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

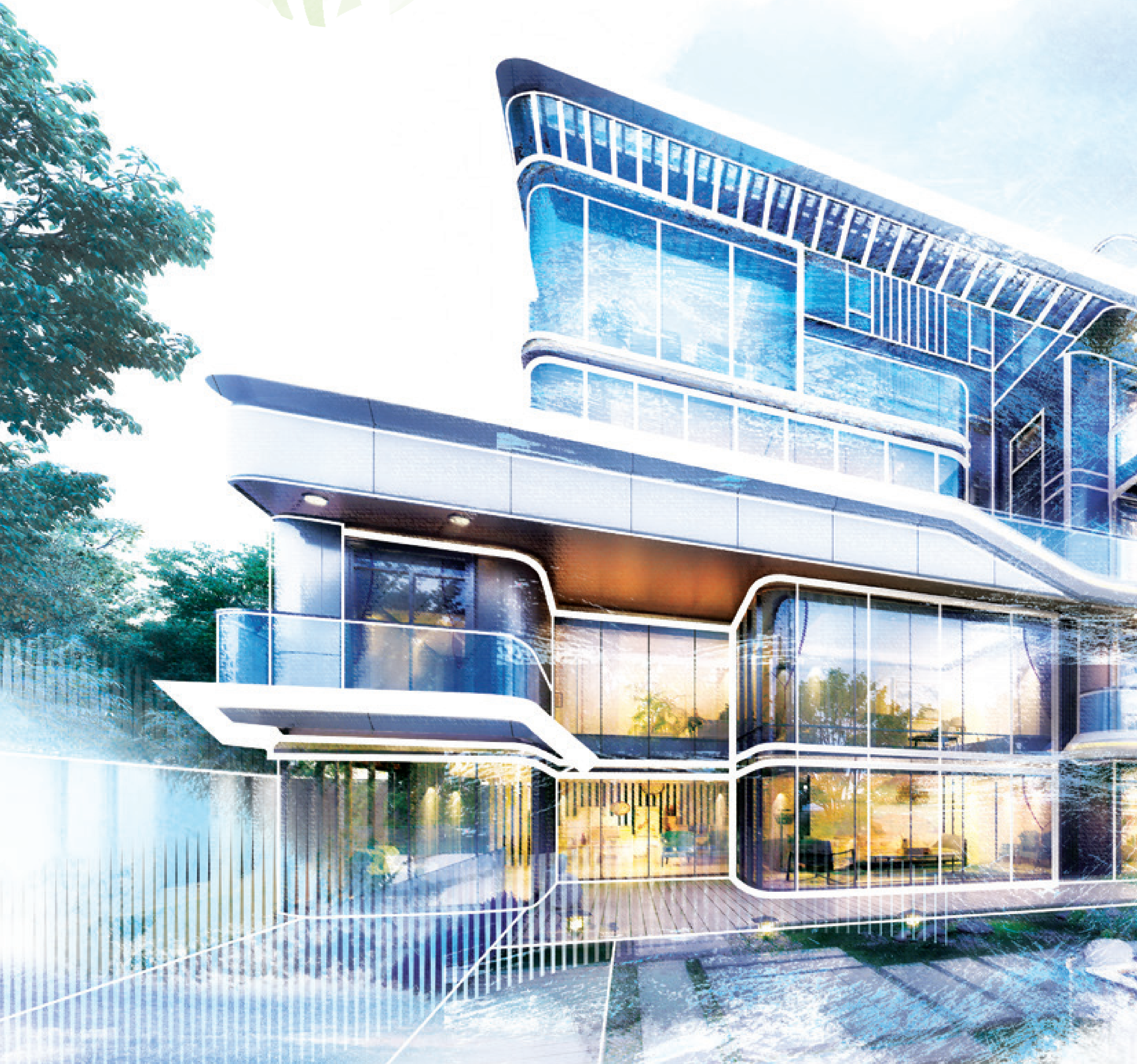
(Incorporated in Bermuda with limited liability)
Stock Code: 563

Stride ahead with VIGOUR and CREATIVITY

ANNUAL REPORT 2022

Shanghai Industrial Urban Development Group Limited ("SIUD") currently has 28 real estate projects in 10 major cities in China, mainly located at Shanghai, Beijing, Tianjin, Wuxi, Shenyang, Xi'an, Chongqing, Yantai, Wuhan and Shenzhen. Most of the projects are mid- to high-end residential projects which are under construction at full steam, presenting the Group with approximately 3.78 million square meters future saleable areas and building a marvelous foundation for our long term development.

Delicate CRAFTSMANSHIP
Exquisite ELEGANCE



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Huang Haiping *(Chairman)*
Mr. Tang Jun *(President)*
Mr. Lou Jun
Mr. Ye Weiqi

Independent Non-Executive Directors

Mr. Doo Wai-Hoi, William, *B.B.S., J.P.*
Dr. Fan Ren Da, Anthony
Mr. Li Ka Fai, David, *M.H.*
Mr. Qiao Zhigang

AUTHORIZED REPRESENTATIVES

Mr. Huang Haiping
Mr. Chan Kin Chu, Harry

BOARD COMMITTEES

Audit Committee

Mr. Li Ka Fai, David, *M.H. (Committee Chairman)*
Mr. Doo Wai-Hoi, William, *B.B.S., J.P.*
Dr. Fan Ren Da, Anthony

Remuneration Committee

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

Nomination Committee

Mr. Huang Haiping *(Committee Chairman)*
Mr. Doo Wai-Hoi, William, *B.B.S., J.P.*
Dr. Fan Ren Da, Anthony

Investment Appraisal Committee

Dr. Fan Ren Da, Anthony *(Committee Chairman)*
Mr. Tang Jun
Mr. Qiao Zhigang

COMPANY SECRETARY

Mr. 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
17/F, Far East Finance Centre,
16 Harcourt Road,
Hong Kong

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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No. 5 Queen's Road Central,
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Facsimile: (852) 2544 8004

WEBSITE

http://www.siud.com

PRINCIPAL BANKERS

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

AUDITOR

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors
35/F., One Pacific Place,
88 Queensway, Hong Kong

LISTING INFORMATION

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

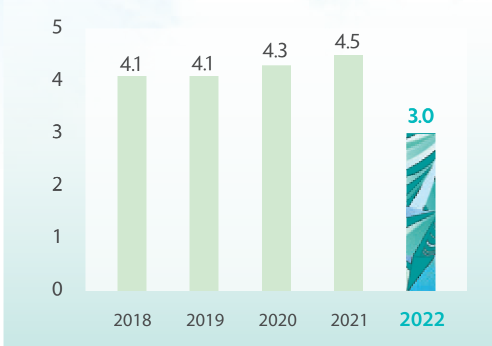
FINANCIAL HIGHLIGHTS

ATTRIBUTABLE PROFIT TO OWNERS

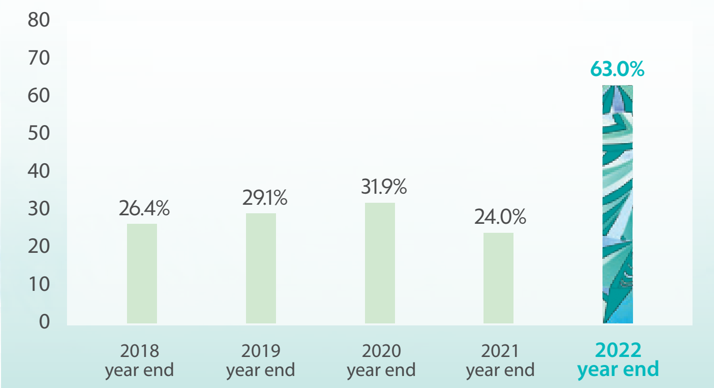
HK$ million

PROPOSED DIVIDEND/ DIVIDEND PAID

HK cents



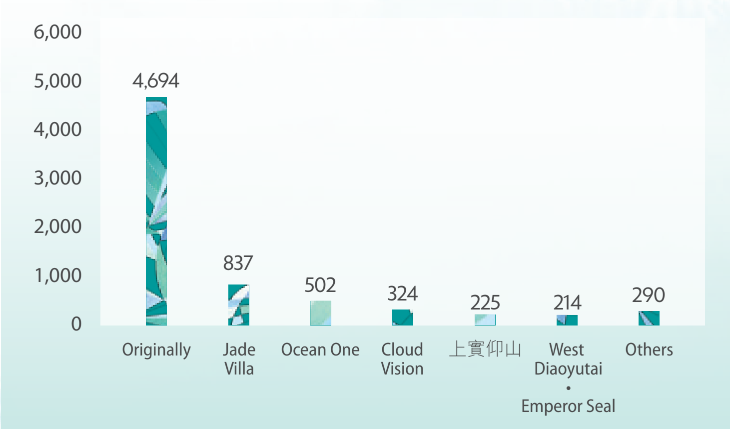
NET DEBT TO TOTAL EQUITY (%) (NOTE)



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

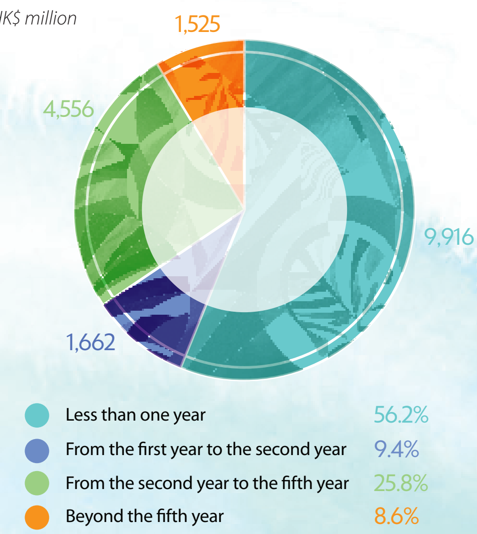
ANALYSIS ON PRE-SALE PROCEEDS RECEIVED ON SALES OF PROPERTIES

HK$ million



DEBT MATURITY PROFILE

HK$ million



TODTOWN
Artist Impression

Premium
QUALITY
Glamourous
LIFESTYLE

CHAIRMAN'S STATEMENT

During 2022, stressed by the volatility of the COVID-19 pandemic and the weaker-than-expected property market, China's economy underwent considerable fluctuations. Following the implementation of a series of growth stabilisation policies, China's economy saw a V-shaped recovery in the third quarter and even recorded a positive year-on-year growth of 3% in its annual gross domestic product (GDP). In face of the deep adjustments in the property industry and the series of favourable policies supporting the development of the property market in China, Shanghai Industrial Urban Development Group Limited ("SIUD" or the "Group") remained steadfast to making steady progress and responded to market changes by facilitating dual-track development in commodity and affordable housing in core cities. All of its operational indicators performed steadily during the year as a result. During the year under review, the Group posted an overall contract sale of RMB7,908,440,000 and an overall revenue of HK$11,022,496,000. The Group realised earnings after tax of HK$305,001,000 and profit attributable to owners of HK$406,823,000. As a token of appreciation for the continuous support of the shareholders of SIUD, the Board proposed to distribute a total dividend of 3.0 HK cents per share.

MR. HUANG HAIPING
Chairman

The property market in China experienced profound adjustments during the year under review. Some buyers delayed property purchases under the impact of coronavirus outbreak and lower expected resident income. The sales momentum was lost as more and more home purchasers took a wait-and-see attitude in view of the credit crisis faced by property developers. In 2022, property development and investment decreased 10% year-on-year in China. The sales of commodity housing and floor space sold dropped 26.7% and 24.3% year-on-year, respectively. However, at the end of 2022, the central government reiterated the importance of "the real estate sector as a pillar of the national economy" and launched various policy instruments to support the stable development of the property market.

In the period of market adjustment, SIUD managed to post a revenue growth of 0.1% in 2022 by fully leveraging on the opportunities presented by effective pandemic control in China and continual rebound of the focus markets. During the year, high-quality flagship projects, including West Diaoyutai • Emperor Seal in Beijing, Originally in Xi'an and Urban Cradle in Shanghai, and affordable housing projects, including Shangtou Baoxu and Shangtou Xinhong in Shanghai, continued to contribute remarkable sales revenue for the Group. The Group will continue to keep its foothold in core cities, such as Shanghai, while expanding to major cities across the country. Ocean One (a boutique residential project in Lingang New Area in the Shanghai Free Trade Zone), Cloud Vision (Qingpu project in Shanghai) and the Qiyuan Road Project in Xi'an, which are currently under construction, were launched one by one in 2023.

The Group continued to follow the development strategy of placing a dual focus on property leasing and selling. Its long-term rental apartment project, Shanghai Jinxiang • Utime XuHui, was completed in July 2022 and open for operation on 22 November. As at the end of December 2022, 150 apartments were leased and all the ancillary shop units were rented out. The Shanghai Shenzhicheng project will be delivered as planned by end of March 2023. As for Shanghai Chenglong, another long-term rental apartment project, all structures have been topped out with structural construction and the inspection and acceptance of the main body of certain buildings having been completed. These projects will contribute stable rental income for the Group.

The Group has been prudently managing its capital in order to lower borrowing costs. The overall financial performance was stable. In the first half of 2022, the Group succeeded in the issuance of the 2022 first tranche medium term notes in Mainland China with an aggregate principal amount of RMB880 million for a term of three years at a coupon rate of 2.85%. During the second half of 2022, the Group was granted a revolving term loan facility of RMB400 million; completed the issuance of corporate bonds in Mainland China with a principal amount of RMB1,150 million for a term of three years at a coupon rate of 3.07%; and entered into a three-year loan agreement for an amount of RMB2,400 million. In addition, several share repurchases were carried out by the Group starting from the second half of the year at a total consideration of approximately HK$7,500,000, demonstrating the management's confidence in the future development of the Group.

The land market in China changed significantly in 2022. The centralised land transfer mechanism (the "Two Concentration" land policy) became less applicable in major cities. Half of the cities took the initiative to loosen the "Two Concentration" constraints and transitioned to a centralised land supply pattern of "conducting small but frequent sales". The land auction rules of different regions were relaxed by varying degrees. Adhering to the principle of increasing its land reserve in a prudent manner, the Group won the bid for six parcels of land in Lingang New Area in the Shanghai Free Trade Zone during the first half of the year, and acquired the remaining 28.5% interests in the residential, commercial and hotel development project in Originally, Xi'an (which became wholly owned after the acquisition) from Renowned Support Holdings Limited at a consideration of RMB696 million during the second half of the year. These initiatives further consolidated the Group's strategy of focusing in the first- and second-tier core cities (including Shanghai) and formed a solid basis for high-quality development in the next three to five years.

