017, despite the control measures under the "City-based Policy" and "One City, One Policy", China's property market still maintained solid development and demonstrated a differentiation trend among cities. Since the living demand of residents in first-tier cities, such as Beijing, Shanghai and Shenzhen, was shifting from quantity-driven to quantity and quality-driven, housing prices still stood at a high level given the shortage in supply. The property market in third- and fourth-tier cities was buoyant with notable increases in selling prices and transaction volume. During the year, the property market scaled new heights in sales area and sales amount in history. In the long run, the property industry will remain as one of the main industries in China, and the stable and positive outlook of the property market fundamentals will also remain unchanged.

BUSINESS REVIEW

Overview

In 2017, the Group derived its profits mainly from the increases in the delivered and booked area and unit prices of the properties in Shanghai. Urban Cradle and Grand Mansion, the Group's flagship projects in Shanghai, continued to see robust sales while Originally in Xi'an, Royal Villa in Kunshan and Laochengxiang in Tianjin delivered satisfactory sales. ShanghaiMart and Urban Development International Tower also brought steady rental income to the Group. During the year, the Group proactively expanded its business coverage. In August 2017, the Group won the bid in the public bidding, auction and listing-for-sale of Wanyuan A land plot in Minhang District, Shanghai for commercial and office use at a competitive price. In January and February 2018, the Group acquired 35% equity interest in Shanghai Real Estate Northern Region Investment Development Company Limited ("NR Investment"), which was engaged in primary land development, and intended to acquire the entire equity interest in Shanghai Shangtou Real Estate Investment Company Limited ("Shanghai Shangtou"), which was engaged in secondary land development, to continually optimize its strategic deployment of land and assets, strengthen its competitive edges in various land development sectors and consolidate its position as a preeminent property developer in Shanghai.

Contract Sales

During the year ended 31 December 2017, the contract sales from commodity housing of the Group decreased slightly year-on-year to RMB5,936,000,000 (2016: RMB6,595,000,000). Total contract sales in terms of G.F.A. were 386,000 sq.m. during 2017, up 8.4% year-on-year. The average selling price dropped slightly to approximately RMB15,400 per sq.m., mainly because the Group quickened its steps in selling its projects in certain second- and third-tier cities and delayed in rolling out new projects in Shanghai last year, leading to a corresponding adjustment in overall sales. In 2017, Urban Cradle in Shanghai, Originally in Xi'an and Grand Mansion in Shanghai were the Group's principal projects for sale, which accounted for approximately 39.9%, 30.9% and 17.3% of the total contract sales during the year.

New Project Acquisition (Land Bank)

As at 31 December 2017, the Group's land bank was developed into 20 property projects located in 11 major cities in China, including Shanghai, Beijing, Tianjin, Xi'an, Chongqing, Kunshan, Wuxi, Shenyang, Fuzhou, Changsha and Shenzhen, and comprised medium to high class residential and commercial properties, most of which were completed or under construction. With a future saleable planned G.F.A. of approximately 3.86 million sq.m., the Group's land bank is sufficient to support its development pipeline for the next three to five years.

The Group continued to adopt a multi-channel land acquisition strategy as ever and analysed the possibility of acquiring new projects through participation in bidding, auction and listing-for-sale, equity acquisition, urban renewal and redevelopment. In August 2017, the Group won the bid for Wanyuan A land plot in Minhang District, Shanghai in the public bidding, auction and listing-for-sale. The land is for commercial and office use with a future permissible gross area of approximately 118,000 sq.m., served by mature auxiliary facilities. The land is located next to a large park and is an above-station project along Metro Line No. 12. It is planned to be developed into a low density commercial complex. SIUD's acquisition of the land at a competitive price will help to establish the Group's presence in the neighbourhood, and further consolidate the Group's brand image as one of the leading real estate developers in Shanghai.

Besides, the Group also made some progress with initial achievements in primary and secondary land development in Shanghai. On 31 January 2018, the Group acquired 35% equity interest in NR Investment at a consideration of RMB88,338,100, which will enable the Group to expand its investment to the primary land development business in Shanghai. On 28 February 2018, the Group proposed to acquire the entire equity interest in Shanghai Shangtou at a consideration of RMB530,827,057.19, which will help the Group expand into the secondary land development business. These two acquisitions will complement and create synergy with the principal businesses of the Group. With nearly twenty years' experience in Shanghai property development, brand impact on the market and background as a state-owned enterprise, the Group will continue to utilise its competitive edge in the Yangtze River Delta region and coastal areas to actively explore new land resources as its continuous development drivers and support.

Property Development

During the year ended 31 December 2017, the Group had 10 projects with a total G.F.A. of 1,546,000 sq.m. under construction, which primarily included TODTOWN, Urban Cradle, Shanghai Jing City, Originally in Xi'an and Laochengxiang in Tianjin. The floor space started of the Group was 320,000 sq.m., which mainly came from Originally in Xi'an and Laochengxiang in Tianjin. The Group completed construction with G.F.A. of 245,000 sq.m., which mainly comprised Shanghai Jing City and Originally in Xi'an, and delivered a total G.F.A of 358,000 sq.m..

During the year, the formal topping-out of phase I residential projects T2 and T3 of TODTOWN, i.e. the Xinzhuang Metro Superstructure associate project in Minhang District, Shanghai, marked that the project has successfully achieved its periodical target since the commencement of construction on 26 June 2014. Contemporary Art Villa, which was acquired at the end of 2016, earned a high reputation after renovation and upgrading. Both of these new additional projects in Shanghai are planned to be launched for sale at opportune times in 2018. The sufficient new housing inventory supported SIUD in responding flexibly to the ups and downs in the property market, and selling each of its property project at the most favourable prices in light of the ever-changing market conditions.

Apart from Shanghai, SIUD also launched its projects in Xi'an, Tianjin and Shenyang one by one for sale. During the year, SIUD's project in Xi'an became the indicators of property value in the region and outperformed the industry in both trading volume and trading prices, reflecting the prominent position of the Group in the region. In 2018, new products will be rolled out under the Xi'an projects in "Chanba". As the leaders in the region, these invaluable and unbeatable products will continue to contribute greatly to the sales revenue of the Group.

Investment Properties

To actively capture the golden opportunity of "conversion from residential properties to commercial properties" in the property industry, SIUD stepped up its efforts in building complex and cross-disciplinary mixed residential and commercial property projects for its sustainable development. The Group is committed to developing investment properties at premium locations in popular cities, mainly including Shanghai, Beijing, Tianjin, Chongqing and Xi'an. During the year ended 31 December 2017, the G.F.A. of investment properties held by the Group was approximately 686,000 sq.m.. Owing to the emphasis of the Group on the construction, renewal and renovation of investment properties during the year, the overall rental income decreased slightly year-on-year to HK$634,999,000 (2016: HK$654,358,000). As the renovation of ShanghaiMart, YOYO Tower and Chongqing K-Mall comes to completion smoothly one after another, it is anticipated that the Group's rental income will reach another new height in the coming year, thereby contributing sustainable and substantial revenue to the Group in 2018.

FINANCIAL REVIEW

Revenue

During the year ended 31 December 2017, the Group's revenue increased by 70.4% year-on-year to HK$9,356,865,000 (2016: HK$5,490,564,000), primarily due to the completion and delivery of more residential buildings for projects in Shanghai during the period, leading to an increase in carry-over income. During the period, property sales remained as the Group's main source of revenue and amounted to HK$8,375,839,000 (2016: HK$4,557,433,000), accounting for 89.5% (2016: 83.0%) of the Group's total revenue. The revenue contribution from Shanghai Jing City, Urban Cradle and Originally accounted for 54.8%, 18.3% and 10.6% of property sales, respectively.

Revenue from leasing, property management and services, and hotel operations continued to provide stable revenue sources for the Group, contributing HK$634,999,000, HK$152,923,000 and HK$193,104,000 (2016: HK$654,358,000, HK$94,703,000 and HK$184,070,000) respectively and accounting for 6.8%, 1.6% and 2.1% (2016: 11.9%, 1.7% and 3.4%) of the total revenue, respectively.

Gross Profit and Gross Profit Margin

For the year ended 31 December 2017, the Group's gross profit increased by 213.1% from 2016 to HK$4,385,800,000 due to an increase in revenue and gross profit margin. Gross profit margin was 46.9%, up by 21.4 percentage points as compared to that of the same period last year, delivering a satisfactory overall growth.

Investment Property Revaluation

For the year ended 31 December 2017, the Group recorded a net loss on revaluation of investment properties of approximately HK$39,496,000 which was mainly attributable to the Top City project in Chongqing.

Distribution and Selling Expenses

For the year ended 31 December 2017, the Group's distribution and selling expenses decreased by 14.6% year-on-year to HK$235,033,000 (2016: HK$275,194,000), which was mainly attributable to the Group's continual efforts in stringent implementation of cost control measures which proved to be effective.

General and Administrative Expenses

For the year ended 31 December 2017, the Group recorded general and administrative expenses of approximately HK$444,055,000 (2016: HK$444,626,000), which was generally similar to that of the same period last year.

Other Expenses, Gains and Losses, Net

For the year ended 31 December 2017, the Group recorded a net loss of approximately HK$11,879,000 in other expenses, gains and losses (2016: HK$304,505,000), mainly due to repayment of borrowings denominated in foreign currencies in prior year and appreciation of Renminbi during the year, leading to slight exchange losses.

Profit

During the year ended 31 December 2017, the Group's profit decreased slightly by 6.0% to HK$1,247,322,000 (2016: HK$1,326,565,000) mainly due to the one-off gain arising from the disposal of the 35% and 40% interests in Shanghai U Center through withdrawal from the partnership in Green Carbon Fund and public listing-for-sale in 2016. However, excluding such one-off gain, the Group's profit for the period grew HK$1,717,033,000 year-on-year. During the year, profit attributable to owners of the Company was approximately HK$557,964,000 (2016: HK$521,888,000), increased by 6.9% year-on-year. The basic and diluted earnings per share amounted to 11.60 HK cents (2016: earnings per share of 10.85 HK cents).

Liquidity and Capital Resources

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

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

As at 31 December 2017, bank balances and cash of the Group were HK$12,658,436,000 (31 December 2016: HK$12,818,335,000). The net debt to total equity of the Group (net debt (total bank and other borrowings less bank balances and cash and restricted and pledged bank deposits) to total equity) increased from 8.1% as at the end of last year to 16.2%. Current ratio fell slightly to 2.2 times (31 December 2016: 2.3 times).

As at 31 December 2017, the total borrowings of the Group including bank borrowings, other borrowings and advanced bonds amounted to approximately HK$16,689,035,000 (2016: HK$14,746,170,000).

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

Foreign Exchange Risks

During the year, most of the Group's revenue and operating costs were denominated in Renminbi. Except for the bank deposits denominated in foreign currencies, the Group's operating cash flow or liquidity is not directly subject to any other material exchange rate fluctuations. The Group did not enter into any foreign exchange hedging arrangements to control its exposure to exchange rate fluctuations as at 31 December 2017. However, the Group will adopt necessary measures whenever appropriate to minimise the impact arising from exchange rate fluctuations.

Distribution of Dividends

In view of shareholders' unwavering support over the years, the Board resolved through discussion to propose a final dividend of 1.6 HK cents (2016: 1.4 HK cents) per share, together with a special dividend of 2.5 HK cents (2016: 1.9 HK cents) per share.

Contingent Liabilities

Details of contingent liabilities are set out in note 42 to the consolidated financial statements.

CHARGE ON GROUP'S ASSETS

As at 31 December 2017, certain bank deposits of approximately HK$47,324,000 (31 December 2016: HK$43,133,000) were pledged to banks to secure mortgage loans granted by banks to the purchasers of pre-sale properties. These pledged deposits may be released upon the transfer of the property title certificates to respective purchasers.

As at 31 December 2017, certain inventories, certain hotel properties and their land use right, certain investment properties and bank deposits of the Group located in the PRC, with total carrying amounts of approximately HK$376,838,000 (31 December 2016: HK$1,878,127,000), HK$0 (31 December 2016: HK$759,680,000), HK$8,543,940,000 (31 December 2016: HK$8,395,002,000) and HK$5,870,000 (31 December 2016: HK$12,356,000) respectively, were pledged as collateral for the Group's bank borrowings, details of which are set out in note 31 to the consolidated financial statements.

HUMAN RESOURCES AND REMUNERATION POLICIES

As at 31 December 2017, the Group employed 1,318 employees (including Hong Kong and PRC offices). The remuneration policies for the employees of the Group are determined according to the performance, qualification, experience and competence of the employees. The emoluments of the Directors are determined by the remuneration committee of the Company, having regard to the operating results of the Group, individual performance and comparable market statistics. Staff benefits include discretionary bonus payments which are linked to the profitability of the Group and individual performances and contributions to the Mandatory Provident Fund Schemes.

The Group had adopted a share option scheme as an incentive to the Directors and eligible employees. During the year ended 31 December 2017, 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.

OUTLOOK

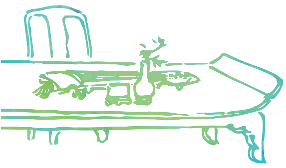
China's economy demonstrated a steady rebound in 2017, and will see a stable growth in 2018. Due to the continuously high domestic purchasing power and robust demand for high-grade residence, it is expected that high quality property projects in first-tier core cities will continue to be sought after and housing prices in Shanghai and other first-tier cities will remain at a high level. The gradual implementation of the national strategy of the Belt and Road Initiative will bring a new round of enormous development opportunities for the future development of the core cities in central and western China. We believe that the stable and promising macroeconomic conditions, regional development and industrial trends will further drive the solid development of the Group's property operations.

The Group will make more efforts to develop the existing premium land reserves and quicken its steps in realising the intrinsic value of its projects. Apart from rolling out more properties under Urban Cradle, the Group also plans to launch the residential portions of TODTOWN, a landmark metro-oriented comprehensive development project in Shanghai, and Contemporary Art Villa, a rarely found low-density urban villa project in Shanghai, for sale at opportune times in 2018. SIUD will also gradually launch its projects in Xi'an, Tianjin and Shenyang for sale. In particular, Originally in Xi'an has already become another earning growth driver of the Company and will continue to contribute greatly to the sales revenue and profits of the Group.

In the meantime, grasping the golden opportunity presented by the "conversion from residential properties to commercial properties" in the industry, the Group will accelerate its pace of building complex and cross-disciplinary mixed residential and commercial property projects. In the future, as Binjiang U Center, the commercial and office portions of TODTOWN and other landmark investment properties in Shanghai are completed one after another, together with the smooth completion of ShanghaiMart, Urban Development International Tower, YOYO Tower and Chongqing K-Mall, which are undergoing renovation and upgrading, the rental income from investment properties will continue to grow. These properties will become a crucial foundation for the future development, transformation and upgrading of the principal operations of the Group.

With more than 20 years of development experience in Shanghai, coupled with its brand advantages in the Shanghai metropolitan circle and other highly-developed regions, existing premium land bank, outstanding financial structure and strong support of its controlling shareholder, the Group will be able to maintain sustainable and stable growth in the future and bring satisfactory returns for the shareholders.

INVESTOR FAQ



HOW DOES THE GROUP VIEW CHINA'S PROPERTY MARKET IN 2018?

China's property market has been developing soundly under the differential control policies in recent years. First-tier cities, such as Shanghai, witnessed a shrinking volume and steady prices under restrictive control measures, including purchase limits, mortgage restrictions, sale restrictions, price limits and tightening land auctions. Third- and fourth-tier cities saw an increase in prices and sales volume due to the encouraging policies, including raising the monetized resettlement for shanty town renovation, lowering the down payment requirements and distributing home purchase allowances. The control measures in 2017 are expected to carry over to 2018. However, benefited from the steady economic transformation and ever-increasing urbanization in China, together with the robust rigid demand for high quality housing, the long-term positive outlook of the property market fundamentals in China remains unchanged. The Group is strongly optimistic about the prospect of the industry and is confident in its business development.

HOW DOES THE PROPERTY MARKET IN SHANGHAI PERFORM UNDER THE PROPERTY CONTROL POLICIES IN RECENT YEARS? WILL THE GROUP ADJUST ITS DEVELOPMENT STRATEGIES?

The property control direction and policies of the government are in line with market expectations. Aiming at securing the stable development of the property market in the long run and avoiding over-speculation in the market, such policies are useful in minimizing the risk of a property bubble. Although the supply and trading volume of the Shanghai property market have been affected by these control measures, the average price of new housing is still on a rise. The Group is generally positive about the long-term economic development in Shanghai, and such measures will contribute to the sustainable and healthy development of the Shanghai property market. In 2017, the Group satisfied the market demand by providing sufficient number of projects for sale and scaled another new height in its annual overall sales.

Going forward, by leveraging its competitive advantages as a state-owned enterprise and its brand impact and development experiences accumulated over the years in Shanghai, SIUD will continue to focus on its development in Shanghai while expanding in other important first- and second-tier cities, demonstrate its strengths in urban renewal projects, persist in the strategy of acquiring land resources from various channels and step up its efforts in new project acquisition. By pursuing a joint-development and complementary investment strategy, SIUD hopes to promote organic business growth, implement the business strategy of mixed commercial and residential property development, and capture business development opportunities.

COULD YOU EXPLAIN THE GROUP'S FIVE-YEAR STRATEGIC DEVELOPMENT PLAN OF "RESIDENTIAL PROPERTY DEVELOPMENT + INVESTMENT PROPERTY OPERATION + URBAN VALUE-ADDED SERVICE + COOPERATION BETWEEN INDUSTRIAL AND FINANCIAL CAPITAL"?

The Group will continue to treat Shanghai as its key development area, consolidate its core operations and step up its commercial development efforts. The Group will also enhance its innovation capability and extend the industry chain while taking advantage of the development opportunities in the industry with a diversified product structure. With respect to key project development, the Group will stick to the strategic model of "win-win cooperation and complementary development" in order to achieve mutual development with other outstanding enterprises. At the present stage, as the strategic development plans of the Group gradually take root, the development of investment properties has also become one of the future development focuses of the Group. Meanwhile, the Group is committed to exploring different sectors, such as urban value-added services and financial property investment. The Group will consider its strategic planning and transformation by taking into account its own strengths in a bid to create satisfactory returns for the shareholders.

HOW WOULD YOU FORECAST THE RESULTS FOR 2018? CAN THE GROUP MAINTAIN A GROWTH IN DIVIDEND DISTRIBUTION IN FUTURE?

In the coming years, the Group will strive to unlock its hidden potential value as far as possible so as to achieve better results and bring satisfactory returns for the shareholders. The Group will also increase its investment in investment properties. Currently, the Group has investment properties of approximately 686,000 sq.m.. As the Group strives to expand its investment property to over 1 million sq.m. in the next three to five years, it also expects to double its rental income by then. With certain upcoming large-scale integrated projects, including Binjiang U Center and TODTOWN, the Group is confident that it can continue to improve and enhance its performance. The Group will review its dividend distribution policy and share the benefits generated from healthy development with the shareholders from time to time. The Group is confident in steadily increasing its dividend distribution in future.

IS THERE ANY NEW PROGRESS IN THE LAND BANK ACQUISITION OF THE GROUP?

The Group will study the possibility of acquiring new projects through participation in bidding, auction and listing-for-sale, equity acquisition, urban renewal and redevelopment, and actively explore urban renewal projects to identify high-quality property investment opportunities. In August 2017, the Group won the bid in the public bidding, auction and listing-for-sale of Wanyuan A land plot in Minhang District, Shanghai for commercial and office use. Currently, the Group has 20 projects. With a future saleable land bank of approximately 3,860,000 sq.m. as at the end of 2017, the Group's land bank is sufficient to support its development pipeline for the next three to five years.

IS THERE ANY PROGRESS ON THE "PROPERTY OPERATION INTEGRATION" PROPOSAL WITHIN SHANGHAI INDUSTRIAL?

The Group has been playing an active role in the reform of state-owned enterprises. In preparation of the reform of state-owned enterprises, the Group conducted a series of asset disposals and win-win cooperation in recent years in order to strengthen and consolidate its operations. Both the Group and SID are subsidiaries of SIHL, and each of them has its own development goals and market positioning. There is not any competition between the Group and SID, each of whom focuses on its self-development. We believe that SIHL will make timely disclosure to the capital market if there are any concrete measures.

SERENELY ELEGANT, QUALITY OF LIFE

In 2017, SIUD accelerated with land bank expansion by winning the bid for a piece of land for commercial and office use in Minhang District, Shanghai in the public bidding, auction and listing-for-sale. Going forward, the Group will remain focused on Shanghai and other first- and second-tier core cities to explore new opportunities.

Artist Impression – Contemporary Splendour Villa

DETAILS OF PROPERTIES — LAND BANK

Artist Impression — Binjiang U Centre

As at 31 December 2017

Project	City	Site area (sq.m.)	Planned G.F.A. (sq.m.)	Saleable G.F.A. (sq.m.)	2017 pre-sold G.F.A. (sq.m.)	Accumulated G.F.A. sold (sq.m.)	Future saleable G.F.A. (sq.m.)	G.F.A. under construction (sq.m.)	G.F.A. for future development (sq.m.)	Expected Completion Date	Ownership (%)
Urban Cradle	Shanghai	943,000	1,226,298	909,054	30,729	769,040	140,014	–	86,330	Completed by phase from 2007 to 2022	53.1%
Binjiang U Center	Shanghai	77,371	525,888	324,600	–	–	324,600	65,900	258,700	Completed by phase from 2019 to 2021	35.4%
Shanghai Youth City	Shanghai	57,944	212,130	164,688	–	139,840	24,848	–	–	Completed	100.0%
Shanghai Jing City	Shanghai	301,908	772,885	609,488	15,104	560,074	49,414	43,129	–	Completed by phase from 2012 to 2018	59.0%
TODTOWN	Shanghai	117,825	605,000	385,300	–	–	385,300	272,300	113,000	Completed by phase from 2018 to 2022	20.7%
American Rock	Beijing	121,499	523,833	454,610	–	454,563	47	–	–	Completed	100.0%
Youngman Point	Beijing	112,700	348,664	295,114	471	258,814	36,300	13,693	–	Completed by phase from 2007 to 2021	100.0%
West Diaoyutai	Beijing	42,541	250,930	230,801	–	172,069	58,732	–	49,288	Completed by phase from 2007 to 2021	90.0%
Laochengxiang	Tianjin	244,252	752,883	613,357	6,359	578,266	35,091	29,795	–	Completed by phase from 2006 to 2019	100.0%
Yoooou.net	Kunshan	34,223	129,498	112,812	1,024	62,975	49,837	–	–	Completed	30.7%
Royal Villa	Kunshan	205,017	267,701	222,666	4,703	209,045	13,621	–	–	Completed	53.1%
Urban Development Int'l Center	Wuxi	24,041	193,368	143,862	1,538	42,303	101,559	–	–	Completed	59.0%
Originally	Xi'an	2,101,967	3,899,867	3,202,324	231,565	2,233,908	968,416	6,904	738,335	Completed by phase from 2008 to 2019	71.5%
Shenyang U Center	Shenyang	22,651	228,768	176,315	14,248	19,746	156,569	176,315	–	Completed by phase from 2015 to 2018	80.0%
Top City	Chongqing	120,014	786,233	616,122	–	376,095	240,027	–	–	Completed	100.0%
Forest Sea	Changsha	679,620	1,032,534	1,016,765	31,954	302,217	714,548	–	704,553	Completed by phase from 2007 to 2025	67.0%
China Phoenix Tower	Shenzhen	11,038	106,190	79,391	–	78,343	1,048	–	–	Completed	91.0%
Contemporary Art Villa	Shanghai	116,308	71,822	71,822	–	31,705	40,117	71,822	17,000	Completed by phase from 2018 to 2022	100.0%
Contemporary Splendour Villa	Shanghai	120,512	191,636	68,404	–	–	68,404	–	68,404	Completed by phase from 2018 to 2022	100.0%
Sweet Sea	Fuzhou	387,693	1,046,898	806,808	230,116	350,525	456,283	456,283	–	Completed by phase from 2018 to 2021	26.0%
Total		5,842,124	13,173,026	10,504,303	567,811	6,639,528	3,864,775	1,136,141	2,035,610		

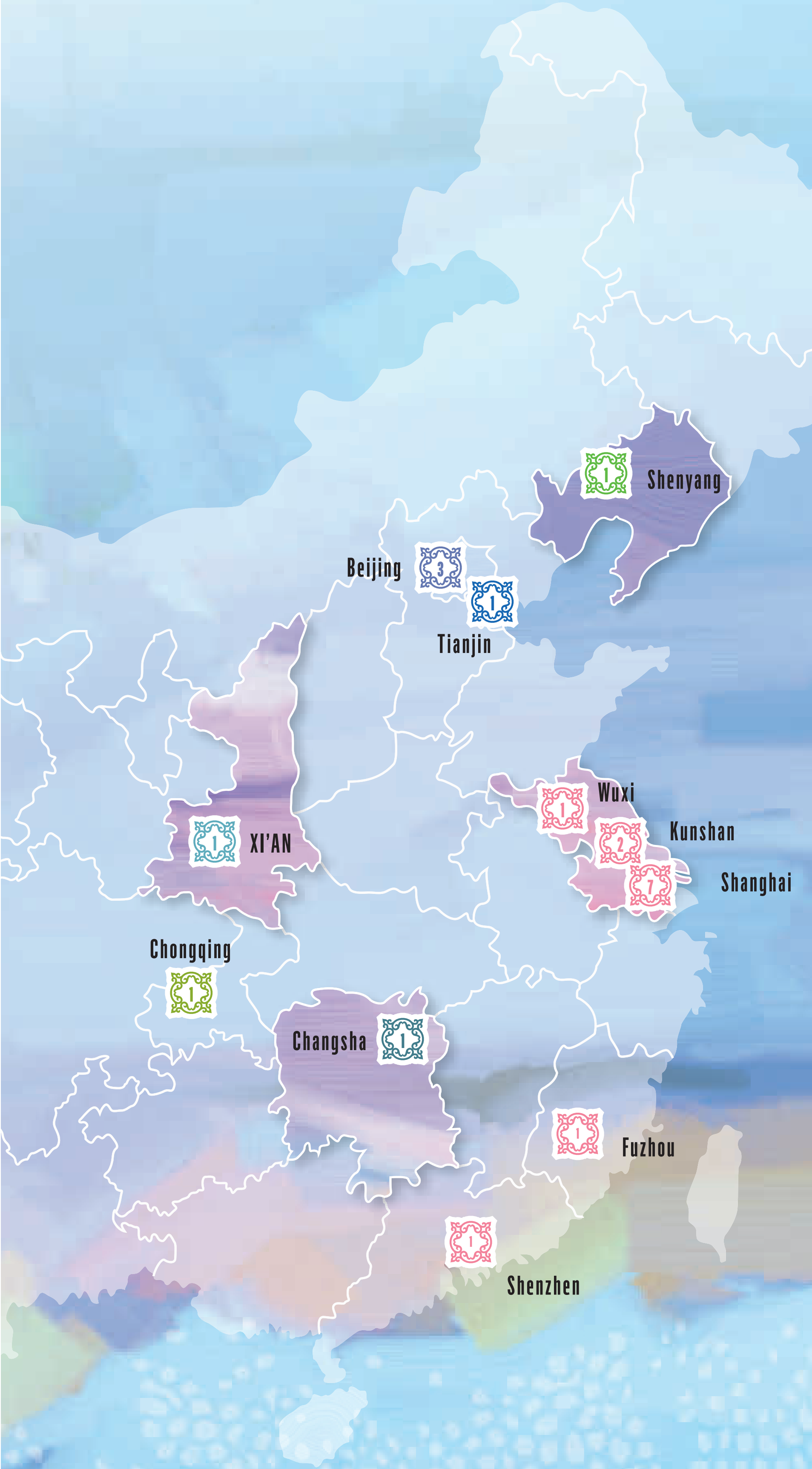
Shanghai Office Building

MAJOR INVESTMENT PROPERTIES

Project	City	Property Category	Lease Term	Planned G.F.A. (sq.m.)
Shanghai Youth City	Shanghai	Commercial	Medium-term lease	16,349[1]
Top City	Chongqing	Commercial, parking lot	Medium-term lease	251,847[1]
China Phoenix Tower	Shenzhen	Office building	Medium-term lease	1,048[1]
Youngman Point	Beijing	Commercial	Medium-term lease	19,768[1]
Contemporary Art Villa	Shanghai	Villa	Medium-term lease	43,976[1]
ShanghaiMart[2]	Shanghai	Exhibition, transaction market, office building and parking lot	Medium-term lease	284,651
Urban Development Int'l Tower[3]	Shanghai	Office building	Medium-term lease	45,239
YOYO Tower[4]	Shanghai	Commercial	Medium-term lease	13,839
Others	Shanghai, Tianjin	Commercial, office building and parking lot	Medium-term lease	9,249
Total				**685,966**

Notes:
1. Included in the Page 24 of this annual report.
2. Address: Yan'an West Road No. 2299 of Changning District, Shanghai
3. Address: Hongqiao Road No. 355 of Xuhui District, Shanghai
4. Address: Tianyaoqiao Road No.123 of Xuhui District, Shanghai; previously named as "Huimin Commercial Tower"

INTRODUCTION OF KEY PROJECTS IN CHINA



SHENYANG
- Shenyang • U Center

BEIJING
- American Rock
- Youngman Point
- West Diaoyutai

TIANJIN
- Laochengxiang

WUXI
- Urban Development International Center

KUNSHAN
- Yoooou.net
- Royal Villa

SHANGHAI
- Urban Cardle
- Binjiang U Center
- TODTOWN
- Shanghai Jing City
- Shanghai Youth City
- Contemporary Art Villa
- Contemporary Splendour Villa