As "a city-industry integrated developer in core cities" with strong foothold in Shanghai and business coverage across major cities in China, the Group once again gained several industry accolades and market recognition in 2022 by virtue of its strong brand competence. In March 2022, the Group was recognised as one of the "2022 Top 100 Property Development Companies by Comprehensive Strength" and "2022 Top 10 Property Development Companies by Responsible Real Estate Projects" by the China Real Estate Association. On the "Press Conference on the Assessment Results of Listed Property Companies for 2022" hosted by Shanghai Yiju Real Estate Research Institute in May 2022, SIUD was named as one of the "Top 50 in Comprehensive Strength" and "Top Five in Risk Control". In November 2022, SIUD was selected as one of the "Top 50 Property Developers by Brand Value" and its Ocean One project was awarded as the "Outstanding Property Brand Project in 2022". SIUD also stays true to its original aspiration through creating timeless masterpieces. Its Urban Cradle U Center won an Iconic Award in the Iconic Awards 2022, which is one of the most representative competitions in the architectural design industry.

Looking ahead, as the central government reiterated the importance of "the real estate sector as a pillar of the national economy" and rolled out various policy instruments, including the "16 financial measures" and "three arrows" for property sector financing, to support rigid and upgrading home purchase demand as well as the stable operation of the property market, people's confidence in the property market will be revived. In 2023, the government work report issued by the "Two Sessions" emphasised the need for promoting the steady development of the real estate industry and supporting rigid and upgrading demand for residential housing. The market is generally positive towards the future optimisation and refinement of the supply-side and demand-side policies for the property sector. The Group will closely monitor the market conditions and policy changes to take advantage of market opportunities. By further integrating into urban development and continually broadening the room for cooperation on the basis of its existing partnership projects, the Group aims at achieving mutual development and win-win cooperation while lending its hands to urban construction and development.

Strictly following the strategic guidance of the "14th Five-Year Plan" of SIIC, the Group will uphold its position as a city-industry integrated developer in core cities and strive for stable and continuous growth in each of its operations by capitalising on the industrial resources of SIIC and emphasising different sectors, including key industry cluster, urban renewal and city-industry integration, with a view to creating greater value and bringing fruitful returns for the shareholders. Finally, on behalf of the Board, I would like to pay tribute to all of our employees for their dedicated contribution, and express my sincere gratitude to all of our shareholders, customers and business partners for their unfading trust and support.

Huang Haiping
Chairman

22 March 2023

Note:

The data on the gross domestic product and properties of China for 2022 is gathered from the information published by the National Bureau of Statistics on 17 January 2022.

Qingpu Project • Cloud Vision
Artist Impression


Refined SERENITY
Quality LIFE

MANAGEMENT DISCUSSION AND ANALYSIS

PROPERTY MARKET REVIEW

2022 was an extraordinary year for the property industry in China. The market experienced profound adjustments, which were unprecedented both in terms of duration and scale. Significant decreases were recorded in the sales, gross floor area sold and selling prices of properties. According to the data from the National Bureau of Statistics, property development and investment, sales of commodity housing and gross floor area sold for commodity housing decreased by 10%, 26.7% and 24.3%, respectively, in China in 2022. The Central Economic Work Conference clearly defined the position of "the real estate sector as a pillar of the national economy" and launched various policy instruments to support the stable operation of the property market. The supply-side and demand-side policies for the property sector are expected to be further optimised in 2023.

BUSINESS REVIEW

Overview

In 2022, SIUD succeeded in overcoming challenges brought by the macroeconomic environment and pandemic and maintained steady business development by virtue of its excellent capability of getting things done, flexibility and strong resilience. The outstanding sales performance of flagship projects, including West Diaoyutai • Emperor Seal in Beijing, Originally in Xi'an, and Shangtou Xinhong, Shangtou Baoxu and Urban Cradle in Shanghai, brought in stable revenue for the Group. During the year, the Group sought progress while maintaining stability by focusing in Shanghai and expanding to first- and second-tier core cities. The Group prudently increased its high-quality land reserve, diversified its business development and continued to develop the investment property business. The Group obtained the land use rights to six land parcels in Lingang New Area in the Shanghai Pilot Free Trade Zone in June 2022, and acquired the remaining 28.5% interests in the residential, commercial and hotel development project at Originally, Xi'an at a consideration of RMB696,000,000 in November 2022.

Contract Sales

During the year ended 31 December 2022, the Group's contract sales from both commodity housing and affordable housing went down 11.5% year-on-year to RMB7,908,440,000 (2021: RMB8,933,090,000).

The contract sales from commodity housing of the Group amounted to RMB4,711,840,000 (2021: RMB7,764,440,000). The contract sales in terms of G.F.A. were 248,000 sq.m. during 2022, up 25.9% year-on-year, while the average selling price decreased to approximately RMB19,000 per sq.m. mainly because of the relatively lower average selling price of Originally in Xi'an. In 2022, Originally in Xi'an, and Lingang Project • Ocean One, Qingpu Project • Cloud Vision and Urban Cradle in Shanghai were the Group's principal projects for sale, which accounted for approximately 48.3%, 13.5%, 10.1% and 6.2% of the total contract sales from commodity housing during the year.

Contract sales from affordable housing increased 173.5% year-on-year to RMB3,196,600,000 (2021: RMB1,168,650,000), whereas the contract sales in terms of G.F.A was 256,000 sq.m., up 306.3% year-on-year. Such contract sales were mainly derived from Shangtou Xinhong and Shangtou Baoxu in Shanghai.

Land Bank and New Project Acquisition

As at 31 December 2022, the Group's land bank was developed into 28 property projects located in 10 major cities in China, including Shanghai, Beijing, Tianjin, Xi'an, Chongqing, Wuxi, Shenyang, Yantai, Shenzhen and Wuhan, and comprised medium to high class residential and commercial properties, most of which were completed or still under development. The Group has a land bank with a future saleable planned G.F.A. of approximately 3,784,000 sq.m. to support its development for the next three to five years.

In 2022, the land market in China experienced general decreases in terms of area sold and transaction amount, and the site area sold even plunged to a ten-year low. As the land sale market subdued, the Group persisted in a prudent land acquisition strategy by focusing in the metropolitan areas in Shanghai as well as other first- and second-tier core cities. The Group would take into account project quality and profitability during land acquisition in order to identify premium land. In the first half of 2022, the Group won the bid for the land use rights to six parcels of land for residential and commercial uses in Lingang New Area in the Shanghai Pilot Free Trade Zone with a site area of 119,545 sq.m. at a price of RMB3,890,000,000. In November 2022, the Group acquired the remaining 28.5% interests in the residential, commercial and hotel development project at Originally, Xi'an (which became wholly owned after the acquisition) from Renowned Support Holdings Limited at a consideration of RMB696,000,000, which provided flexibility in project management and the subsequent contract sales or leases of the property units.

In future, the Group will keep on enhancing project quality by following the standards of high-grade cities with a focus on the metropolitan areas in Shanghai, Yangtze River Delta as well as other first- and second-tier core cities. The Group will also identify premium land reserve projects in a prudent manner.

Property Development

During the year ended 31 December 2022, the Group had 12 projects with a total G.F.A. of 2,499,000 sq.m. under construction, which primarily included Originally in Xi'an, Shanghai TODTOWN, Shanghai Lingang and Shandong Yantai projects. The floor space started of the Group was 310,000 sq.m., which mainly came from the Qingpu project and Lingang 103 project in Shanghai. The Group delivered a total G.F.A. of 393,000 sq.m., which mainly comprised West Diaoyutai • Emperor Seal in Beijing, Originally in Xi'an, and Shangtou Xinhong, Shangtou Baoxu and Urban Cradle in Shanghai.

The Group overcame the impact brought by the volatile pandemic and took the opportunity to launch several residential projects for sale. The transaction volume and prices were stable in general. Our affordable housing projects, including Shangtou Xinhong and Shangtou Baoxu in Shanghai, and boutique residential projects, including Originally in Xi'an, and Lingang Project • Ocean One, Qingpu Project • Cloud Vision and Urban Cradle in Shanghai, attracted extensive market attention and posted good presales performance.

With the full relaxation of anti-epidemic measures and implementation of supportive policies in the capital market in the first half of the year, the Group will focus on launching Originally in Xi'an, Lingang Project • Ocean One and Qingpu Project • Cloud Vision in Shanghai and 上實仰山 in Tianjin this year to cater to the market demand for boutique residence.

Investment Properties

During the year ended 31 December 2022, the Group had several completed commercial projects in seven major developed cities, including Shanghai, Beijing, Tianjin, Chongqing, Shenyang, Xi'an and Shenzhen. The investment properties held by the Group had a total G.F.A. of approximately 993,000 sq.m. During the year, the overall rental income of the Group decreased 34.7% year-on-year to HK$541,497,000 (2021: HK$829,307,000), which was mainly attributable to several rent-free periods granted to customers by the Group during the first half to support the anti-epidemic policies of the country and Shanghai government.

In 2016, the central government proposed the development idea that "houses are built to be inhabited, not for speculation". In 2021, the Shanghai government issued the Implementation Opinions on Accelerating the Development of Affordable Rental Housing (《加快發展保租房的實施意見》). The Group's continuous effort to develop the residential leasing operation has gradually entered the harvesting phase and will contribute stable rental income for the Group. During the year, its affordable rental housing project, Jinxiang Project in Shanghai (Utime XuHui), came into operation and became one of the first affordable rental housing community projects in Shanghai to help young people realise their dream of having a comfortable home. The other three long-term rental apartment projects, namely Shanghai Jinxiang, Shanghai Shenzhicheng and Shanghai Chenglong, were under orderly development, offering a total G.F.A. of 295,000 sq.m. In particular, the Shanghai Jinxiang project was open for operation on 22 November 2022. As at the end of December 2022, 150 apartments (with a lease area of approximately 7,153 sq.m.) were leased and all the ancillary shop units (with a lease area of approximately 2,222 sq.m.) were rented out. As for the Shanghai Chenglong project, all structures have been topped out in December 2022, while the Shanghai Shenzhicheng project is planned to be delivered by end of March 2023.

Enhancing the Quality and Efficiency of Digital Infrastructure

The "14th Five-Year Plan" for the development of state-owned assets and enterprises in Shanghai proposed to focus on the historic mission, key responsibilities and main operations of state-owned assets and enterprises, and to accelerate the digital transformation of state-owned enterprises. To carry out this vital deployment, the Group has been working with Ming Yuan Cloud on the basis of its existing digital infrastructure since 2021 to conduct the "Three-Year Three-Phase" programme: Phase I is to consolidate the foundation for data and ensure data timeliness, accuracy and integrity; Phase II is to continuously refine the pillar system and preserve system interconnectivity; Phase III is to achieve online data operation and empower business operations by supporting leadership decision-making with data. During the year, the successful completion of Phase I digital infrastructure consolidated the foundation for the data and business operations of the Group. The Group will keep on promoting the development of Phase II and III to facilitate its restructuring for high quality development.

Repurchase of Shares

The Group began to repurchase the shares of the Company since 17 November 2022. During the year ended 31 December 2022, the Group made 16 share repurchases and a total of 13,646,000 shares were repurchased of which 12,646,000 shares were cancelled before year end, at an aggregate purchase price of HK$7,503,060. The number of repurchased shares accounted for 0.28% of the total issued shares of the Company.

FINANCIAL REVIEW

Revenue

During the year ended 31 December 2022, the Group's revenue increased by 0.1% year-on-year to HK$11,022,496,000 (2021: HK$11,015,088,000), primarily due to strong sales performance recorded by the Group under economic downturn thanks to the timely delivery of competitive flagship projects. During the year, property sales remained as the Group's main source of revenue and amounted to HK$10,275,286,000 (2021: HK$9,937,996,000), accounting for 93.2% (2021: 90.2%) of the Group's total revenue. The revenue contribution from West Diaoyutai • Emperor Seal in Beijing, Originally in Xi'an, and Shangtou Xinhong, Shangtou Baoxu and Urban Cradle in Shanghai accounted for 29.8%, 23.3%, 20.4%, 12.2% and 10.0% of property sales, respectively.

Revenue from leasing, property management and services, and hotel operations continued to provide stable revenue sources for the Group, contributing HK$541,497,000, HK$2,441,000 and HK$203,272,000 (2021: HK$829,307,000, HK$836,000 and HK$246,949,000) respectively and accounting for 4.9%, 0.0% and 1.9% (2021: 7.5%, 0.1% and 2.2%) of the total revenue, respectively.

Gross Profit and Gross Profit Margin

During the year ended 31 December 2022, the Group's gross profit amounted to HK$2,970,470,000, representing a decrease of 16.4% compared with that of the same period in 2021. Gross profit margin was 26.9%, down by 5.4 percentage points as compared to that of the last year. This was mainly attributable to lower gross profit margin of the affordable housing projects delivered during the year. After netting off the effect of the Group's revenue from delivery of affordable housing (whose margin is fixed at 3% of its direct costs according to the relevant policy requirements) during the year, the gross profit margin of the revenue from commodity housing was 39.3%.

Investment Property Revaluation

During the year ended 31 December 2022, the Group recorded a net gain on revaluation of investment properties of approximately HK$3,211,000 (2021: gain of HK$118,614,000), which was mainly attributable to Chenghang project • Uplaza Meilong Lane and ShanghaiMart.

Distribution and Selling Expenses

During the year ended 31 December 2022, the Group's distribution and selling expenses dropped by 28.2% year-on-year to HK$203,355,000 (2021: HK$283,418,000), which was mainly attributable to the year-on-year decrease in commodity housing delivered by the Group.

General and Administrative Expenses

During the year ended 31 December 2022, the Group's general and administrative expenses increased by 23.2% year-on-year to HK$412,633,000 (2021: HK$335,057,000), which was mainly attributable to the increase in fee-based expenses resulting from a larger number of completed projects during the year.

Other Expenses, Gains and Losses, Net

During the year ended 31 December 2022, the Group recorded a net loss of approximately HK$156,171,000 in other expenses, gains and losses (2021: net gain of HK$35,767,000) primarily due to foreign exchange losses on foreign currency denominated bank and other borrowings arising from the depreciation of Renminbi against Hong Kong dollar during the year.

Profit

During the year ended 31 December 2022, the Group's profit decreased by 66.1% year-on-year to HK$305,001,000 (2021: HK$898,684,000). Profit attributable to owners of the Company was approximately HK$406,823,000 (2021: HK$572,328,000). The basic earnings per share amounted to 8.47 HK cents (2021: 11.91 HK cents).

Liquidity and Capital Resources

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

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

As at 31 December 2022, bank balances and cash of the Group were HK$4,477,602,000 (31 December 2021: HK$14,116,711,000). 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 24.0% as at the end of last year to 63.0%. Current ratio was 1.1 times (31 December 2021: 1.2 times).

As at 31 December 2022, the total borrowings of the Group, including bank borrowings, other borrowings, advanced bonds, medium term notes and domestic corporate bonds amounted to approximately HK$17,658,754,000 (2021: HK$19,720,082,000), among which HK$2,083,000,000 (31 December 2021: HK$1,813,000,000) was the short-term borrowings from Shanghai Industrial Holdings Limited. The Group will continue to refine the term of such borrowings based on its business requirements.

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 2022. However, the Group will adopt necessary measures whenever appropriate to minimise the impact arising from exchange rate fluctuations.

Distribution of Dividends

In return for shareholders' unwavering support over the years, the Board resolved through discussion to propose a final dividend of 2.1 HK cents per share in cash and a special dividend of 0.9 HK cents per share in cash (2021: final dividend of 2.1 HK cents and special cash dividend of 2.4 HK cents).

Contingent Liabilities

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

Charge on Group's Assets

As at 31 December 2022, certain bank deposits of approximately HK$32,486,000 (31 December 2021: HK$36,010,000) were pledged to banks to secure mortgage loans granted by banks to the buyers of pre-sale properties. These pledged deposits may be released upon the transfer of the property title certificates to respective buyers.

As at 31 December 2022, certain properties under development for sale, certain investment properties, certain properties, plant and equipment, bank deposits and trade receivables of the Group, with total carrying amounts of approximately HK$7,080,062,000, HK$9,783,232,000, HK$150,424,000, HK$4,960,000 and HK$8,703,000 (31 December 2021: certain properties under development for sale, certain properties held-for-sale, certain investment properties, bank deposits and trade receivables with total carrying amounts of approximately HK$9,791,520,000, HK$9,993,573,000, HK$189,290,000, HK$102,211,000 and HK$11,447,000) respectively, were pledged as collateral for the Group's bank borrowings, details of which are set out in note 33 to the consolidated financial statements.

HUMAN RESOURCES AND REMUNERATION POLICIES

As at 31 December 2022, the Group employed 774 employees (including Hong Kong and PRC offices). The remuneration policies for the employees of the Group are determined according to the performance, qualification, experience and competence of the employees. The emoluments of the directors of the Company (the "**Directors**") are determined by the remuneration committee of the Company, having regard to the operating results of the Group, individual performance and comparable market statistics. Staff benefits include discretionary bonus payments which are linked to the profitability of the Group and individual performances and contributions to the Mandatory Provident Fund Schemes.

The Group had adopted a share option scheme as an incentive to the Directors and eligible employees. During the year ended 31 December 2022, the Group provided training programs relating to work to employees. Activities aiming at building up team spirit were regularly organized for employees, so as to enhance the human capital of the Group and the sense of belonging of the staff.

OUTLOOK

Looking ahead to 2023, from the macroeconomic perspective, the Central Economic Work Conference emphasised the need to "stabilise growth" and gave priority to expanding domestic demand and supporting consumption, such as home improvement. As for real estates, the conference reiterated the position of "the real estate sector as a pillar of the national economy" and urged for the need to guarantee project delivery, livelihood and stability. The conference also instructed local governments to implement a "city-based policy", support rigid and upgrading housing demand, and explore the long-term rental housing market. The principle that "houses are built to be inhabited, not for speculation" was reiterated to press ahead with the stable transition of the property industry to a new development model. With the full relaxation of anti-epidemic measures in the first half of the year, coupled with a series of economic stimulus measures, the macroeconomy will gradually recover, which will help restore home buyers' confidence. We believe that the property industry will stabilise by mid-2023.

In future, upholding the principle that housing is a fundamental livelihood issue, the Group will support rigid and upgrading housing demand and explore the long-term rental housing market with a focus on Shanghai while expanding to the Yangtze River Delta and other first- and second-tier core cities. Meanwhile, the Group will fully leverage on its sound financial and operational capability to continue to implement a robust diversified development strategy and facilitate different business operations, such as city-industry integration and placing dual focus on leasing and sale. The Group will increase its premium land reserve in a steadily progressive manner to open up its scope and opportunities for development so as to create more fruitful investment returns for the shareholders at large.

INVESTOR FAQ

Q

HIT HARD BY THE VOLATILE EPIDEMIC SITUATION, CHINA'S ECONOMY STILL RECORDED A GROWTH OF 3% IN ITS ANNUAL GROSS DOMESTIC PRODUCT (GDP) IN 2022. HOW DID THE COMPANY REACT TO THE DEEP ADJUSTMENTS IN THE PROPERTY INDUSTRY IN CHINA AND THE FLUCTUATING ECONOMIC ENVIRONMENT?

A

The Group remained steadfast to making steady progress. Fully leveraging on the opportunities presented by effective pandemic control in China and continual rebound of the focus markets, the Group facilitated dual-track development in commodity and affordable housing in core cities and launched various residential projects for sale. By virtue of its excellent capability of getting things done, flexibility and strong resilience, the Group saw steady performance in all of its operational indicators during the year and good presales results across its projects. High-quality flagship projects, including West Diaoyutai • Emperor Seal in Beijing, Originally in Xi'an and Urban Cradle in Shanghai, and affordable housing projects, including Shangtou Baoxu and Shangtou Xinhong in Shanghai, continued to contribute remarkable sales revenue for the Group.

Q

IN 2022, THE LAND MARKET IN CHINA EXPERIENCED GENERAL DECREASES IN TERMS OF AREA SOLD AND TRANSACTION AMOUNT, AND THE SITE AREA SOLD EVEN PLUNGED TO A TEN-YEAR LOW. IN FACE OF THE DRASTIC CHANGE IN THE LAND MARKET AND THE SHIFT FROM THE "TWO CONCENTRATION" POLICY TO A CENTRALISED LAND SUPPLY PATTERN OF "CONDUCTING SMALL BUT FREQUENT SALES", HOW HAS THE COMPANY CHANGED ITS LAND ACQUISITION STRATEGY?

A

During the year, the Group adopted a more prudent land acquisition strategy and kept abreast of the changes in land policies with a focus in the metropolitan areas in Shanghai as well as other first- and second-tier core cities. To identify premium land, the Group took into account project quality and profitability during land acquisition. The Group obtained the land use rights to six parcels of land in Lingang New Area in the Shanghai Pilot Free Trade Zone in June and acquired the remaining 28.5% interests in the residential, commercial and hotel development project at Originally, Xi'an in November. In future, the Group will keep on enhancing project quality by following the standards of high-grade cities and identifying premium land reserve projects in a prudent manner.

INVESTOR FAQ

Q IN THE SECOND HALF OF 2022, WHILE CHINA'S PROPERTY DEBT CRISIS CONTINUED AND RAISED MARKET CONCERN OVER THE FINANCIAL CONDITIONS OF MAINLAND PROPERTY DEVELOPERS, SUPPORTIVE FINANCING POLICIES FOR THE PROPERTY SECTOR WERE ALSO ROLLED OUT. HOW DID THIS AFFECT THE COMPANY?

A Adhering to the principle of prudent capital management for lower borrowing costs, the Group achieved stable financial performance on the whole. In the first half of 2022, the Group succeeded in the issuance of the 2022 first tranche medium term notes with an aggregate principal amount of RMB880 million. During the second half of 2022, the Group was granted a revolving term loan facility of RMB400 million; completed the issuance of corporate bonds with a principal amount of RMB1,150 million; and entered into a three-year loan agreement for an amount of RMB2,400 million. In addition, several share repurchases were carried out by the Group starting from the second half of the year, demonstrating the management's confidence in the future development of the Group.

Q WHAT MEASURES HAS THE COMPANY TAKEN TO COPE WITH THE TREND OF QUALITY AND EFFICIENCY ENHANCEMENT FOR ENTERPRISES? WHAT ARE THE AREAS OF FOCUS?

A The Group has been working with Ming Yuan Cloud on the basis of its existing digital infrastructure since 2021 to conduct the "Three-Year Three-Phase" programme: Phase I is to consolidate the foundation for data and ensure data timeliness, accuracy and integrity; Phase II is to continuously refine the pillar system and preserve system interconnectivity; Phase III is to achieve online data operation and empower business operations by supporting leadership decision-making with data. While the foundation for its data and business operations has been consolidated, the Group will keep on promoting the development of Phase II and III in future. We believe that digital infrastructure will help the Group facilitate the restructuring for high quality development and bring speed and precision in its decision-making.

Q THE CENTRAL GOVERNMENT PROPOSED THE DEVELOPMENT IDEA THAT "HOUSES ARE BUILT TO BE INHABITED, NOT FOR SPECULATION" AS EARLY AS IN 2016, AND HAS BEEN ATTACHING GREAT IMPORTANCE TO THE SUPPLY OF AFFORDABLE RENTAL HOUSING OVER THE YEARS. HOW IS THE PROGRESS OF THE RENTAL HOUSING OPERATION OF THE COMPANY IN RECENT YEARS?

A The Group continued to follow the development strategy of placing a dual focus on property leasing and selling. During the year, its affordable rental housing project, Utime XuHui, became one of the first affordable rental housing community projects in Shanghai. The other three long-term rental apartment projects, namely Shanghai Jinxiang, Shanghai Shenzhicheng and Shanghai Chenglong, were under orderly development, offering a total G.F.A. of 295,000 sq.m. In particular, under the Shanghai Jinxiang project, 150 apartments (with a lease area of 7,153 sq.m.) were leased and all the ancillary shop units (with a lease area of 2,222 sq.m.) were rented out. As for the Shanghai Chenglong project, all structures have been topped out in December 2022, while the Shanghai Shenzhicheng project is planned to be delivered by end of March 2023.

Q WITH FULL RELAXATION OF QUARANTINE MEASURES IN CHINA AND THE LAUNCH OF VARIOUS POLICY INSTRUMENTS TO SUPPORT THE STABLE DEVELOPMENT OF THE PROPERTY MARKET BY THE CENTRAL GOVERNMENT, HOW DOES THE COMPANY SEE THE PROPERTY MARKET IN 2023?

A As the Central Economic Work Conference reiterated the position of the real estate sector "as a pillar of the national economy" and urged for the need to guarantee project delivery, livelihood and stability, the property industry is expected to stabilise by mid-2023. Upholding the principle that housing is a fundamental livelihood issue, the Group will facilitate different business operations, such as city-industry integration and placing dual focus on leasing and sale, with a focus on Shanghai while expanding to the Yangtze River Delta and other first- and second-tier core cities. Meanwhile, the Group will gradually increase its premium land reserve to open up its scope and opportunities for development.

DETAILS OF PROPERTIES — LAND BANK

Artist Impression — West Diaoyutai • Emperor Seal

As at 31 December 2022

Project	City	Site area (sq.m.)	Planned G.F.A. (sq.m.)	Saleable G.F.A. (sq.m.)	2022 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	5,942	811,549	97,505	–	–	Completed	53.1%
Shanghai Youth City	Shanghai	57,944	212,130	166,261	–	139,840	26,421	–	–	Completed	100.0%
Shanghai Jing City	Shanghai	301,908	772,885	609,488	4,880	599,881	9,607	–	–	Completed	59.0%
TODTOWN	Shanghai	117,825	605,000	385,300	3,120	77,673	307,627	220,991	107,904	Complete by phase from 2020 to 2024	20.7%
Contemporary Art Villa • Jade Villa	Shanghai	116,308	80,777	80,777	2,057	80,448	329	8,955	–	Complete by phase from 2018 to 2023	100.0%
Contemporary Splendour Villa • Courtyard Villa	Shanghai	120,512	191,636	68,404	421	67,005	1,399	–	–	Completed	100.0%
Shangtou Xinhong • Uplaza Xinhonghui	Shanghai	89,432	289,271	227,218	150,294	150,294	76,924	76,924	–	Complete by phase from 2021 to 2023	90.0%
Shangtou Baoxu	Shanghai	118,880	306,167	234,653	100,913	216,360	18,293	–	–	Completed	71.3%
Chenghang Project • Uplaza Meilong Lane	Shanghai	20,572	60,195	60,195	3,941	3,941	56,254	–	–	Completed	80.0%
Jinxiang Project • Utime XuHui	Shanghai	17,161	48,050	48,050	–	–	48,050	–	–	Completed	59.0%
Shenzhicheng Project • Utime Xinzhuang	Shanghai	47,435	128,075	128,075	–	–	128,075	102,421	–	Complete by phase from 2022 to 2023	29.5%
Chenglong Project • 城開創社區	Shanghai	47,383	118,458	118,458	–	–	118,458	118,458	–	Complete in 2023	59.0%
Guilin Road Aerospace Project	Shanghai	91,160	590,165	590,165	–	–	590,165	590,165	–	Complete by phase from 2025 to 2026	21.2%
Qingpu Project • Cloud Vision	Shanghai	30,052	45,077	44,047	10,169	10,169	33,878	44,047	–	Complete in 2023	59.0%
Lingang 105 Project • Ocean One	Shanghai	41,961	104,903	101,184	19,266	19,266	81,918	101,184	–	Complete in 2024	47.2%
Lingang 103 Project • 上實聽海	Shanghai	119,545	438,707	264,051	–	–	264,051	50,018	214,033	Complete by phase from 2025 to 2026	80.0%
Youngman Point	Beijing	112,700	348,664	295,114	–	258,814	36,300	–	–	Completed	100.0%
West Diaoyutai • Emperor Seal	Beijing	42,541	250,930	228,070	6,539	219,179	8,891	–	–	Completed	97.5%
Laochengxiang	Tianjin	244,252	752,883	613,357	–	582,737	30,620	–	–	Completed	100.0%
Hedong Polytechnic University Project • 上實仰山	Tianjin	42,146	122,200	122,200	6,989	6,989	115,211	122,200	–	Complete in 2024	100.0%
Urban Development Int'l Center	Wuxi	24,041	193,368	144,581	–	41,900	102,681	–	–	Completed	59.0%
Originally	Xi'an	2,101,967	3,899,867	3,202,324	69,106	2,699,231	503,093	289,706	241,508	Complete by phase from 2008 to 2025	100.0%
Qiyuan Road Project • Qiyuan	Xi'an	51,208	102,418	102,418	188	188	102,230	102,418	–	Complete by phase from 2023 to 2024	100.0%
Shenyang U Center	Shenyang	22,651	228,768	175,377	–	71,660	103,717	–	–	Completed	100.0%
Top City	Chongqing	120,014	786,233	729,785	–	376,424	353,361	–	–	Completed	100.0%
China Phoenix Tower	Shenzhen	11,038	106,190	79,391	–	78,343	1,048	–	–	Completed	91.0%
Yantai Project • Felicity Mansion	Yantai	77,681	159,100	154,300	12,681	12,681	141,619	154,300	–	Complete by phase from 2022 to 2024	100.0%
Yangluo Project • 香開長龍花園	Wuhan	257,600	452,000	437,053	3,029	10,918	426,135	130,581	306,472	Complete by phase from 2024 to 2027	28.9%
Total		**5,388,917**	**12,620,415**	**10,319,350**	**399,535**	**6,535,490**	**3,783,860**	**2,112,368**	**869,917**		