FUZHOU
- Sweet Sea

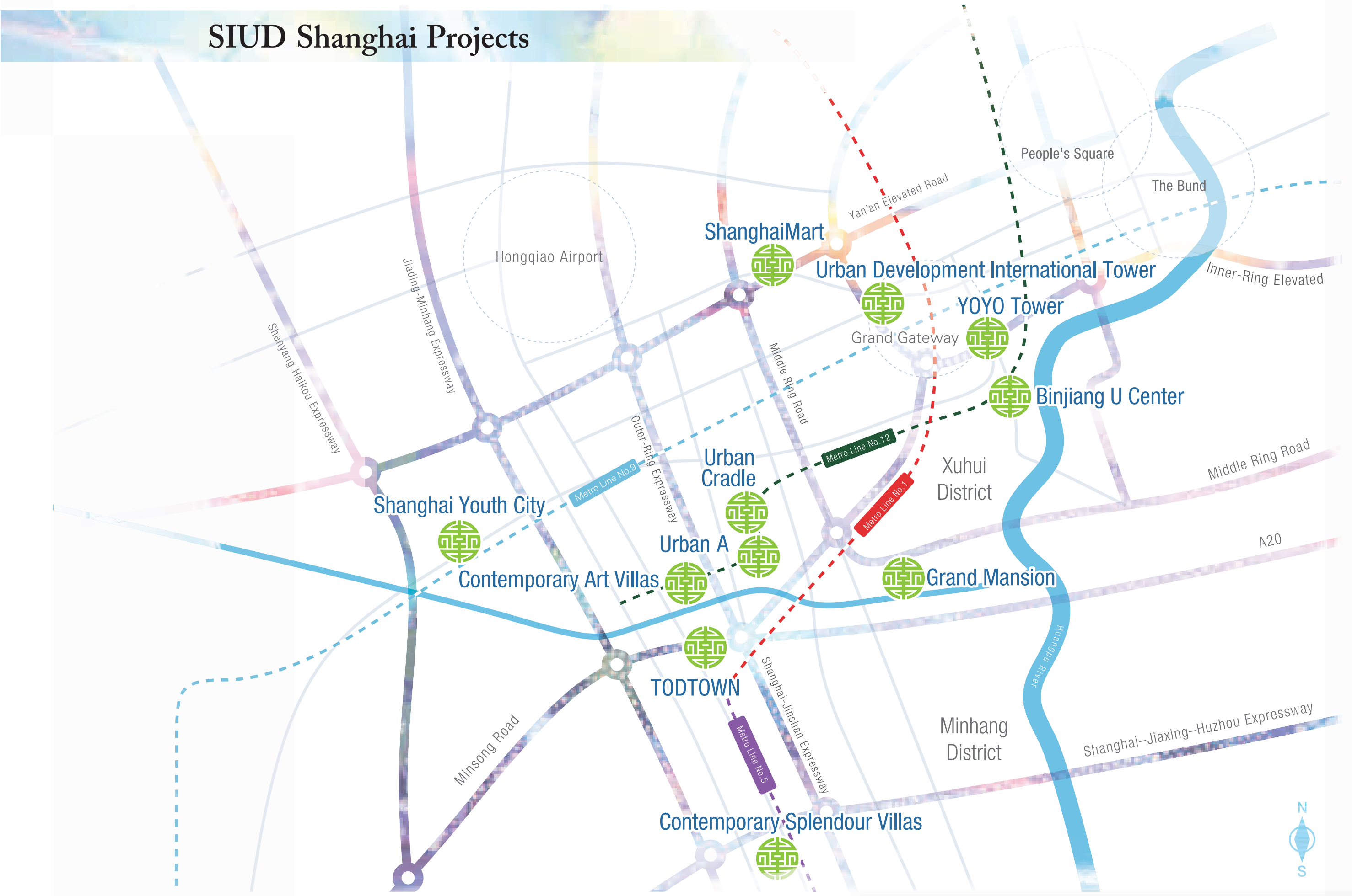
SHENZHEN
- China Phoenix Tower

CHANGSHA
- Forest Sea

CHONGQING
- Top City

XI'AN
- Originally

SIUD Shanghai Projects



URBAN CRADLE

Address:
588 Gulong Road,
Minhang District, Shanghai

Category:
Residence/
Commerce

Feature:

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

INTRODUCTION OF KEY PROJECTS IN CHINA

BINJIANG U CENTER

Address:	**Category:**
Xuhui Binjiang, Shanghai	Office/ Commerce

Feature:

Facing Huangpu River in Shanghai, Binjiang U Center is situated at the business hub of Binjiang, Xuhui District and is planned for composite commercial usage, which will be built as property partly for sales and held for rental respectively. The surrounding view of the project is glorious. Also, the transportation network is well established as the project is adjacent to Longyao Road Tunnel that leads to Pudong, coupled with the Yunjin Road Station of metro line 11 is now in use.


Artist Impression

TODTOWN

Address:	**Category:**
Xinzhuang Town, Minhang District, Shanghai	Residence/ Commerce/Hotel/ Office/Apartment office

Feature:

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

As one of the most advanced TOD (Transit-oriented Development) projects in Shanghai, TODTOWN covers a total site area of approximately 118,000 sq.m. with a total G.F.A. of 605,000 sq.m., of which 100,000 sq.m. is transport-related. Upon completion, TODTOWN will be connected to metro line 1 and line 5, Shanghai-Hangzhou Highspeed Railway and numerous public bus routes, as well as the station to be established for the Jinshan sub-line. Different modes of transport operated by different departments, such as metro lines, public buses and commuter rail services, will be blended into the project to achieve seamless and convenient transition. TODTOWN will be a “city in the sky” encompassing residential, commercial and leisure functions. As a complex equipped with comprehensive systems and facilities, TODTOWN will offer 50,000 sq.m. of offices, 140,000 sq.m. of shopping mall, 20,000 sq.m. of hotel, 90,000 sq.m. of residential units, 85,000 sq.m. of serviced apartments and 20,000 sq.m. of ancillary public facilities.

CONTEMPORARY ART VILLA

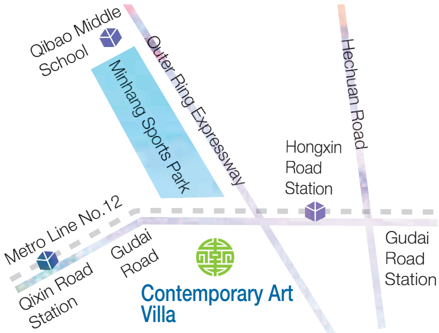
Address:
Minhang District,
Shanghai

Category:
Residential

Feature:

Contemporary Art Villas (tentative name) project is situated in Minhang District in the southwest of Shanghai. The project is adjacent to the outer ring road in the east and adjoins the ground satellite communication station of Shanghai in the west. It extends to Gudai Road in the north and connects Zhandou River in the south. The traffic is convenient as the straight-line distance from the entrance to the community to Hongshen Road Station of metroline #12 in the east is about 390m. It is opposite to Minhang Sports Park on the other side of Gudai Road in the north and Li'an Park with excellent ecological environment on the opposite bank of Zhandou River in the south. The project covers an area of approximately 11.63 hectares and the land's plot ratio is 0.5. The planned G.F.A. is approximately 58,100 sq.m., including planned residential floor area of approximately 48,700 sq.m. and planned public supporting building of approximately 9,300 sq.m. The planned residences of the project are villas.


Artist Impression



CONTEMPORARY SPLENDOUR VILLA

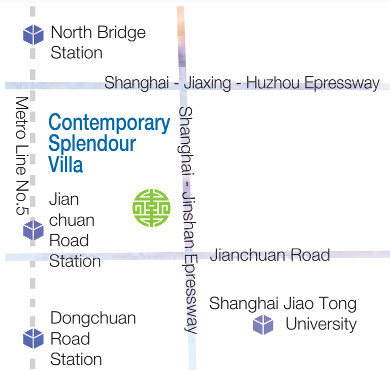
Address:
Minhang District,
Shanghai

Category:
Residential

Feature:

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


Artist Impression



SHANGHAIMART

Address:	**Category:**
2299 West Yan'an Road, Shanghai	Exhibition/ Commerce/ Office

Feature:

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

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

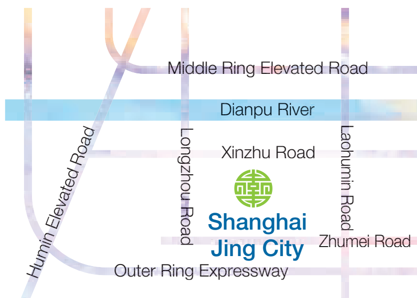
SHANGHAI JING CITY (Including "Grand Mansion")

Address:	**Category:**
Lane 266, Zhumei Road, Shanghai	Residence/ Commerce


Artist Impression

Feature:

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



BEIJING

YOUNGMAN POINT

Address:	Category:
No. 2, Middle Lane Ganluyuan, Qingnian Road, Chaoyang District, Beijing	Residence/ Commerce

Feature:

At the intersection of Qingnian Road and North Chaoyang Road in Chaoyang District, the project stands opposite Chaoyang Joy City — a major commercial complex in Chaoyang, and is only 3.8 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 Phase III has begun development.

WEST DIAOYUTAI

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

Feature:

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

Artist Impression

TIANJIN

LAOCHENGXIANG

Address:	Category:
Laochengxiang, Nankai District, Tianjin	Residence/ Commerce/ Office

Feature:

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

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

SHENYANG

SHENYANG • U CENTER

Address:	Category:
South Taiyuan Street, Heping District, Shenyang	Commerce/Office/ Serviced Apartment


Artist Impression

Feature:

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

KUNSHAN

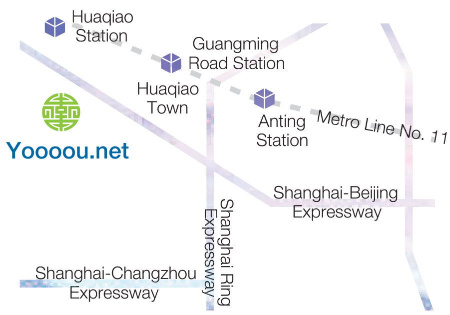
YOOOOU.NET

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

Category:
Commerce/
Office

Feature:

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



ROYAL VILLA

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

Category:
Residence

Feature:

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

WUXI

URBAN DEVELOPMENT INTERNATIONAL CENTER

Address:	Category:
Intersection of Yinxiu Road and Taihu Avenue, Binhu District, Wuxi, Jiangsu	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 Lihu Lake Scenic Spot, Lihu Central Park and Bogong Island in its vicinity to enjoy. The area is well developed, equipped with all essential facilities and convenient transportation choices. The integrated complex comprises an international five-star hotel, serviced apartments, a 5A-grade office building and a commercial center.

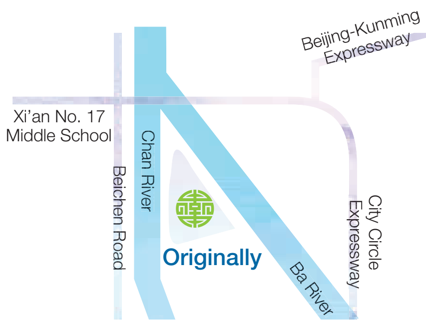
XI'AN

ORIGINALLY

Address:	Category:
East to Chanhe River, Chanba Avenue, Chanba Ecotope, Xi'an	Residence/ Commerce/Hotel

Feature:

In the heart of Xi'an Chanba Ecotope, the project lies where the Chan River and Ba River meet. The project with more than 2,000,000 square meters in terms of site area is the largest eco-district in northwestern China. The area has been well 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 and related necessary facilities completed or soon to be completed to meet community business requirements and educational, medical and shopping needs.

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

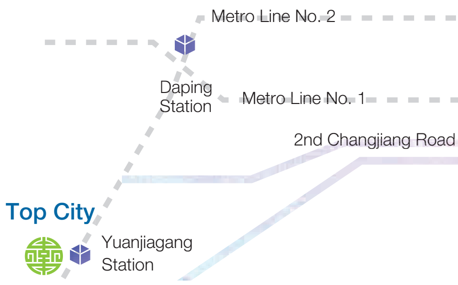
CHONGQING

TOP CITY

Address: No. 1, Aoti Road, Yuanjiagang, Jiulongpo District, Chongqing	**Category:** Residence/ Commerce/ Office

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.



CHANGSHA

FOREST SEA

Address: No. 1218, Leifeng North Avenue, Wangcheng District, Changsha	**Category:** Residence/ Commerce

Feature:

The project not only shares the same area as Wangcheng District, but is also in the Waterfront New Town, a major development focus of the government. Leifeng Avenue and Xiang River 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.

FUZHOU

SWEET SEA

Address:
Tonghe Road,
Langqi Island,
Fuzhou

Category:
Residence/
Commerce

Feature:

Sweet Sea, located on the south side of Tonghe Road, Langqi Island, Fujian Free Trade Zone, and the north side of Yanhang River, enjoys very superior traffic resources as it covers part of both the south and north banks of Yanhang River, the core of the island, and backs against Yanhang River and faces the sea. Langqi benefits from the four national favourable policies, i.e. the fourteenth national new zone of the PRC, one of the second batches of free trade zones in the PRC, core area on the Maritime Silk Road and national ecological tourism island, and is the sole land enjoying the aforementioned policies for development in the PRC. The project consists of 3 land parcels (for commercial purpose) with a total area of 504 Mu and a total G.F.A. of 840,000 sq.m., of which one land parcel for sale covers an area of 200 Mu and has a total construction area of 380,000 sq.m.. It is planned to integrate high-rise buildings, duplex, town houses, commercial buildings, and other products. As the first project on Langqi Island, the project will be built into a global island city for holiday and life integrating high end residences, characteristic commerce, five-star hotel and school education. The surrounding supporting facilities are complete. 12 key projects will contribute to the booming of the internal island including a sports park of 52,000 sq.m., a commercial complex of 260,000 sq.m., the largest Class III Grade A hospital at the mouth of Minjiang River, open to traffic of Langqi Island Ring Road, Langqi International Island Vacation Comprehensive Park, Strait Youth Exchange Camp, construction of free trade zone, headquarters of high-tech enterprises, Taiwan-oriented economic and trade zone, Hongguang Lake Ecological Park, Yanghang Riverside Park, etc. The 12 projects have been included in the agenda for construction. The island vacation and life cycle in the front of Fuzhou is about to make its debut.

INVESTOR RELATIONS REPORT

SUMMARY

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

COMMUNICATION STRATEGY:

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

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

1. Create value for shareholders;

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

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

CHANNELS AND METHODS:

In 2017, SIUD disseminated information to the capital market through multiple channels, including annual reports, interim reports, press releases and announcements. All these information is available on the Company's website. The corporate communications department also shared the announcements and press releases with investors via email, WeChat official account and other ways in due course, and proactively responded to relevant inquiries and provided guidance.

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

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

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

ANNUAL GENERAL MEETING:

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

During the period under review, the Company held the annual general meeting at the ballroom of Island Shangri-La Hotel, Admiralty, Hong Kong on 19 May 2017. Matters passed on the meeting included the re-election of directors and declaration of special dividends in cash. All ordinary resolutions proposed at the annual general meeting were passed by poll.

ANNUAL REVIEW:

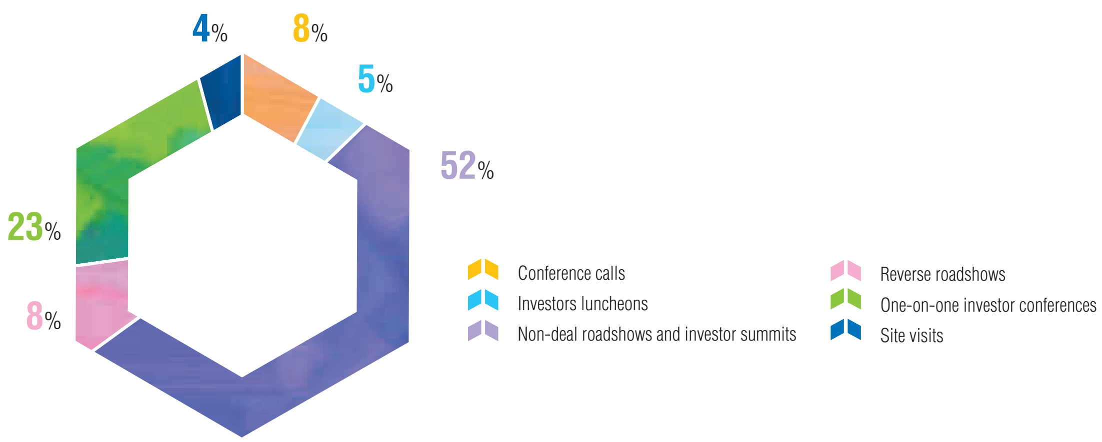
During the year, the Group attended totally 3 investor summits staged by investment banks and large institutions, 6 non-deal roadshows, 1 reverse roadshow and 15 conference calls, hosting more than 250 investors and capital market participants. The Company also arranged investors and media to conduct site visits to the premium projects of the Group, including Urban Cradle, Contemporary Art Villa, Contemporary Splendour Villa, Binjiang U Center, ShanghaiMart and TODTOWN in Shanghai. Investors dined and had conversations with the management. The chairman of the board of SIUD also conducted an exchange session with investors and reporters to reinforce mutual understanding.

AVAILABILITY OF INFORMATION:

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

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

SUMMARY OF THE INVESTOR RELATIONS EVENTS



MAJOR INVESTOR RELATIONS EVENTS IN 2017:

Time	Event	Organiser	Location
January	Investor summit	Industrial Securities	Shanghai
February	Reverse roadshow	SIUD	Shanghai
March	Post-results one-on-one meeting	SIUD	Hong Kong
April	Non-deal roadshow	Haitong	Beijing
April	Non-deal roadshow	China Galaxy International	Shanghai
April	Non-deal roadshow	China Galaxy International	Shenzhen
May	One-on-one investor conference	Haitong	Hong Kong
June	Investor summit	Essence Securities	Shenzhen
July	One-on-one investor conference	Huatai Securities	Hong Kong
August	Post-results one-on-one meeting	SIUD	Hong Kong
September	Non-deal roadshow	Haitong	Beijing
September	Non-deal roadshow	Haitong	Shanghai
October	Non-deal roadshow	China Everbright Securities	Shenzhen
November	Investor summit	Gelonghui	Shenzhen
December	One-on-one investor conference	Cinda International Securities	Hong Kong
December	One-on-one investor conference	CASH Financial	Hong Kong

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 2017, 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 for the deviation from code provision A.2.1 of the Code as described below.

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

BOARD OF DIRECTORS

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

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

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

As at 31 December 2017, 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 64 to 70 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.

COMPOSITION OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS OF THE COMPANY

Following the change of directors as mentioned in the announcement of the Company dated 30 June 2017, the number of independent non-executive Directors fell below the minimum number required under Rule 3.10A of the Listing Rules for the period from 30 June 2017 to 27 September 2017. On 28 September 2017, Mr. Qiao Zhigang was appointed as an independent non-executive Director and accordingly, the Company has fulfilled the minimum required number of independent non-executive Directors under the Listing Rules.

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/the next following annual general meeting of the Company after his/her appointment and shall then be eligible for re-election at that general meeting.

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

DIRECTORS AND OFFICERS LIABILITY INSURANCE

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

THE CHAIRMAN AND THE PRESIDENT

Following the re-designation of Mr. Ji Gang as the Chairman of the Board since 2 February 2015, there has been a deviation from code provision A.2.1 of the Code (which stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual) as Mr. Ji has also been performing the role of chief executive of the Group. The Board is aware of the said deviation but considers that this arrangement is appropriate and in the best interests of the Group as it helps to maintain the continuity of the Group's policies and strategies and the stability of the operations of the Group. The Board also considers that such arrangement would not impair the balance of power and authority between the Board and the management of the Company as the Board does meet regularly on a quarterly basis to review the operations of the Group and to consider other major matters affecting the business development and operations of the Group. Going forward, the Board will periodically review the effectiveness of this arrangement.

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 held between the chairman of the Company and the independent non-executive Directors, without the presence of the executive Directors for the year ended 31 December 2017.

BOARD DIVERSITY

The Board had adopted the board diversity policy and revised the terms of reference for the Nomination Committee accordingly. 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 operations, business activities and development of the Company and shall ensure that sufficient time and effort will be put to deal with the Company's affairs. The Company offers induction materials to each Director on the first occasion of his/her appointment as well as necessary information and training during his/her term of appointment to ensure that he/she has appropriate knowledge of the Company's operations and business as well as the 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 2017, the Company offered several appropriate training sessions for Directors. The training sessions were related to the internal controls, anti-fraud policies and site visiting. The Company has received from each of the Directors the individual training record of Directors pursuant to A.6.5 of the Code and time involved in public companies or organizations and description of other significant commitments pursuant to A.6.6 of the Code.

During the year ended 31 December 2017, the Directors participated in the following trainings:

	Attending[1]
Executive Directors	
Ji Gang	✓
Zhou Jun[2]	✓
Lou Jun[3]	✓
Yang Jianwei	✓
Fei Zuoxiang[3]	✓
Yang Biao[2]	✓
Ye Weiqi	✓
Huang Fei	✓
Zhong Tao[4]	✓
Independent Non-executive Directors	
Doo Wai-Hoi, William, *J.P.*	✓
Fan Ren Da, Anthony	✓
Li Ka Fai, David	✓
Qiao Zhigang[5]	✓

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. Zhou Jun and Mr. Yang Biao resigned as executive Directors with effect from 30 June 2017.

3. Mr. Lou Jun and Mr. Fei Zuoxiang were appointed as executive Directors with effect from 30 June 2017.

4. Mr. Zhong Tao was appointed as an executive Director and a member of the Investment Appraisal Committee with effect from 30 June 2017.

5. Mr. Qiao Zhigang was appointed as an independent non-executive Director and a member of the Investment Appraisal Committee with effect from 28 September 2017.

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

(B) Support

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

PRACTICES AND CONDUCT OF MEETINGS

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

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

Board papers together with all appropriate, complete and reliable information are sent to all directors/committee members of the Company at least three days before each board meeting or committee meeting to keep the Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management whenever necessary.

The senior management, the financial controller of the Company and the Company Secretary 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 inside information relating to the Company or its securities) (the "**Guidelines for Securities Transactions by Relevant Employees**") on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standards set out in the Model Code and its code of conduct regarding directors' securities transactions for the year ended 31 December 2017.

In addition, no incident of non-compliance of the Guidelines for Securities Transactions by Relevant Employees by the relevant employees of the Group was noted by the Company throughout the year ended 31 December 2017.

DIRECTORS' ATTENDANCE RECORD

The Directors give sufficient time and attention of the Group's affairs. The Directors play an active role in participating in the Company's meetings through contribution of their professional opinions and active participation in discussion. The attendance record of each of Director at the meetings of the Board, Audit Committee, Remuneration Committee, Nomination Committee, Investment Appraisal Committee and general meetings of the Company held during the year ended 31 December 2017 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**	**2017 AGM[1]**
Executive Directors						
Ji Gang	4/4			3/3		1/1
Zhou Jun[2]	1/2					0/1
Lou Jun[3]	2/2					
Yang Jianwei	4/4				3/3	1/1
Fei Zuoxiang[3]	2/2					
Yang Biao[2]	2/2					1/1
Ye Weiqi	4/4		3/3		1/1	1/1
Huang Fei	3/4					1/1
Zhong Tao[4]	2/2				2/2	
Independent Non-Executive Directors						
Doo Wai-Hoi, William, *J.P.*	4/4	2/2	3/3	3/3		0/1
Fan Ren Da, Anthony	4/4	2/2	3/3	3/3	3/3	1/1
Li Ka Fai, David	4/4	2/2				1/1
Qiao Zhigang[5]	1/1				2/2	

Notes:

1. The 2017 annual general meeting of the Company was held on Friday, 19 May 2017.
2. Mr. Zhou Jun and Mr. Yang Biao resigned as executive Directors with effect from 30 June 2017.
3. Mr. Lou Jun and Mr. Fei Zuoxiang were appointed as executive Directors with effect from 30 June 2017.
4. Mr. Zhong Tao was appointed as an executive Director and a member of the Investment Appraisal Committee with effect from 30 June 2017.
5. Mr. Qiao Zhigang was appointed as an independent non-executive Director and a member of the Investment Appraisal Committee with effect from 28 September 2017.

BOARD COMMITTEES

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

A. Audit Committee

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

The main responsibilities of the Audit Committee are:

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

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

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

There were two Audit Committee meetings held for the year ended 31 December 2017. 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 2017, the Audit Committee reviewed the independence and objectivity of the external auditor, the scope of audit services and related audit fees payable to the external auditor for the Board's approval. The Audit Committee has reviewed the audited financial statements of the Company and discussed with the management and the auditor of the Company on the accounting principles and practices adopted by the Group, risk management, internal controls matter of the Group, interim results and financial statements and the terms of reference for Audit Committee.

B. Remuneration Committee

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

The major responsibilities of the Remuneration Committee are:

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

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

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

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

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

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

During the year ended 31 December 2017, three Remuneration Committee meetings were held to review the remuneration packages of all directors and senior management of the Company, directors' services contracts, the terms of reference for Remuneration Committee and the renewal of the directors' services contracts.

C. Nomination Committee

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

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 2017, three 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. addressed the independence of the independent non-executive Directors, having regard to the requirements under the Listing Rules;

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

4. reviewed the terms of reference for Nomination Committee and the Board's diversity policy from time to time.

D. Investment Appraisal Committee

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

The main responsibilities of the Investment Appraisal Committee are:

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

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

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

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

5. to make subsequent assessment on investment projects; and

6. to review on the above matters.

During the year ended 31 December 2017, three Investment Appraisal Committee meetings were held to discuss and consider, inter alia, the following matters:

1. connected transactions in relation to transfer of equity interests in Shenda and SUD Commercial (Details can be found in the announcements of the Company dated 17 November 2017 and 8 December 2017.); and

2. other proposed transactions.

E. Corporate Governance Functions

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

The main responsibilities of the corporate governance functions are:

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

2. to propose changes when necessary;

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

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

5. to review internal corporate policies annually;

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

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

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

COMPANY SECRETARY

The Company Secretary is a full time employee of the Group and has day-to-day knowledge of the Company's affairs. During the financial year ended 31 December 2017, 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 are set out in the section of "BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT" in this annual report.

ACCOUNTABILITY

The Directors are responsible for overseeing the preparation of accounts of each financial period, which give a true and fair view of the state of affairs of the Company and the Group and of the Group's results and cash flow for the period. In preparing the financial statements for the year ended 31 December 2017, appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants which are pertinent to its operations and relevant to the financial statements on the going concern basis were adopted. The Company has received acknowledgements from all Directors of their responsibilities for preparing the financial statements. It is the responsibility of the auditor to form an independent opinion, based on their audit, of these financial statements and to report their opinion to the members of the Company, as a body, and for no other purpose. The 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

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

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

Anti-fraud policies and procedures

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

RISK MANAGEMENT

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

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

EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company about their reporting responsibilities on the financial statements is set out in the "INDEPENDENT AUDITOR'S REPORT" on pages 85 to 90.

During the year ended 31 December 2017, the remuneration paid and accrued to the Company's auditor, Deloitte Touche Tohmatsu, is set out below:

	HK$'000
For audit services	
— audit fee paid for the year ended 31 December 2017	3,646
— other audit-related services	2,083
Total:	5,729

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 2017, there is no significant change in the Company's constitutional documents.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENT

I. Major emissions

During the reporting period, the emissions of the Group mainly involved the electricity, water, LPG and gas used in the office premises and construction sites, as well as the diesel and gasoline consumed by the Company's motor vehicles. The Group's operations were not involved in any air emission, water consumption, packaging materials or hazardous waste handling or disposal which were subject to the laws and regulations of the country.

1. Source of greenhouse gas emissions

Type	Scope	Unit	Quantity	CO_2 emission (kg)
Direct emission	LPG	kg	3,240	10,238
	Gas	unit	1,195,993	2,511,585
	Sedans — lead-free gasoline	litre	158,288	354,565
	Trucks — diesel	litre	4,913	13,265
	Minibuses — diesel	litre	827	2,233
Indirect emission	Electricity	kWh	44,741,105	30,871,362

2. ***Electricity***

The Group consumed 44,741,105 kWh of electricity. The energy-saving initiatives adopted by the Group included, amongst others, purchasing energy-saving office electrical appliances and equipment and LED lighting, setting the power saving mode as default in printers and computers, and requiring staff members of all divisions to switch off lights and computers during non-office hours.