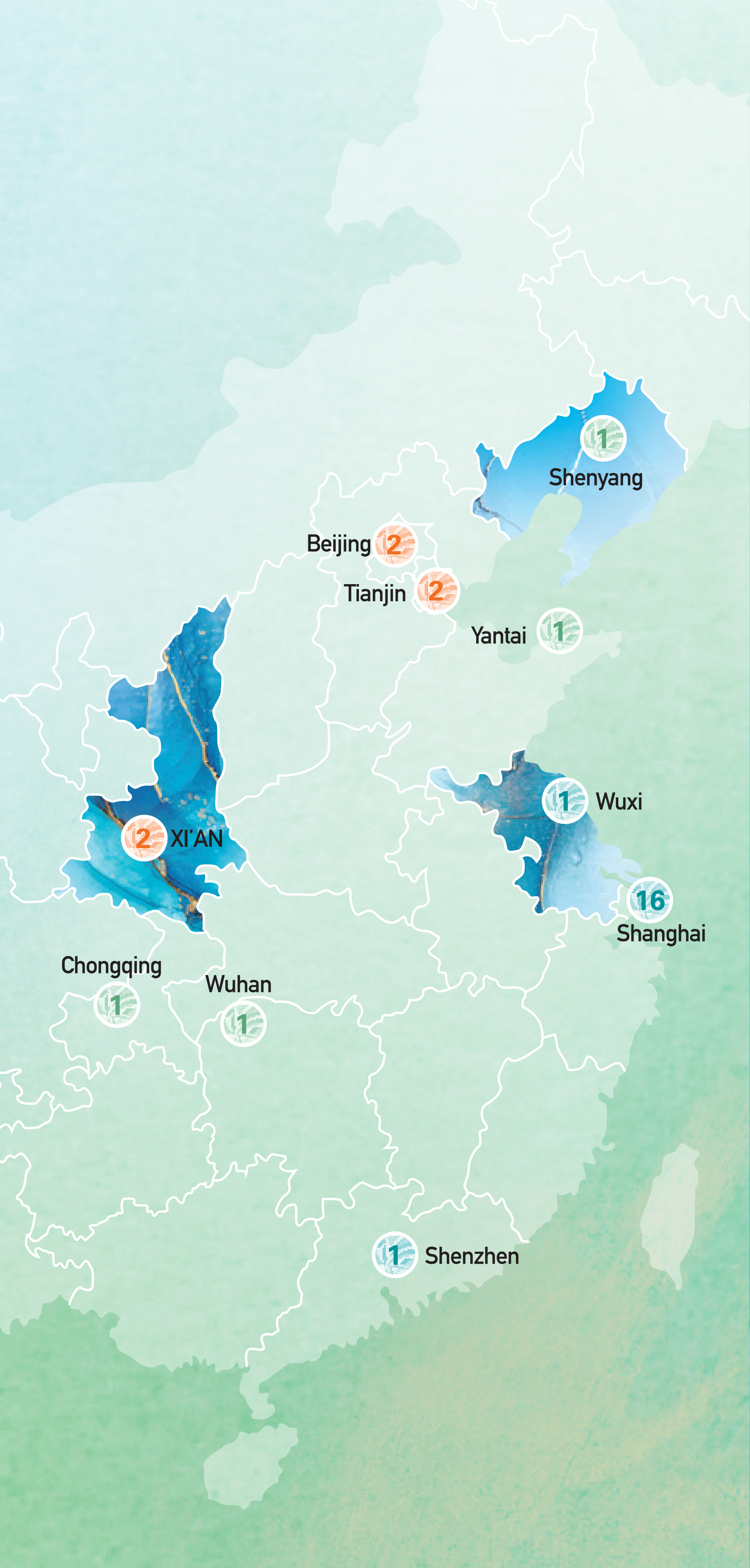
Artist Impression — Jinxiang Project • Utime XuHui

MAJOR INVESTMENT PROPERTIES

Project	City	Property Category	Lease Term	Planned G.F.A. (sq.m.)
Shanghai Youth City	Shanghai	Commercial[5]	Medium-term lease	16,349 [1]
Block A of Urban Cradle	Shanghai	Commercial[5], office	Medium-term lease	57,286 [1]
Top City	Chongqing	Commercial[5], office, parking lot	Medium-term lease	317,405 [1]
China Phoenix Tower	Shenzhen	Office	Medium-term lease	1,048 [1]
Youngman Point	Beijing	Commercial[5]	Medium-term lease	19,768 [1]
Originally	Xi'an	Commercial[5]	Medium-term lease	31,674 [1]
Shenyang U Center	Shenyang	Commercial[5], office	Medium-term lease	64,597 [1]
ShanghaiMart[2]	Shanghai	Exhibition hall, stores and mart, office and parking lot	Medium-term lease	284,651
Urban Development Int'l Tower[3]	Shanghai	Office	Medium-term lease	45,239
YOYO Tower[4]	Shanghai	Commercial[5]	Medium-term lease	13,839
Jinxiang Project • Utime XuHui	Shanghai	Residential	Medium-term lease	48,050 [1]
Others	Shanghai, Tianjin and Kunshan	Commercial[5], office and parking lot	Medium-term lease	92,787
Total				**992,693**

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

INTRODUCTION OF KEY PROJECTS IN CHINA



SHENYANG
- Shenyang • U Center

BEIJING
- Youngman Point
- West Diaoyutai • Emperor Seal

TIANJIN
- Laochengxiang
- Hedong Polytechnic University Project • 上實仰山

WUXI
- Urban Development International Center

SHANGHAI
- Urban Cradle
- TODTOWN
- Shanghai Jing City
- Shanghai Youth City
- Contemporary Art Villa
  - Jade Villa
- Contemporary Splendour Villa • Courtyard Villa
- Shangtou Xinhong
  - Uplaza Xinhonghui
- Shangtou Baoxu
- Chenghang Project
  - Uplaza Meilong Lane
- Jinxiang Project
  - Utime XuHui
- Shenzhicheng Project • Utime Xinzhuang
- Chenglong Project
  - 城開創社區
- Guilin Road Aerospace Project
- Qingpu Project
  - Cloud Vision
- Lingang 105 Project
  - Ocean One
- Lingang 103 Project
  - 上實聽海

SHENZHEN
- China Phoenix Tower

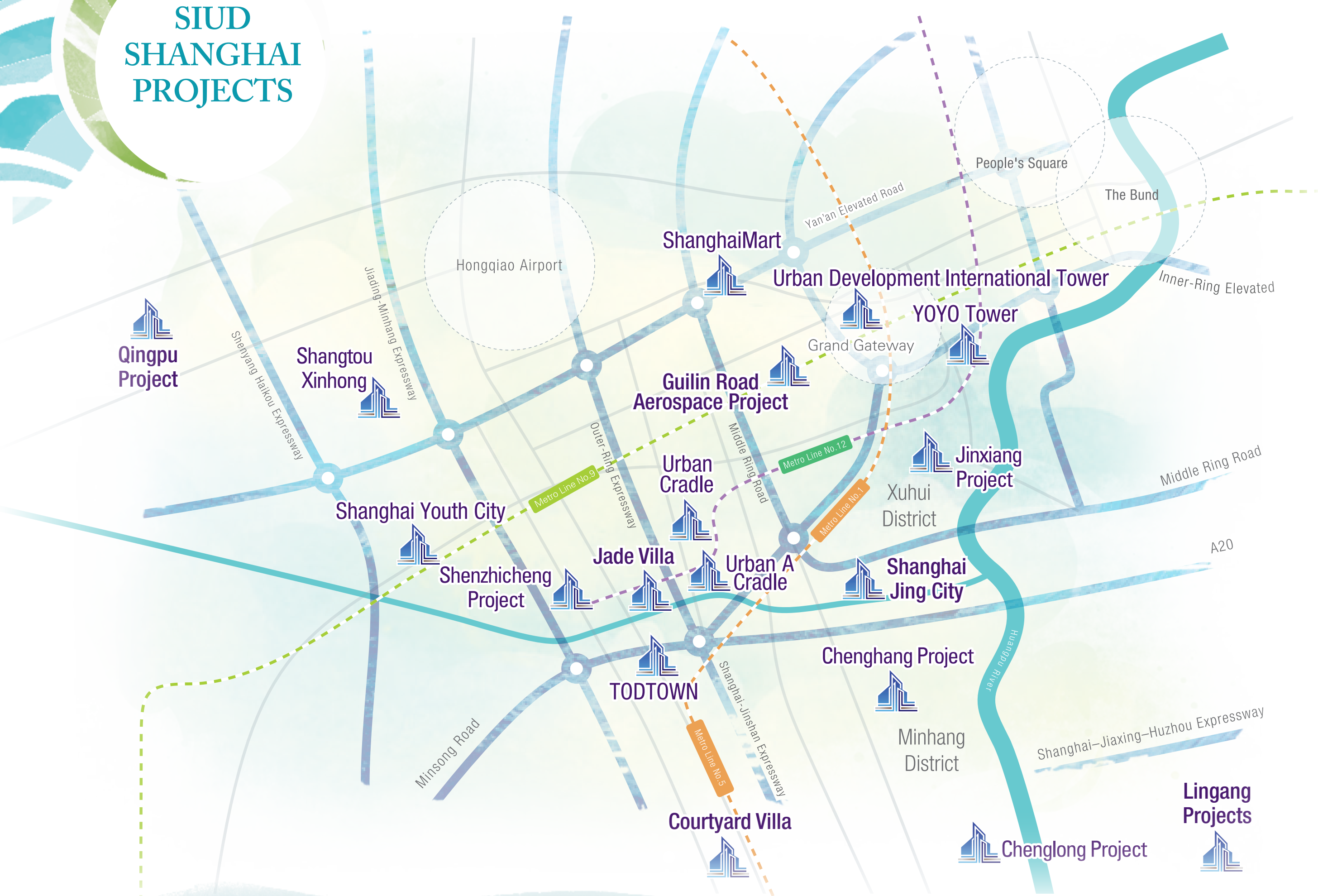
CHONGQING
- Top City

XI'AN
- Originally
- Qiyuan Road Project • Qiyuan

YANTAI
- Yantai Project • Felicity Mansion

WUHAN
- Yangluo Project • 香開長龍花園

SIUD SHANGHAI PROJECTS



URBAN CRADLE

Address:
588 Gulong Road,
Minhang District, Shanghai

Category:
Residence/
Commerce

Feature:

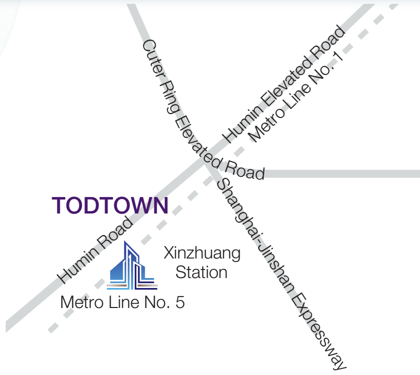
The project is located in Gumei, Minhang District, Shanghai, west of Lianhua Road, east of Hechuan Road, north of Gudai Road and south of Pingnan Road, less than 700 m from the middle ring line. The area is a major focal point for large scale residential development in the "10th Five-Year Plan" of Shanghai. The project spans a total site area of about 943,000 sq.m. with a total G.F.A of about 1.3 million sq.m., including about 770,000 sq.m. of residences, 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.

TODTOWN

Address:
Xinzhuang Town,
Minhang District, Shanghai

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


Artist Impression



Feature:

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

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

CONTEMPORARY ART VILLA • JADE VILLA

Address:
Minhang District,
Shanghai

Category:
Residence


Artist Impression

Feature:

Contemporary Art Villa • Jade Villa is situated in Minhang District in the southwest of Shanghai. The project is adjacent to the Outer Ring Line 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 Hongxin Road Station of Metro Line No. 12 in the east is about 390 m. 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 a total site area of approximately 11.63 hectares and the land’s plot ratio is 0.5. The planned aboveground total G.F.A. is approximately 58,100 sq.m., including planned residential floor area of approximately 48,700 sq.m. and planned public supporting building of approximately 9,300 sq.m. The planned residences of the project are villas.

CONTEMPORARY SPLENDOUR VILLA • COURTYARD VILLA

Address:
Minhang District,
Shanghai

Category:
Residence

Feature:

Contemporary Splendour Villa • Courtyard Villa is situated in Zhuanqiao Town, Minhang District, Shanghai, with Shanghai-Jinshan Expressway (S4) in the east and Dushi Road in the west. It connects the branch of Wujing-Minhang Railway in the south and adjoins Denghui Road in the north. The project enjoys good traffic conditions and cultural environment as the straight-line distance is approximately 1.1 km from the west side of the project to Jianchuan Road Station of rail transit line #5 and approximately 1.8 km from the east side of the project to rail transit line #15 (under construction) with Shanghai Jiao Tong University and Minhang Campus of East China Normal University on the south. The project covers a site 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 10 m. The aboveground total G.F.A. of the project is approximately 72,300 sq.m., and the plot's ratio of green space is more than 35% and the ratio of concentrated green space is above 15%. The project is planned to be built into premium low-density villas.

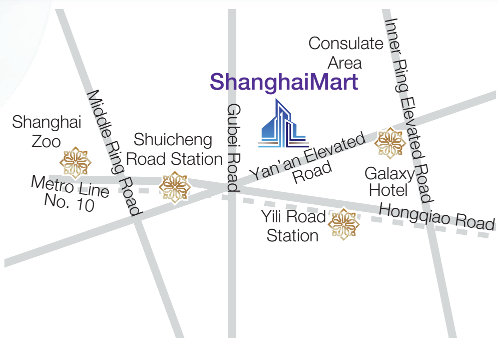
SHANGHAIMART

Address:
2299 Yan'an West Road,
Shanghai

Category:
Exhibition/
Commerce/Office

Feature:

Located in the emerging Shanghai Hongqiao Economic and Technological Development Zone, ShanghaiMart is uniquely positioned with Gubei Road and Hongqiao Road on its west, Yan'an Road on its south as well as the Hongqiao consulate area on its north. Situated next to the Inner Ring Line and the exit of an elevated road, 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 exhibition, trading, office and information functions, ShanghaiMart offers excellent world-class facilities and services to domestic and international merchants and professional buyers.