3. ***Water consumption***

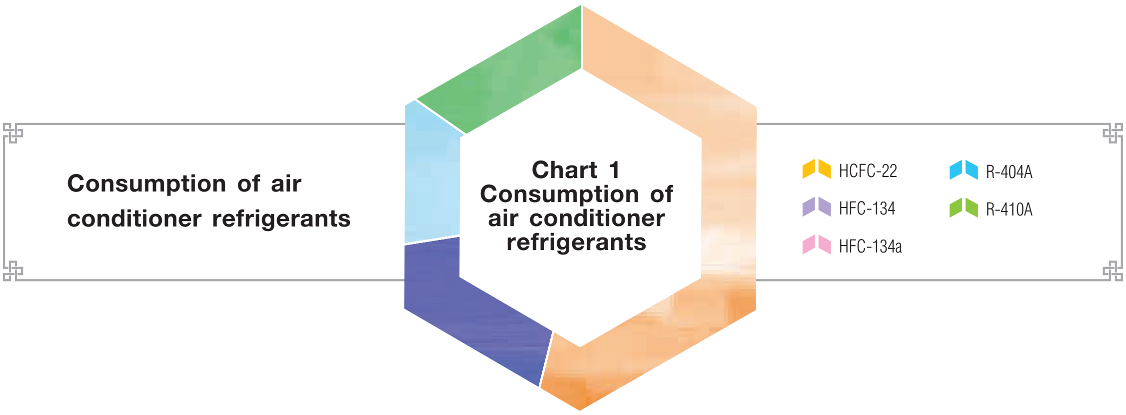
The Group consumed 547,306 m^3 of water. The water conserving initiatives adopted by the Group included, amongst others, centralized water supply and dedicated management.

4. ***Gasoline and diesel***

During the reporting period, the motor vehicles of the Group consumed 158,288 litre of gasoline and 5,700 litre of diesel. New energy vehicles and multi-purpose vehicles are the Group's top priority in the acquisition of new motor vehicles.

5. ***Air conditioner refrigerants***

The Group consumed 788.8 kg of air conditioner refrigerants in total. For details, please refer to Chart 1.



II. Environmental Protection

The global environment and ecological safety are facing unprecedented threat at the moment. To achieve economic growth and social development in an efficient, harmonious, sustainable and environmentally-friendly manner, as an important member of the society, an enterprise needs to achieve energy-saving and emission reduction and promote a low-carbon economy by changing its own behavior. While this is inevitable for the harmonious development between human beings and the nature, it also forms a critical part of the Group's social responsibilities. The Group applies the concept of environmental protection to real estate development, property operation planning, procurement, construction and property management.

In the course of development of construction projects, the Group encourages its employees to carry out technical modification, technical optimization, energy-saving measures, management innovation and recycling activities. Through proactive promotion and active participation of the employees, the ideas of building energy-saving green projects and establishing an energy-saving enterprise have taken root in all the employees. On this basis, the Group takes efforts to fulfill its responsibility of energy-saving and emission reduction to implement clean production by improving the technical 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 the harmonious and sustainable development of the enterprise, the society and the environment.

The residential and public construction projects developed by the Group are in compliance with the national energy-saving standards for public buildings (GB 50189) and local energy efficiency design standards for residential/public construction (local standards), and have satisfied the requirements regarding construction thermal performance, energy efficiency of building services, performance of water-saving appliances and utilization of renewable energy. On this basis, the Group seeks to exceed the energy-saving and environmental protection design standards by adopting a series of land-saving, energy-saving, water-conserving and material-saving designs in order to minimize the environmental impact and resources consumption of the buildings throughout their life cycle. The Apex Tower office building of the Shentian project (total G.F.A. of 52,835 sq.m.) has been pre-certified at the Gold Level under the U.S. Leadership in Energy and Environmental Design (LEED) for Core and Shell rating system. By making use of the uniquely advantageous position of the project at the transport hub, the Group improved the connection between the project and public transport through architectural design so as to encourage the use of public transport as a low-carbon transportation method. Four office towers under the Xuhui Binjiang project (total G.F.A. of 257,677 sq.m.) have been pre-certified at the Gold Level under the U.S. LEED for Core and Shell rating system and are positioned to attain the two-star level under the China Green Building Label rating. The Group aims to reduce the future operational energy consumption of the buildings by using variable-frequency water pumps, variable air volume (VAV) terminal devices, heat recovery ventilation and cooling tower with free cooling during winter, and increasing fresh air volume during transitional seasons. Rainwater harvesting treatment devices are used to save water for irrigation and water replenishment of the landscape. Energy consumption audits on subsequent operation and energy efficiency optimization of the buildings are also made possible by installing separate energy consumption measurement and functional water usage measurement systems. The interconnecting pavements between each land plot, public landscape greenbelt and sunken garden also provide a high quality public space for the city. In particular, T1 and T2 towers have also been pre-certified at the Gold Level under U.S. WELL Certification. Highly effective air and water purification facilities are adopted during the design stage. Curtain walls can be opened to ensure natural ventilation, and CO_2 sensor with fresh air ventilation system are installed in crowded areas. Bike parking lots and shower facilities are provided and certified environmentally-friendly and low-volatility indoor decoration materials are used to create a comfortable and healthy working environment. The phase 3 residential project of West Diaoyutai in Beijing is positioned to attain the two-star level under the China Green Building Label rating. The design of sunken greenbelts, permeable pavement and rainwater storage tanks helps control the flow of rainwater. Municipal grey water are utilized to save water, while solar collectors are installed on rooftop for preheating water for daily use. Three-tier glass curtain walls are used to enhance the thermal performance of the project, and shading devices are set up to reduce the energy consumption of the buildings. A real-time online monitoring system of the heating system is also installed to adjust the frequency of the hot water recycling pump based on load changes in order to save energy. For the commercial and office project in Wanyuan A neighbourhood, whose design stage commenced in 2017, it is planned that 100% of the overground construction will be pre-fabricated construction with a prefabrication rate of over 40% to reduce pollution at the construction site and minimize wastage of construction materials.

During the course of construction of the Group's projects, garages, boiler rooms, refuse storage chambers, washrooms and kitchens are all fitted with deodorization and air purification facilities with high emission of treated oily fumes so as not to affect the outdoor pedestrian area. Vibration and noise reduction measures are adopted in the construction equipment and machinery, whose noise impact has been certified in the environmental assessment, to avoid causing any disturbances to the surroundings.

Besides, based on the structural optimization study on two completed high-rise residential projects, the Group prepared the "Guidelines on the Structural Quota Design of Residential Buildings and Underground Garages" in 2017. The guidelines propose methods and recommendations in respect of the structural optimization and design of residential projects in the proposal stage, general design stage and working drawing design stage on the basis of the approved design engagement letter and investment estimates, and summarize certain reasonable structural quota design indicators to allow for a more economical structural design for the Group's future residential projects and to reduce wastage of construction materials.

With respect to property management, the Group improved its techniques and took effort in energy-saving and emission reduction, while focusing on environmental protection and creating a beautiful environment. In response to the national call for energy conservation and emission reduction, Shenda Property under the Group introduced an energy-saving water pump renovation company to carry out a direct water supply renovation for the complex by utilizing social and market resources. Not only has this improved the quality of water supply to the residents of the complex, but also effectively addressed the water wastage problem caused by the leaking fire service water tank. Through the direct water supply renovation project, Shenda Property avoided secondary pollution on water supply in water tanks, reduced the noise of water pumps and saved the energy consumption of the water supply system with an anticipated electricity saving of approximately 40% to 80%. The three direct water supply renovation projects completed in the E1/D neighbourhood of Urban Cradle and Tonghui Apartment (通匯公寓) were well received by the property owners.

Other than making continuous efforts in regular energy-saving and consumption reduction attempts including LED lighting revamp and direct water supply renovation, Shenda Property also proactively develops other energy-saving areas, such as variable frequency elevator for energy-saving, solar energy system and intelligent home appliances. Shenda Property intends to install photovoltaic components on rooftops and also on top of carports and winter gardens to convert sunlight into electricity for direct usage by users. Any excess electricity can be transferred and sold to the national grid.

During its operation, the Group strives to create a comprehensive energy-saving environment by promoting saving even “one drop of water, one piece of paper and one watt of electricity”. Employees are encouraged to turn off taps after washing, perform duplex printing, reduce colour printing, switch off lights after use and recycle scrap paper, print cartridges, waste battery and old computer hardware. The Group believes that every individual can help save resources and protect the environment by taking small steps.

B. SOCIETY

I. The Group’s Vision

SIUD believes that social responsibilities and environmental protection are the nationwide call for public companies, an inevitable choice for enterprises to realize sustainable development and an objective element for enterprises to engage in international economic communication and cooperation. Therefore, the Group has incorporated social responsibility as part of its sustainable development strategies and established a safety net for the fulfillment of social responsibility across the organization, systems and management decision for an efficient allocation of human resources, capital resources and materials. The Group is generally aware of its social responsibility and pays high regard on the performance of social responsibility. Our staff has become more and more willing and self-conscious in performing corporate social responsibility, thus forming a positive atmosphere of active participation in social responsibility among all our staff members. The Group keeps on innovating management concepts and work processes to give back to the society with practical actions. The Group is committed in establishing harmonious relationship with different parties in the society and developing the corporate value and culture of fulfilling social responsibility.

In 2017, the Group continued to actively promote and engage in different types of corporate social responsibility activities, including the provision of a good working environment for its employees, establishment of a standardized system for the Group’s product lines to ensure product quality, active participation in public welfare, promotion of the idea of energy-saving and environmental protection and setting a good example in energy-saving and consumption reduction. As a Professional and Unique Brand Enterprise in the Chinese Real Estate Industry in 2017, SIUD had a brand value of RMB5,415 million.

The Group continues to facilitate long-term and systematic brand building and enhance the uniqueness and humanitarian image of the brand. The Group also effectively incorporates the concept of social responsibility into its corporate culture and branding and focuses on unifying corporate efficiency and social responsibility with a view to maximizing the integrated value of the economy, society and environment, and promoting the harmonious development of both the enterprise and the society. In 2017, the Group was named as a “Five-Star Credible Enterprise” (五星級誠信創建單位) in Shanghai.

II. Quality of Working Environment

Upholding its "people-oriented" development concept, SIUD respect well-qualified workforce and considers talents as the fundamental element and the most precious asset for the development of the enterprise. It strives to create a fair competition environment, sufficient room for development and pleasant and comfortable working environment for employees. Meanwhile, the Group builds and improves the corporate culture and team spirit by promoting passionate career ambition, encouraging a practical working attitude, creating a supportive working atmosphere, promoting mutual sharing of risks and success, and adopting a reward and punishment mechanism with intense unification of responsibilities and rights.

Working Environment (Care for Employees):

To strengthen the rational management and standard operation of the enterprise and to promote the harmonious relationship between the enterprise and its employees, the Group strictly adheres to the requirements of the "Employees Manual" and enters into labour contracts with all the employees. The working hours, calculation of overtime pay and the administration measures for holidays are clearly specified to protect the interests of the employees. Employees are enrolled in the social insurance program, which includes pension funds, medical insurance, work-related injury insurance, maternity insurance and unemployment insurance, and full contributions are made in a timely manner. The Group cares about the occupational health and safety of its employees. All of the employees receive body check-up on an annual basis. A paid leave system is implemented for the employees to allow them to arrange their own work, relax themselves and achieve a work-life balance. More competitive remuneration packages are provided to gradually uplift the living standard of the employees. The Company has established a remuneration system driven by the value of job positions and individuals. By persisting in the equality between rights and obligations and allocation of income linked to performance and contribution, the Company has set up a more reasonable remuneration allocation system. A long-term incentive system in response to both corporate development and employees' needs is refined, and the remuneration level of the Group's frontline staff continues to rise.

Total workforce and employee turnover rate by age group
(Data as of 31 December 2017)

Age group (age)	Total workforce	Number of employees terminated	Employee turnover rate %
18–30	133	44	33.08
31–40	407	71	17.44
41–50	443	73	16.48
51–60	251	94	37.45
61 or above	84	44	52.38
Total	**1,318**	**326**	**24.73**

Meanwhile, the Group takes greater effort in organizing staff caring activities. For the whole year, a total of 52 employees in difficulty were relieved and a token of solidarity amounting to RMB89,100 was distributed. The Group's leaders expressed their care to about 300 frontline staff during hot weather (excluding non-local projects) and paid visits to 40 retired employees during the Chinese New Year and hot weather, to show the concern and care of the enterprise to the employees.

Health and Safety:

Safety protection is an important precondition for the enterprise to engage in production operation activities and also a major social responsibility. In 2017, the Group continued to perfect the safety production management and control system and refine each of the safety production management systems, strictly enforced the rules of safety production and stepped up its efforts in the onsite safety and quality inspection of construction in progress and operational properties. Being particularly tactful and vigilant towards safety and quality management, the Group has revised the safety production and management system and arranged each intercity company and project company to sign the annual safety production responsibility contract for full coverage.

To further enhance the awareness of the staff in safety production, on the one hand, the Group strengthens the education and training on safety production and 107 employees participated in the education and training on safety production, in which all of them achieved a pass. 120 rural migrant workers completed the training. On the other hand, the Group attaches great importance to onsite safety inspection and irregular random checks, and formulates the implementation plans for major safety production checks by taking into account the actual conditions of each project company. The Group has formed four inspection teams to perform menu-style exhaustive inspection on the 18 units under the Group, and on certain standalone commercial assets managed by the business management centers and marketing centers of the Group.

The Group emphasizes the occupational health and life safety of its employees, and provides its employees with a safe and comfortable working environment, safe hygienic conditions and necessary protective equipment which are in compliance with the national requirements. None of the Group's employee experienced any work-related injury. Besides, in line with the corporate culture of "Healthy Life, Happy Work", the Group arranged the employees to join the 8th Staff Sports Festival of SIIC and won the champion in the women's singles table tennis game. The employees also participated in the 6th Staff Arts Festival of Shanghai Industrial Urban Development Group and various athletic contests in different cities and districts.

Development and Training:

The Group pays high attention to the needs for personal growth and career development of its employees and actively facilitates the advancement of its human resources. In 2017, as required by the five-year plan of the Group, the Group established an effective and useful talent selection and development mechanism, formed a high quality and committed multi-skilled talent team, set up a multi-level comprehensive talent training system by refining the human resources deployment structure and continued with its daily training activities. Apart from completing the training programme for 2017, the Group also continued to arrange the 5th Staff Activity Day for the staff to enhance team cohesiveness and organized the "City Forum" in the third quarter to create a learning atmosphere. The Group organized professional skill trainings, including the "High-Level Human Resources Practical Training" and "Dedicated Training for Clerks and Drivers", and middle management trainings, including the "Senior Management Operational Training", "Advanced Training on General Project Operation and Management" and "Induction Training for New Middle Management". The Group also encouraged the middle management to enroll in the "3rd SIIC Senior Management Class". In terms of talent pipeline and selection, as required by SIIC, the Group selected certain young talents to attend the "Overseas Practical Training" and "SIIC Young Cadre Class", completed the preparation of the "3rd Talent Pipeline Training Plan", and provided the relevant job positions for the job attachment training of the talents from SIIC. In addition, the Group took over the management of important trainings of the project companies, including the development training for all staff, to fully control and standardize the system, processes, contents and fees of such training. Relevant training was also provided at each business line of the Group through different channels, such as regular meetings. These trainings, which were closely related to the daily operation of the enterprise, further cohered the staff and created a harmonious, healthy and progressive cultural atmosphere. The Group's investment in staff training reaped fruitful results.

Schedule 1: Number of employees trained and sum of training hours completed by each employee (By gender)
(Data as of 31 December 2017)

No.	Gender	Number of employees	Sum of training hours completed by each employee
1	Male	840	11,768
2	Female	650	10,388
Total		**1,490**	**22,157**

Schedule 2: Number of employees trained and sum of training hours completed by each employee (By employee category)
(Data as of 31 December 2017)

No.	Employee category	Number of employees	Sum of training hours completed by each employee
1	Senior management	111	1,383
2	Middle management	253	6,197
3	General staff	606	5,101
4	Technician	381	5,296
5	Other	139	4,180
Total		**1,490**	**22,157**

Recruitment and Promotion:

The Group has more than a thousand employees in 10 cities in the Mainland China and in Hong Kong. Each year, it also recruits a large number of professional technical personnel and fresh graduates from universities in strict compliance with the Labour Law. It provides a platform for career development and creates abundant promotion opportunities for employees while bringing about job opportunities for the society. SIUD establishes a rational and reasonable job grading system which makes reference to the types, responsibilities, levels of contributions and terms of reference of the post. The post ranks of employees are determined according to their responsibilities, performance and capability. In 2017, the Group stepped up its efforts in training back-up cadres in order to establish a talent pipeline for the Group, and formulated an implementation plan for back-up cadre development.

In 2017, the Group put great effort in recruitment. It intensified the recruitment of experienced staff in areas covering administration, investment, finance, marketing, audit, business management and legal affairs, which effectively supplemented the specialized expertise of the Group and added vitality to all kinds of work of the Company.

III. Operation Management

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

Supply Chain Management:

The Group attaches high importance to building a close partnership with its upstream and downstream customers to facilitate the mutual growth of the Group and its customers. The Group has formulated the "Qualified Project Supplier Administrative Measures" to standardize supplier management. A supplier categorization mechanism has been established for refined management. Through the assessment mechanism, the Group would pay physical visits to new suppliers and conduct annual assessment on contracted suppliers with an aim to assess the performance capability of the suppliers in an objective manner. The list of suppliers would be updated annually, and priority would be given to the qualified suppliers on the list to ensure that the quality of the goods and services provided by the selected suppliers satisfies the Group's requirements. The Group's interests are safeguarded by establishing a long-term, steady and reliable list of suppliers through informational management.

Product Liability:

According to the SIUD Design Vendor Pipeline Management System, after a design vendor has completed the design work, the design management department of the project company would, together with the other relevant departments, such as the design, marketing, project and cost departments, assess and rate the design vendor based on service quality, capability and service attitude. The assessment results would be aggregated by the technical management center of the Group and published within the Group annually. Design vendors who have serious design quality problems and who have brought adverse social impact, after being reported by the designer-in-charge of the project company, would be reviewed by the professional engineers of the Group. Such vendors would be disqualified as design vendors of SIUD and banned from all project design engagements initiated by SIUD upon approval of the person-in-charge and technical vice president of the Group's technical management center. A design inspection system has been established to conduct physical inspection on the Group's projects from stage to stage, in order to materialize the design effects and control the material selection, quality and construction techniques of the parts and components. The Group integrates information on the construction, landscape, boutique professional design and parts and components of completed residential projects, gathers the investigation and research data of competing projects, and breaks down the data into different modules with a view to enhancing the efficiency and quality of the development, positioning, design and parts procurement of its future residential projects.

Anti-corruption:

Corruption is a stubborn issue that causes great harm to the society. It directly undermines the fairness and justice of the society. As a corporation taking a stringent approach to compliance with applicable laws and regulations, SIUD is always of the opinion that anti-corruption is an essential part of the risk control of business and the security of social fairness and justice, as well as the basis for sustainable development of business. Anti-corruption was also a part continuously emphasized by the Group in staff education. As part of our efforts to enhance the awareness of self-discipline in terms of clean and integrity for common interests, apart from the specific requirement stipulated in the "Employees Manual" with regard to the observation of occupational ethic, the Group also places great emphasis on the promotion and education of anti-corruption and the establishment of corporate culture featured by integrity. Various activities in respect of the education on the disciplines of the Communist Party and designed to raise the awareness of original purpose were also carried out. In addition, initiatives for the building of an uncorrupted corporate and education of members of the Communist Party were organized, during which warning education was offered with cases of corruption. The purpose of these campaigns was to strengthen the sense of mission, responsibility and urgency among members and cadres of the Communist Party, and to create a political atmosphere within which the stakeholders "would not dare, not be able and not want to engage in corrupt practices". All directors and executives with a total of more than 100 people played a leading role in promoting integrated and disciplined practices in our operations, and dedicated to act as a role model for subordinated divisions and staff. General managers from various functions and subsidiaries, whether party members and non-party members, were incorporated into the accountability system of party discipline and integrity building. The commitment to party discipline and integrity building was also signed by these parties involved, who led their team members to adhere to honesty and integrity in their practices, thus integrating the prevention and control of clean governance within the functions and companies into the accountability management system for anti-corruption. Integrity education for various position holders was strengthened, while the risk early warning mechanism was established to build the systems for the implementation of major responsibility for the fostering of major responsibility accountability for the development of clean party and administration, the implementation of supervising responsibilities, as well as the accountability mechanism.

IV. Involvement in Community

SIUD has always considered promotion of justice and contribution to the society as the responsibilities and obligations of a corporate citizen. It plays an active role in supporting educational and charitable events and widely encourages the joint efforts of the army and the masses and community participation in proactively fulfilling their corporate social responsibilities. Thematic activities were organized to visit the Liu'an Hope Primary School in Anhui province, during which eye-friendly desk lamps were given to the students. The Group launched the "Love on the desk" (課桌上的愛) activity to care for the left-behind children and introduced the "Arts with children" (藝起童行) branding campaign. The Group also continued to carry out activities with the armed police to strengthen the harmonious relationship between the military force and the civilians. In the future, SIUD will continue to adhere to the social responsibility as a corporate citizen, providing support to rural education, promoting regional harmonious development and so on to make humble yet persistent contribution.

The Group arranges its staff to participate in city management by taking the initiative to arrange its staff to participate in charitable and voluntary activities, such as providing voluntary service for the Walk of Civilization (文明行路) and blood donation. At the same time, in line with the corporation branding campaign, SIUD is dedicated to innovating the way we carry out charity and community activities, with a continued focus on art, education, environmental protection and poverty relief. These initiatives are designed to enhance the systematic organization and planning of our charity and community activities, and to build the brand image of "SIUD community service".

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Ji Gang
Chairman, President, Executive Director and Chairman of the Nomination Committee

Mr. Lou Jun
Executive Director

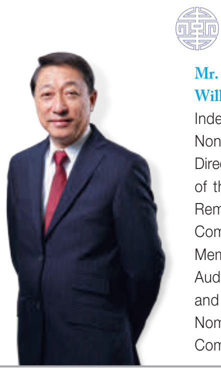
Mr. Yang Jianwei
Executive Director and Member of the Investment Appraisal Committee

Mr. Fei Zuoxiang
Executive Director

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

Ms. Huang Fei
Executive Director and Vice President

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



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

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

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

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

EXECUTIVE DIRECTORS

Mr. Ji Gang, Chairman, President, Executive Director and Chairman of the Nomination Committee

Mr. Ji, aged 60, was appointed as an executive Director on 24 April 2012. Mr. Ji is also the Chairman of the Board, the President and the Chairman of the Nomination Committee.

Mr. Ji 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 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. and he was the chairman of the Shanghai Word Trade City Corp., Ltd.. He has over 37 years' experience in corporate management.

Mr. Lou Jun, Executive Director

Mr. Lou, aged 46, was appointed as an executive Director on 30 June 2017. He is a director, chief representative of the Shanghai representative office, general manager of the board office and general manager of the executive office of Shanghai Industrial Investment (Holdings) Company Limited. He obtained a bachelor's degree in law and graduated from the Youth Work Department of the China Youth University of Political Studies, majoring in political education. In 2008, he acted as deputy director of the general office of the Foreign Affairs Office of the Shanghai Municipal People's Government (Hong Kong and Macao Affairs Office of the Shanghai Municipal People's Government) and was seconded to the Standing Committee Office of Shanghai Municipal People's Congress as the leading secretary of the standing committee. He previously acted as the leading secretary of the Standing Committee of Shanghai Municipal People's Congress and director of the general supervision department of the Standing Committee Office of Shanghai Municipal People's Congress.

Mr. Yang Jianwei, Executive Director and Member of the Investment Appraisal Committee

Mr. Yang, aged 46, was appointed as an executive Director on 22 March 2013 and was appointed as a member of the Investment Appraisal Committee on 11 November 2015. 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 13 years' experience of financial investment, securities research, investment banking and project planning.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Fei Zuoxiang, Executive Director

Mr. Fei, aged 53, was appointed as an executive Director on 30 June 2017. He is the vice chairman of Shanghai Urban Development (Holdings) Co., Ltd.. He graduated from Shanghai Second Light Industry School, majoring in financial accounting for industrial enterprises, and is a senior accountant. He was previously an accountant of the Shanghai Pujiang Metalwork Factory (上海浦江金屬品廠), cadre of the Xuhui District Audit Bureau, head of the general business division of the Xuhui District Audit Bureau and director of the Xuhui District Finance Bureau.

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

Mr. Ye, aged 54, was appointed as an executive Director on 22 March 2013. He is also the vice president and member of the Remuneration Committee. Mr. Ye has a master's degree in business administration from EIPOS Europäisches Institut für postgraduate Bildung an der Technischen Universität Dresden in 2002 and a master's degree in business administration from Arizona State University in 2008. He was the finance manager of finance department of Shanghai Far East Aviation Technology Import and Export Company, the manager of budget finance department of Shanghai Great World Plaza Company Limited, the deputy manager of budget finance department of Shanghai Great World (Group) Company prior to his employment with the Group. He was also the director of the auditing office, manager of investment and development department and assistant to the general manager of SUD. He is currently the director and vice president of Shanghai Urban Development (Holdings) Co., Ltd. and the chairman of Shanghai Huanyu Urban Investment and Development Co., Ltd..

Ms. Huang Fei, Executive Director and Vice President

Ms. Huang, aged 53, 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, the director and the general manager of Shanghai Wanyuan Real Estate Development Co., Ltd.. She is currently the director and vice president of SUD.

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

Mr. Zhong, aged 45, was appointed as an executive Director and a member of the Investment Appraisal Committee on 30 June 2017. He is the vice president of the Company. He obtained a master's degree in business management from Shanghai Fudan University in 1998. He was a project manager of Shanghai Industrial Real Property Group (Shanghai) Company Limited, an assistant to the general manager of Shanghai Xinghe Digital Investment Company Limited, and the chief planning officer of Shanghai Industrial Management (Shanghai) Company Limited prior to his employment with the Company. He is also currently a director and vice president of Shanghai Urban Development (Holdings) Co., Ltd., and the chairman of each of the intercity companies in Beijing, Tianjin and Shenyang.

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

Mr. Doo, aged 73, was appointed as an independent non-executive Director on 5 July 2010. He is the Chairman of the Remuneration Committee and a member of the Audit Committee. He was appointed as a member of the Nomination Committee on 3 August 2015. Mr. Doo is the chairman and director of Fung Seng Enterprises Holdings Limited. In addition, he was appointed as a National Committee Member of the 12th Chinese People's Political Consultative Conference in February 2013. Mr. Doo is also the Honorary Consul General of the Kingdom of Morocco in Hong Kong and Macau. Since 1995 he has been serving as a Governor of the Canadian Chamber of Commerce in Hong Kong. In 2008, he was awarded the Chevalier de la Légion d'Honneur by the French Government. 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 listed companies	
• Lifestyle International Holdings Limited (stock code: 1212)	Non-executive director
• New World Development Company Limited (stock code: 17)	Vice chairman and non-executive director

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

Mr. Fan, aged 57, 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 six years of experience in the property industry. Mr. Fan holds a Master's Degree in Business Administration from the United States of America. He is the president and an executive council member of the Hong Kong Independent Non-Executive Director Association. 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 listed companies	
• Technovator International Limited (stock code: 1206)	Independent non-executive director, chairmen of the remuneration committee and risk management 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
• Uni-President China Holdings Ltd. (stock code: 220)	Independent non-executive director, chairman of the audit committee, member of the remuneration committee and the Investment, Strategy and Development 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, the nomination committee and Risk Management Committee
• Hong Kong Resources Holdings Company Limited (stock code: 2882)	Independent non-executive director, members of the audit committee, the nomination committee and the remuneration committee
• China Development Bank International Investment Limited (stock code: 1062)	Independent non-executive director, members of the audit committee, the nomination committee and the remuneration committee
• Neo-Neon Holdings Limited (stock code: 1868)	Independent non-executive director, chairman of the Risk Management and regulatory compliance committee, members of the audit committee, the remuneration committee and the nomination committee
• CGN New Energy Holdings Co., Ltd. (stock code: 1811)	Independent non-executive director, members of the audit committee, the remuneration committee and the nomination committee

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

Mr. Li, aged 63, 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, a fellow of The Association of Chartered Certified Accountants, United Kingdom, a fellow of The Institute of Chartered Secretaries and Administrators, United Kingdom as well as a fellow of The Institute of Chartered Accountants in England and Wales. Mr. Li has over eleven years of experience in the property industry. He is a director of the following listed companies:

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

Listed Company	Role
• China-Hongkong Photo Products Holdings Limited (stock code: 1123)	Independent non-executive director and chairman of the audit committee, members of the nomination committee and the remuneration committee
• Cosmopolitan International Holdings Limited (stock code: 120)	Independent non-executive director, chairman of the audit committee, members of the nomination committee and the remuneration committee
• 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
• Wai Yuen Tong Medicine Holdings Limited (stock code: 897)	Independent non-executive director and chairman of the audit committee

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

Mr. Qiao Zhigang, aged 50, was appointed as an independent non-executive Director and a member of the Investment Appraisal Committee on 28 September 2017. He is currently a member of the investment decision committee of Shanghai Yicheng Investment Management Co., Ltd. (上海頤成投資管理有限公司), a director of Dou Peng Education Science and Technology (Shanghai) Co., Ltd. (豆朋教育科技教育(上海)有限公司), a director of Shanghai Shuwei Information Technology Co., Ltd. (上海樹維資訊科技有限公司), a director of Shanghai Yinpei Data Management Co., Ltd. (上海銀沛資料管理有限公司), a supervisor of Shanghai Xueban Software Co., Ltd. (上海學伴軟體有限公司), a director of Shanghai Royoung Biotech Co., Ltd. (上海融揚生物技術有限公司) and a director of Shanghai Ma Ke Bo Luo E-Commerce Limited (上海馬珂博邏電子商務有限公司).

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

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

SENIOR MANAGEMENT

Mr. Li Bin
Vice President

Mr. Li, aged 44, is a vice president of the Company. He was the chief and independent 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 and the supervisor of SUD. Mr. Li received a master's degree in Economics from Shanghai University of Finance and Economics in 2002. He is also an economist and a member of the Chartered Institute of Building (CIOB).

Ms. Zhou Yan
Vice President

Ms. Zhou, aged 50, is a vice president of the Company. She was an executive director of Shanghai Zendai Property Limited (stock code: 755). She received a bachelor's degree in arts from the School of Literature of Shanghai University (a branch of the Fudan University) and a master's degree in business studies from Massey University of New Zealand in 2000. Ms. Zhou has more than 23 years of experience in the real estate industry in the PRC. She is also currently the director and vice president of SUD.

Mr. He Bin
Vice President

Mr. He, aged 37, is a vice president of the Company. Mr. He received a bachelor's degree in economics from Fudan University. He was the assistant to the president of the Company and SUD. He has been the general manager of Shanghai Shentian Property Limited (上海莘天置業有限公司) since February 2013. Mr. He is currently also the vice president to SUD.

Mr. Chan Kin Chu, Harry
Company Secretary

Mr. Chan, aged 48, has been the Company Secretary 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 nineteen years of working experience in legal, compliance and corporate governance matters. Before joining the Group, Mr. Chan worked for a sizable property developer as an in-house counsel.

DIRECTORS' REPORT

The Board presents its annual report and the audited financial statements of the Group for the year ended 31 December 2017.

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.

BUSINESS REVIEW

The discussion and analysis of the business review of the Group can be found in the section headed "MANAGEMENT DISCUSSION AND ANALYSIS" as set out on pages 12 to 19 of this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2017 are set out in the consolidated statement of profit or loss and other comprehensive income on page 91.

The Board recommends the payment of a final dividend of 1.6 HK cents per share in cash and a special dividend of 2.5 HK cents per share in cash for the year ended 31 December 2017 (for the year ended 31 December 2016: final dividend of 1.4 HK cents per share in cash and special dividend of 1.9 HK cents per share in cash) to Shareholders whose names appear on the register of members of the Company at the close of business on Friday, 1 June 2018, subject to approval by the Shareholders at the 2018 AGM. It is expected that the final dividend and special dividend warrants will be despatched to those entitled Shareholders on or around Tuesday, 26 June 2018.

CLOSURE OF REGISTER OF MEMBERS

Entitlement to attend and vote at the 2018 AGM

The 2018 AGM is scheduled to be held on Wednesday, 23 May 2018. For determining the entitlement to attend and vote at the 2018 AGM, the register of members of the Company will be closed from Thursday, 17 May 2018 to Wednesday, 23 May 2018, 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 2018 AGM, unregistered holders of shares of the Company should ensure that all duly completed transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30p.m. on Wednesday, 16 May 2018.

Entitlement to receive the proposed final and special dividend

For determining the entitlement of the Shareholders to receive the proposed final and special dividend, the Company's register of members will be closed from Wednesday, 30 May 2018 to Friday, 1 June 2018, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the proposed final and special dividend (subject to Shareholders' approval at the 2018 AGM), all duly completed transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30p.m. on Tuesday, 29 May 2018.

INVESTMENT PROPERTIES

Details of movements during the year ended 31 December 2017 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 2017 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 185 of this annual report.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 December 2017 are set out in note 34 to the consolidated financial statements.

LOAN AGREEMENT WITH SPECIFIC PERFORMANCE COVENANT ON THE CONTROLLING SHAREHOLDER

As disclosed in the Company's announcement dated 24 November 2016, the Company (as the borrower) entered into a loan agreement (the "**Loan Agreement**") with a bank (as the lender) for a term loan facility in the amount of RMB3,000,000,000 for a term of thirty-six months to repay the shareholders' loans of the Company denominated in foreign currencies. The Loan Agreement provides that SIHL, a controlling shareholder of the Company, shall maintain not less than 51% shareholding interest in the Company, and maintain the ancillary rights to control and manage the Company pertaining to the voting rights in respect of such 51% shareholding interest (the "**Shareholding Covenant**"). A breach of the Shareholding Covenant will constitute a default under the Loan Agreement. As at the date of this annual report, SIHL is beneficially interested in approximately 71.00% of the total issued share capital of the Company.

Other than as disclosed above, there are no other events which are required to be disclosed by the Company under Rule 13.18 of the Listing Rules.

MATERIAL DISPOSALS AND ACQUISITIONS

Details of material disposals and acquisitions of the Company are set out in notes 33 and 35 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 2017 are set out in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

The Company had sufficient reserves available for distribution to the Shareholders as at 31 December 2017.

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

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

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

Under the Companies Act 1981 of Bermuda (as amended), the Company's share premium account of HK$9,514,684,000 as at 31 December 2017 (as at 31 December 2016: HK$10,115,153,000) may be distributed in the form of fully paid bonus shares.

DIRECTORS

The Directors during the year ended 31 December 2017 and up to the date of this annual report have been:

Executive Directors

Ji Gang *(Chairman and President)*
Zhou Jun *(resigned on 30 June 2017)*
Lou Jun *(appointed on 30 June 2017)*
Yang Jianwei
Fei Zuoxiang *(appointed on 30 June 2017)*
Yang Biao *(resigned on 30 June 2017)*
Ye Weiqi
Huang Fei
Zhong Tao *(appointed on 30 June 2017)*

Independent Non-executive Directors

Doo Wai-Hoi, William, *J.P.*
Fan Ren Da, Anthony
Li Ka Fai, David
Qiao Zhigang *(appointed on 28 September 2017)*

In accordance with clause 86(2) of the Company's Bye-laws, Messrs. Lou Jun and Fei Zuoxiang shall hold office as a Director until the first general meeting of the Members after his appointment. An ordinary resolution will be proposed at 2018 SGM to seek Shareholders' approval to the proposed election of Messrs. Lou Jun and Fei Zuoxiang as executive Directors.

In accordance with clause 86(2) of the Company's Bye-laws, Messrs. Zhong Tao and Qiao Zhigang shall hold office as a Director until the first annual general meeting of the Members after his appointment. Separate ordinary resolutions will be proposed at 2018 AGM to seek Shareholders' approval to the proposed election of Mr. Zhong Tao as an executive Director and Mr. Qiao Zhigang as an independent non-executive Director.

In accordance with Bye-law 87 of the Company's Bye-laws, Mr. Ji Gang, Mr. Yang Jianwei and Mr. Ye Weiqi 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 2018 AGM to re-elect Mr. Ji Gang, Mr. Yang Jianwei and Mr. Ye Weiqi as executive Directors.

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 44 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 2017 or at any time during the year ended 31 December 2017.

MANAGEMENT CONTRACT

During the year ended 31 December 2017, 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 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 2017 or at any time during the year ended 31 December 2017; 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 2017 or at any time during the year ended 31 December 2017.

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 64 to 70 of this annual report.

DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

A summary of the Company's directors' and senior management's remuneration is set out in notes 10 and 44(a) to the consolidated financial statements respectively.

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

As at 31 December 2017, 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 corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) and required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in the shares and underlying shares of the Company

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

Notes:

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

2. Mr. Zhong Tao was appointed as an executive Director with effect from 30 June 2017.

Save as disclosed herein, as at 31 December 2017, none of the Directors or the chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or pursuant to the Model Code.

SHARE OPTION SCHEME

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

As at 31 December 2017, the Company granted 27,750,000 shares options to subscribe for up to a total of 27,750,000 ordinary shares of nominal value of HK$0.04 each in the capital of the Company under the Share Option Scheme, representing approximately 0.58% of the issued share capital of the Company as at 31 December 2017. The Share Option Scheme expired on 11 December 2012.

The particulars and movements of the share options to subscribe for the Company's shares under the Share Option Scheme during the year ended 31 December 2017 were as follows:

Name of categories	Date of grant	Exercise price per share HK$	Exercise period[1]	Outstanding as at 1.1.2017	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Outstanding as at 31.12.2017
Directors								
Zhou Jun[2]	24 September 2010	2.98	24 September 2010 to 23 September 2020	7,000,000	–	–	(7,000,000)	–
Yang Biao[3]	24 September 2010	2.98	24 September 2010 to 23 September 2020	7,000,000	–	–	(7,000,000)	–
Ye Weiqi	24 September 2010	2.98	24 September 2010 to 23 September 2020	6,000,000	–	–	–	6,000,000
Huang Fei	24 September 2010	2.98	24 September 2010 to 23 September 2020	6,000,000	–	–	–	6,000,000
Zhong Tao[4]	24 September 2010	2.98	24 September 2010 to 23 September 2020	6,000,000	–	–	–	6,000,000
Doo Wai-Hoi, William, *J.P.*	24 September 2010	2.98	24 September 2010 to 23 September 2020	1,000,000	–	–	–	1,000,000
Fan Ren Da, Anthony	24 September 2010	2.98	24 September 2010 to 23 September 2020	1,000,000	–	–	–	1,000,000
Li Ka Fai, David	24 September 2010	2.98	24 September 2010 to 23 September 2020	1,000,000	–	–	–	1,000,000
Senior management and employees	24 September 2010	2.98	24 September 2010 to 23 September 2020	6,750,000	–	–	–	6,750,000
Total				**41,750,000**	**–**	**–**	**(14,000,000)**	**27,750,000**

Notes:

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

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

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

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

2. Mr. Zhou Jun resigned as an executive Director with effect from 30 June 2017.

3. Mr. Yang Biao resigned as an executive Director with effect from 30 June 2017.

4. Mr. Zhong Tao was appointed as executive Director and a member of the Investment Appraisal Committee on 30 June 2017.

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

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 annual report. As disclosed in the Circular, the New Share Option Scheme will be valid for ten years since the Adoption Date. The purpose of the New Share Option Scheme is to enable the Company to grant options to the Eligible Participants, as incentives and/or rewards for their contributions to the Group. The Board considers that the New Share Option Scheme will provide the Eligible Participants with the opportunity to acquire shares of the Company and to encourage the Eligible Participants to work towards enhancing the value of the Company and for the benefit of the Company and its shareholders as a whole. The provisions of the New Share Option Scheme comply with the requirements of Chapter 17 of the Listing Rules. Further details of the New Share Option Scheme can be found in the Circular.

The Company had not granted any share options under the New Share Option Scheme since its Adoption Date up to 31 December 2017.

Save as disclosed herein, the Company had not granted any share options to any persons as required to be disclosed under Rule 17.07 of the Listing Rules during the year ended 31 December 2017.

ARRANGEMENTS FOR DIRECTORS TO PURCHASE SHARES OR DEBENTURES

Other than the Share Option Scheme detailed in note 36 to the consolidated financial statements, at no time during the year ended 31 December 2017 was the Company, its holding company or any of its subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

CORPORATE GOVERNANCE

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

AUDIT COMMITTEE

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

During the year ended 31 December 2017, the Audit Committee has reviewed the independence and objectivity of the external auditor, the scope of audit services and related audit fees payable to the external auditor for the Board's approval. The Audit Committee has also reviewed the unaudited interim financial statements of the Group for the six months ended 30 June 2017, the audited final financial statements of the Group for the year ended 31 December 2017 and discussed with the management and the auditor of the Company on the accounting principles and practices adopted by the Group; risk management and internal controls; and financial reporting matters.

CONNECTED AND CONTINUING CONNECTED TRANSACTIONS

Certain related party transactions as set out in notes 42, 44, 45 and 51 to the consolidated financial statements are continuing connected transactions and/or connected transactions under the Listing Rules. Details of the connected transaction and the continuing connected transaction of the Company, which is also related party transaction as disclosed in notes 42, 44, 45 and 51 to the consolidated financial statements, required to be disclosed under Chapter 14A of the Listing Rules are set out below.

CONNECTED TRANSACTIONS

(i) Connected transactions in relation to transfer of equity interests in two property management companies (Shenda and SUD Commercial)

On 17 November 2017, SUD entered into (i) an equity transfer agreement with Shangshi Property pursuant to which SUD agreed to transfer the entire equity interest in Shenda to Shangshi Property for RMB70 million ("**Shenda Equity Transfer**"); and (ii) an equity transfer agreement with Shanghai New Century pursuant to which SUD agreed to transfer the entire equity interest in SUD Commercial to Shanghai New Century for RMB17 million ("**SUD Commercial Equity Transfer**"). The principal business of each of Shenda and SUD Commercial is property management in the PRC.

Each of the Purchasers is an indirect non wholly-owned subsidiary of SIHL, a controlling shareholder of the Company. Each of the Purchasers is therefore an associate of a controlling shareholder of the Company and thus a connected person of the Company.

The Board believes that the Shenda Equity Transfer and SUD Commercial Equity Transfer ("**Equity Transfers**") provide a good opportunity for the Company to divest its non-core property management business and allow the management to focus further their attention on the Group's property development business.

For further information about the Equity Transfers, please refer to the announcements of the Company dated 17 November 2017 and 8 December 2017.

(ii) Connected transaction in relation to acquisition of equity interest in NR Investment

On 31 January 2018, SUD, entered into an acquisition agreement with Shanghai Shangtou Asset pursuant to which SUD agreed to acquire a 35% equity interest in NR Investment for RMB88,338,100 (the "**Acquisition of NR Investment**"). NR Investment is a company established in the PRC principally engaged in primary land development.

As SIIC, a controlling shareholder (as defined in the Listing Rules) of the Company, exercises the authority as a state-owned shareholder of the Shanghai Shangtou Asset, Shanghai Shangtou Asset is a connected person of the Company.

The Board believes that the Acquisition of NR Investment provides a good opportunity for the Company to expand its investment to the primary land development business in Shanghai, which complements the principal businesses of the Group.

For further information about the Acquisition of NR Investment, please refer to the announcements of the Company dated 28 December 2017 and 31 January 2018.

(iii) Discloseable and connected transaction in relation to acquisition of equity interest in Shanghai Shangtou

On 28 February 2018, SSUD, entered into an acquisition agreement with Shanghai Shangtou Asset pursuant to which SSUD agreed to acquire the entire equity interest in Shanghai Shangtou for RMB530,827,057.19 (the "**Acquisition of Shanghai Shangtou**"). Shanghai Shangtou is a company established in the PRC principally engaged in secondary land development.

As SIIC, a controlling shareholder (as defined in the Listing Rules) of the Company, exercises the authority as a state-owned shareholder of the Shanghai Shangtou Asset, Shanghai Shangtou Asset is a connected person of the Company.

The Board believes that the Acquisition of Shanghai Shangtou provides a good opportunity for the Company to expand into the secondary land development business, which complements the principal businesses of the Group.

The Acquisition of Shanghai Shangtou is subject to the approval by the independent Shareholders at the 2018 SGM. For further information about the Acquisition of Shanghai Shangtou, please refer to the announcements of the Company dated 29 December 2017, 28 February 2018 and circular dated 29 March 2018 respectively and note 51 to the consolidated financial statements.

CONTINUING CONNECTED TRANSACTIONS

Cross Guarantee

As disclosed in the circular of SIHL dated 28 December 2009, SUD and State-owned Management Company entered into a 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. On 15 December 2009, SUD and State-owned Management Company entered into the First Supplemental Agreement to amend the terms of the Cross Guarantee Agreement whereby the parties agreed to increase the guarantee limit from RMB700,000,000 to RMB1,200,000,000. The Cross Guarantee Agreement as amended by the First 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 Second Supplemental Agreement to amend the terms of the Cross Guarantee Agreement whereby the parties have agreed to (i) extend the term of the Cross Guarantee Agreement for further three years so that it ends on 31 December 2015; and (ii) reduce the guarantee limit from RMB1,200,000,000 to RMB400,000,000.

On 9 February 2015, SUD and State-owned Management Company entered into the Third Supplemental Agreement amending the terms of the Cross Guarantee Agreement. Pursuant to the Third Supplemental Agreement, the parties have agreed to (i) extend the term of the Cross Guarantee Agreement for further two years so that it ends on 31 December 2017; and (ii) to reduce the guarantee limit from RMB400,000,000 to RMB332,000,000 since 1 January 2016.

During the year ended 31 December 2017, SUD's loans and credit facilities of RMB272,000,000 (equivalent to approximately HK$303,707,000) which were guaranteed by State-owned Management Company were fully repaid and SUD's guarantees provided to loans and credit facilities of RMB146,000,000 (equivalent to approximately HK$163,019,000) obtained by State-owned Management Company were released as the underlying loans and credit facilities were fully repaid. SUD did not provide further guarantee to State-owned Management Company and SUD did not obtain any guarantee from State-owned Management Company. As at 31 December 2017, (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 nil; 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 nil.

No security over the assets of SUD or the Company was granted in respect of guarantees provided by State-owned Management Company during the year ended 31 December 2017 pursuant to the Cross Guarantee Agreement as amended by the First Supplemental Agreement, Second Supplemental Agreement and Third Supplemental Agreement. The Directors (including all the independent non-executive Directors) are of the view that the guarantees provided by State-owned Management Company were 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 Third Supplemental Agreement for each of the two years ended 31 December 2017 is subject to an annual cap of RMB332,000,000.

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 agreements 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 (revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected 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 announcements of the Company.

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

As at 31 December 2017, substantial shareholders and other persons (other than the directors and chief executives of the Company) who had interests or short positions in the shares and underlying shares of the Company which were notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO and entered in the register required to be kept by the Company pursuant to Section 336 of the SFO, or otherwise notified to the Company were as follows:

Ordinary shares of HK$0.04 each of the Company

Name of substantial shareholders	Capacity	Number of shares of the Company held	Approximate % of the issued share capital of the Company
SIHL	Held by controlled corporation	3,415,883,000(L)[2,3]	71.00%
SIIC	Held by controlled corporation	3,427,683,000(L)[2,3,4]	71.25%

Notes:

1. L denotes long positions.

2. 3,365,883,000 shares of the Company were 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 3 below. Smart Charmer Limited and Novel Good Limited are both wholly-owned subsidiaries of SIHL.

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

4. SIIC through its subsidiaries, namely Shanghai Investment Holdings Limited, SIIC Capital (B.V.I.) Limited, Shanghai Industrial Financial (Holdings) Company Limited, SIIC Treasury (B.V.I.) Limited, SIIC CM Development Funds Limited and SIIC CM Development Limited held approximately 59% of the shares of SIHL. Therefore, SIIC is deemed or taken to be interested in the 3,415,883,000 shares of the Company held by SIHL for the purpose of the SFO. Separately, 11,800,000 shares of the Company were held by SIIC Trading Company Limited, a subsidiary of SIIC.

Save as disclosed herein, as at 31 December 2017, the Company had not been notified by any persons (other than the Directors and chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of SFO.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's five largest customers comprised approximately 1.97% of the Group's total revenue for the year ended 31 December 2017 and the sales attributable to the Group's largest customer were approximately 0.40% of the Group's total revenue for the year ended 31 December 2017.

The aggregate purchases attributable to the Group's five largest suppliers comprised approximately 58.93% of the Group's total purchases and the purchases of the year ended 31 December 2017 attributable to the Group's largest supplier were approximately 51.50% of the Group's total purchases for the year ended 31 December 2017.

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

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

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

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

Repurchase of Shares

During the year ended 31 December 2017, the Company repurchased a total of 300,000 ordinary shares of the Company of HK$0.04 each on the Stock Exchange at an aggregate purchase price of HK$481,246.56. Details of the repurchase of such ordinary shares were as follows:

Date of Repurchase	Number of ordinary shares repurchased	Price per ordinary share Highest	Lowest	Aggregate purchase price
		HK$	HK$	HK$
4 May 2017	300,000	1.60	1.60	480,000.00
Total	300,000			480,000.00
			Total expenses on shares repurchased	1,246.56
			Total	**481,246.56**

All of the above-mentioned repurchased ordinary shares were cancelled on 20 June 2017. The issued share capital of the Company was accordingly reduced by the par value of the repurchased ordinary shares so cancelled. The above repurchase was effected by the Directors pursuant to the repurchase mandate granted at the annual general meeting of the Company held on 25 May 2016.

Save as disclosed above, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of any listed securities of the Company during the year ended 31 December 2017.

NON-ADJUSTING EVENTS AFTER THE END OF THE REPORTING PERIOD

Details of non-adjusting events after the end of the reporting period are set out in note 51 to the consolidated financial statements.

AUDITOR

The financial statements for the year ended 31 December 2017 of the Group have been audited by Messrs. Deloitte Touche Tohmatsu who will retire and being eligible, offering itself for re-appointment. A resolution for the reappointment of Messrs. Deloitte Touche Tohmatsu as the auditor of the Company will be proposed at the 2018 AGM.

NON-COMPETE UNDERTAKING

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

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

CHANGES IN INFORMATION OF DIRECTORS

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

Mr. Ye Weiqi, an executive director of the Company, has resigned as a director of Ningbo Fubang Jingye Group Co., Ltd. (寧波富邦精業集團股份有限公司), a company listed on the Shanghai Stock Exchange with stock code of 600768, with effect from 4 May 2017.

Save as disclosed above, 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 2017, the Group made charitable donations of RMB1,500,000 (equivalent to approximately HK$1,730,000).

APPRECIATION

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

By order of the Board of
Shanghai Industrial Urban Development Group Limited
Ji Gang
Chairman

Hong Kong, 27 March 2018

FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

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

OPINION

We have audited the consolidated financial statements of Shanghai Industrial Urban Development Group Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 91 to 184, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
We identified the valuation of investment properties as a key audit matter due to significance of its balance to the consolidated statement of financial position and estimation uncertainty associated with determining the fair value of investment properties. As disclosed in note 14 to the consolidated financial statements, the fair value of the investment properties amounted to approximately HK$14,932,613,000 as at 31 December 2017 with the fair value loss of approximately HK$39,496,000 recognised in the consolidated statement of profit or loss and other comprehensive income for the year then ended. The fair value of the Group's investment properties as at 31 December 2017 has been arrived at on the basis of valuation carried out by an independent qualified professional valuer not connected to the Group (the "Valuer"). The valuation is dependent on certain significant inputs that involve judgment and estimation made by the management of the Group together with the Valuer, including, among other factors, market prices, prevailing market rents for comparable properties in the same location and condition, expected future market rents and discount and reversionary rates.	Our procedures in relation to the valuation of the investment properties included: • Assessing the competence, capabilities and objectivity of the Valuer; • Discussing with the Valuer on the valuation process to understand the performance of property markets, significant assumptions adopted and data used in the valuation and the management's critical judgmental areas; • Discussing with the Valuer to understand whether the investment properties held by the Group were valued on a consistent basis using consistent methodologies; • Evaluating the reasonableness of the methodologies adopted in the valuation models; and • Assessing the reasonableness of key inputs used in the valuation by, on a sample basis, checking to the publicly available information and comparing the inputs to entity-specific historical information.

Key audit matter	How our audit addressed the key audit matter
Assessing the net realisable value of properties held-for-sale ("PHFS")	
We identified assessing the net realisable value of the Group's PHFS as a key audit matter because certain of such PHFS are not located in first-tier cities, such as Beijing and Shanghai, in the People's Republic of China (the "PRC"), which are more sensitive to changes in economic conditions and local measures in the PRC. Accordingly, there is a risk that carrying value of such PHFS is lower than its net realisable value (the "NRV"). Besides, estimation uncertainty is associated with determining the NRV of the PHFS. As disclosed in note 22 to the consolidated financial statements, the Group had PHFS of approximately HK$8,647,024,000 as at 31 December 2017 of which an amount of approximately HK$1,824,132,000 related to PHFS which are not located in first-tier cities in the PRC and have no pre-sale agreements entered into by the Group during the year. An impairment loss in respect of PHFS not located in first-tier cities in the PRC and have no pre-sale agreements entered into by the Group amounting to approximately HK$113,120,000 was recognised in the consolidated statement of profit or loss and other comprehensive income for the year then ended. The management of the Group determined the NRV of the PHFS, which are not located in first-tier cities in the PRC and have no pre-sale agreements entered into by the Group during the year, as at 31 December 2017 by reference to the independent valuation reports prepared by the Valuer. The valuation is dependent on certain significant inputs that involve judgment and estimation made by the management of the Group together with the Valuer including, among other factors, the nature of each property, its location and the prevailing selling price.	Our procedures in relation to the valuation of the Group's PHFS included: • Understanding and evaluating the appropriateness of the inventory provision policy adopted and assessing whether the provision policy is implemented properly and consistently with the basis adopted in prior years; • Challenging the forecasted property selling prices for those PHFS located in first-tier cities in the PRC as estimated by the management of the Group with reference to publicly available information and checking the pre-sale agreements entered into by the Group during the year, on a sample basis, if applicable; • Assessing the competence, capabilities and objectivity of the Valuer; • Discussing with the Valuer on the valuation process to understand the performance of property markets, significant assumptions adopted and data used in the valuation and the management's critical judgmental areas; • Evaluating the reasonableness of the methodologies adopted in the valuation models; and • Assessing the reasonableness of key inputs used in the valuation by, on a sample basis, checking to the publicly available information and comparing the inputs to entity-specific historical information.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

The engagement partner on the audit resulting in the independent auditor’s report is Yu Kin Man.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

27 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	NOTES	2017 HK$'000	2016 HK$'000
Revenue	5	**9,356,865**	5,490,564
Cost of sales		**(4,971,065)**	(4,089,951)
Gross profit		**4,385,800**	1,400,613
Other income	6(a)	**402,572**	487,781
Other expenses, gains and losses, net	6(b)	**(11,879)**	(304,505)
Fair value changes on investment properties, net	14	**(39,496)**	260,505
Impairment loss in respect of properties held-for-sale		**(113,120)**	(221,104)
Distribution and selling expenses		**(235,033)**	(275,194)
General and administrative expenses		**(444,055)**	(444,626)
Gains on disposal of assets through disposal of subsidiaries	33	**–**	2,395,035
Finance costs	7	**(621,332)**	(716,138)
Share of results of associates	18	**4,129**	3,222
Profit before tax		**3,327,586**	2,585,589
Income tax	8	**(2,080,264)**	(1,259,024)
Profit for the year	9	**1,247,322**	1,326,565
Other comprehensive income (expense) for the year			
Items that will not be reclassified to profit or loss:			
Exchange differences arising on translation into presentation currency		**1,545,025**	(1,293,710)
Share of other comprehensive income (expense) of associates		**57,735**	(7,757)
Item that may be reclassified subsequently to profit or loss:			
(Loss) gain on fair value changes of available-for-sale investment, net of tax		**(26,182)**	439
Other comprehensive income (expense) for the year		**1,576,578**	(1,301,028)
Total comprehensive income for the year		**2,823,900**	25,537
Profit for the year attributable to:			
Owners of the Company		**557,964**	521,888
Non-controlling interests		**689,358**	804,677
		1,247,322	1,326,565
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**1,403,468**	(110,368)
Non-controlling interests		**1,420,432**	135,905
		2,823,900	25,537
Earnings per share			
Basic (HK cents)	13	**11.60**	10.85
Diluted (HK cents)	13	**11.60**	10.85

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	NOTES	2017 HK$'000	2016 HK$'000
Non-current assets			
Investment properties	14	**14,932,613**	13,744,306
Property, plant and equipment	15	**2,386,833**	1,726,009
Prepaid lease payments	16	**222,976**	213,435
Intangible assets	17	**61,261**	56,945
Interests in associates	18	**1,221,279**	1,135,065
Interest in a joint venture	19	**65,718**	65,718
Available-for-sale investments	20	**249,434**	265,662
Pledged bank deposits	21	**30,427**	20,937
Other receivables	23	**26,739**	103,394
Deferred tax assets	32	**226,179**	409,786
		19,423,459	17,741,257
Current assets			
Inventories	22	**27,546,284**	25,483,600
Trade and other receivables	23	**750,101**	1,259,937
Amounts due from related companies	27	**322,229**	299,527
Prepaid lease payments	16	**4,942**	4,593
Prepaid income tax and land appreciation tax		**428,506**	375,240
Financial assets at fair value through profit or loss	24	**3,506**	5,193
Restricted and pledged bank deposits	21	**80,586**	137,672
Bank balances and cash	25	**12,685,436**	12,818,335
		41,821,590	40,384,097
Assets classified as held-for-sale	45	**180,232**	—
		42,001,822	40,384,097
Current liabilities			
Trade and other payables	26	**5,325,245**	5,173,828
Amounts due to related companies	27	**735,404**	609,801
Amounts due to associates	28	**5,771**	50,371
Consideration payables for acquisition of subsidiaries	29	**98,619**	342,585
Pre-sale proceeds received on sales of properties	30	**6,387,497**	7,996,881
Bank and other borrowings	31	**3,954,956**	854,595
Income tax and land appreciation tax payables		**2,633,222**	2,497,983
Dividend payable		**10,044**	8,384
Dividend payable to non-controlling shareholders		**180,180**	61,344
		19,330,938	17,595,772
Liabilities classified as held-for-sale	45	**154,804**	—
		19,485,742	17,595,772
Net current assets		**22,516,080**	22,788,325
Total assets less current liabilities		**41,939,539**	40,529,582

	NOTES	2017 HK$'000	2016 HK$'000
Non-current liabilities			
Deferred revenue	26	201,892	195,776
Amounts due to related companies	27	115,315	—
Bank and other borrowings	31	12,734,079	13,891,575
Deferred tax liabilities	32	4,925,666	4,722,103
		17,976,952	18,809,454
		23,962,587	21,720,128
Capital and reserves			
Share capital	34	192,439	192,451
Reserves		13,342,599	12,098,372
Equity contributable to owners of the Company		13,535,038	12,290,823
Non-controlling interests		10,427,549	9,429,305
		23,962,587	21,720,128

The consolidated financial statements on pages 91 to 184 were approved and authorised for issue by the Board of Directors on 27 March 2018 and are signed on its behalf by:

JI GANG
DIRECTOR

YE WEIQI
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Attributable to owners of the Company													
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000 (note (iv))	Share options reserve HK$'000	Other revaluation reserve HK$'000 (note (i))	Investment revaluation reserve HK$'000	Statutory reserve HK$'000	Shareholder's contribution/ merger reserve HK$'000 (note (ii))	Other reserve HK$'000 (note (iii))	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2016	192,451	10,115,153	157,073	49,367	52,526	129,917	173,726	2,214,569	(47,317)	559,069	(1,060,628)	12,535,906	6,977,845	19,513,751
Profit for the year	–	–	–	–	–	–	–	–	–	–	521,888	521,888	804,677	1,326,565
Exchange differences arising on translation into presentation currency	–	–	–	–	–	–	–	–	–	(624,938)	–	(624,938)	(668,772)	(1,293,710)
Share of other comprehensive expense of associates	–	–	–	–	–	–	–	–	–	(7,757)	–	(7,757)	–	(7,757)
Gain on fair value changes of available-for-sale investment, net of tax	–	–	–	–	–	439	–	–	–	–	–	439	–	439
Total comprehensive income (expense) for the year	–	–	–	–	–	439	–	–	–	(632,695)	521,888	(110,368)	135,905	25,537
Transfer upon disposal of subsidiaries	–	–	–	–	–	–	–	–	–	(754)	754	–	–	–
Dividends recognised as distributions (Note 50)	–	–	(134,715)	–	–	–	–	–	–	–	–	(134,715)	–	(134,715)
Forfeiture of share options	–	–	–	(1,165)	–	–	–	–	–	–	1,165	–	–	–
Contribution from a non-controlling interest upon capitalisation of its lending to the Group (note (vii))	–	–	–	–	–	–	–	–	–	–	–	–	2,315,555	2,315,555
Transfer	–	–	–	–	–	–	101,952	–	–	–	(101,952)	–	–	–
At 31 December 2016	192,451	10,115,153	22,358	48,202	52,526	130,356	275,678	2,214,569	(47,317)	(74,380)	(638,773)	12,290,823	9,429,305	21,720,128
Profit for the year	–	–	–	–	–	–	–	–	–	–	557,964	557,964	689,358	1,247,322
Exchange differences arising on translation into presentation currency	–	–	–	–	–	–	–	–	–	813,951	–	813,951	731,074	1,545,025
Share of other comprehensive income of associates	–	–	–	–	–	–	–	–	–	57,735	–	57,735	–	57,735
Loss on fair value changes of available-for-sale investment, net of tax	–	–	–	–	–	(26,182)	–	–	–	–	–	(26,182)	–	(26,182)
Total comprehensive income for the year	–	–	–	–	–	(26,182)	–	–	–	871,686	557,964	1,403,468	1,420,432	2,823,900
Transfer to distributable reserve (note (vi))	–	(600,000)	600,000	–	–	–	–	–	–	–	–	–	–	–
Repurchase of ordinary shares (note (v))	(12)	(469)	–	–	–	–	–	–	–	–	–	(481)	–	(481)
Dividends recognised as distributions (Note 50)	–	–	(158,772)	–	–	–	–	–	–	–	–	(158,772)	–	(158,772)
Dividends declared to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(422,188)	(422,188)
Forfeiture of share options	–	–	–	(16,310)	–	–	–	–	–	–	16,310	–	–	–
Transfer	–	–	–	–	–	–	108,764	–	–	–	(108,764)	–	–	–
At 31 December 2017	192,439	9,514,684	463,586	31,892	52,526	104,174	384,442	2,214,569	(47,317)	797,306	(173,263)	13,535,038	10,427,549	23,962,587

Notes:

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

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

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

(v) In May 2017, the Company repurchased on the market 300,000 ordinary shares of the Company of HK$0.04 each (the "Share Repurchase") with the average price being HK$1.60 per share and the aggregate consideration for the Share Repurchase is approximately HK$481,000.