INTRODUCTION OF
KEY PROJECTS IN CHINA

SHANGHAI JING CITY (INCLUDING "晶秀坊")

Address:
Lane 136,
Xiujing Road, Shanghai

Category:
Residence/Commerce

Feature:

Situated in Meilong Town, Minhang District, the Shanghai Jing City project is an affordable housing project approved by Shanghai Bureau of Housing Security and Housing Administration and was listed as a large scale indemnificatory housing project on the list of major construction projects of Shanghai in 2009, occupying a total site area of about 302,000 sq.m. and a total G.F.A. of 773,000 sq.m. The project is mainly composed of four parts: public rental housing, economically affordable housing, resettlement housing for demolition and relocation purposes as well as ancillary operational housing. In particular, "晶秀坊" was incorporated into the eighth batch of economically affordable housing by the municipal government in 2020. "晶秀坊" has a site area of approximately 15,000 sq.m. and a total G.F.A. of 54,000 sq.m..

Shanghai Jing City will be equipped with two kindergartens, one primary school and one junior secondary school, fully covering the nine-year compulsory education of a child. The project will be supported by three commercial facilities, a community affairs center, a medical center, a sports center and a public transport hub, which can completely satisfy the basic living, cultural and entertainment needs of the local residents.

CHENGHANG PROJECT

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

Category:
Commerce/Office

Feature:

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

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

GUILIN ROAD AEROSPACE PROJECT

Address:
402 Guilin Road,
Xuhui District, Shanghai

Category:
Scientific research and design/ Residential leasing

Feature:

The project is located in the Caohejing New Technology Development Zone with Guilin Road in the east, Cangwu Road in the west, Yishan Road in the south and Qinjiang Road in the north. It is connected to Metro Line Nos. 9 and 15 in close proximity to the inner and central rings and Humin Elevated Road, making it a significant industrial project in Shanghai as well as Xuhui District. Covering a total site area of approximately 91,000 sq.m. with a total G.F.A of approximately 600,000 sq.m. and an aboveground capacity building area of approximately 350,000 sq.m., the project will involve scientific research and design, auxiliary facilities as well as residential leasing. With an open-ended general layout, premium buildings, high-quality lifestyle and scientific research facilities, the future aerospace science and technology city project will help empower the city and enhance regional value.

SHANGTOU XINHONG

Address:
Lane 255, Hualai Road,
Minhang District, Shanghai

Category:
Residence/Commerce

Feature:

Shangtou Xinhong project covers a site area of approximately 205 hectares (including roads, river channels and green areas) with Shanghai-Hangzhou Railway to the east, Songze Elevated Road to the south, Xiaolai Port to the west and the border of Hongxing Village to the north.

There are totally two developable land plots in the project site, which are planned to be used for residential clusters (Category III) and commercial services, respectively.

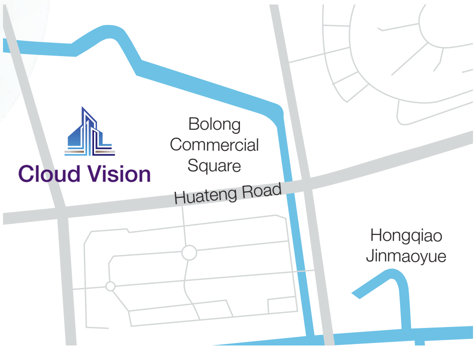
The land plot for residential clusters has a site area of approximately 69,000 sq.m. It is a planned residential site to be used for the construction of resettlement housing for demolition and relocation purposes. With a land plot ratio of 2.15, it is expected to provide a capacity building area of approximately 149,000 sq.m.

The land plot for commercial services has a site area of approximately 19,000 sq.m. It is planned for commercial service purpose. With a land plot ratio of 2.5, it is expected to provide a capacity building area of approximately 49,000 sq.m. Different types of buildings will be constructed on the land plot in the future, including a brand hotel, standalone commercial villas and self-owned commercial buildings.

QINGPU PROJECT • CLOUD VISION

Address:
Lot no. 21-08 located in the north of Huateng Road, Huaxin Town, Qingpu District, Shanghai

Category:
Residence



Feature:

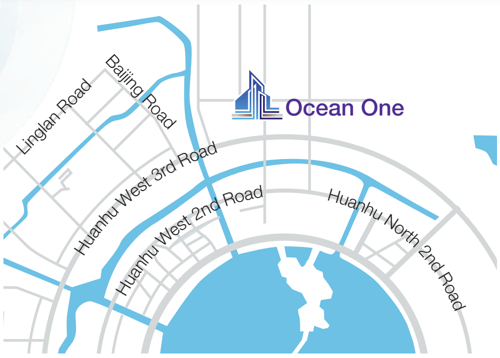
The project is situated in Huaxin Town, Qingpu District, Shanghai between the outer ring and suburban ring. The land plot is located west of Dahong Bridge, about 10 km to the Hongqiao Central Business District and 5 km to the tentative station of the west extension section of Metro Line No. 13, with Xinyi South Road to its east, Huateng Road to its south, Xinfeng North Road to its west and a land parcel under planning to its north.

The project covers a total site area of 30,051.5 sq.m. This low-density high-quality pure residential project in Huaxin Town, Qingpu District will comprise totally 11 buildings, including three 7-storey buildings and eight 8-storey buildings, offering about 463 apartments in total. The project adopts an expansive curvilinear layout instead of a typical barrack-style layout to provide uninterrupted magnificent views and multi-level enjoyment. Coupled with rarely seen extra wide spacing between buildings, the project is set to become a green ecological community. This project will be one of the most potential projects surrounding Dahong Bridge in future.

LINGANG 105 PROJECT • OCEAN ONE

Address:
Lot no. A03-02 located in Unit PDCI-0103, Lingang New Area, the Shanghai Free Trade Zone

Category:
Residence



Feature:

Located at the 105 Financial Hub in Lingang Modern Service Open Area, Pudong New District, Shanghai, the project is mainly skirted by the international community, technological innovation community, family community and technological innovation community from south to north. The land lot is located in the international community with a land parcel under planning to its east, Anmao Road to its south, greenbelt to its west and Luoshenhua Road to its north.

The project covers a total site area of approximately 42,000 sq.m. with a plot ratio of 2.5 and a height limit of 50 m. The total floor area for the calculation of plot ratio is 104,900 sq.m. Embracing the design concept of Lingang New Area, the project aims at building a high-quality community ideal for living and working in order to facilitate the development of Lingang and satisfy future urban planning needs. The project is planned to comprise an affordable housing building, 14 commodity housing buildings, a high-rise building with 13 to 16 storeys and a building for community ancillary facilities, providing approximately 1,009 apartments (inclusive of affordable housing). The varying construction layout of the project is both flexible and innovative. The project will adopt a classical architectural style characterised by the features of a high-quality community.

LINGANG 103 PROJECT • 上實聽海

Address:
The cluster project on lot nos. J10–02, J09–01, J10–01, J11–01, J12–01, J13–01 located in Unit PDCI-0401, Lingang New Area, the Shanghai Free Trade Zone

Category:
Residence/Commerce


Artist Impression

Feature:

Located at the 103 International Innovation and Collaboration Zone in Lingang Modern Service Open Area, Pudong New District, Shanghai, the project is positioned as a cradle of globally leading science. Situated in a community of top-notch scientists, 上實聽海 is an international hub for world-class technological institutions and outstanding talents, with Nangang Avenue to its east, Haiyang 7th Road to its south, Haiji Road to its west and Meirenjiao Road to its north.

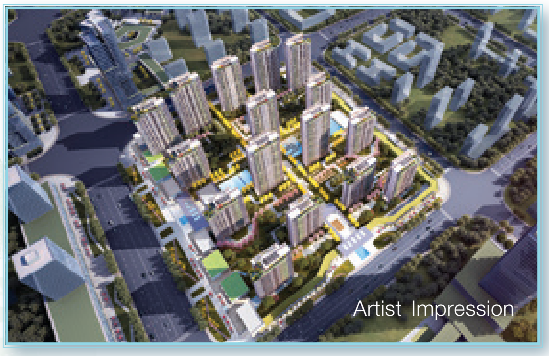
Covering a total site area of approximately 120,000 sq.m. with a total G.F.A. of about 438,500 sq.m. and a total residential area of about 265,300 sq.m., the project is bounded by an ecological park, the Chifenggang Wetland Center, in the east and the sea in the south. We aim at creating an energetic and superb ecological landscape and open area by adopting a classical architectural style to highlight the features of a premium coastal city. The city's skyline will be blended delicately with the sea arc to form a beautiful urban elevation with a focus on the harmonious unity of the architecture, urban space and natural environment. On lot no. 10 under phase I of the project, we plan to build a small high-rise affordable housing building with 9 storeys, five high-rise commodity housing buildings with 16 to 18 storeys as well as commercial ancillary facilities for internal use on a parcel of land.

YANTAI

YANTAI PROJECT • FELICITY MANSION

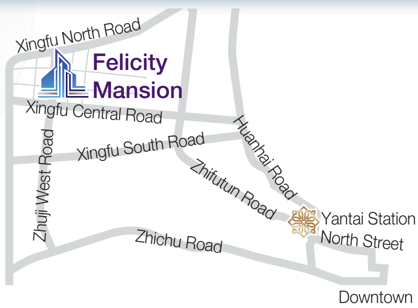
Address:
Southwest to the intersection of Fuyuan Road and Xingfu 12 Village East Street, Zhifu District, Yantai

Category:
Residence/Commerce


Artist Impression

Feature:

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



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

INTRODUCTION OF
KEY PROJECTS IN CHINA

WUHAN

YANGLUO PROJECT • 香開長龍花園

Address:
Intersection of Chaibo Avenue and Jintai Road, Heart of Yangluo, Wuhan

Category:
Residence/Commerce


Artist Impression

Feature:

The project site is situated in the core area of the Heart of Yangluo in the Yangtze River New Area. The project will be surrounded by abundant ancillary facilities, such as commerce, education, landscape, transportation and medical care, in the future, which will empower it with significant advantages and immense potential for development.

Equipped with both residential and commercial functions, the project site is located south to Chaibo Avenue (facing the commercial zone of the Wanda Cultural Tourism City), east to Jintai Road (facing a school site), north to a public primary school site and west to Jinglu Road, with a total planned G.F.A. of approximately 450,000 sq.m..

Posed as a high-end residential product, the project aims to provide a high-end, high-quality liveable environment for the residents by virtue of its proximity to a prestigious school, forward-looking product planning and an extra high efficiency ratio.

BEIJING

WEST DIAOYUTAI • EMPEROR SEAL

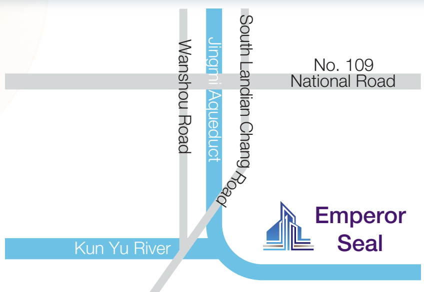
Address:
No. 1 and No. 2 Section, West Diaoyutai Village, Haidian District, Beijing

Category:
Residence


Artist Impression

Feature:

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



TIANJIN

HEDONG POLYTECHNIC UNIVERSITY PROJECT • 上實仰山

Address:
Southeast to the intersection of the planned Jinsuo South Road and Shaoshan Road, Hedong District, Tianjin

Category:
Residence/Commerce


Artist Impression

Feature:

Located west to Hongxing Road, north to Chenglin Road, east to Xinkuo Road and south to Weiguo Road, the project has a site area of approximately 42,000 sq.m. and a total G.F.A. of approximately 175,000 sq.m. (including green areas). The project encompasses residential and commercial functions and certain ancillary public service facilities. The residential function occupies a site area of approximately 116,000 sq.m. at a plot ratio of ≤2.9, while the commercial function occupies a site area of approximately 2,500 sq.m.

As a highly customised aesthetic community dedicated in regional, product and lifestyle revival, the project will offer superb and innovative residential products. Featuring a hotel-style lobby, a multi-functional mocha living room, nature-themed landscape and intelligent community management, the project aims to create a premium liveable environment by combining ecology with technology. Poised to be a real regionally leading project, it will be a key driver for the growth of Hedong District, Tianjin.

SHENYANG

SHENYANG U CENTER

Address:
South Taiyuan Street, Heping District, Shenyang

Category:
Commerce/Office/ Serviced Apartment


Artist Impression

Feature:

The project is located in the most prosperous business district downtown Shenyang — Taiyuan Street, with Zhonghua Road to its north, Minzhu Road to its south, South Taiyuan Street to its west and South Tianjin Street to its east. The region has a 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, entertainment, offices and luxurious apartments, making it an icon of the city.

INTRODUCTION OF
KEY PROJECTS IN CHINA

WUXI

URBAN DEVELOPMENT INTERNATIONAL CENTER

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

Category:
Commerce/Hotel/Office/Serviced Apartment

Feature:

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

XI'AN

ORIGINALLY

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

Category:
Residence/Commerce/Hotel

Feature:

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

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

QIYUAN ROAD PROJECT • QIYUAN

Address:
Intersection of Qiyuan 1st Road and Shangchun North Road, Xi'an
(west of Chanba Tenth School)

Category:
Residence

Feature:

Located at the intersection of Qiyuan 1st Road and Shangchun North Road, the project occupies the core area of the「three-axis, three-belt」development plan of Xi'an. The project enjoys the triple benefits brought by Chanba Ecotope, the International Trade & Logistics Park and the economic development and political affairs area. Situated only 800 m to Ba River, the project is embraced in a green and natural environment while being served by comprehensive international ancillary facilities, making it a low-density high-end residential project around Weiyang Lake.

The project covers a total site area of approximately 76.8 hectares, providing a G.F.A. of about 140,000 sq.m. The project is planned to comprise 15 residential buildings (eight high-rise apartments and seven low-rise apartments), offering 594 apartments in total. With a greening ratio of 35% and a plot ratio of 2.0, the project is available in various layouts and sizes, i.e. 143 sq.m. for small high-rise apartments and 190 sq.m. (flats), 300 sq.m. (top duplex apartments) and 190 sq.m. (bottom duplex apartments) for low-rise apartments. The project is built with metal aluminum plates and masonry paint, with low-emissivity glasses used in the exterior façade of the buildings to create a fashionable and lightly luxurious feeling. Coupled with supreme ecological resources, this project is destined to provide you with a comfortable and pleasant lifestyle.