(vi) Pursuant to the special resolution passed on 19 May 2017, the Company transferred an amount of HK$600,000,000 from the share premium account to the contributed surplus account which increased the distributable reserve of the Company for making distributions to the shareholders.

(vii) On 3 October 2016, the Group and Nan Fung Group entered into a deed of release (the "Deed") in respect of the amounts due to Nan Fung Group, which was a non-controlling shareholder of the Group. Pursuant to the Deed, Nan Fung Group released and discharged the Group from all its liabilities and obligations owing to Nan Fung Group and Nan Fung Group further agreed to irrevocably and unconditionally waived and released all rights to repayment and claims against the Group in respect of its obligations. In addition, the Group and Nan Fung Group agreed to capitalise the discharged amounts due to Nan Fung Group of approximately US$296,866,000 (equivalent to approximately HK$2,315,555,000) into the reserve of the Company as a contribution from a non-controlling interest.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	2017 HK$'000	2016 HK$'000
OPERATING ACTIVITIES		
Profit before tax	3,327,586	2,585,589
Adjustments for:		
Fair value changes on investment properties, net	39,496	(260,505)
Depreciation on property, plant and equipment	106,914	96,742
Amortisation of prepaid lease payments	6,370	6,453
(Gain) loss on disposal of property, plant and equipment	(7,534)	282
Finance costs	621,332	716,138
Interest income	(297,509)	(212,495)
Dividend income from available-for-sale investments	(363)	(368)
Changes in fair value of financial assets at fair value through profit or loss, net	1,997	(1,000)
Gain on land resumption	–	(209,999)
Impairment loss in respect of properties held-for-sale	113,120	221,104
Impairment loss recognised on other receivables	–	120,038
Gains on disposal of assets through disposal of subsidiaries	–	(2,395,035)
Waiver of consideration payables for acquisition of subsidiaries	–	(27,299)
Share of results of associates	(4,129)	(3,222)
Unrealised foreign exchange loss (gain)	8,447	(39,783)
Operating cash flows before movements in working capital	3,915,727	596,640
(Increase) decrease in inventories	(250,770)	2,326,285
Decrease (increase) in trade and other receivables	315,970	(1,554,018)
Increase in trade and other payables	10,439	594,480
Decrease in amounts due to associates	(46,481)	(4,045)
(Decrease) increase in pre-sale proceeds received on sales of properties	(2,126,863)	3,507,695
Cash from operations	1,818,022	5,467,037
Income tax paid	(2,085,987)	(842,329)
Net cash (used in) from operating activities	(267,965)	4,624,708

	NOTES	2017 HK$'000	2016 HK$'000
INVESTING ACTIVITIES			
Net proceeds from disposal of assets through disposal of subsidiaries	33	–	2,118,926
Receipts of consideration receivables in respect of disposal of subsidiaries		–	2,563,080
Receipt of consideration receivable in respect of disposal of assets through disposal of a subsidiary		339,290	–
Net payments for acquisition of subsidiaries	35	–	(2,338,081)
Payment of construction costs on behalf of owners of the Carved-out Site 1 and 2 (as defined in note 33(a))		–	(3,284,944)
Repayment of consideration payables for acquisition of subsidiaries	29	(259,132)	(28,964)
Purchases of property, plant and equipment		(271,201)	(8,303)
Proceeds from disposal of property, plant and equipment		33,918	21,283
Proceeds from disposal of investment properties		–	35,061
Development costs paid for investment properties		(180,179)	(418,525)
Compensation received for land resumption		–	245,957
Refund of deposits received from a non-controlling shareholder for identifying investment projects		–	(358,252)
Decrease (increase) in restricted and pledged bank deposits		57,232	(19,352)
Dividend received from available-for-sale investments		363	368
Dividend received from an associate	18	3,955	4,579
Interest received		291,509	212,495
Interest received on consideration receivables		–	36,492
Advance to independent third parties		–	(69,409)
Repayment from an independent third party		–	151,869
Advances to a related company		–	(313,384)
Proceeds from disposal of available-for-sale investments		–	11,682
Net cash from (used in) investing activities		15,755	(1,437,422)

CONSOLIDATED STATEMENT OF
CASH FLOWS

	2017 HK$'000	2016 HK$'000
FINANCING ACTIVITIES		
Proceeds from new bank and other borrowings	**2,850,721**	12,100,202
Repayments of bank and other borrowings	**(2,012,940)**	(12,805,425)
Repayments to related companies	**(139,118)**	(217,898)
Advances from related companies	**326,024**	1,083,419
Payments on repurchase of shares	**(481)**	—
Transaction costs attributable to issue of advanced bonds	**—**	(12,331)
Dividend paid to non-controlling interests	**(312,571)**	(58,435)
Dividend paid	**(157,112)**	(133,264)
Interest paid	**(927,694)**	(926,144)
Net cash used in financing activities	**(373,171)**	(969,876)
Net (decrease) increase in cash and cash equivalents	**(625,381)**	2,217,410
Cash and cash equivalents at the beginning of the year	**12,818,335**	11,371,189
Effect of foreign exchange rate changes	**655,765**	(770,264)
Cash and cash equivalents represented by bank balances and cash at the end of the year	**12,848,719**	12,818,335
Analysis of cash and cash equivalents as at 31 December, represented by bank balances and cash held by		
— the Group	**12,685,436**	12,818,335
— the disposal group held-for-sale	**163,283**	—
	12,848,719	12,818,335

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

1. GENERAL

Shanghai Industrial Urban Development Group Limited (the "Company") is a public limited company incorporated in Bermuda under the Companies Act 1981 of Bermuda (as amended) as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its parent is Shanghai Industrial Holdings Limited ("SIHL") (incorporated in Hong Kong and listed on the Stock Exchange) and its ultimate parent is Shanghai Industrial Investment (Holdings) Company Limited ("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 Company and its subsidiaries (the "Group") are residential and commercial properties development, property investment and hotel operations in the PRC.

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

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

Amendments to HKFRSs that are mandatorily effective for the current year

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

Amendments to HKAS 7	Disclosure initiative
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses
Amendments to HKFRS 12	As part of the annual improvements to HKFRSs 2014–2016 cycle

Amendments to HKAS 7 Disclosure initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in note 43. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 43, the application of these amendments has had no impact on the Group's consolidated financial statements.

Except for the above, the application of the amendments to 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.

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

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:

HKFRS 9	Financial instruments[1]
HKFRS 15	Revenue from contracts with customers and related amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance contracts[4]
HK(IFRIC) — Int 22	Foreign currency transactions and advance consideration[1]
HK(IFRIC) — Int 23	Uncertainty over income tax treatments[2]
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts[1]
Amendments to HKFRS 9	Prepayment features with negative compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[3]
Amendments to HKAS 28	Long-term interests in associates and joint ventures[2]
Amendments to HKAS 28	As part of the annual improvements to HKFRSs 2014–2016 cycle[1]
Amendments to HKAS 40	Transfers of investment property[1]
Amendments to HKFRSs	Annual improvements to HKFRSs 2015–2017 cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2019.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2021.

HKFRS 9 Financial instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are described as follows:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be 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. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income ("FVTOCI"). All other financial assets are measured at their fair value at subsequent accounting 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.

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

HKFRS 9 Financial instruments (continued)

- for non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows and discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification. Currently, the Group revises the effective interest rates for non-substantial modification of financial liabilities with no gain/loss being recognised in profit or loss.

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39 "Financial instruments: Recognition and measurement". The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 31 December 2017, the directors of the Company anticipate the following potential impact on initial application of HKFRS 9:

Classification and measurement:

- Debt instruments classified as loans and receivables carried at amortised cost as disclosed in notes 23 and 27 respectively: these are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets will continue to be subsequently measured at amortised cost upon the application of HKFRS 9;

- Listed equity securities classified as available-for-sale investments carried at fair value as disclosed in note 20: these securities qualified for designation as measured at FVTOCI under HKFRS 9, however, the fair value gains or losses accumulated in the investment revaluation reserve amounting to approximately HK$104,174,000 as at 1 January 2018 will no longer be subsequently reclassified to profit or loss under HKFRS 9, which is different from the current treatment. This will affect the amounts recognised in the Group's profit or loss and other comprehensive income but will not affect total comprehensive income;

- Equity securities classified as available-for-sale investments carried at cost less impairment as disclosed in note 20: these securities qualified for designation as measured at FVTOCI under HKFRS 9 and the Group will measure these securities at fair value at the end of subsequent reporting periods with fair value gains or losses to be recognised as other comprehensive income and accumulated in the investment revaluation reserve. Upon initial application of HKFRS 9, the fair value gain relating to these securities would be adjusted to investment revaluation reserve as at 1 January 2018; and

- All other financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under HKAS 39.

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

HKFRS 9 Financial instruments (continued)

Impairment:

In general, the directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group.

Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by the Group as at 1 January 2018 would be increased as compared to the accumulated amount recognised under HKAS 39 mainly attributable to expected credit losses provision on loan receivables, amounts due from related companies and bank balances. Such further impairment recognised under expected credit loss model would increase the opening accumulated losses at 1 January 2018.

HKFRS 15 Revenue from contracts with customers

HKFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction contracts" and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

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

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In year 2016, the HKICPA issued Clarification to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Group recognises revenue from the following major sources which are disclosed in note 5:

- Residential and commercial properties development, including sales of properties;

- Property investment, including rental income from leasing of properties and service income from property management; and

- Hotel operations, including revenue from hotel operations.

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

HKFRS 15 Revenue from contracts with customers (continued)

The directors of the Company have assessed that the revenue from residential and commercial properties development represents only one performance obligation from the sales of properties and, accordingly, revenue will be recognised for this performance obligation when control over the corresponding goods is transferred to the customer. The directors of the Company consider that there is no significant impact in respect of revenue recognition on sales of properties under HKFRS 15.

Regarding the revenue from property investment and hotel operations, the directors of the Company have assessed that these performance obligations are satisfied when the related services are performed and that the method currently used to measure the progress towards complete satisfaction of these performance obligations will continue to be appropriate under HKFRS 15.

In addition, the application of HKFRS 15 in future may result in more disclosures in the consolidated financial statements. The directors of the Company do not intend to early apply HKFRS 15.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2017, the Group has non-cancellable operating lease commitments as lessee of approximately HK$334,328,000 as disclosed in note 41. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

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

HKFRS 16 Leases (continued)

In addition, the Group currently considers refundable rental deposits paid of approximately HK$1,740,000 and refundable rental deposits received of approximately HK$168,299,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

Except for the above, the directors of the Company anticipate that the application of the other new and revised HKFRSs 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 of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based payment", leasing transactions that 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 "Inventories" or value in use for the purposes of impairment assessment in HKAS 36 "Impairment of assets".

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

- has power over the investee;

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

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 relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

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

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 or, 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 bargain purchase gain at the time of common control combination.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 “Income taxes” and HKAS 19 “Employee benefits” respectively;

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

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 “Non-current assets held for sale and discontinued operations” are measured in accordance with that standard.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations (continued)

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 "Provisions, contingent liabilities and contingent assets", as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

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

Acquisition of a subsidiary not constituting a business

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

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates and joint ventures (continued)

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

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

The 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.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are initially measured at cost, including any direct attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair values. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. 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.

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.

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.

Assets held under finance leases are depreciated over their expected useful life on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful life.

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.

Intangible assets acquired in a business combination

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

Subsequent to initial recognition, intangible assets 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).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 relevant asset is estimated in order to determine the extent of the impairment loss, if any. Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

When it is not possible to estimate the recoverable amount of an asset individually, 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.

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 (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro-rata to the other assets of the unit. 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.

Inventories

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

Properties held-for-sale and properties under development 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. Costs of these properties are determined on the weighted average method.

Others

Others inventories represent inventories used in the Group's hotel operations which are stated at the lower of cost and net realisable value. Costs of these inventories are determined on the weighted average method.

Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and the costs necessary to make the sale.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Sales of properties

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed. 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

The Group's accounting policy for recognition revenue from operating leases is described in "Leasing" below.

Rendering of services

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 and dividend income

Interest income is accrued on a time apportionment 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 rights to receive payment have been established.

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. Initial direct cost incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset.

The Group as lessee

Operating lease payments, including the cost of acquiring land held under operating lease, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

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

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 fair value through profit or loss ("FVTPL") are recognised immediately in profit or loss.

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 of financial assets at FVTPL recognised in profit or loss incorporates any dividend or interest earned on the financial assets and is included in the 'other expenses, gains and losses, net' line item. Fair value is determined in the manner described in note 39.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

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 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).

Interest income is recognised by applying the effective interest rate, except for short-term receivable where the recognition of interest would be immaterial.

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.

Equity securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period except for unquoted equity investments whose fair value cannot be reliably measured. Changes in the carrying amount of AFS equity instruments are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of the reporting period.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impairment individually. 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 (i.e. loans and receivables), 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 flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost (i.e. AFS 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.

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.

When an AFS financial asset carried at fair value is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

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.

In respect of AFS equity investments carried at fair value, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial liabilities and equity instruments

Classification as debt or equity

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.

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

Financial liabilities

Financial liabilities including trade 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 deposits received for identifying investment projects 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.

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 have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Retirement benefit costs

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

Short-term benefits

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

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

Share-based payment arrangements

Equity-settled share-based payment transactions

Share options granted to employees

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation

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

Current tax

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

Deferred tax

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interest 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 and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

Current and deferred tax for the year

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

Government grants

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

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

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

Borrowing costs

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

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 at 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).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions

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

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

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

4. CRITICAL ACCOUNTING JUDGMENT 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 judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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 taxation arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolio 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 sale. Therefore, in measuring the Group's deferred taxation on investment properties, the directors of the Company have determined 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 2017, the carrying amount of these properties was approximately HK$7,553,393,000 (2016: HK$6,951,988,000). For the investment 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 2017, the carrying amount of these properties was approximately HK$7,379,220,000 (2016: HK$6,792,318,000).

Details about the Group's investment properties and deferred taxation in relation to changes of fair value of investment properties are set out in notes 14 and 32 respectively.

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

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Net realisable value of properties held-for-sale

The Group's properties held-for-sale are stated at the lower of cost and net realisable value. If there is a decrease in net realisable value, this may result in write-down of properties held-for-sale. Such write-down requires the use of judgment and estimates. Where the expectation is different from the original estimate, the carrying amount and write-down of properties in the periods in which such estimate is changed will be adjusted accordingly.

The Group's properties held-for-sale are located in various cities, including first-tier cities such as Beijing and Shanghai, in the PRC. The properties held-for-sale located in cities other than the first-tier cities in the PRC are more sensitive to change in economic conditions. As at 31 December 2017, the carrying amount of properties held-for-sale was approximately HK$8,647,024,000 (2016: HK$6,343,749,000). Details about the Group's properties held-for-sale are set out in note 22. During the year ended 31 December 2017, an impairment loss in respect of properties held-for-sale not located in first-tier cities in the PRC and have no pre-sale agreements entered into by the Group amounting to approximately HK$113,120,000 (2016: HK$221,104,000) was recognised in profit or loss.

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 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 investment properties.

For investment properties whereby fair value is assessed by reference to comparable sales transactions, the fair value is determined based on the current prices in an active market for similar properties. If the current prices in an active market for similar properties are not available for the purpose of estimation of fair value of investment properties, the Group considers information from a variety of sources, including:

(a) Current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences; and

(b) Recent transaction prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices.

For investment properties whereby the fair value is assessed by adopting investment approach, which are mainly those investment properties that are held for earning rental income from its existing lease contracts, the fair value is determined based on reliable estimates of future cash flows supported by the terms of any existing lease and, when possible, by external evidence such as current market rates for similar properties in the same location and condition, and using reversionary rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

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

Estimation of fair value of investment properties (continued)

The carrying amount of investment properties as at 31 December 2017 was approximately HK$14,932,613,000 (2016: HK$13,744,306,000). Notwithstanding that the management of the Group employs independent professionally qualified valuers not connected to the Group to perform fair value assessments based on these assumptions, the fair value of these investment properties may be higher or lower depending on the future market conditions.

Details about the Group's investment properties are set out in note 14.

5. REVENUE AND SEGMENT INFORMATION

Segment information

The Group is principally engaged in the residential and commercial properties development, property investment and hotel operations.

The directors of the Company, being the chief operating decision maker, only reviews the overall results and the financial position of the Group, which are prepared based on the same accounting policies as set out in note 3, for the purposes of resource allocation and performance assessment. Accordingly, the Group presents only one single operating segment and no further analysis is presented.

The Group's operations are located in the PRC. All revenue and non-current assets, excluding certain financial instruments, 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 years ended 31 December 2017 and 2016.

Revenue analysis

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

	2017 **HK$'000**	2016 HK$'000
Revenue from sales of properties	**8,375,839**	4,557,433
Rental income from leasing of properties	**634,999**	654,358
Service income from property management	**152,923**	94,703
Revenue from hotel operations	**193,104**	184,070
	9,356,865	5,490,564

6(a). OTHER INCOME

	2017 HK$'000	2016 HK$'000
Gain on land resumption (note (i))	–	209,999
Interest income on bank deposits	283,903	141,081
Other interest income (note (ii))	13,606	71,414
Rental income from property, plant and equipment	8,639	20,700
Dividend income from available-for-sale investments	363	368
Income from marketing and exhibition activities	2,746	5,962
Government grants	66,120	10,874
Others	27,195	27,383
	402,572	487,781

Notes:

(i) During the year ended 31 December 2016, a piece of land with carrying amount of approximately RMB30,780,000 (equivalent to approximately HK$35,958,000) held by the Group was resumed by the relevant government department of Shanghai in the PRC for a compensation of approximately RMB210,510,000 (equivalent to approximately HK$245,957,000).

(ii) For the year ended 31 December 2016, other interest income included an amount of approximately HK$36,492,000 which represented interest received on the consideration receivable in respect of disposal of subsidiaries on 28 December 2015 (the "Disposal Date"). According to the sales and purchase agreement of such disposal, the purchaser was required to pay a daily interest on the consideration receivable from the Disposal Date until the consideration receivable was settled in full. The daily interest rate was calculated on the basis of (i) for the first 90 days after the Disposal Date, the PBOC rate (as defined in note 27 (ii)) as of the Disposal Date and divided by 365; and (ii) thereafter, a daily interest rate of 0.05%. The consideration receivable was settled by instalments since the Disposal Date and was settled in full on 18 May 2016.

The other interest income also included an amount of approximately HK$9,405,000 (2016: HK$23,608,000) which represented interest received and receivable on the interest bearing other receivables.

6(b). OTHER EXPENSES, GAINS AND LOSSES, NET

	2017 HK$'000	2016 HK$'000
Net exchange loss (note (i))	**(18,675)**	(209,168)
Changes in fair value of financial assets at FVTPL, net	**(1,997)**	1,000
Impairment loss recognised on other receivables (note (ii))	**—**	(120,038)
Gain (loss) on disposal of property, plant and equipment	**7,534**	(282)
Waiver of consideration payables for acquisition of subsidiaries	**—**	27,299
Others	**1,259**	(3,316)
	(11,879)	(304,505)

Notes:

(i) Net exchange loss mainly comprised of realised and unrealised exchange loss arising on remeasurement of foreign currency denominated intra-group current accounts (2016: intra-group current accounts, bank and other borrowings and amounts due to a related company).

(ii) During the year ended 31 December 2016, the lease agreement, in respect of one of the Group's investment properties, with rent-free periods granted to the lessee was terminated without any penalty and the entire amount of the remaining rental accruals regarding the rent-free period of approximately HK$120,038,000 was impaired and charged to profit or loss.

7. FINANCE COSTS

	2017 HK$'000	2016 HK$'000
Interests on bank and other borrowings	**932,280**	930,998
Less: Amount capitalised into properties under development for sale	**(310,948)**	(214,860)
	621,332	716,138

Borrowing costs capitalised during the year arising on the general borrowing pool are calculated by applying a capitalisation rate of 4.13% (2016: 4.30%) per annum to expenditure on qualifying assets.

8. INCOME TAX

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

	2017 HK$'000	2016 HK$'000
Current tax:		
PRC Enterprise Income Tax ("EIT") (note (i))	592,627	1,001,918
PRC Land Appreciation Tax ("LAT")	1,327,433	397,285
PRC withholding tax on dividend income	18,450	—
	1,938,510	1,399,203
Under(over) provision in prior years:		
PRC EIT (note (ii))	(6,461)	(25,731)
PRC LAT (note (ii))	79,750	(6,234)
	73,289	(31,965)
Deferred tax (Note 32)	68,465	(108,214)
Income tax for the year	2,080,264	1,259,024

Notes:

(i) During the year ended 31 December 2016, EIT of approximately HK$278,541,000 and HK$320,218,000 was provided for the gains on disposal of partnership interest in Green Carbon Fund (as defined in note 33(a)), which was accounted for as a wholly-owned subsidiary of the Group, by a resident company, and the disposal of 40% equity interest in SUD Longcheng (as defined in note 33(b)) respectively. After utilising available tax losses brought forward from previous years, the tax payables in respect of the gains from these two disposals were approximately HK$576,168,000. The EIT provided for the gains on these two disposals was calculated at 25% on the gains. Details of the disposal of partnership interest in Green Carbon Fund and the disposal of 40% equity interest in SUD Longcheng are set out in notes 33(a) and (b) respectively.

(ii) During the year ended 31 December 2017, the Group recognised a write-back for overprovision of the PRC EIT and an underprovision of the PRC LAT (2016: a write-back for overprovision of the PRC EIT and the PRC LAT) upon completion of tax clearance procedures by certain PRC subsidiaries with their respective tax authorities.

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

8. INCOME TAX (CONTINUED)

Under the Provisional Regulations of LAT (《中華人民共和國土地增值稅暫行條例》) effective on 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (《中華人民共和國土地增值稅暫行條例實施細則》) effective from 27 January 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, being the proceeds of sales of properties less deductible expenditures including borrowing costs and property development expenditures in relation to the gains arising from sales of properties in the PRC effective from 1 January 2004, with an exemption provided for property sales of ordinary residential properties (普通標準住宅) if their appreciation values do not exceed 20% of the sum of the total deductible items.

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

Pursuant to the rules and regulations of Bermuda and the 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 income tax for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2017 HK$'000	2016 HK$'000
Profit before tax	3,327,586	2,585,589
Tax at PRC EIT rate of 25% (2016: 25%)	831,897	646,397
Tax effect of share of results of associates	(1,032)	(806)
Tax effect of expenses not deductible for tax purposes	43,480	190,687
Tax effect of income not taxable for tax purposes	(9,333)	(29,542)
Tax effect of tax losses not recognised	193,261	202,564
Utilisation of tax losses previously not recognised	(33,642)	(31,503)
Provision for LAT for the year	1,327,433	397,285
Under(over) provision of LAT in prior years	79,750	(6,234)
Tax effect of LAT deductible for PRC EIT	(351,796)	(97,763)
Overprovision of EIT in prior years	(6,461)	(25,731)
Effect of different tax rates of subsidiaries operating in Hong Kong	18,083	31,608
Deferred tax on LAT in respect of investment properties	(29,826)	(17,938)
PRC withholding tax on dividend income	18,450	—
Income tax for the year	2,080,264	1,259,024

9. PROFIT FOR THE YEAR

	2017 HK$'000	2016 HK$'000
Profit for the year has been arrived at after charging (crediting):		
Depreciation for property, plant and equipment	109,647	97,347
Less: Depreciation capitalised into properties under development for sale	(2,733)	(605)
	106,914	96,742
Amortisation of prepaid lease payments	6,370	6,453
Total depreciation and amortisation	113,284	103,195
Auditors' remuneration	5,729	6,693
Gross rental income from investment properties	(634,999)	(654,358)
Less: Direct operating expenses incurred for investment properties that generated rental income during the year	140,530	141,765
	(494,469)	(512,593)
Directors' remuneration (Note 10)	11,733	10,456
Other staff costs		
Salaries, wages and other benefits	244,604	228,327
Retirement benefit scheme contributions	37,381	34,262
Total staff costs	293,718	273,045
Less: Staff costs capitalised into properties under development for sale	(48,385)	(42,563)
	245,333	230,482
Cost of properties held-for-sale recognised as an expense	4,540,034	3,404,691
Cost of inventories for hotel operations recognised as an expense	184,032	157,733
Share of tax of associates (included in share of results of associates)	679	546

10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the thirteen (2016: nine) directors of the Company, including the chief executive, are as follows:

For the year ended 31 December 2017

		Other emoluments			
	Fees HK$'000	Salaries and other allowances HK$'000	Retirement benefit scheme contributions HK$'000	Equity-settled share-based payments HK$'000 (note (i))	Total emoluments HK$'000
Executive directors:					
Mr. Ji Gang	–	2,592	75	–	2,667
Mr. Lou Jun (note (iv) and note (vi))	–	–	–	–	–
Mr. Zhou Jun (note (ii) and note (iii))	–	–	–	–	–
Mr. Yang Jianwei (note (ii))	–	–	–	–	–
Mr. Fei Zuoxiang (note (iv))	–	749	–	–	749
Mr. Yang Biao (note (iii))	–	2,180	–	–	2,180
Ms. Huang Fei	–	2,000	–	–	2,000
Mr. Ye Weiqi	–	2,000	–	–	2,000
Mr. Zhong Tao (note (iv))	–	735	–	–	735
Independent non-executive directors:					
Mr. Doo Wai Hoi, William	430	–	–	–	430
Mr. Fan Ren Da, Anthony	430	–	–	–	430
Mr. Li Kai Fai, David	430	–	–	–	430
Mr. Qiao Zhigang (note (v))	112	–	–	–	112
Total	1,402	10,256	75	–	11,733

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

For the year ended 31 December 2016

		Other emoluments			
	Fees HK$'000	Salaries and other allowances HK$'000	Retirement benefit scheme contributions HK$'000	Equity-settled share-based payments HK$'000 (note (i))	Total emoluments HK$'000
Executive directors:					
Mr. Ji Gang	–	2,612	54	–	2,666
Mr. Zhou Jun (note (ii))	–	–	–	–	–
Mr. Yang Jianwei (note (ii))	–	–	–	–	–
Mr. Yang Biao	–	2,500	–	–	2,500
Ms. Huang Fei	–	2,000	–	–	2,000
Mr. Ye Weiqi	–	2,000	–	–	2,000
Independent non-executive directors:					
Mr. Doo Wai Hoi, William	430	–	–	–	430
Mr. Fan Ren Da, Anthony	430	–	–	–	430
Mr. Li Kai Fai, David	430	–	–	–	430
Total	1,290	9,112	54	–	10,456

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

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 36.

ii. The emoluments for Mr. Zhou Jun and Mr. Yang Jianwei for the years ended 31 December 2017 and 2016 were borne by SIHL.

iii. Mr. Zhou Jun and Mr. Yang Biao resigned as the Company's executive directors on 30 June 2017.

iv. Mr. Lou Jun, Mr. Fei Zuoxiang and Mr. Zhong Tao were appointed as the Company's executive directors on 30 June 2017.

v. Mr. Qiao Zhigang was appointed as the Company's independent non-executive director on 28 September 2017.

vi. The emoluments for Mr. Lou Jun for the year ended 31 December 2017 were borne by SIHL.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

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 2017 and 2016, no emoluments have been paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company has waived any emoluments during the year.