INVESTOR RELATIONS REPORT

SUMMARY

In 2022, despite the volatile pandemic situation, SIUD still managed to maintain close communication with the capital market and good relationship with investors so that shareholders were accurately informed of the operational conditions and financial performance of the Company in due course.

COMMUNICATION STRATEGY:

SIUD maintains close communication with investors and analysts through the corporate communications department. Regular meetings, conference calls and general meetings are 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;

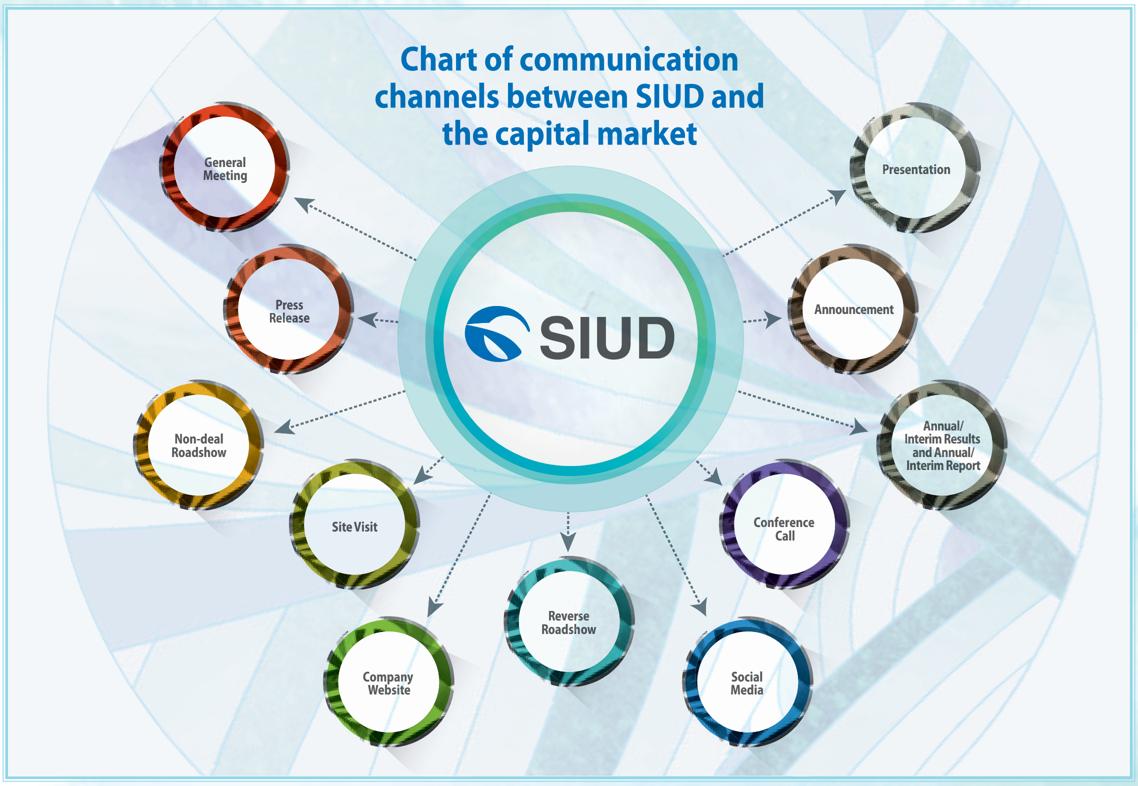
2. Devise development strategies and operate the Company's business on the basis of meeting the values and expectation of shareholders; and

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 2022, SIUD disseminated information to the capital market through multiple channels, including annual reports, interim reports, press releases and announcements. All these information was 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 are 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 and exchange views on the outlook of the property market in Mainland China as well as the capital market in Hong Kong through means such as regular meetings, conference calls and general meetings, to ensure that the Company stays on top of the market pulse and responds to the ever-changing financial market in the nick of time.



CONTINUOUS COMMUNICATION WITH MAINLAND INVESTORS:

In view of the growing impact of Mainland investors on the Hong Kong capital market, SIUD recognises the importance of keeping its relationship with Mainland investors. During the year, SIUD maintained the communication with investors in Shanghai and the Greater Bay Area to effectively communicate the long-term strategies and recent operational conditions of the Group. The investors were also confident in the future stable development of the Company.

ANNUAL GENERAL MEETING:

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

The Company held the annual general meeting at Ballroom, 1/F, South Pacific Hotel, Wanchai, Hong Kong on 23 May 2022. Matters passed on the meeting included the re-election of directors and declaration of final and special dividends in cash. All ordinary resolutions proposed at the annual general meeting were passed by poll.

ANNUAL REVIEW:

During the year, the Group conducted several non-deal roadshows with the investors' meetings organised by investment banks and large institutions, hosting nearly 100 investors and capital market participants to reinforce mutual understanding.

AVAILABILITY OF INFORMATION:

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

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

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRINCIPLES AND PRACTICES

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

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

During the year ended 31 December 2022, the Company has complied with all the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

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

CORPORATE CULTURE AND VALUE

Upholding the corporate value of "vision, responsibility, generosity and collaboration", the Company strives to fully implement the corporate development strategies under a professional and rational operational model in pursuit of continual and efficient return on values. The Company facilitates the continuous reformation of urban lifestyle with its premium and leading products and services while allowing the staff to fully unleash their potentials on a vast and fair career platform. The Company takes on social responsibility of promoting harmonious symbiosis between urban development and human beings for the betterment of the future.

The Board is responsible for determining the mission and value of the Company, promoting the corporate culture among its operations and all the staff and incorporating them into business decisions and operations to ensure that the value and business strategies of the Company are in line with the corporate culture.

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; review the effectiveness of such systems; monitor the performance of the senior management; and determine 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.

The Board has also delegated the duties of Environmental, Social and Governance ("**ESG**") management to the Audit Committee, under which an ESG Working Group is responsible for assisting the Board in performing the ESG-related duties. The Group has also set out the Terms of Reference of the Environmental, Social and Governance Working Group, which clearly states the duties and ESG responsibilities of the ESG Working Group. The ESG Working Group would report its job progress and developments to the Audit Committee and the Board regularly. For details, please refer to the section headed "ESG Governance and Approach" in the ESG Report of the Company.

Being highly concerned about the robustness of the risk management and internal control systems, the Group actively integrates the relevant ESG risk factors into its risk management system in order to better assess and manage material ESG risks. The ESG Working Group is responsible for assisting the Board in identifying, assessing, prioritising and managing the identified material ESG risks, which are then reviewed regularly by the Board. The Board also monitors the effectiveness of the risk management and internal control systems. For details, please refer to the section headed "ESG Risk Management" in the ESG Report of the Company.

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.

BOARD DIVERSITY POLICY

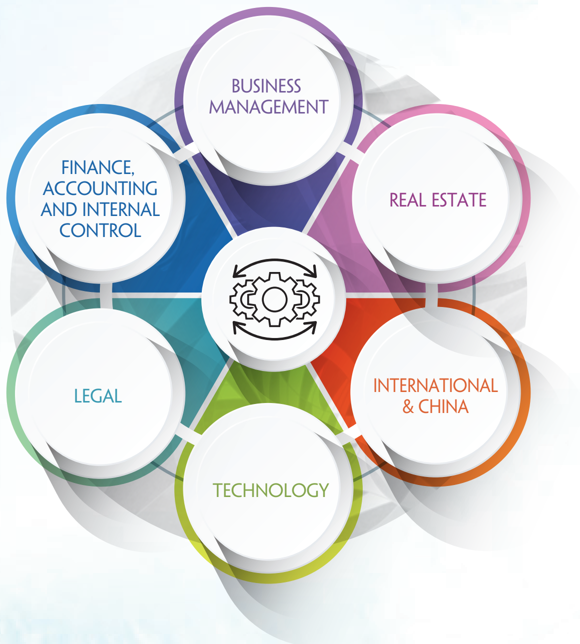
Pursuant to the Code, the Board had adopted a board diversity policy which sets out the approach to achieve and maintain diversity on the Board. The Company recognizes and embraces the benefits of diversity of Board members. While all Board appointments will continue to be made on a merit basis, the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

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

BOARD SKILLS AND EXPERIENCE

The current Board consists the following skills and experiences that contribute to the Company's strategic direction and sustainable and balanced development:

Board Skills and Experiences



The current Board composition has provided the Company with a good balance and diversity of skills and experience appropriate to the requirements of its business.

BOARD COMPOSITION

As at 31 December 2022, the Board comprised eight members, including four executive Directors and four independent non-executive Directors, complying with Rules 3.10(1) and 3.10A of the Listing Rules. At least one of the independent non-executive Directors has relevant financial management expertise as required by the Listing Rules. The biographical details of each Director are set out in the section headed "BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT" on pages 111 to 118 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.

The Board composition and diversity as at 31 December 2022 are as follow:

According to the Board Diversity Policy adopted by the Board, the Company recognizes and embraces the benefits of having a diverse Board and regard increasing diversity at Board level as an essential element in maintaining its competitive advantage and supporting its sustainable development. The Board recognizes the importance and benefits of the gender diversity at the Board level and would ensure that appropriate balance of gender diversity is achieved with reference to stakeholders' expectation and international and local recommended best practices.

The Nomination Committee periodically reviews the measurable objectives relevant to the Board composition in accordance with the Board Diversity Policy, and monitors the progress on achieving those objectives to ensure that the policy is implemented effectively. As for the gender and age composition, the Nomination Committee considered that enhancement in gender and age diversities should be beneficial to the Group's sustainable development.

BOARD INDEPENDENCE

The Group has established mechanism to ensure independent views and input are available to the Board and such mechanisms will be reviewed annually by the Board. During 31 December 2022, the Board has reviewed the implementation and effectiveness of the following mechanisms:

1. Four out of the eight Directors are independent non-executive Directors, which exceeds the requirement of the Listing Rules that at least one-third of the Board are independent non-executive Directors;

2. The Nomination Committee will assess the independence of a candidate who is nominated to be a new independent non-executive Director before appointment and the continued independence of the current long-serving independent non-executive Directors on an annual basis. All independent non-executive Directors are required to submit a written confirmation to the Company annually to confirm the independence of each of them and their immediate family members, and their compliance with the requirements as set out in the Rule 3.13 of the Listing Rules;

3. The chairman of the Board will meet with the independent non-executive Directors at least annually without the presence of the executive Directors;

4. A Director (including independent non-executive Directors) who has material interest in any contract, transaction or arrangement shall abstain from voting and not be counted in the quorum on any Board resolution approving the same; and

5. No equity-based remuneration with performance-related elements will be granted to independent non-executive Directors.

INDEPENDENCE CONFIRMATION

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

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

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

DIRECTORS AND OFFICERS LIABILITY INSURANCE

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

THE CHAIRMAN AND THE PRESIDENT

The chairman of the Board and the president of the Company are two distinctively separate positions. Mr. Huang Haiping is the chairman of the Board who is responsible for providing leadership for the Board and ensuring that the Board works effectively. Mr. Tang Jun is the president of the Company who, assuming the role of chief executive officer, is responsible for the Group's daily operations, overall business development and management.

MEETING BETWEEN THE CHAIRMAN AND INDEPENDENT NON-EXECUTIVE DIRECTORS

Under code provision C.2.7 of the Code, the chairman should at least annually hold meetings with the independent non-executive directors without the presence of other directors. There was one meeting held between the chairman and the independent non-executive Directors, without the presence of other Directors for the year ended 31 December 2022.

BOARD NOMINATION POLICY

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

1. the personal and professional ethics and integrity;

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

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

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

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

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

DIVIDEND POLICY

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

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

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

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

RESPONSIBILITIES OF DIRECTORS

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

TRAINING AND SUPPORT FOR DIRECTORS

(A) Training

Pursuant to the Code, all Directors shall participate in the continuous professional development programme to develop and update their knowledge and skills so that they can contribute to the Board. During the year ended 31 December 2022, the Company offered several appropriate training sessions for Directors. The training sessions were related to the internal controls, anti-corruption, anti-fraud policies and site visiting. The Company has received from each of the Directors the individual training record of Directors pursuant to C.1.4 of the Code and time involved in public companies or organizations and description of other significant commitments pursuant to C.1.5 of the Code.

During the year ended 31 December 2022, the Directors participated in the following trainings:

	Attending[1]
Executive Directors	
Huang Haiping	✓
Tang Jun	✓
Lou Jun	✓
Ye Weiqi	✓
Independent Non-executive Directors	
Doo Wai-Hoi, William, *B.B.S., J.P.*	✓
Fan Ren Da, Anthony	✓
Li Ka Fai, David, *M.H.*	✓
Qiao Zhigang	✓

Notes:

1. Trainings may include

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

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

   (c) Company's site visiting.

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

(B) Support

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

PRACTICES AND CONDUCT OF MEETINGS

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

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

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

The senior management, the financial controller of the Company and the Company Secretary attend regular Company's board meetings and when necessary, other board and committee meetings to advise on business developments, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Company.

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

The Company's Bye-laws contain provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest. According to current Company's board practice, any material transaction, which involves a conflict of interest for a substantial shareholder or a director, will be considered and dealt with by the Board at a duly convened board meeting of the Company.

THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its own code of conduct regarding dealings in the securities of the Company by the directors and the relevant employees (who are likely to be in possession of inside information relating to the Company or its securities) (the "**Guidelines for Securities Transactions by Relevant Employees**") on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standards set out in the Model Code and its code of conduct regarding directors' securities transactions for the year ended 31 December 2022.

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 2022.

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 2022 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	2022 AGM[1]
Executive Directors						
Huang Haiping	4/4			1/1		0/1
Tang Jun	4/4				2/2	0/1
Lou Jun	4/4					0/1
Ye Weiqi	4/4		2/2			0/1
Independent Non-executive Directors						
Doo Wai-Hoi, William, *B.B.S., J.P.*	4/4	2/2	2/2	1/1		1/1
Fan Ren Da, Anthony	4/4	2/2	2/2	1/1	2/2	1/1
Li Ka Fai, David, *M.H.*	4/4	1/2				1/1
Qiao Zhigang	4/4				2/2	0/1

Note:

1. The 2022 annual general meeting of the Company was held on Monday, 23 May 2022.

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, *M.H.* (Committee Chairman), Mr. Doo Wai-Hoi, William, *B.B.S., J.P.* and Dr. 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 2022. The Chairman of the Audit Committee, Mr. Li Ka Fai, David, *M.H.* possesses relevant financial management expertise and this meets the requirements of Rule 3.21 of the Listing Rules.

During the year ended 31 December 2022, 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. The Audit Committee also reviewed the progress report on the preparation of the ESG report and recommended the ESG report to the Board for consideration and approval.

B. Remuneration Committee

The Remuneration Committee currently consists of two independent non-executive Directors, namely Mr. Doo Wai-Hoi, William, *B.B.S., J.P.* (Committee Chairman), Dr. 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 2022, two Remuneration Committee meetings were held to review the remuneration packages of all directors and senior management of the Company, directors' services contracts, the terms of reference for Remuneration Committee and the renewal of the directors' services contracts.

C. Nomination Committee

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

During the year ended 31 December 2022, one Nomination Committee meeting was held and the following works, *inter alia*, were performed by the Nomination Committee:

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

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

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

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

D. Investment Appraisal Committee

The Investment Appraisal Committee currently consists of two independent non-executive Directors, namely Dr. Fan Ren Da, Anthony (Committee Chairman) and Mr. Qiao Zhigang and one executive Director, namely Mr. Tang Jun.

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 2022, two Investment Appraisal Committee meetings were held to discuss and consider, inter alia, the following matters:

1. Major and connected transaction acquisition of the target company holding 28.5% equity interest in a non-wholly owned subsidiary (details can be found in the announcements of the Company dated 30 November 2022 and 21 December 2022); 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 2022, the Company Secretary has duly complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules which requires the Company Secretary to take no less than 15 hours of relevant professional training. The biographical details of the Company Secretary are set out in the section of "BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT" in this annual report.

ACCOUNTABILITY

The Directors are responsible for overseeing the preparation of accounts of each financial period, which give a true and fair view of the state of affairs of the Company and the Group and of the Group's results and cash flow for the period. In preparing the financial statements for the year ended 31 December 2022, appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants which are pertinent to its operations and relevant to the financial statements on the going concern basis were adopted. The Company has received acknowledgements from all Directors of their responsibilities for preparing the financial statements. It is the responsibility of the auditor to form an independent opinion, based on their audit, of these financial statements and to report their opinion to the members of the Company, as a body, and for no other purpose. The auditor does not assume responsibilities toward or accept liability to any other person for the contents of their report.

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

INTERNAL CONTROLS

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

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

Anti-fraud and anti-corruption policies and procedures

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

The whistleblowing policy has been put in place to facilitate reporting (including anonymous reporting) of concerns, misconduct or misalignment. Any possible improprieties in financial reporting, internal control or other matters will be reported to Audit Committee and the Board.

Inside Information Disclosure

The Company also established its own Inside Information Disclosure Policy and required reporting compliance by all of its subsidiaries with a view to maintain good corporate governance within the Group and to ensure due disclosure of corporate information as well as to enhance corporate transparency.

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 133 to 138.

During the year ended 31 December 2022, 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 2022	5,317
— other audit-related services	1,970
Total:	7,287

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.

Shareholders Communication Policy

The Company recognizes the importance of sustaining good communication with its shareholders (including individual, corporate shareholders and general investors) and therefore consistently strives to increase transparency of the Company in order to timely inform the shareholders the operation status and financial performance of the Company. To maintain good communication with shareholders, the Company has in place the Shareholders Communication Policy for communication with shareholders.

Full details of the Shareholders Communication Policy are available on the "Corporate Governance" page under the Company's website (www.siud.com). For the details of the shareholders communication strategy and method, please refer to the "INVESTOR RELATIONS REPORT" section as set out in this annual report.

CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2022, there is no significant change in the Company's constitutional documents.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. ABOUT THIS REPORT

This Environmental, Social and Governance report ("**this report**") aims to provide the concept, management approach, measures and performance of Shanghai Industrial Urban Development Group Limited and its subsidiaries (collectively referred to as "**SIUD**", the "**Group**", "**we**" or "**us**") in the environmental, social and governance ("**ESG**") aspect. For information about the corporate governance of the Group, please refer to the "Corporate Governance Report" section as set out in this annual report.

1.1 Reporting Scope

Unless otherwise indicated, this report covers the same scope as set out in the consolidated financial statements contained in this annual report and includes the core businesses of the Group: residential and commercial properties development, property investment and hotel operations in the PRC. Unless otherwise indicated, the reporting period is from 1 January 2022 to 31 December 2022 (the "**reporting period**").

1.2 Basis of Preparation

This report has been prepared by the Group in compliance with the Environmental, Social and Governance Reporting Guide (the "**ESG Guide**") set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited published by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") in accordance with the four reporting principles contained in the ESG Guide. The Group has made corresponding information disclosure in respect of all the "mandatory disclosure requirements" and "comply or explain" provisions set out in the ESG Guide.

Materiality	The Group has disclosed the material environmental and social impact of its main operations in this report. During the preparation of this report, the Group determined the material issues as key disclosures of this report by conducting a materiality assessment and inviting the Board for opinions. For the process and results of the materiality assessment, please refer to the section headed "Materiality Assessment" in this report.
Quantitative	The Group continuously records and discloses the quantitative indicators related to its operations for readers to better assess the efficiency of its ESG management system. Besides, the Group has disclosed the standards, methodologies and assumptions used in calculating the environmental data, and the sources of the unit conversion factors being used.
Balance	This report provides an unbiased picture of the Group's ESG management performance during the reporting period and an objective view of the Group's operation.
Consistency	Unless otherwise indicated, this report adopts statistical and calculation methods which are consistent with those used in the past reports to allow for meaningful comparison of the quantified environmental and social performance.

2. ESG GOVERNANCE AND APPROACH

The Group is dedicated in establishing a robust corporate governance and compliance system, incorporating ESG elements into its corporate strategies and operations and refining the risk management and internal control systems, with a view to enhancing the sustainability and competitiveness of its operations.

2.1 ESG Governance System

The Board of the Group believes that a balanced ESG governance structure can help the Group manage ESG-related issues and risks more effectively. The Board is responsible for supervising the ESG management approaches and strategies of the Group, ensuring that the progress of material ESG issues related to the Group are monitored by means of target setting and responding to stakeholders' concerns in a responsible manner. During the reporting period, the ESG Working Group under the Audit Committee of the Group assisted the Board in performing ESG-related duties. The secretary to the ESG Working Group is acted by the representative from the Company Secretary Department of the Group, while members of the ESG Working Group include representatives from the Administrative Office, Human Resources Department, Project Management Department and Audit Department. The Group has also set out the Terms of Reference of the Environmental, Social and Governance Working Group, which clearly states the duties and ESG responsibilities of the ESG Working Group. The ESG Working Group would report its job progress and developments to the Audit Committee and the Board regularly.

The main duties of the ESG Working Group include but are not limited to:

- assisting the Audit Committee and the Board in coordinating and managing the ESG issues of the Group and arranging each functional department of the Group to implement and enforce ESG-related tasks;

- assisting the Audit Committee and the Board in formulating ESG management approach and strategies, including assessing, prioritising and managing material ESG-related issues (including the business risks of the Group);

- assisting the Audit Committee and the Board in identifying and assessing the ESG risks related to the Group and ensuring that the Group has set up an appropriate and effective ESG risk management and internal control systems;

- assisting the Audit Committee and the Board in setting ESG-related goals and reviewing the progress of achieving such goals.

2.2 ESG Risk Management

Being highly concerned about the robustness of the risk management and internal control systems, the Group actively integrates the relevant ESG risk factors into its risk management system in order to better assess and manage material ESG risks. The ESG Working Group is responsible for assisting the Board in identifying, assessing, prioritising and managing the identified material ESG risks, which are then reviewed regularly by the Board. The Board also monitors the effectiveness of the risk management and internal control systems. We conducted an ESG risk assessment during the reporting period. The process is detailed as follows:

1. Identifying ESG risks and updating the ESG risk database

We analysed the industry trends, ESG issues of the Group, our internal list of risks and the ESG issues that our peers were concerned about and identified 23 ESG risks that were related to the Group, based on which the ESG risk database was updated for the reporting period.

2. Prioritising ESG risks

The Group asked the persons-in-charge of each functional department via an online questionnaire to assess from two perspectives: the "severity of the occurence of a risk" and the "probability of the occurence of a risk". We created an ESG risk matrix based on the assessment results and defined those risks with "medium" and "high" risk levels as material risks. A total of 17 material risks were identified from the environmental, social, governance and technological aspects.

3. Asking the Board to review and confirm material ESG risks

The ESG Working Group asked the Board to confirm the assessment results of the material ESG risks and devise relevant risk management measures for the identified ESG risks.

Based on the assessment of ESG risks, the Group identified the following material ESG risks that were crucial to its operations and business and devised management strategies and measures to mitigate, adapt to and avoid the impact of such ESG risks on its business:

Aspect	ESG Risk	Management Measures
Environmental	Climate change: physical risks	• Formulating and implementing various measures in response to climate change, such as conducting contingency training and drills on a regular basis, adopting the construction design of renewable energy in the project development process (e.g. solar photovoltaic system), practising green construction, and continuing to promote green operation and environmental awareness.
	Man-made environmental disasters	• Requiring the contractors to strictly comply with the national and local laws and regulations relating to the environment (e.g. the Construction Law of the People's Republic of China) and execute the measures as set out in the environment management checklist for the construction period during project construction, so as to reduce the negative impact of the construction activities on the environment during the project construction stage.
	Environmental pollution	• Promoting green development, continuously strengthening the control and supervision of environmental pollutions during the project construction process, handling different kinds of dust, waste gas, sewage, solid waste and noises from construction sites, and exercising environmental management in the operation of properties and offices in order to reduce environmental pollution incidents.
	Loss of natural resources and biodiversity	• Endeavouring to facilitate the implementation of green initiatives in upstream and downstream industry chains to reduce the loss of natural resources and biodiversity, while striving to raise the energy saving and green design standards in order to reduce the impact of the entire construction lifecycle on the environment.
	Natural disasters	• Continuing to conduct trainings and drills on flood and typhoon control, emergency equipment repairs, fire prevention and extinguishing, evacuation and escape, etc., and inviting the relevant parties (including construction units, tenants and merchants) to join the trainings in order to enhance their safety awareness and contingency response capability with a view to lowering the risks brought by safety incidents and potential natural disasters.

Aspect	ESG Risk	Management Measures
Social	Risk of pandemic spreads	• Strengthening internal control over the COVID-19 pandemic, actively following the infection control guidelines and requirements issued by the government, formulating an emergency response plan for infection control and implementing a series of anti-epidemic measures, such as providing epidemic prevention supplies to staff members, recording the body temperature of staff members, implementing staggered working hours and encouraging staff members to hold meetings via telephone or video conferencing.
	Staff health and safety	• Strictly adhering to laws and regulations relating to occupational health and safety, and setting up an Occupational Safety Production Management Committee to lead and monitor the occupational health and safety measures of the Company and guarantee the effective implementation of safe production measures.
	Product and service quality	• Formulating a series of internal policies, including the Design Management System, Construction Quality Management System and Administrative Measures on Construction Progress Planning, to standardise the project quality management process for providing quality products to customers. • Holding tenant seminars to discuss the management service, software and hardware facilities and ancillary services with the representatives of the tenants, providing timely response to the enquiries from the tenants, ensuring proper handling of complaints and maintaining good customer service.
	Management of intellectual property rights	• Managing construction design patents and trademark registrations to ensure non-infringement of third-party intellectual property rights or trade secrets.
	Staff benefits and welfare	• Formulating the Staff Manual, the Group's Standards and Implementation Rules on Staff Benefits and the Implementation Rules on Employment, Compensation and Leave in Hong Kong to set out staff benefits and welfare, such as insurance, medical welfare and maternity leave.

Aspect	ESG Risk	Management Measures
	Staff development and training	• A training plan is devised every year. The training plan in 2022 covered the Administrative Office, Legal Department and several operational departments. Internal and external lecturers are invited to provide training for the purpose of enhancing the competitiveness of our employees.
	Supply chain management	• Formulating policies, including the Tender and Procurement Management System, the Qualified Project Supplier Administrative Measures and the SIUD Design Supplier Database Management System, and updating the Selection and Management Requirements for Specific Project Design Suppliers of SIUD during the reporting period to standardise the selection and assessment of suppliers. This can ensure that we cooperate with premium suppliers to reduce our supply chain risks.
	Information security and privacy protection	• The project companies would store the data and private information of customers properly in the Group's management system while customers' files are placed under classified management to avoid data breaches and protect the information and privacy of customers.
Governance	Business ethics	• Strictly adhering to laws and regulations relating to bribery, extortion, fraud and money laundering. The Staff Manual has been formulated to require every employee to upkeep the professional ethical standards of abiding by the law, probity, honesty and dedication, which are advocated by the Company. Employees must always safeguard the Company's interests and be responsible for the society in performing their duties.
	Risk management and internal control	• Formulating and following the risk management and internal control procedures to identify and control the risks arising internally and externally. The management actively participates in and exercises an effective internal control process for the best interests of the Group and shareholders. For instance, the Company has established a comprehensive ESG management system and a four-level reporting mechanism to report the progress and results of ESG management to the Board regularly in order to assist the Board in fully performing its ESG governance functions.

Aspect	ESG Risk	Management Measures
	Laws and compliance	• Setting up the Corporate Governance Committee and formulating the codes of practice for review and supervision and a compliance manual in a timely manner to monitor the Company's compliance with the codes and disclosures.
Technological	Cyber security incidents	• The project companies would store the data and private information of customers properly in the Group's management system while customers' files are placed under classified management to avoid data breaches and protect the information and privacy of customers.

2.3 Communication with Stakeholders

The Group recognises that communicating with stakeholders is a crucial part of the Group's daily operations. We play an active role in maintaining effective communication and exchange with the stakeholders to understand their topics of concern and expectations on the ESG performance of the Group.

The Group has been maintaining communications with its stakeholders through different channels and ways, including holding general meetings, coordinating the exchanges and communications with government departments, conducting joint field research, organising customer satisfaction surveys and holding face-to-face staff meetings. The Group would also showcase its ESG work and performance to the stakeholders and external parties through publishing annual ESG reports.

2.4 Materiality Assessment

To fully understand and respond to the requirements, opinions and expectations of the stakeholders on the ESG work of the Group, the Group engaged a third-party consultancy firm to conduct a materiality assessment during the reporting period. Since there was no material change to the Group's operations during the reporting period, by revisiting the ESG materiality assessment results for 2021 and taking into account its actual business development, the Group assessed that the nine material issues identified in 2021 were still applicable in 2022. The ESG Working Group has asked the Board to review and confirm the results of the materiality assessment. Key disclosures about these issues have been made in this report.