11. EMPLOYEES' EMOLUMENTS

For the year ended 31 December 2017, of the five individuals with the highest emoluments in the Group, four (2016: four) were directors of the Company whose emoluments are included in the disclosures in note 10. The emoluments of the remaining one (2016: one) individual are as follows:

	2017 **HK$'000**	2016 HK$'000
Salaries and other allowances	**2,040**	2,040

The emoluments of that individual are within the following band:

	2017	2016
HK$2,000,001 to HK$2,500,000	**1**	1

During the years ended 31 December 2017 and 2016, 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 Mandatory Provident Fund Scheme (the "MPF Scheme") for those employees who are eligible to participate in the MPF Scheme in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of the employee's relevant income to the MPF Scheme subject to a cap to monthly relevant income of HK$30,000 since 1 June 2014, which contribution is matched by employees.

Pursuant to the relevant labour rules and regulations in the PRC, the Group participates in state-managed retirement schemes (the "Schemes") operated by the relevant local government authorities whereby the Group is required to make contributions to the Schemes at rates ranging from 18% to 22% of the eligible employees' salaries. The local government authorities are responsible for the entire pension obligations payable to retired employees while the Group's only obligation is to make the specified contributions.

The Group has no other obligation for the payment of post-retirement benefits beyond the contributions described above.

13. EARNINGS PER SHARE

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

Earnings

	2017 HK$'000	2016 HK$'000
Earnings for the purposes of calculating basic and diluted earnings per share:		
Profit for the year attributable to owners of the Company	557,964	521,888

Number of shares

	2017 '000	2016 '000
Weighted average number of ordinary shares for the purposes of calculating basic and diluted earnings per share	4,811,114	4,811,273

The computation of diluted earnings per share in both years does not assume the exercise of the Company's share options because the exercise price of the share options was higher than the average market price for both years.

14. INVESTMENT PROPERTIES

	2017 HK$'000	2016 HK$'000
FAIR VALUE		
At 1 January	13,744,306	11,811,202
Subsequent expenditure	180,179	418,525
Acquired from acquisition of subsidiaries (Note 35)	—	2,165,185
Fair value changes on investment properties, net	(39,496)	260,505
Disposals	—	(52,043)
Exchange realignment	1,047,624	(859,068)
At 31 December	14,932,613	13,744,306
Unrealised (losses) gains on revaluation of investment properties included in profit or loss for the year	(39,496)	263,741

14. INVESTMENT PROPERTIES (CONTINUED)

The carrying value of investment properties shown above comprises completed properties which are situated on land in the PRC.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The fair values of the Group's investment properties as at 31 December 2017 and 2016 have been arrived at on the basis of a valuation carried out on the respective dates by Cushman & Wakefield Limited ("CWL") (formerly known as DTZ Cushman & Wakefield Limited), an independent qualified professional valuer not connected to the Group. CWL has appropriate qualification and recent experience in the valuation of similar properties in the relevant locations. The address of CWL is 16/F, 1063 Kings Road, Quarry Bay, Hong Kong. The Group's investment properties were valued individually on market value basis, which conforms to HKIS Valuation Standards 2012 Edition published by Hong Kong Institute of Surveyors. 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".

All of the Group's investment properties are located in the PRC and classified as level 3 in the fair value hierarchy for both years.

There were no transfers into or out of Level 3 during both years.

At the end of the reporting period, the management of the Group works closely with CWL to establish and determine the appropriate valuation techniques and inputs for Level 3 fair value measurements. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to the 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 2017 HK$'000	Fair value as at 31 December 2016 HK$'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Offices in various locations	**3,622,823**	3,336,311	Investment approach	Reversionary rate derived from market rent and transaction price of comparable properties in the same location	2017: 6.0%–7.0% 2016: 6.0%–7.0%	The higher the reversionary rate, the lower the fair value
Car parks	**181,381**	167,485	Investment approach	Reversionary rate derived from market rent and transaction price of comparable properties in the same location	2017: 5.5% 2016: 5.5%	The higher the reversionary rate, the lower the fair value
Commercial — shopping malls, stores and mart in various locations	**8,491,291**	7,846,137	Investment approach	Reversionary rate derived from market rent and transaction price of comparable properties in the same location	2017: 3.75%–4.5% 2016: 3.75%–4.5%	The higher the reversionary rate, the lower the fair value
Commercial — exhibition hall in Shanghai	**278,679**	259,044	Investment approach	Reversionary rate derived from market rent and transaction price of comparable properties in the same location	2017: 5.5% 2016: 5.5%	The higher the reversionary rate, the lower the fair value
Residential — service apartments	**36,517**	33,944	2017: Investment approach	Reversionary rate derived from market rent and transaction price of comparable properties in the same location	2017: 3.5%	The higher the reversionary rate, the lower the fair value
			2016: Direct comparison approach	Discounts made to direct market comparables in the same location to reflect property market trend and property conditions	2016: 26%	The higher the discount rate, the lower the fair value
Residential — villa	**2,321,922**	2,101,385	2017: Investment approach	Reversionary rate derived from market rent and transaction price of comparable properties in the same location	2017: 1.5%	The higher the reversionary rate, the lower the fair value
			2016: Direct comparison approach	Discounts made to direct market comparables in the same location to reflect property market trend and property conditions	2016: 5.0%–7.0%	The higher the discount rate, the lower the fair value
	14,932,613	13,744,306				

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 2016	1,472,731	109,770	584,810	7,189	52,881	59,506	73,752	114,027	2,474,666
Additions	9	26	–	–	–	4,965	3,303	–	8,303
Acquired from acquisition of subsidiaries (Note 35)	–	–	–	–	–	6	854	–	860
Disposals	(19,947)	(344)	(16)	–	–	(7,019)	(6,730)	–	(34,056)
Disposal of subsidiaries (Note 33(b))	–	–	–	–	–	(2,555)	(2,860)	–	(5,415)
Exchange realignment	(100,200)	(7,119)	(38,000)	(460)	(2,416)	(4,662)	(4,724)	(4,541)	(162,122)
At 31 December 2016	1,352,593	102,333	546,794	6,729	50,465	50,241	63,595	109,486	2,282,236
Additions	108	563	13,441	–	–	17,121	1,989	611,768	644,990
Disposals	(474)	–	(25,527)	–	–	(12,478)	(5,387)	–	(43,866)
Reclassified as held-for-sale	–	–	–	–	–	(3,344)	(2,761)	–	(6,105)
Transfer	463,566	45,475	–	–	–	–	–	(509,041)	–
Exchange realignment	125,550	9,675	40,937	502	2,636	4,991	5,232	9,235	198,758
At 31 December 2017	1,941,343	158,046	575,645	7,231	53,101	56,531	62,668	221,448	3,076,013
ACCUMULATED DEPRECIATION									
At 1 January 2016	278,506	56,680	30,067	3,963	44,602	50,131	49,168	–	513,117
Provided for the year	62,807	9,654	10,318	232	2,220	7,402	4,714	–	97,347
Eliminated on disposals	(626)	(262)	(15)	–	–	(6,001)	(5,588)	–	(12,492)
Disposal of subsidiaries (Note 33(b))	–	–	–	–	–	(2,359)	(2,301)	–	(4,660)
Exchange realignment	(22,221)	(4,082)	(2,335)	(226)	(2,006)	(2,947)	(3,268)	–	(37,085)
At 31 December 2016	318,466	61,990	38,035	3,969	44,816	46,226	42,725	–	556,227
Provided for the year	73,108	8,387	14,198	229	1,607	6,643	5,475	–	109,647
Eliminated on disposals	(290)	–	(1,336)	–	–	(11,613)	(4,243)	–	(17,482)
Reclassified as held-for-sale	–	–	–	–	–	(2,978)	(2,576)	–	(5,554)
Exchange realignment	28,776	5,029	3,332	263	2,294	1,697	4,951	–	46,342
At 31 December 2017	420,060	75,406	54,229	4,461	48,717	39,975	46,332	–	689,180
CARRYING VALUES									
At 31 December 2017	1,521,283	82,640	521,416	2,770	4,384	16,556	16,336	221,448	2,386,833
At 31 December 2016	1,034,127	40,343	508,759	2,760	5,649	4,015	20,870	109,486	1,726,009

The above property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis, after taking into account of their estimated residual value, over the following years:

Hotel buildings and improvements	20–25 years
Hotel furniture and equipment	5–15 years
Leasehold land and other buildings	Over the lease term
Plant and machinery	5–20 years
Leasehold improvements	5 years
Other furniture and equipment	3–10 years
Motor vehicles	5–10 years

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

As at 31 December 2016, the Group had pledged the interest in hotel buildings and improvements with carrying amount of approximately HK$759,680,000 to secure general banking facilities granted to the Group. During the year ended 31 December 2017, the bank borrowings to which these assets were pledged were repaid and these pledged assets were released accordingly.

16. PREPAID LEASE PAYMENTS

	2017 HK$'000	2016 HK$'000
Leasehold land in the PRC analysed for reporting purposes as:		
— Current asset	4,942	4,593
— Non-current asset	222,976	213,435
	227,918	218,028

17. INTANGIBLE ASSETS

	Trademark HK$'000
COST	
At 1 January 2016	60,903
Exchange realignment	(3,958)
At 31 December 2016	56,945
Exchange realignment	4,316
At 31 December 2017	61,261

17. INTANGIBLE ASSETS (CONTINUED)

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 have been allocated to the individual cash-generating unit ("CGU") which refers to SUD. During the year ended 31 December 2017, management of the Group determines that there is no impairment (2016: 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

	2017 **HK$'000**	2016 HK$'000
Unlisted shares, at cost	**1,215,856**	1,130,192
Share of post-acquisition profits and other comprehensive income, net of dividends received	**5,423**	4,873
	1,221,279	1,135,065

As at 31 December 2017 and 2016, the Group had interests in the following associates:

Name of associate	Form of entity	Place of incorporation/ registration and operation	Issued and fully paid share capital/ registration capital	Proportion of ownership interest: The Group's effective interest **2017**	The Group's effective interest 2016	Held by a subsidiary **2017**	Held by a subsidiary 2016	Principal activity
上海城開房地產經紀有限公司	Sino-foreign joint venture	The PRC	RMB20,000,000	**28.9%**	28.9%	**49%**	49%	Provision of property agency services
上海莘天置業有限公司 ("Shanghai Shentian")	Sino-foreign joint venture	The PRC	RMB2,850,000,000	**20.7%**	20.7%	**35%**	35%	Property development

18. INTERESTS IN ASSOCIATES (CONTINUED)

Summarised financial information of a material associate

Summarised financial information in respect of the Group's material associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with the 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:

	2017 HK$'000	2016 HK$'000
Shanghai Shentian		
Current assets (note)	4,685,722	4,086,878
Non-current assets	2,357	1,711
Current liabilities	(146,938)	(409,491)
Non-current liabilities	(1,117,718)	(496,874)
Net assets	3,423,423	3,182,224
Income	–	–
Profit and total comprehensive income for the year	–	–

Note: The balance mainly comprises land and construction costs relating to properties under development for sale. The development plan was approved by the respective government departments in the PRC and the construction commenced during the year ended 31 December 2014 and the construction is expected to be completed by phases from early of year 2019 onwards.

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

	2017 HK$'000	2016 HK$'000
Net assets of Shanghai Shentian	3,423,423	3,182,224
Proportion of the Group's ownership interest in Shanghai Shentian	35%	35%
Carrying amount of the Group's interest in Shanghai Shentian	1,198,198	1,113,778

18. INTERESTS IN ASSOCIATES (CONTINUED)

Aggregate information of associates that are not individually material

	2017 HK$'000	2016 HK$'000
The Group's share of profit	**4,129**	3,222
Dividends received from an associate during the year	**3,955**	4,579
Aggregate carrying amount of the Group's interests in these associates	**23,081**	21,287

19. INTEREST IN A JOINT VENTURE

	2017 HK$'000	2016 HK$'000
Unlisted shares, at cost	**65,718**	65,718
Share of post-acquisition loss and other comprehensive expense	**—**	—
	65,718	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/ registration capital	Proportion of ownership interest Group's effective interest 2017	2016	Held by a subsidiary 2017	2016	Principal activity
Initial Point Investment Limited ("Initial Point") (note)	Limited company	Hong Kong	HK$10,000	**51%**	51%	**51%**	51%	Investment holding of a joint venture engaged in 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 two-thirds of the board members. Therefore, Initial Point is classified as a joint venture of the Group.

Financial information of the joint venture

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

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

19. INTEREST IN A JOINT VENTURE (CONTINUED)

Initial Point

	2017 HK$'000	2016 HK$'000
Current assets	**108**	111
Non-current assets (note)	**128,866**	128,866
Current liabilities	**(141)**	(140)
Net assets	**128,833**	128,837

Note: The balance mainly comprises interest in a joint venture whose principal activity is engaged in property development projects in Fuzhou of the PRC. The construction of the certain phases of these property development projects were completed and started pre-sale activities during the year ended 31 December 2017.

	2017 HK$'000	2016 HK$'000
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**108**	111

	2017 HK$'000	2016 HK$'000
Income	**—**	—
Loss and other comprehensive expense for the year	**(4)**	(2)

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

	2017 HK$'000	2016 HK$'000
Net assets of Initial Point	**128,833**	128,837
Proportion of the Group's ownership interest in Initial Point	**51%**	51%
	65,705	65,707
Add: Accumulated unadjusted share of total comprehensive income of Initial Point	**13**	11
Carrying amount of the Group's interest in Initial Point	**65,718**	65,718

20. AVAILABLE-FOR-SALE INVESTMENTS

	2017 HK$'000	2016 HK$'000
Equity securities:		
— Listed in the PRC, at fair value	154,658	177,563
— Unlisted, at cost (note)	94,776	88,099
	249,434	265,662

Note: The above unlisted equity investments represent investments in unlisted equity securities issued by private entities established in the PRC. The principal activities of these private entities include property development and investment management and interior design for properties. They are measured at cost 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. During the year ended 31 December 2016, the Group disposed of equity interests in a private entity, with a cash consideration of RMB10,000,000 (equivalent to approximately HK$11,682,000). The Group has neither control nor significant influence on any of these private entities.

21. RESTRICTED AND PLEDGED BANK DEPOSITS

The Group has entered into agreements with certain banks with respect to mortgage loans provided to buyers of the Group's property units and has made deposits as security to and given guarantees on mortgage loans provided to the buyers by these banks under the agreements. Pursuant to the terms of agreements, upon default in payments of mortgage instalments by these buyers, the Group is responsible to repay the remaining outstanding mortgage principals together with accrued interest and penalty owed by the defaulted buyers, after netting off the pledged bank deposits, to the banks and the Group is entitled to take over the legal title and possession of the related properties. These pledged bank deposits, amounting to approximately HK$47,324,000 (2016: HK$43,133,000), and guarantees, will be released when the property title deeds of the buyers are pledged to banks as security for respective mortgage loans. As at 31 December 2017, deposits which are expected by the directors of the Company to be released within twelve months, amounting to approximately HK$18,481,000 (2016: HK$23,665,000), 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 approximately HK$28,843,000 (2016: HK$19,468,000), are classified as non-current assets. These pledged bank deposits carry variable interest rate of 0.4% (2016: 0.4%) per annum as at 31 December 2017. Details of the mortgage guarantees are set out in note 42.

Pledged bank deposits also include deposits pledged to banks to secure general banking facilities granted to the Group. As at 31 December 2017, deposits with maturity of less than twelve months, amounting to approximately HK$4,286,000 (2016: HK$10,887,000), are classified as current assets. As at 31 December 2017, deposits with maturity of more than one year, amounting to approximately HK$1,584,000 (2016: HK$1,469,000), are classified as non-current assets. These pledged bank deposits carry interest at fixed interest rates ranging from 1.8% to 3% (2016: 1.8% to 3.0%) per annum as at 31 December 2017 and they will be released upon the settlement of relevant bank borrowings.

21. RESTRICTED AND PLEDGED BANK DEPOSITS (CONTINUED)

As at 31 December 2017, bank deposits of approximately HK$57,819,000 (2016: HK$103,120,000) are restricted for use by the Group as a result of demolishment and relocation process undergoing for a property development project located at Beijing of the PRC. These restricted bank deposits carry variable interest at a rate of 0.4% (2016: 1.5%) per annum. As the directors of the Company expect the demolishment and relocation process of this property development project will be completed within one year from the end of the reporting period, these restricted bank deposits are classified as current assets.

22. INVENTORIES

Inventories in the consolidated statement of financial position comprise:

	2017	2016
	HK$'000	HK$'000
Property development		
Properties under development for sale	**18,895,589**	19,136,194
Properties held-for-sale	**8,647,024**	6,343,749
	27,542,613	25,479,943
Hotel operations		
Food and beverage and others	**3,671**	3,657
	27,546,284	25,483,600

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

Included in the properties held-for-sale as at 31 December 2017 is an amount of approximately HK$5,391,541,000 (2016: HK$3,165,009,000) which are located in first-tier cities, such as Beijing and Shanghai, in the PRC and an amount of approximately HK$3,255,483,000 (2016: HK$3,178,740,000) which are located in other cities in the PRC, of which an amount of approximately HK$1,824,132,000 (2016: HK$2,273,344,000) had no pre-sale agreements entered into by the Group during the year.

The net realisable value of the Group's properties held-for-sale, which are not located in first-tier cities in the PRC and have no pre-sale agreements entered into by the Group during the year, as at 31 December 2017 has been arrived at on the basis of a valuation carried out by CWL. CWL has appropriate qualification and recent experience in the valuation of similar properties in the relevant locations. The Group's properties held-for-sale were valued individually on market value basis, which conforms to HKIS Valuation Standards 2012 Edition published by Hong Kong Institute of Surveyors. The net realisable value of the Group's properties held-for-sale was arrived at by reference to comparable sales transactions available in the relevant market with adjustments according to nature of each property, its location and the prevailing selling price.

22. INVENTORIES (CONTINUED)

During the year ended 31 December 2017, in view of continuous slow turnover of certain properties held-for-sale located in cities other than first-tier cities in the PRC, the directors of the Company, after considering the results of valuation performed by CWL, had determined that the net realisable value of these properties is less than their carrying amount and an impairment loss of approximately HK$113,120,000 (2016: HK$221,104,000) was recognised in the profit or loss.

As at 31 December 2017, properties held-for-sale of approximately HK$925,524,000 (2016: HK$1,023,941,000) were carried at net realisable value.

As at 31 December 2017, properties under development for sale of approximately HK$14,829,974,000 (2016: HK$10,446,208,000) are not expected to be realised within one year.

Included in the inventories as at 31 December 2017 are properties under development for sale of approximately HK$38,395,000 (2016: HK$1,861,894,000) and properties held-for-sale of approximately HK$338,443,000 (2016: HK$16,233,000) which were pledged as securities for bank borrowings.

23. TRADE AND OTHER RECEIVABLES

	2017 HK$'000	2016 HK$'000
Trade and other receivables recognised as current assets		
Trade receivables	26,002	24,820
Less: Allowance for doubtful debts	(777)	(722)
	25,225	24,098
Other receivables (note (i))	496,897	594,278
Advance payments to contractors	31,680	11,136
Prepaid other taxes	186,676	276,558
Deposits and prepayments	9,623	18,896
Consideration receivables (Note 33(b))	–	334,971
	750,101	1,259,937
Other receivables recognised as non-current assets		
Other receivables (note (ii))	26,739	103,394

23. TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes:

(i) Other receivables mainly comprised of loans receivable (see note (ii) below), various warranty deposits placed with the relevant government bodies in respect of properties being sold and receivables in respect of advances made to contractors for resumption of land (2016: various warranty deposits placed with the relevant government bodies in respect of properties being sold and receivables in respect of advances made to contractors for resumption of land).

(ii) As at 31 December 2017, the other receivables recognised as non-current assets of RMB22,260,000 (equivalent to approximately HK$26,739,000) (2016: RMB52,600,000 (equivalent to approximately HK$58,732,000)) represented loans advanced to a subsidiary of a former tenant of one of the Group's investment properties (the "Borrower") through an entrusted loan agreement administrated by a trust company. As at 31 December 2016, the loans would mature in year 2020 and the loans carried fixed interest at 10% per annum. During the year ended 31 December 2017, the Group and the Borrower entered into a supplementary loan agreement. Pursuant to the agreement, an amount of RMB30,340,000 (equivalent to approximately HK$36,444,000) should be repaid on or before 31 December 2018 and it was reclassified to current other receivables as at 31 December 2017. The remaining amounts of RMB6,000,000, RMB8,000,000 and RMB8,260,000 (equivalent to RMB22,260,000 in aggregate) will be repayable on 31 December 2019, 31 December 2020 and 31 December 2021 respectively. In addition, the fixed interest rate of the loans was revised to 5% per annum. The loans are secured by the registered share capital of the immediate and intermediate holding companies of the Borrower and the loans are also guaranteed by the entity controlled by the beneficial owner of the Borrower for a maximum amount of RMB25,000,000. These companies are principally engaged in commercial properties management.

As at 31 December 2016, other receivables recognised as non-current assets also included an amount of RMB40,000,000 (equivalent to approximately HK$44,662,000) which represented a loan advanced to a construction contractor of the Group's property development project through an entrusted loan agreement administrated by a bank for 24 months with maturity date on 7 July 2018. As at 31 December 2017, as the loan will mature in 12 months, the entire balance of the loan was reclassified to current other receivables. The loan carries fixed interest at 7.5% per annum and it is secured by the borrower's receivables on the Group's property development project.

The Group allows an average credit period of 90 days to its corporate hotel customers and generally grants no credit period to property buyers and tenants unless it is specially approved.

The following is an ageing analysis of trade receivables, net of allowance for doubtful debts, presented based on the date of billing at the end of the reporting period:

	2017 **HK$'000**	2016 HK$'000
Within 90 days	**19,217**	12,800
Within 91 — 180 days	**1,156**	5,300
Over 180 days	**4,852**	5,998
	25,225	24,098

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

23. TRADE AND OTHER RECEIVABLES (CONTINUED)

Ageing of trade receivables which are past due but not impaired

	2017 HK$'000	2016 HK$'000
Within 91 — 180 days	**1,156**	5,300
Over 180 days	**4,852**	5,998
	6,008	11,298

Trade receivables that were past due but not provided for impairment loss relate to a number of independent customers. Based on past experience, management of the Group 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

	2017 HK$'000	2016 HK$'000
At 1 January	**722**	777
Exchange realignment	**55**	(55)
At 31 December	**777**	722

Included in trade and other receivables is an amount of approximately HK$2,908,000 (2016: HK$2,883,000) denominated in HK$ which is the foreign currency of respective companies of the Group.

As at 31 December 2017, the Group pledged certain trade receivables with carrying amount of approximately HK$7,535,000 (2016: HK$4,361,000) derived from operations of investment properties of the Group located in the PRC to secure general banking facilities granted to the Group.

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017 HK$'000	2016 HK$'000
Held-for-trading investments		
— Equity securities listed in the PRC	**3,506**	5,193

25. BANK BALANCES AND CASH

Bank balances which comprise of saving deposits and fixed deposits with maturity less than three months carry interest at market rates ranging from 0.35% to 3.0% (2016: 0.35% to 3.0%) per annum.

Included in the bank balances are amounts of approximately HK$106,460,000 (2016: HK$23,278,000) and HK$51,063,000 (2016: HK$322,941,000) that are denominated in US$ and HK$ respectively which are foreign currency of respective companies of the Group.

26. TRADE AND OTHER PAYABLES AND DEFERRED REVENUE

	2017 HK$'000	2016 HK$'000
Trade and other payables recognised as current liabilities		
Trade payables	826,058	469,809
Accrued expenditure on properties under development for sale	2,458,988	2,861,832
Amounts due to former shareholders of the Company's former subsidiaries (note (i))	167,878	158,120
Receipts from customers for payment of expenses on their behalf	42,537	56,952
Rental deposits and receipt in advance from tenants	209,770	193,160
Interest payable	86,786	82,200
Payables to the Shanghai government department (note (ii))	537,540	450,618
Provision for compensation expense in relation to settlement of a legal case (note (v))	124,350	115,589
Deferred revenue (note (iv))	44,281	38,402
Accrued charges and other payables	721,099	614,729
Other taxes payables (note (iii))	105,958	132,417
	5,325,245	5,173,828
Deferred revenue recognised as non-current liabilities		
Deferred revenue (note (iv))	201,892	195,776

26. TRADE AND OTHER PAYABLES AND DEFERRED REVENUE (CONTINUED)

Notes:

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

(ii) The amount represents the receipts of approximately HK$1,708,498,000 (2016: HK$1,669,228,000) from the purchasers of affordable housings which were collected on behalf of the Shanghai government department and not yet paid to it, net of receivables of approximately HK$1,170,958,000 (2016: HK$1,218,610,000) for the construction and other related costs and the agreed profit margin for the affordable housings. The amount is repayable on demand. During the year ended 31 December 2017, an amount of approximately HK$41,171,000 (2016: nil) was repaid to Shanghai government department.

(iii) Other taxes payables comprise urban real estate tax payable, city maintenance and construction tax payable, business tax payable and value-added tax payable.

(iv) The balances represent current and non-current portion of the deferred revenue arising from the Group's sales and operating leaseback arrangements.

(v) In prior years, the Group was in a legal proceeding with a purchaser of its subsidiary regarding the fulfilment of terms and actual performance of the disposal transaction that happened in year 2009. Pursuant to the commitment letter issued by a subsidiary of the Group (the "Seller") to the purchaser, after receiving consideration from the purchaser, the Seller assumed certain liabilities of the subsidiary being disposed of and agreed to settle these liabilities, which would in turn discharge the purchaser's obligation to pay these liabilities. However, the Seller did not settle the liabilities in full in previous years. A court in Beijing of the PRC had made a judgment and ruled that the Seller was required to settle the liabilities of approximately RMB90,333,000 and pay damages of approximately RMB13,188,000 to the purchaser. As at 31 December 2017 and 2016, these amounts were not yet settled but were fully provided for.

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

	2017 **HK$'000**	2016 HK$'000
Within 30 days	**16,394**	13,372
Within 31–180 days	**299,016**	278,946
Within 181–365 days	**248,465**	12,824
Over 365 days	**262,183**	164,667
	826,058	469,809

Included in trade and other payables is an amount of approximately HK$15,051,000 (2016: HK$15,185,000) denominated HK$ which is the foreign currency of respective companies of the Group.

27. AMOUNTS DUE FROM (TO) RELATED COMPANIES

The Group had the following balances with related parties:

		2017 HK$'000	2016 HK$'000
Amount due from a related company recognised in current assets:			
— A non-controlling shareholder	note (ii)	**322,229**	299,527
Amounts due to related companies recognised in current liabilities:			
— Xuhui SASAC and entities controlled by Xuhui SASAC	note (i)	**476,766**	352,715
— Non-controlling shareholders	note (ii)	**230,175**	230,630
— SIHL	note (iii)	**28,463**	26,456
		735,404	609,801
Amount due to related companies recognised in non-current liabilities:			
— A non-controlling shareholder	note (ii)	**115,315**	—

Notes:

(i) The entire amounts due to Xuhui SASAC and entities controlled by Xuhui SASAC are non-trade in nature and unsecured.

Included in the amounts due to Xuhui SASAC and entities controlled by Xuhui SASAC as at 31 December 2017 is an aggregated amount of RMB200,000,000 (equivalent to approximately HK$240,240,000) (2016: RMB106,000,000 (equivalent to approximately HK$118,356,000), which represents loans advanced from entities controlled by Xuhui SASAC through entrusted loan agreements administrated by banks, carrying fixed interest at 9% (2016: 15%) per annum and are repayable in June 2018 (2016: in June 2017).

The remaining balance is interest-free and repayable on demand.

(ii) The amounts are due from (to) non-controlling shareholders of the Group's subsidiaries.

The amount due from a non-controlling shareholder as at 31 December 2017 and 2016 is non-trade in nature, unsecured and carrying variable interest rate of 90% of People's Bank of China Benchmark Lending Rate (the "PBOC" rate) per annum. The amount was advanced to a non-controlling shareholder for resumption of a piece of land in relation to a potential property development project and the amount is repayable upon completion of the land resumption and land auction procedures regardless of whether the land auction is successful or not. During the year ended 31 December 2017, the land resumption was completed and the directors of the Company expect the land auction procedures will be completed by mid of year 2018.

The entire amounts due to non-controlling shareholders are non-trade in nature and unsecured. Included in the amounts due to non-controlling shareholders as at 31 December 2016 was an amount of RMB1,660,000 (equivalent to approximately HK$1,854,000), which represented loans advanced from a non-controlling shareholder through an entrusted loan agreement administrated by a bank, carrying variable interest at 105% of the PBOC rate per annum and repayable within one year. Included in the amounts due to non-controlling shareholders as at 31 December 2017 is an amount of RMB163,200,000 ((equivalent to approximately HK$196,036,000) (2016: RMB81,600,000 (equivalent to approximately HK$91,112,000)), which represents loans advanced from a non-controlling shareholder, carrying variable interest at 120% (2016: 120%) of PBOC rate per annum, of which amounts of approximately HK$80,721,000 and HK$115,315,000 are repayable in various dates in year 2018 and 2019 respectively (2016: HK$91,112,000 is repayable in various dates in year 2017).

The remaining balance is interest-free and repayable on demand.

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

28. AMOUNTS DUE TO ASSOCIATES

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

29. CONSIDERATION PAYABLES FOR ACQUISITION OF SUBSIDIARIES

Acquisition of 北京君合百年房地產開發有限公司 ("Jun He Bai Nian")

On 30 June 2008, the Group acquired 12% equity interest in Jun He Bai Nian, a company established in the PRC and engaged in property development in Beijing of the PRC, for a cash consideration of RMB82,090,000 (equivalent to approximately HK$93,369,000). Prior to the acquisition, the Group held 43.95% interest in Jun He Bai Nian and this was accounted for as interest in an associate. Jun He Bai Nian then became a 55.95% owned subsidiary of the Group subsequent to the acquisition. The Group disposed of Jun He Bai Nian in year 2009. As at 31 December 2017, a consideration payable of approximately HK$72,072,000 (2016: HK$66,994,000) was not settled yet as the amount of consideration as interpreted by the sale and purchase agreement was still in dispute. Legal proceeding was carried out in previous year regarding the consideration payable. The previous court decision was in favour of the seller and the Group accrued the full amount of the consideration payable in previous year which represented the maximum amount that the Group would be obliged to pay. The Group is taking legal action appealing against previous court decision and is awaiting for the court's decision.

Acquisition of Shanghai Qiyao Property Development Co., Ltd. 上海啟耀房地產開發有限公司 ("Shanghai Qiyao")

During the year ended 31 December 2016, the Group acquired entire equity interest in Shanghai Qiyao, a company established in the PRC, for a cash consideration of RMB2,350,000,000 (equivalent to approximately HK$2,703,605,000). The acquisition was completed in late October 2016. Details of this acquisition are set out in note 35. Pursuant to the share transfer agreement entered into between the Group and the seller, the consideration comprises of the net purchase price (the "Net Purchase Price") and the EIT arising from this acquisition payable by the seller and withheld by the Group to the relevant PRC tax authority (the "EIT Payment"). The Net Purchase Price less the retention amount of RMB22,100,000 (the "Retention Amount"), amounting to approximately RMB2,103,181,000, was paid in late October 2016. The Retention Amount and the EIT Payment would be paid after the acquisition. As at 31 December 2017, the outstanding consideration payable was the Retention Amount of approximately RMB22,100,000 (equivalent to approximately HK$26,547,000) (2016: EIT Payment of approximately HK$250,915,000 and the Retention Amount of approximately HK$24,676,000, totalling approximately HK$275,591,000).

30. PRE-SALE PROCEEDS RECEIVED ON SALES OF PROPERTIES

Pre-sale proceeds received on sales of properties represent proceeds received on sales of property units that have not been recognised as revenue in accordance with the Group's revenue recognition policy. An amount of approximately HK$58,170,000 (2016: HK$57,691,000) is expected to be recognised as revenue after one year.

31. BANK AND OTHER BORROWINGS

	2017 HK$'000	2016 HK$'000
Bank borrowings	10,463,750	8,967,419
Other borrowings (note (ii))	6,225,285	5,778,751
	16,689,035	14,746,170
Analysed as:		
Secured bank borrowings (note (i))	6,157,414	4,270,831
Unsecured bank and other borrowings	10,531,621	10,475,339
	16,689,035	14,746,170
Carrying amount repayable:		
Within one year	3,954,956	854,595
More than one year, but not exceeding two years	450,690	4,065,096
More than two years, but not exceeding five years	11,145,851	5,626,280
Over five years	1,137,538	4,200,199
	16,689,035	14,746,170
Less: Amount due within one year shown under current liabilities	(3,954,956)	(854,595)
Amount due after one year (note (iii))	12,734,079	13,891,575
Floating rate		
— expiring within one year	2,105,105	345,439
— expiring beyond one year	7,173,058	7,006,723
Fixed rate		
— expiring within one year	1,849,851	509,156
— expiring beyond one year	5,561,021	6,884,852
	16,689,035	14,746,170

31. BANK AND OTHER BORROWINGS (CONTINUED)

Notes:

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

	2017 HK$'000	2016 HK$'000
Properties under developments for sale	38,395	1,861,894
Properties held-for-sale	338,443	16,233
Hotel buildings and improvements	–	759,680
Investment properties	8,543,940	8,395,002
Pledged bank deposits	5,870	12,356
Trade receivables	7,535	4,361
	8,934,183	11,049,526

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

	2017 HK$'000	2016 HK$'000
Advanced bonds–2012 (note (a))	1,801,802	1,674,855
Advanced bonds–2015 (note (b))	2,148,432	1,992,947
Advanced bonds–2016 (note (c))	2,034,811	1,887,636
Others (note (d))	240,240	223,313
	6,225,285	5,778,751

(a) The advanced bonds — 2012 represent bonds issued during the year ended 31 December 2012 by SUD, the subsidiary of the Company, which are listed on the Shanghai Stock Exchange. The bonds are unsecured and have maturity of six years falling due on 20 August 2018. The bonds carry fixed interest at 6.50% per annum for the first three years and 6.50% per annum plus 0 to 100 basis point for the next three years. The bondholders have the rights to request SUD to redeem the bonds at the third anniversary (i.e. on 21 August 2015) at the principal amount of RMB1,500,000,000. On 21 July 2015, SUD announced that the interest rate for the remaining three years would be fixed at 6.50% per annum. As no bondholders exercised their rights to request SUD to redeem the bonds on 21 August 2015, the bonds will remain outstanding until 20 August 2018. Transaction costs of approximately RMB22,000,000 (equivalent to approximately HK$33,194,000) were directly deducted from the carrying amount of the advanced bonds — 2012 which carried effective interest at 7.19% per annum.

31. BANK AND OTHER BORROWINGS (CONTINUED)

Notes: (continued)

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

(b) The advanced bonds — 2015 represent bonds issued during the year ended 31 December 2015 by SUD, the subsidiary of the Company, which are listed on the Shanghai Stock Exchange. The bonds are unsecured and have maturity of seven years falling due on 6 November 2022. The bonds carry fixed interest at 4.47% per annum for the first five years and 4.47% per annum plus a premium determined by SUD for the last two years. The bondholders have the rights to request SUD to redeem the bonds at the fifth anniversary (i.e. 7 November 2020) at the principal amount of RMB1,800,000,000. Transaction costs of approximately RMB19,220,000 (equivalent to approximately HK$22,952,000) were directly deducted from the carrying amount of the advanced bonds — 2015 which carried effective interest at 4.71% per annum.

(c) The advanced bonds — 2016 represent bonds issued during the year ended 31 December 2016 by SUD, the subsidiary of the Company, which are listed on the Shanghai Stock Exchange. The bonds are unsecured and have maturity of six years falling due on 30 August 2022. The bonds carry fixed interest rate at 3.90% per annum for the first three years and 3.90% per annum plus a premium determined by SUD for the last three years. The bondholders have the rights to request SUD to redeem the bonds at the third anniversary (i.e. 31 August 2019) at the principal amount of RMB1,700,000,000. Transaction costs of approximately RMB10,555,000 (equivalent to approximately HK$12,331,000) were directly deducted from the carrying amount of the advanced bonds — 2016 which carried effective interest at 4.12% per annum.

(d) In January 2015, the Group entered into a loan facility agreement with an independent third party. Pursuant to the loan facility agreement, the Group was granted a RMB denominated loan facility of RMB200,000,000, which carried fixed interest at 9% per annum. The loan facility could be drawn down in any amount and at any time from the date of the loan facility agreement and it is unsecured and administrated by a bank. As at 31 December 2016, loans with aggregated amount of RMB200,000,000 (equivalent to approximately HK$223,313,000) with maturity dates during May 2017 to June 2018 were drawn down by the Group. On 20 April 2017, the Group and the lender entered into a loan extension agreement and, pursuant to the agreement, the maturity dates of the loans were extended to 3 May 2020 and the fixed interest rate was revised to 7.5% per annum.

(iii) As at 31 December 2017, included in the Group's other borrowings are amounts of approximately HK$4,423,483,000 (2016: HK$5,689,426,000) 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:

	2017	2016
Effective interest rate:		
Fixed-rate borrowings	4.90%–7.50%	4.35%–9.00%
Variable-rate borrowings	2.23%–7.48%	2.23%–7.07%

32. DEFERRED TAXATION

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

	Fair value adjustment on 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$'000	Undistributed earnings of the PRC entities HK$'000	Others HK$'000	Total HK$'000
At 1 January 2016	(856,656)	(2,545,217)	(19,491)	344,564	(104,068)	(68,743)	(30,214)	(3,279,825)
Acquired from acquisition of subsidiaries (Note 35)	–	(1,385,406)	–	–	–	–	–	(1,385,406)
Credit (charge) to profit or loss for the year	26,254	(26,674)	210	43,400	16,062	–	48,962	108,214
Charge to other comprehensive income upon fair value changes of available-for-sale investment	–	–	–	–	–	–	(9,823)	(9,823)
Exchange realignment	59,551	207,709	1,257	(24,310)	6,053	4,467	(204)	254,523
At 31 December 2016	(770,851)	(3,749,588)	(18,024)	363,654	(81,953)	(64,276)	8,721	(4,312,317)
Credit (charge) to profit or loss for the year	80,532	45,861	208	(200,593)	11,697	–	(6,170)	(68,465)
Charge to other comprehensive income upon fair value changes of available-for-sale investment	–	–	–	–	–	–	8,727	8,727
Exchange realignment	(54,894)	(280,554)	(1,357)	19,202	(5,724)	(4,872)	767	(327,432)
At 31 December 2017	(745,213)	(3,984,281)	(19,173)	182,263	(75,980)	(69,148)	12,045	(4,699,487)

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:

	2017 HK$'000	2016 HK$'000
Deferred tax assets	**226,179**	409,786
Deferred tax liabilities	**(4,925,666)**	(4,722,103)
	(4,699,487)	(4,312,317)

As at 31 December 2017, the Group has unused tax losses of approximately HK$3,195,833,000 (2016: HK$2,893,392,000) available for offset against future profits, which are subject to the confirmation from Hong Kong Inland Revenue Department and the respective PRC tax authorities. No deferred tax asset was recognised in respect of such losses due to the unpredictability of future profit streams. During the year ended 31 December 2017, tax losses of approximately HK$336,035,000 (2016: HK$1,162,340,000) was expired. Included in unrecognised tax losses are losses of approximately HK$2,866,111,000 (2016: HK$2,563,670,000) that will expire in various dates in the next five years. Other losses may be carried forward indefinitely.

Under the EIT law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. No deferred taxation was provided for in the consolidated financial statements in respect of temporary differences of approximately HK$9,100,290,000 (2016: HK$7,767,128,000) which arises from the undistributed profits of certain PRC subsidiaries as the Company controls the dividend policy of these subsidiaries and it is probable that the profits will not be distributed in the foreseeable future.

33. GAINS ON DISPOSAL OF ASSETS THROUGH DISPOSAL OF SUBSIDIARIES

(a) Disposal of Green Carbon Fund (as defined below)

On 8 January 2016 (the "Redemption Date"), the Group disposed of an exclusive right for a designated portion of the "U Center" project (the "Carved-out Site 1") held by a subsidiary of the Company, 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 subsidiary of the Company, Urban Development Green Carbon (Tianjin) Equity Investment Fund ("Green Carbon Fund"), a limited partnership established in the PRC, for a cash consideration of RMB1,668,000,000 (equivalent to approximately HK$1,991,880,000) (the "Purchase Consideration").

In addition to the Purchase Consideration, the purchasers of Green Carbon Fund agreed not entitle to exert any influence or share of any appropriations of SUD Longcheng generated from operations or obliged to bear any additional obligations of SUD Longcheng after the Redemption Date, other than its exclusive right for the Carved-out Site 1.

SUD Longcheng is owned as to 25% by Power Tact Investment Limited ("Power Tact"), 35% by Green Carbon Fund and 40% by SUD. During the year ended 31 December 2013, the Group disposed of its interest in Power Tact through sales of its entire interest in the holding company of Power Tact. Through this disposal, the Group disposed of an exclusive right for another designated portion of the "U Center" project (the "Carved-out Site 2") and the purchaser agreed not entitle to exert any influence or share of any appropriations of SUD Longcheng generated from operations or obliged to bear any additional obligations of SUD Longcheng after the disposal, other than its exclusive right for the Carved-out Site 2.

The land use right of the Carved-out Site 1 and Carved-out Site 2 was still held under the name of SUD Longcheng.

33. GAINS ON DISPOSAL OF ASSETS THROUGH DISPOSAL OF SUBSIDIARIES (CONTINUED)

(a) Disposal of Green Carbon Fund (continued)

The net assets of Green Carbon Fund and assets (including the Carved-out Site 1) at the Redemption Date are as follows:

	HK$'000
Consideration:	
Deposits received during the year ended 31 December 2015	1,633,628
Cash received	358,252
Total consideration	1,991,880
Analysis of assets and liabilities over which control was lost:	
Inventories — properties under development for sale	2,393,272
Other receivables	3,045
Accrued expenditure on properties under development for sale	(388,760)
Other payables	(1,129,840)
Net assets disposed of	877,717
Gain on disposal of assets through disposal of a subsidiary:	
Total consideration	1,991,880
Net assets disposed of	(877,717)
Gain on disposal	1,114,163

After the redemption of partnership interest in Green Carbon Fund, SUD still owned 40% equity interest in SUD Longcheng and it continued to exert control over the composition of the board of directors of SUD Longcheng. Therefore, SUD Longcheng would continue to be a subsidiary of the Group. The Group disposed of its remaining equity interest in SUD Longcheng in the second half of year 2016 and details are set out in note 33(b).

The subsidiary disposed of during the year ended 31 December 2016 did not have any significant contribution to the results and cash flows of the Group during the period prior to the disposal.

(b) Disposal of 40% equity interest in SUD Longcheng

On 12 May 2016, the Group entered into an equity transfer agreement (the "ET Agreement") with Zhonggeng Real Estate Industrial Group Co., Ltd., 中庚地產實業集團有限公司, a connected person of the Company at the subsidiary level. Pursuant to the ET Agreement, the Group agreed to dispose of an exclusive right for the remaining designated portion of the "U Center" project held by SUD Longcheng, through disposal of 40% equity interest in SUD Longcheng held by SUD (the "Disposal"), for a cash consideration of RMB1,907,000,000 (equivalent to approximately HK$2,217,443,000) (the "Disposal Consideration").

33. GAINS ON DISPOSAL OF ASSETS THROUGH DISPOSAL OF SUBSIDIARIES (CONTINUED)

(b) Disposal of 40% equity interest in SUD Longcheng (continued)

During the year ended 31 December 2016, the control and legal title of SUD Longcheng was transferred to the purchaser and it ceased to be a subsidiary of the Company. As at 31 December 2016, RMB1,607,000,000 (equivalent to approximately HK$1,868,605,000) of the Disposal Consideration was received and the remaining RMB300,000,000 (equivalent to approximately HK$334,971,000) of the Disposal Consideration, which is included in "trade and other receivables" line item in the consolidated statement of financial position as at 31 December 2016 would be received within five months from the year ended 31 December 2016 according to the terms as set out in the ET Agreement.

The net assets of SUD Longcheng at the disposal date are as follows:

	HK$'000
Consideration:	
Cash received	1,868,605
Consideration receivables	348,838
Total consideration	2,217,443
Analysis of assets and liabilities over which control was lost:	
Properties, plant and equipment	755
Inventories — properties under development for sale	2,597,248
Deposits and prepayments	1,084,899
Other receivables	3,284,944
Bank balances and cash	107,931
Other payables	(363,892)
Accrued expenditure on properties under development for sale	(193,919)
Bank borrowings	(5,581,395)
Net assets disposed of	936,571
Gain on disposal of assets through disposal of a subsidiary:	
Total cash consideration	2,217,443
Net assets disposed of	(936,571)
Gain on disposal	1,280,872
Net cash inflow arising on disposal:	
Cash received	1,868,605
Less: Cash and cash equivalents disposed of	(107,931)
	1,760,674

The subsidiary disposed of during the year ended 31 December 2016 did not have any significant contribution to the results and cash flows of the Group during the period prior to the disposal.

34. SHARE CAPITAL

	Number of shares '000	Amount HK$'000
Ordinary shares of HK$0.04 each		
Authorised:		
At 1 January 2016, 31 December 2016, 1 January 2017 and 31 December 2017	10,000,000	400,000
Issued and fully paid:		
At 1 January 2016, 31 December 2016 and 1 January 2017	4,811,273	192,451
Shares repurchased and cancelled	(300)	(12)
At 31 December 2017	4,810,973	192,439

During the year ended 31 December 2017, the Company repurchased its own ordinary shares through the Stock Exchange as follows:

Date of repurchase	Number of ordinary shares of HK$0.04 each	Price per share		Aggregate consideration paid (including transaction costs)
		Highest	Lowest	
	'000	HK$	HK$	HK$'000
4 May 2017	300	1.6	1.6	481

The above ordinary shares were cancelled on 20 June 2017.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

35. ACQUISITION OF SUBSIDIARIES

In October 2016, Shanghai Chenghuan Enterprise Management Consulting Co., Ltd. 上海城寰企業管理諮詢有限公司, a wholly owned subsidiary of the Company, acquired the two residential villa projects located in Shanghai through acquisition of the entire issued share capital of Shanghai Qiyao from independent third parties not connected to the Group for a cash consideration of RMB2,350,000,000 (equivalent to approximately HK$2,703,605,000) (the "Acquisition"). Shanghai Qiyao and its subsidiary, namely Shanghai Haihui Real Estate Co., Ltd. 上海海輝房地產有限公司 are engaged in the properties development business whereas another subsidiary, namely Shanghai Haihui Property Management Co., Ltd. 上海海輝物業管理有限公司 is engaged in the properties management business.

The assets acquired from the Acquisition were investment properties and land parcels which were not fully developed. Therefore, the Acquisition was accounted for as assets acquisition.

	HK$'000
Consideration:	
Cash paid	2,419,647
Consideration payables (note)	283,958
Total consideration	2,703,605

Note: Included in cash consideration of RMB2,350,000,000 (equivalent to approximately HK$2,703,605,000), an amount of approximately RMB246,819,000 (equivalent to approximately HK$283,958,000) was withheld by the Group for settlement of the EIT of the seller to the relevant PRC tax authority arising from the Acquisition and the amount was included in "consideration payables for acquisition of subsidiaries" line item in the consolidated statement of financial position as at 31 December 2016. Details of the outstanding balance of consideration payables as at 31 December 2016 were set out in note 29.

	HK$'000
Assets acquired and liabilities recognised at the date of acquisition were as follows:	
Property, plant and equipment	860
Investment properties	2,165,185
Inventories — properties under development for sale	204,942
Trade and other receivables	8,868
Bank balances and cash	81,566
Trade and other payables	(205,674)
Bank borrowings — due within one year	(2,849)
Income tax payables	(24,397)
Deferred tax liabilities	(1,385,406)
	843,095
Consideration transferred	2,703,605
Less: Fair value of identified net assets acquired (other than inventories)	(843,095)
Adjustment to carrying amount of inventories	1,860,510

35. ACQUISITION OF SUBSIDIARIES (CONTINUED)

	HK$'000
Net cash outflow arising on the acquisition:	
Cash paid	2,419,647
Less: Cash and cash equivalent acquired	(81,566)
	2,338,081

The trade and other receivables in this transaction had gross contractual amounts of approximately HK$8,868,000 which was same as their fair values.

36. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme of the Company

Pursuant to a special general meeting of the Company held on 12 December 2002, the Company adopted a share option scheme (the "Scheme"). Pursuant to the Scheme, the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and options granted and yet to be exercised under any other schemes shall not exceed 30% of the issued share capital of the Company from time to time. The maximum number of shares issued and to be issued upon exercise of the options granted to each participant in any 12-month period must not exceed 1% of the issued share capital of the Company at any time. The offer of a grant of options may be accepted within 21 days from the date of the offer with signed acceptance letter comprising consideration of HK$1.00 received by the Company. The exercise period of the share options granted is determinable by the directors, but no later than 10 years from the date of the offer. The subscription price for the shares in respect of which options are granted is determinable by the directors of the Company, but in any case must be the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of the grant; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

As at 31 December 2017, 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 27,750,000 (2016: 41,750,000), representing 0.58% (2016: 0.87%) 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 January 2017	Transfer during the year (note)	Forfeited during the year	Outstanding at 31 December 2017	Exercisable period	Exercised price per share (subject to anti-dilutive adjustment)
Directors	24 September 2010	29,000,000	6,000,000	(14,000,000)	21,000,000	24 September 2010 – 23 September 2020	2.98
Employees	24 September 2010	12,750,000	(6,000,000)	–	6,750,000	24 September 2010 – 23 September 2020	2.98
Exercisable at the end of the year					27,750,000		
Weighted average exercise price		2.98	–	–	2.98		

Note: During the year ended 31 December 2017, Mr. Zhong Tao, holding 6,000,000 share options, used to be an employee of the Group was appointed as a director of the Company.

36. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

Equity-settled share option scheme of the Company (continued)

Grantees	Date of grant	Outstanding at 1 January 2016	Forfeited during the year	Outstanding at 31 December 2016	Exercisable period	Exercised price per share (subject to anti-dilutive adjustment)
Directors	24 September 2010	30,000,000	(1,000,000)	29,000,000	24 September 2010 – 23 September 2020	2.98
Employees	24 September 2010	12,750,000	–	12,750,000	24 September 2010 – 23 September 2020	2.98
Exercisable at the end of the year				41,750,000		
Weighted average exercise price		2.98	–	2.98		

No share option was granted since year 2010. Share options granted in year 2010 are vested in three tranches over two years, with 40% of the options granted were vested on the date of grant, 30% vested on the first anniversary of the date of grant and the remaining 30% vested on two years from the date of grant.

All the share options under the Scheme were vested and the related expenses were recognised in profit or loss in previous years.

37. CAPITAL RISK MANAGEMENT

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

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

The 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 and bank and other borrowings less bank balances and cash and restricted and pledged bank deposits to equity. As at 31 December 2017, the gearing ratio of the Group was 16.2% (2016: 8.1%). 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.

38. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2017 HK$'000	2016 HK$'000
Financial assets		
Available-for-sale investments	**249,434**	265,662
Financial assets at FVTPL	**3,506**	5,193
Loans and receivables (including cash and cash equivalents)	**13,667,539**	14,333,123
Financial liabilities		
Amortised cost	**19,619,517**	17,151,943

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 related companies, amounts due to associates and related companies, consideration payables for acquisition of subsidiaries, dividend payable, dividend payable to non-controlling shareholders and bank and other borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The Group actively and regularly reviews and manages its capital structure to strictly control the debt level. The Group maintains a strategy on acquiring land only if development of the projects can commence within a short period of time so as to minimise the time period between acquisition and development of the acquired land, thus the Group's capital can be efficiently deployed.

Market risk

(i) Currency risk

All the revenue-generating operations of the Group are transacted in RMB. The Group is exposed to foreign currency risk on financing transactions denominated in currencies other than RMB. Depreciation or appreciation of the RMB against foreign currencies can affect the Group's results. The Group did not hedge its currency exposure.

38. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (continued)

Market risk (continued)

(i) Currency risk *(continued)*

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities, excluding intercompany balances, at the reporting date are as follows:

	Assets		Liabilities	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
United States dollar ("US$")	**106,460**	23,278	**–**	–
HK$	**53,971**	325,824	**15,051**	15,185

In addition, as at 31 December 2017, the Group's exposure to foreign currency risk also arose from US$ denominated intercompany receivables of approximately HK$31,675,000 (2016: HK$31,675,000) and HK$ denominated intercompany receivables of approximately HK$1,324,158,000 (2016: HK$1,318,189,000) respectively, which were not denominated in the functional currency of the respective group entities as the borrowers. These intercompany balances do not form part of the Group's net investment in foreign operations.

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% (2016: 5%) increase and decrease in RMB against the relevant foreign currencies. 5% (2016: 5%) is the sensitivity rate used when reporting foreign currency risk internally and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, including intercompany balances. A positive/negative number below indicates an increase/decrease in post-tax profit where RMB strengthen 5% (2016: 5%) against US$ and HK$ respectively. For a 5% (2016: 5%) weakening of RMB against US$ and HK$ respectively, there would be an equal and opposite impact on the result.

	US$ (i)		HK$ (ii)	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
Decrease in post-tax profit for the year	**(6,907)**	(2,748)	**(68,154)**	(81,441)

38. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (continued)

Market risk (continued)

(i) Currency risk (continued)

Sensitivity analysis (continued)

(i) This is mainly attributable to the exposure to bank balances and intercompany balances denominated in US$.

(ii) This is mainly attributable to the exposure to bank balances and intercompany balances denominated in HK$.

(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 31), amounts due from/to non-controlling shareholders (see note 27(ii)), restricted and pledged bank deposits and bank balances. It is the Group's policy to keep its bank borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

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

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group cash flow interest rate risk is mainly concentrated on the fluctuations of the PBOC rate arising from the Group's RMB denominated borrowings.

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 (2016: 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.

38. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (continued)

Market risk (continued)

(ii) Interest rate risk (continued)

Sensitivity analysis (continued)

If interest rates had been 100 basis points (2016: 100 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2017 would have decreased/increased by approximately HK$44,668,000 (2016: HK$45,902,000) assuming interest of approximately HK$35,698,000 (2016: HK$18,590,000) are capitalised into 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 and available-for-sale investment carried at fair value.

No sensitivity analysis on other price risk is presented for the financial assets at FVTPL 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.

The sensitivity analysis below has been determined assuming that the change in prices had occurred at the end of the reporting period and had been applied to the exposure to price risk for the Group's available-for-sale investment carried at fair value at that date.

A 10% (2016: 10%) change in equity prices represents the management's assessment of the reasonably possible changes in prices. 10% is used in current year as a result of the volatile financial market.

As at 31 December 2017, if the price of the respective instrument had been 10% higher/lower and all other variables were held constant, the Group's investment revaluation reserve, net of tax, would have increased/decreased by approximately HK$11,599,000 (2016: HK$13,317,000) as a result of the changes in fair value of available-for-sale investment carried at fair value.

38. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (continued)

Credit risk

As at 31 December 2017, other than those financial assets whose carrying amounts best represent the maximum exposure to credit risk, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in note 42.

The Group's credit risk is primarily attributable to its trade and other receivables both current and non-current. 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 of the Group has established internal procedures to monitor the Group's bank balances and cash and 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 the PRC, which accounted for 100% (2016: 100%) of the total trade and other receivables as at 31 December 2017.

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 buyers, the Group is responsible for repaying the outstanding mortgage loans together with any accrued interests and penalties owed by the defaulted buyers to banks. Under such circumstances, the Group is able to retain the customer's deposits, take over the ownership of the relevant properties and sell the properties to recover any amounts paid by the Group to banks. In this regard, the 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 42.

38. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (continued)

Credit risk (continued)

The Group has concentration of credit risk on other receivables recognised as non-current assets as at 31 December 2017. The other receivables recognised as non-current assets comprised of entrusted loans made by the Group to a subsidiary of a former tenant of one of the Group's investment properties (the "Borrower 1") and a construction contractor of the Group's property development project (the "Borrower 2"). For the entrusted loans made by the Group to the Borrower 1, the directors of the Company performed a credit review on the Borrower 1 and its guarantors, including assessing their financial positions as at 31 December 2017 and reviewing the quality of their assets. As the assets of its guarantors exceeded their liabilities, the directors of the Company considered the risk of the Borrower 1 and its guarantors defaulting in repayment to be low. For the entrusted loans made by the Group to the Borrower 2, as the carrying amount of assets pledged by the Borrower 2 to the Group exceeded the carrying amount of the loans, the directors of the Company considered the risk of the Borrower 2 defaulting in repayment to be low. In this regard, the directors of the Company considered that the Group's credit risk in respect of these other receivables was acceptable.

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 its property development, property investment and hotel operations.

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

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management of the Group monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2017, the Group had available unutilised overdraft and bank loan facilities of approximately HK$1,679,580,000 (2016: HK$2,513,059,000).

38. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

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 %	On demand or less than 1 year HK$'000	1–2 years HK$'000	2–5 years HK$'000	More than 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 2017 HK$'000
2017							
Non-derivative financial liabilities							
Trade and other payables	N/A	1,785,149	–	–	–	1,785,149	1,785,149
Amounts due to related companies	3.74	747,734	121,962	–	–	869,696	850,719
Amounts due to associates	N/A	5,771	–	–	–	5,771	5,771
Consideration payables for acquisition of subsidiaries	N/A	98,619	–	–	–	98,619	98,619
Dividend payable	N/A	10,044	–	–	–	10,044	10,044
Dividend payable to non-controlling shareholders	N/A	180,180	–	–	–	180,180	180,180
Bank and other borrowings	4.62	4,653,932	1,021,708	13,711,240	1,563,789	20,950,669	16,689,035
Financial guarantee contracts issued							
Maximum amount guaranteed (Note 42)	N/A	2,974,664	–	–	–	2,974,664	–
		10,456,093	1,143,670	13,711,240	1,563,789	26,874,792	19,619,517

	Weighted average interest rate %	On demand or less than 1 year HK$'000	1–2 years HK$'000	2–5 years HK$'000	More than 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 2017 HK$'000
2016							
Non-derivative financial liabilities							
Trade and other payables	N/A	1,333,288	–	–	–	1,333,288	1,333,288
Amounts due to related companies	2.93	617,093	–	–	–	617,093	609,801
Amounts due to associates	N/A	50,371	–	–	–	50,371	50,371
Consideration payables for acquisition of subsidiaries	N/A	342,585	–	–	–	342,585	342,585
Dividend payable	N/A	8,384	–	–	–	8,384	8,384
Dividend payable to non-controlling shareholders	N/A	61,344	–	–	–	61,344	61,344
Bank and other borrowings	4.23	1,501,327	4,666,099	6,465,864	4,506,048	17,139,338	14,746,170
Financial guarantee contracts issued							
Maximum amount guaranteed (Note 42)	N/A	2,904,819	–	–	–	2,904,819	–
		6,819,211	4,666,099	6,465,864	4,506,048	22,457,222	17,151,943

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.

39. 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.

Financial assets	Fair value 2017	Fair value 2016	Fair value hierarchy	Valuation techniques and inputs	Significant unobservable inputs
Held-for-trading investments	**Listed equity securities in the PRC — HK$3,506,000**	Listed equity securities in the PRC — HK$5,193,000	Level 1	Quoted bid prices in active market	N/A
Available-for-sale investments	**Listed equity securities in the PRC — HK$154,658,000**	Listed equity securities in the PRC — HK$177,563,000	Level 1	Quoted bid prices in active market	N/A

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

(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.

40. CAPITAL COMMITMENTS

Capital expenditure in respect of properties under development for sale:

The Group

	2017 HK$'000	2016 HK$'000
Contracted for but not provided for in the consolidated financial statements — additions in properties under development for sale	**2,175,315**	2,186,789

41. OPERATING LEASES

The Group as lessee

Minimum lease payments paid under operating leases during the year in respect of office premises and apartment units are approximately HK$76,172,000 (2016: HK$75,414,000).

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:

	2017 HK$'000	2016 HK$'000
Within one year	70,880	57,517
In the second to fifth years inclusive	193,156	180,602
Over five years	70,292	92,367
	334,328	330,486

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

The Group as lessor

Property rental income earned during the year is approximately HK$634,999,000 (2016: HK$654,358,000). Certain of the Group's investment properties have committed tenants for the next two to ten years with an option to renew the lease after that date at which time all terms are renegotiated.

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

	2017 HK$'000	2016 HK$'000
Within one year	497,316	441,873
In the second to fifth year inclusive	905,763	650,810
Over five years	403,882	181,588
	1,806,961	1,274,271

42. CONTINGENT LIABILITIES

Corporate guarantees

	2017 HK$'000	2016 HK$'000
Guarantee given to banks in respect of banking facilities utilised by:		
— property buyers	**2,178,268**	2,349,884
— an entity controlled by Xuhui SASAC	**—**	163,019
— an entity and its subsidiary jointly held by a joint venture of the Group	**796,396**	391,916
	2,974,664	2,904,819

As at 31 December 2016, 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$303,707,000. As at 31 December 2017, no loans and credit facilities obtained by the Group were guaranteed by Xuhui SASAC.

Guarantee given to banks in respect of banking facilities utilised by property buyers

The Group entered into agreements with certain banks with respect to mortgage loans provided to buyers of the Group's property units and made deposits as security to and gave guarantees on mortgage loans provided to the buyers by these banks under the agreements. The 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.

Guarantee given to banks in respect of banking facilities utilised by an entity controlled by Xuhui SASAC and an entity and its subsidiary jointly held by a joint venture of the Group

The Group entered into agreements with banks to provide corporate guarantees with respect to bank loans granted to an entity controlled by Xuhui SASAC. As at 31 December 2016, the maximum liability of the Company under such guarantees was the outstanding amount of the bank loans to the entity controlled by Xuhui SASAC of approximately HK$163,019,000. As at 31 December 2017, the Group did not provide any guarantee to loans obtained by entities controlled by Xuhui SASAC.

The Group entered into agreements with a bank to provide corporate guarantees with respect to bank loans granted to an entity and its subsidiary, collectively as a group, jointly held by a joint venture of the Group. As at 31 December 2017, the maximum liability of the Group under such guarantees is the outstanding amount of the bank loans to an entity and its subsidiary jointly held by a joint venture of the Group of approximately HK$796,396,000 (2016: HK$391,916,000).

42. CONTINGENT LIABILITIES (CONTINUED)

Corporate guarantees (continued)

Guarantee given to banks in respect of banking facilities utilised by an entity controlled by Xuhui SASAC and an entity and its subsidiary jointly held by a joint venture of the Group (continued)

In determining whether financial liabilities should be recognised in respect of the Group's financial guarantee contracts, the directors of the Company exercise judgment in evaluation of the probability of resources outflow that will be required and the assessment of whether a reliable estimate can be made of the amount of the obligation. In the opinion of the directors of the Company, the possibility of default by these parties is remote given their financial background and the quality of assets. Accordingly, no provision has been made in the consolidated financial statements for these guarantees.

In the opinion of the directors of the Company, the fair values of the aforementioned financial guarantee contracts of the Group are insignificant at initial recognition.

43. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Dividend payable HK$'000	Interest payable (Note 26) HK$'000	Bank and other borrowings (Note 31) HK$'000	Amounts due to related companies (Note 27) HK$'000	Total HK$'000
At 1 January 2017	69,728	82,200	14,746,170	609,801	15,507,899
Financing cash flows (note)	(469,683)	(927,694)	837,781	186,906	(372,690)
Finance costs recognised (Note 7)	–	932,280	–	–	932,280
Dividend declared	580,960	–	–	–	580,960
Foreign exchange translation	9,219	–	1,105,084	54,012	1,168,315
At 31 December 2017	190,224	86,786	16,689,035	850,719	17,816,764

Note: The financing cash flows represented the net amount of proceeds from bank and other borrowings, advances from related companies, payments of finance costs, repayments of bank and other borrowings, repayments to related companies and payments of dividend.

44. RELATED PARTY TRANSACTIONS

(a) Transactions with key management personnel

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

	2017 HK$'000	2016 HK$'000
Short-term employee benefits	11,658	10,402
Post-employment benefits	75	54
	11,733	10,456

Total remuneration is included in "total staff costs" (Note 9).

(b) Balances with related parties

Details of the balances with related parties as at 31 December 2017 and 2016 are set out in notes 27 and 28.

(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	2017 HK$'000	2016 HK$'000
Ultimate holding company	Interest expenses	–	(27,016)
Entities controlled by SIHL	Interest expenses	–	(110,296)
Entity controlled by an independent non-executive director ("INED") of SIHL (Note)	Rental expense, rate and management fee	–	(3,241)
Associates	Property agency fees	(17,142)	(17,073)
	Rental income	1,278	1,300
	Royalty fee	(3,264)	(3,306)
	Management fee	(281)	(1,659)
Non-controlling shareholder of a subsidiary	Interest expenses	(7,415)	(5,448)
	Management fee	(3,477)	(536)
An entity controlled by Xuhui SASAC	Interest expenses	(20,494)	(12,578)

Note: This INED of SIHL resigned as INED with effect from 30 June 2016.

44. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Transactions with related parties (continued)

Except for the above transactions, the Group had other transactions with related parties during the year as disclosed as follows:

(i) The Group granted financial guarantees to an entity controlled by Xuhui SASAC during both years. Details of which are set out in note 42.

(ii) The Group entered into equity transfer agreements with two non-wholly owned indirect subsidiaries of SIHL to dispose of two subsidiaries of the Group. Details of which are set out in note 45.

(d) Government-related entities

The Group itself is part of a larger group of companies under SIIC (SIIC and its subsidiaries are referred to as the "SIIC Group") which is controlled by the PRC government. The directors of the Company consider that the Company is ultimately controlled by the PRC government and the Group operates in an economic environment currently predominated by entities controlled, jointly controlled or significantly influenced by the PRC government ("PRC government-related entities"). Apart from the transactions with the SIIC Group and Xuhui SASAC which have been disclosed above and in other notes to the 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 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 2017 and 2016.

45. ASSETS/LIABILITIES CLASSIFIED AS HELD-FOR-SALE

On 17 November 2017, the Group entered into equity transfer agreements (the "ET Agreements") with Shanghai Shangshi Property Management Company Limited 上海上實物業管理有限公司 and Shanghai New Century Real Estate Services Company Limited 上海新世紀房產服務有限公司, both of which are non-wholly owned indirect subsidiaries of SIHL, in relation to disposal of Shanghai Shenda Property Company Limited 上海申大物業有限公司 ("Shanghai Shenda") at a cash consideration of RMB70,000,000 and Shanghai Urban Development Commercial Property Development Company Limited 上海城開商用物業發展有限公司 ("Shanghai Commercial") at a cash consideration of RMB17,000,000, respectively. According to the terms set out in the ET Agreements, completion of such disposals will take place within 10 business days following settlement in full of the purchase price of each disposal by the purchasers (the "Completions"). Following the Completion, the Group will cease to have controls on Shanghai Shenda and Shanghai Commercial.

45. ASSETS/LIABILITIES CLASSIFIED AS HELD-FOR-SALE (CONTINUED)

The Company is exempted from obtaining approval from the its independent shareholders pursuant to the Listing Rules. Given the disposals have not been completed at the end of the reporting period, the assets and liabilities in relation to Shanghai Shenda and Shanghai Commercial have been reclassified to assets and liabilities classified as held-for-sale respectively in the consolidated statement of financial position.

The major classes of assets and liabilities of Shanghai Shenda classified as held-for-sale as at 31 December 2017 are as follows:

	HK$'000
Plant and equipment	136
Trade and other receivables	12,637
Bank balances and cash	132,413
Total assets classified as held-for-sale	145,186
Trade and other payables	128,489
Income tax payable	1,132
Total liabilities classified as held-for-sale	129,621

The major classes of assets and liabilities of Shanghai Commercial classified as held-for-sale as at 31 December 2017 are as follows:

	HK$'000
Plant and equipment	415
Properties under development	40
Other receivables	3,721
Bank balances and cash	30,870
Total assets classified as held-for-sale	35,046
Other payables	24,739
Income tax payable	444
Total liabilities classified as held-for-sale	25,183

Up to the date these consolidated financial statements are authorised for issue, the two disposals have been completed.

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				Principal activities
			2017		2016		
			Directly	Indirectly	Directly	Indirectly	
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
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
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

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
			2017		2016		
			Directly	Indirectly	Directly	Indirectly	
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
Shanghai Qiyao Property Development Co., Ltd 上海啟耀房地產開發有限公司 (note (iii) and (iv))	The PRC	US$12,000,000	–	100%	–	100%	Property development
Shanghai Haihui Real Estate Co., Ltd 上海海輝房地產有限公司 (note (iii) and (iv))	The PRC	RMB12,000,000	–	100%	–	100%	Property development
Shanghai Haihui Property Management Co., Ltd 上海海輝物業管理有限公司 (note (iv))	The PRC	RMB500,000	–	100%	–	100%	Property management
瀋陽向明長益置業有限公司 (note (i))	The PRC	US$63,750,000	–	80%	–	80%	Property development
北京盈通房地產開發有限公司 (note (i))	The PRC	US$6,000,000	–	67.5%	–	67.5%	Primary land development
Shanghai Urban Development (Holdings) Co. Ltd. ("SUD") 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
上海城開集團晶杰置業有限公司 (note (iii) and (v))	The PRC	RMB1,000,000	–	59%	–	59%	Property development and sales and hotel operation
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
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
上海世界貿易商城有限公司 (note (iii))	The PRC	US$100,000,000	–	51%	–	51%	Property investment
上海城寰企業管理諮詢有限公司 (note (iii))	The PRC	RMB100,000	–	100%	–	100%	Investment holding

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

Notes:

(i) These companies were established in the PRC in the form of sino-foreign equity joint ventures.

(ii) These companies were established in the PRC in the form of wholly-owned foreign enterprises.

(iii) These companies were established in the PRC in the form of limited liability company.

(iv) This company was acquired during the year ended 31 December 2016. Details of the acquisition are set out in note 35.

(iv) This company was disposed of with no significant impact to the Group's profit or loss during the year ended 31 December 2017.

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 issued RMB1,500,000,000 of advanced bonds — 2012 during the year ended 31 December 2012, RMB1,800,000,000 of advanced bonds — 2015 during the year ended 31 December 2015 and RMB1,700,000,000 of advanced bonds — 2016 during the year ended 31 December 2016, in which the Group has no interest. Details of advanced bonds — 2012, advanced bonds — 2015 and advanced bonds — 2016 are set out in note 31(ii).

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 2017	2016	Profit (loss) allocated to non-controlling interests 2017 HK$'000	2016 HK$'000	Accumulated non-controlling interests 2017 HK$'000	2016 HK$'000
SUD and its subsidiaries	Incorporated and operating in the PRC — Shanghai	41%	41%	584,147	789,966	7,712,768	6,993,370
AWI and its subsidiaries	Incorporated in the BVI and the PRC and operating in the PRC — Shanghai	49%	49%	94,460	29,240	2,347,006	2,167,384
Individually immaterial subsidiaries with non-controlling interests				10,751	(14,529)	367,775	268,551
				689,358	804,677	10,427,549	9,429,305

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

	2017 HK$'000	2016 HK$'000
Current assets	31,650,881	31,063,271
Non-current assets	4,926,471	4,812,388
Current liabilities	(12,193,426)	(12,677,521)
Non-current liabilities	(7,353,726)	(8,647,373)
Equity attributable to owners of the Company	9,317,432	7,557,395
Non-controlling interests of SUD	6,474,826	5,251,749
Non-controlling interests of SUD's subsidiaries	1,237,942	1,741,621

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

SUD and its subsidiaries (continued)

	2017 HK$'000	2016 HK$'000
Income	**7,260,563**	6,334,007
Expenses	**(4,123,494)**	(3,430,643)
Profit before tax	**3,137,069**	2,903,364
Profit for the year	**1,380,129**	1,830,780
Profit attributable to owners of the Company	**795,982**	1,040,814
Profit attributable to the non-controlling interests of SUD	**553,140**	723,277
Profit attributable to the non-controlling interests of SUD's subsidiaries	**31,007**	66,689
Profit for the year	**1,380,129**	1,830,780
Other comprehensive income (expense) attributable to owners of the Company	**573,699**	(633,281)
Other comprehensive income (expense) attributable to the non-controlling interests of SUD	**398,672**	(440,076)
Other comprehensive income attributable to the non-controlling interests of SUD's subsidiaries	**—**	—
Other comprehensive income (expense) for the year	**972,371**	(1,073,357)
Total comprehensive income attributable to owners of the Company	**1,369,681**	407,533
Total comprehensive income attributable to the non-controlling interests of SUD	**951,812**	283,201
Total comprehensive income attributable to the non-controlling interests of SUD and its subsidiaries	**31,007**	66,689
Total comprehensive income for the year	**2,352,500**	757,423
Dividends paid to non-controlling interests	**169,713**	2,150
Net cash (outflow) inflow from operating activities	**(277,249)**	4,985,157
Net cash (outflow) inflow from investing activities	**(70,478)**	1,268,632
Net cash outflow from financing activities	**(1,449,395)**	(2,229,487)
Net cash (outflow) inflow	**(1,797,122)**	4,024,302

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

The summarised financial information below represents amounts shown in AWI's consolidated financial statements prepared in accordance with HKFRSs and before intragroup eliminations.

AWI and its subsidiaries

	2017 HK$'000	2016 HK$'000
Current assets	**169,547**	261,395
Non-current assets	**6,616,122**	6,082,350
Current liabilities	**(318,507)**	(269,333)
Non-current liabilities	**(1,677,354)**	(1,651,179)
Equity attributable to owners of the Company	**2,442,802**	2,255,849
Non-controlling interests of AWI	**2,347,006**	2,167,384

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

AWI and its subsidiaries (continued)

	2017 HK$'000	2016 HK$'000
Income	**497,382**	559,484
Expenses	**(233,765)**	(440,270)
Profit before tax	**263,617**	119,214
Profit for the year	**192,776**	59,674
Profit attributable to owners of the Company	**98,316**	30,434
Profit attributable to the non-controlling interests of AWI	**94,460**	29,240
Profit for the year	**192,776**	59,674
Other comprehensive income (expense) attributable to owners of the Company	**171,380**	(103,054)
Other comprehensive income (expense) attributable to the non-controlling interests of AWI	**164,660**	(99,013)
Other comprehensive income (expense) for the year	**336,040**	(202,067)
Total comprehensive income (expense) attributable to owners of the Company	**269,696**	(72,620)
Total comprehensive income (expense) attributable to the non-controlling interests of AWI	**259,120**	(69,773)
Total comprehensive income (expense) for the year	**528,816**	(142,393)
Dividends paid to non-controlling interests	**79,505**	—
Net cash inflow from operating activities	**177,829**	208,732
Net cash inflow (outflow) from investing activities	**2,107**	(52,963)
Net cash (outflow) inflow from financing activities	**(285,488)**	122,729
Net cash (outflow) inflow	**(105,552)**	278,498

48. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2017 HK$'000	2016 HK$'000
Non-current assets		
Property, plant and equipment	1,650	2,013
Investments in subsidiaries	2,405,964	2,405,964
Amounts due from subsidiaries	6,809,940	6,976,802
	9,217,554	9,384,779
Current assets		
Amounts due from subsidiaries	8,235,791	5,659,149
Deposit and prepayment	2,908	3,007
Dividend receivables	—	469,589
Bank balances and cash	33,155	36,853
	8,271,854	6,168,598
Current liabilities		
Other payables and accruals	7,942	558,822
Amount due to immediate holding company	103,185	103,185
Amounts due to subsidiaries	3,360,350	1,859,516
Bank borrowings	180,180	—
Dividend payable	10,044	8,384
	3,661,701	2,529,907
Net current assets	4,610,153	3,638,691
Total assets less current liabilities	13,827,707	13,023,470
Non-current liability		
Bank borrowings	2,342,342	2,344,797
Total assets less total liabilities	11,485,365	10,678,673
Capital and reserves		
Share capital	192,439	192,451
Reserves	11,292,926	10,486,222
	11,485,365	10,678,673

49. STATEMENT OF CHANGES IN EQUITY OF THE COMPANY

	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Share options reserve HK$'000	Exchange reserve HK$'000	Shareholders' contribution HK$'000	Accumulated losses HK$'000	Total HK$'000
As at 1 January 2016	192,451	10,115,153	157,073	49,367	1,060,634	2,475,111	(2,998,550)	11,051,239
Profit for the year	–	–	–	–	–	–	138,252	138,252
Exchange difference arising on translation into presentation currency	–	–	–	–	(376,103)	–	–	(376,103)
Total comprehensive (expense) income for the year	–	–	–	–	(376,103)	–	138,252	(237,851)
Dividend recognised as distributions (Note 50)	–	–	(134,715)	–	–	–	–	(134,715)
Forfeiture of share options	–	–	–	(1,165)	–	–	1,165	–
As at 31 December 2016	192,451	10,115,153	22,358	48,202	684,531	2,475,111	(2,859,133)	10,678,673
Profit for the year	–	–	–	–	–	–	629,934	629,934
Exchange difference arising on translation into presentation currency	–	–	–	–	336,011	–	–	336,011
Total comprehensive income for the year	–	–	–	–	336,011	–	629,934	965,945
Transfer to distributable reserve	–	(600,000)	600,000	–	–	–	–	–
Repurchase of ordinary shares (Note 34)	(12)	(469)	–	–	–	–	–	(481)
Dividend recognised as distributions (Note 50)	–	–	(158,772)	–	–	–	–	(158,772)
Forfeiture of share options	–	–	–	(16,310)	–	–	16,310	–
As at 31 December 2017	192,439	9,514,684	463,586	31,892	1,020,542	2,475,111	(2,212,889)	11,485,365

50. DIVIDENDS

Dividends recognised as distribution during the year:

	Year ended 31 December	
	2017	2016
	HK$'000	HK$'000
2016 final dividend declared — HK1.4 cents (2016: HK1.2 cents for year 2015)	**67,358**	57,735
2016 special dividend declared — HK1.9 cents (2016: HK1.6 cents for year 2015)	**91,414**	76,980

A final dividend and a special dividend of HK1.4 cents (2016: HK1.2 cents) per ordinary share and HK1.9 cents (2016: HK1.6 cents) per ordinary share respectively, in an aggregate amount of approximately HK$158,772,000 (2016: HK$134,715,000), in respect of the year ended 31 December 2016, were declared and an amount of approximately HK$157,112,000 (2016: HK$133,264,000) was paid during the year ended 31 December 2017.

Subsequent to the end of the reporting period, a final dividend and a special dividend of HK1.6 cents per ordinary share and HK2.5 cents per ordinary share respectively, in respect of the year ended 31 December 2017, has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

51. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 31 January 2018, the Group entered into an acquisition agreement with Shanghai Shangtou Asset Operations Company Limited ("Shanghai Shangtou") of which SIIC exercises the authority as a state-owned shareholder. Pursuant to the agreement, the Group agreed to acquire 35% equity interest in Shanghai Real Estate Northern Region Investment Development Company Limited, which is principally engaged in primary land development, from Shanghai Shangtou for a consideration of approximately RMB88,338,000. Details of the transaction are set out in the Company's announcement dated 31 January 2018.

On 28 February 2018, the Group entered into an acquisition agreement with Shanghai Shangtou. Pursuant to the agreement, the Group agreed to acquire entire equity interest in Shanghai Shangtou Real Estate Investment Company Limited, which is principally engaged in secondary land development, from Shanghai Shangtou for a consideration of approximately RMB530,827,000. Details of the transaction are set out in the Company's announcement dated 28 February 2018.

FINANCIAL SUMMARY

	Year ended 31 December				
	2013 HK$'000	2014 HK$'000	2015 HK$'000	2016 HK$'000	**2017 HK$'000**
Revenue	9,773,547	7,773,636	3,871,923	5,490,564	**9,356,865**
Profit before tax	782,094	1,731,044	1,009,274	2,585,589	**3,327,586**
Income tax	(476,377)	(1,151,080)	(469,288)	(1,259,024)	**(2,080,264)**
Profit for the year	305,717	579,964	539,986	1,326,565	**1,247,322**
Attributable to:					
Owners of the Company	143,471	161,181	517,385	521,888	**557,964**
Non-controlling interests	162,246	418,783	22,601	804,677	**689,358**
	305,717	579,964	539,986	1,326,565	**1,247,322**

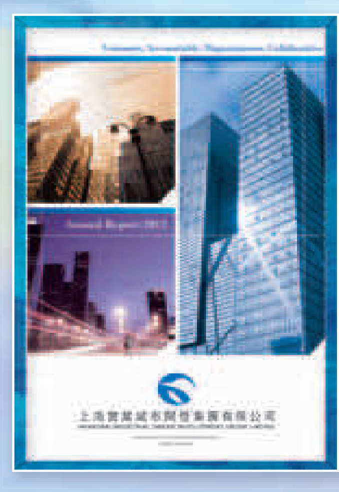
	As at 31 December				
	2013 HK$'000	2014 HK$'000	2015 HK$'000	2016 HK$'000	**2017 HK$'000**
Assets and liabilities					
Total assets	53,436,959	57,566,703	63,780,450	58,125,354	**61,425,281**
Total liabilities	(33,653,682)	(37,451,871)	(44,266,699)	(36,405,226)	**(37,462,694)**
	19,783,277	20,114,832	19,513,751	21,720,128	**23,962,587**
Equity contributable to:					
Owners of the Company	12,618,970	12,484,789	12,535,906	12,290,823	**13,535,038**
Non-controlling interests	7,164,307	7,630,043	6,977,845	9,429,305	**10,427,549**
	19,783,277	20,114,832	19,513,751	21,720,128	**23,962,587**

GLOSSARY OF TERMS

Term used	Brief description
"2018 AGM"	forthcoming annual general meeting of the Company is scheduled to be held on Wednesday, 23 May 2018
"2018 SGM"	special general meeting of the Company held on Thursday, 19 April 2018 for approving, *inter alia*, the connected transaction in relation to acquisition of equity interest in Shanghai Shangtou
"Adoption Date"	16 May 2013, adoption date of the New Share Option Scheme
"Audit Committee"	audit committee of the Company
"Board"	board of Directors
"Circular"	reference was made to the circular of the Company dated 16 April 2013 in relation to the adoption of the New Share Option Scheme
"Code"	code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules
"Company" or "SIUD"	Shanghai Industrial Urban Development Group Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange
"Company Secretary"	company secretary of the Company
"Cross Guarantee Agreement"	the cross guarantee agreement dated 26 December 2002 and entered into between SUD and State-owned Management Company
"Director(s)"	director(s) of the Company
"First Supplemental Agreement"	the first supplemental agreement to the Cross Guarantee Agreement dated 15 December 2009 and entered into between SUD and State-owned Management Company
"Group"	the Company and its subsidiaries
"Investment Appraisal Committee"	investment appraisal committee of the Company
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Member(s)"	Duly registered holder(s) from time to time of the share(s) in the capital of the Company
"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

Term used	Brief description
"New Share Option Scheme"	pursuant to ordinary resolutions passed by Shareholders at its annual general meeting held on 16 May 2013, the Company adopted a new share option scheme
"Nomination Committee"	nomination committee of the Company
"NR Investment"	Shanghai Real Estate Northern Region Investment Development Company Limited (上海地產北部投資發展有限公司), a company established in the PRC with limited liability
"Purchasers"	Shangshi Property and Shanghai New Century
"Remuneration Committee"	remuneration committee of the Company
"RMB"	Renminbi
"Second Supplemental Agreement"	the second supplemental agreement to the Cross Guarantee Agreement dated 6 December 2012 and entered into between SUD and State-owned Management Company
"SFO"	Securities and Futures Ordinance (Chapter 571) of the laws of Hong Kong
"Shanghai New Century"	Shanghai New Century Real Estate Services Company Limited (上海新世紀房產服務有限公司), a company established in the PRC with limited liability
"Shanghai Shangtou"	Shanghai Shangtou Real Estate Investment Company Limited (上海市上投房地產投資有限公司), a company established in the PRC with limited liability
"Shanghai Shangtou Asset"	Shanghai Shangtou Asset Operations Company Limited (上海上投資產經營有限公司), a company established in the PRC with limited liability
"Shangshi Property"	Shanghai Shangshi Property Management Company Limited (上海上實物業管理有限公司), a company established in the PRC with limited liability
"Shareholder(s)"	holder(s) of share(s) of the Company
"Share Option Scheme"	pursuant to ordinary resolutions passed by Shareholders at its special general meeting held on 12 December 2002, the Company adopted a share option scheme
"Shenda"	Shanghai Shenda Property Company Limited (上海申大物業有限公司), a company established in the PRC with limited liability
"SIHL"	Shanghai Industrial Holdings Limited, a company listed on the Stock Exchange with stock code of 363
"SIIC"	Shanghai Industrial Investment (Holdings) Company Limited

Term used	Brief description
"SSUD"	Shangshi Urban Development (Shanghai) City Construction and Development Company Limited (上實城開(上海)城市建設開發有限公司), a company established in the PRC with limited liability, a wholly-owned subsidiary of the Company
"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 company incorporated in the PRC with limited liability and is indirectly owned by the Company as to 59% and by Xuhui SASAC as to 41%
"SUD Commercial"	Shanghai Urban Development Commercial Property Development Company Limited (上海城開商用物業發展有限公司), a company established in the PRC with limited liability
"Third Supplemental Agreement"	the third supplemental agreement to the Cross Guarantee Agreement dated 9 February 2015 and entered into between SUD and State-owned Management Company
"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



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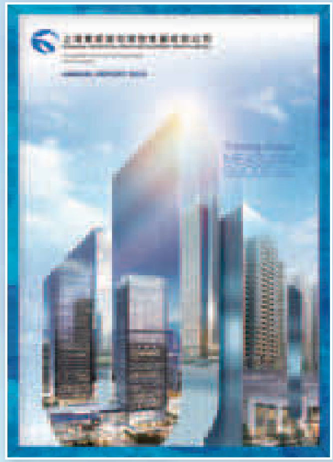

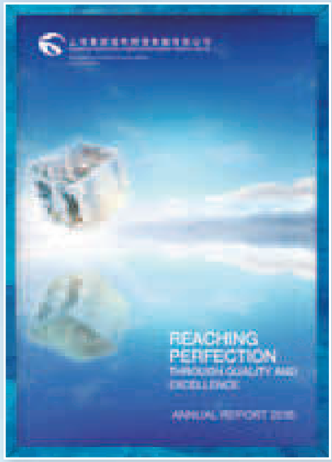

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