The Group identified the following material issues after reviewing the materiality assessment results (in order of materiality from high to low):

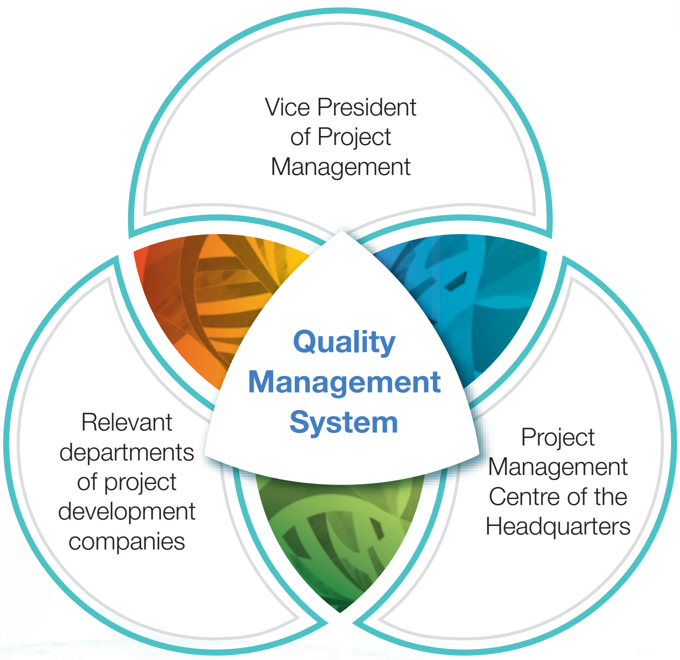
Materiality Ranking (from high to low)	Material Issue	Relevant Section
1	Employment management	Care for Staff and Talent Development
2	Product and service quality	Compliant Operation and Construction Craftsmanship
3	Staff development and training	Care for Staff and Talent Development
4	Occupational health and safety	Care for Staff and Talent Development
5	Green buildings	Care for Environment and Green Operation
6	Effective utilisation of resources	Care for Environment and Green Operation
7	Emission and management of pollutants	Care for Environment and Green Operation
8	Supply chain management	Mutual Growth and Care for Society
9	Anti-corruption	Compliant Operation and Construction Craftsmanship

3. COMPLIANT OPERATION AND CONSTRUCTION CRAFTSMANSHIP

3.1 High Quality Project Construction

Upholding the belief that product quality improvement and stringent risk control are the keys to constructing high quality products, we regard the offering of premium construction products as one of the main focuses of the Group. The Group strictly adheres to laws, regulations and the other industry standards that have a significant impact on the Group relating to product quality and safety, including the Construction Law of the People's Republic of China (《中華人民共和國建築法》) and the Construction Works Quality Management Ordinance (《建設工程質量管理條例》). The Group has formulated a series of internal policies, including the Design Management System, Construction Quality Management System and Administrative Measures on Construction Progress Planning, with a view to providing high-quality and suitable products to customers while embracing the new business norm.

The Group makes endless efforts to refine its product quality management system. Our three-level project quality management hierarchy comprises the Vice President of Project Management, Project Management Centre of the headquarters and the relevant departments of project development companies. They are responsible for supervising the entire project development and construction process to further prevent systematic quality problems.



Under this sound project quality management hierarchy, the Group implements various quality management measures at the project design, construction and delivery stages to ensure that the quality and development progress of a project meet the expected targets and satisfy customers' expectations.

Design	The Group keeps on enhancing the project design and design inspection stages. By working hand-in-hand with the project design team, we maintain close communication and coordination with the team at the stages of conceptual design, proposal design and construction drawing design. To enhance project quality, we continue to innovate and apply advanced construction techniques and use the Building Information Modeling (BIM) technique in certain projects in order to create safe and high-quality project designs.
Construction	At the project construction stage, the Group would require the construction units (including the main contractor and sub-contractors) to devise a general construction plan. The Group would also hire a qualified supervision unit to closely monitor and inspect the entire process at the construction site for quality and safety assurance as well as safeguarding the health and safety of construction workers. In respect of the use of materials and equipment, the Group supervises the construction units based on the requirements of the Construction Quality Management System to ensure that qualified and safe materials, components and equipment are used. The Group would also conduct sample tests or review on the materials together with the supervision units on-site. To ensure that project quality and safety are under control, the Group has set up a Progress Management System, under which the Group clearly identifies the difficulties and challenges encountered during the construction process and devises and implements the solutions in a timely manner by regularly checking, assessing and tracking the progress, quality and safety conditions of its projects. To continually improve the project quality of its project companies, the Group regularly arranges its project companies to share their experiences and tips on construction quality management.
Delivery	The Group has set up a system on acceptance inspection upon completion and delivery management, under which a comprehensive inspection is performed on the project together with the supervision companies, professional engineers and construction units in accordance with the Acceptance Inspection and Assessment Criteria for the Quality of Construction and Installation Projects and the relevant standards before the completion and delivery of a project. If necessary, construction units would be urged to finish repairing any quality defects until the project passes the acceptance inspection process to ensure the delivery of high quality products.

During the reporting period, the Group did not have any projects or design plans that were required to be rebuilt or returned out of safety or quality concerns.

3.2 Improving Customer Experience

The Group is dedicated to proffering excellent service in its property operation, refining customer service experience, and improving service quality and customer satisfaction. During the reporting period, we actively sought customer feedback through various customer satisfaction surveys.

Operation of Commercial and Residential Properties	Hotel Operation
To keep optimising its products, the Group actively communicates and engages with the tenants. During the reporting period, the Group held tenant seminars to discuss the management service, software and hardware facilities and ancillary services with the representatives of the tenants and provided timely response to the enquiries from the tenants. We also organised several brand promotion campaigns for the tenants in order to increase customer loyalty and satisfaction. We spare no effort in addressing customer concerns and complaints with customer experience in mind. Complaints filed by the tenants would go through the supervision and self-inspection process conducted by the property and commercial management department, and then be passed to the relevant engineering and technical departments in a timely manner, to ensure proper handling of the matters.	The Group attaches high importance to safety management in hotel operation. Apart from implementing a safety accountability system and conducting continuous safety risk assessments, drills, training sessions and inspections, the Group also cooperates with professional bodies to carry out regular repairs and maintenance for the access control system, security and protection system and fire monitoring system, etc. With respect to pandemic control, the Group steps up anti-epidemic publicity, constantly tracks the physical conditions and whereabouts of its staff members online, regularly calculates and updates their itinerary, and follows up on their vaccination situation. Meanwhile, the Group strictly follows the relevant requirements to take preventive anti-epidemic measures in the patron areas, sanitise the public areas, performs temperature and health code checking, and properly files the relevant information.

During the reporting period, the Group received 111 complaints in total for its property operation business. All the complaints were properly handled and resolved during the reporting period.

3.3 Safeguarding Customers' Rights

The Group pays high regard to safeguarding customers' rights. We strictly adhere to national and local laws and regulations that have a significant impact on the Group relating to advertising, including the Advertising Law of the People's Republic of China (《中華人民共和國廣告法》) and the Administrative Measures on Outdoor Advertising Facilities in Shanghai (《上海市戶外廣告設施管理辦法》), and has formulated the Marketing Management System of the SIUD Group to standardise the sales planning and management workflow. The marketing team of each project is responsible for formulating a General Project Marketing Plan, which would then be reported to the Group's marketing centre for review to ensure the accuracy and completeness of the promotion materials and make sure that the marketing plan complies with the requirements of the relevant national and local laws and regulations. Misleading or ambiguous product information and over-commitment are strictly prohibited. During the reporting period, the Group did not violate any laws and regulations that have a significant impact on the Group relating to advertising.

The Group also attaches utmost importance to protecting customer data. The Group strictly complies with the Law of the People's Republic of China on the Protection of the Rights and Interests of Consumers (《中華人民共和國消費者權益保護法》). The project companies of the Group store the data and private information of customers in the Group's management system while customers' files are placed under classified management. The Staff Manual of the Group clearly lays out the compliant conduct on protecting the confidentiality of customer data and requires the employees to shoulder the corresponding responsibility of data security and to keep strictly confidential all customer data. Employees are prohibited from replicating, divulging, stealing or misappropriating customer data in any way. If an employee discovers that any customer data has been or might have been divulged, he/she should take immediate remedial measure and report the same to the Administrative Office or the Human Resources Department in a timely manner in order to prevent and minimise the losses and damages incurred by the individual and the Company as a result of such divulgation.

3.4 Adhering to Business Ethics

The Group has always been upholding the highest standards of business ethics with honesty and integrity across its business operation. The Group strictly adheres to laws and regulations that have a significant impact on the Group relating to bribery, extortion, fraud and money laundering, including the Criminal Law of the People's Republic of China (《中華人民共和國刑法》), the Anti-Unfair Competition Law of the People's Republic of China (《中華和人民共和國反不正當競爭法》), the Anti-Money Laundering Law of the People's Republic of China (《中華人民共和國反洗錢法》) and the Prevention of Bribery Ordinance (《防止賄賂條例》). In addition, we have formulated our internal policies on the prevention of bribery, extortion, fraud and money laundering, including the Working Rules for the Party Probity Culture and Anti-Corruption Coordination Unit, the Administrative Measures on the Probity Files of the Middle Management, the Contact Point System for Members of the Disciplinary Committee and the Measures for the Internal Transfer of Leads related to Disciplinary, Regulatory and Legal Offences, with zero tolerance for any forms of corruption.

Maintaining a Probity Culture

The Group strives to create a workplace underpinned by fair competition, probity and integrity and requires every employee to upkeep the professional ethical standards of legitimacy and self-discipline at all times whether working internally or externally. To this end, the Group has set out the behavioural standards of the employees in the Staff Manual.

During the reporting period, the Group organised the Probity Promotion and Education Month to further strengthen the sense of probity of its staff members. We conducted various forms of anti-corruption education, such as thematic talks on probity, thematic training on disciplinary inspection, quizzes and probity-related conversations, to empower our Directors and staff members and enhance their occupational quality of probity and anti-corruption. During the reporting period, we also organised a thematic study and online quiz competition related to the constitutions and rules of the Chinese Communist Party. Not only did the activities attract all the party members within the Group and managers at mid-level or above (including three Directors), but it was also supported by a lot of non-party member employees.

The Group has also put in place a robust supervisory mechanism for the employees, management and other partners to report any alleged corruption cases. Upon receipt of such a report, a taskforce would be set up to start investigating the case based on the leads reported. If the report is confirmed true after initial investigation, the Group would further find out the specific details of the case and the people involved, who would then be disciplined. Serious cases would be passed to the judiciary for processing. Besides, the Commission for Discipline Inspection of the Group would conduct investigation regularly and strictly handle all cases to set a good example of honesty and integrity.

During the reporting period, neither did the Group violate any laws and regulations that have a significant impact on the Group relating to bribery, extortion, fraud and money laundering, nor was it involved in any legal cases related to corrupt practices.

Case Sharing: Thematic Training on Probity Education

A criminal court expert from the Shanghai No. 2 Intermediate People's Court was invited over to conduct a thematic training on probity education in response to current economic conditions and the needs for risk prevention. The training focused on how the managerial staff of state-owned enterprises could avoid committing crime at work and prevent compliance risk to help the leaders and party cadres of the Group keep abreast of the latest developments and gain a deeper understanding of the complexities faced by our country so as to get better prepared for the uncertainties in future.

Moreover, the Group continued to conduct probity-related conversations with representatives of the functional departments and subsidiaries of the Group. Such conversations were conducted by the secretariat of the disciplinary committee and colleagues who were in charge of disciplinary inspection with the main persons-in-charge of the functional departments and subsidiaries of the Group and personnel holding crucial and sensitive positions. A total of 23 people were engaged in the conversations.

Protecting Intellectual Property Rights

The Group has formulated the Legal Affairs Management System of Shanghai Industrial Urban Development Group Limited to clearly lay down the management duties and tasks of the Legal Department in respect of intellectual property rights and material operating activities. We manage our construction design patents and trademark registrations. Specific clauses on intellectual property protection are written in the relevant contracts to explicitly set out the copyrights and rights to use of the relevant design patents and registered trademarks to ensure non-infringement of third-party intellectual property rights or trade secrets while protecting our own legitimate interests.

4. CARE FOR STAFF AND TALENT DEVELOPMENT

Employees are regarded as the most valuable assets of the Group. Upholding our "people-oriented and integrity first" philosophy, we are committed to building a diversified and outstanding team of staff. The Group attaches great importance to talent development. Therefore, we treat every staff member equally and provide opportunities for them to give full play to their strengths. We also treasure our caring culture and care for the well-being of our staff members as we understand that providing a suitable workplace for staff members is instrumental to our long-term development and also beneficial for retaining outstanding talents.

4.1 Protecting the Employers and Employees

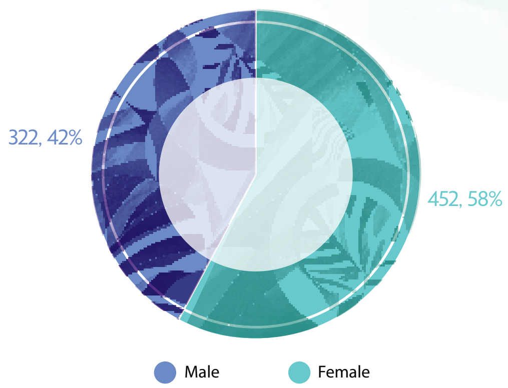
The Group strives to implement a "multi-pronged" development system and create a broad and fair occupational platform for its employees. The Group strictly complies with laws and regulations that have a significant impact on the Group relating to employment, including the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), the Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), the Law of the People's Republic of China on the Protection of Rights and Interests of Women (《中華人民共和國婦女權益保護法》), the Law of the People's Republic of China on the Protection of Minors (《中華人民共和國未成年人保護法》) and the Provisions on the Prohibition of Using Child Labour (《禁止使用童工規定》), to ensure equality, fairness and compliance in employment. The Group has formulated various internal human resources policies, including the Staff Manual and the Standards and Implementation Rules on Staff Benefits, to clearly set out the rules on recruitment and dismissal, staff remuneration and promotion, working hours, leave, equal opportunities, diversity, anti-discrimination and the other benefit packages in order to protect the rights of the employers and employees. During the reporting period, we collected staff opinions and planned to revise the Staff Manual in mid to end of December 2022. We also updated the job descriptions of each functional department of the Group's headquarters, which involved the terms of reference of the senior and middle management. During the reporting period, the Group did not violate any laws and regulations that have a significant impact on the Group relating to employment.

Recruitment and dismissal	**Building a diversified team** • The Group focuses on the professional ethics, expertise, experience and development potential of a candidate. • The Group makes sure all candidates enjoy equal opportunities and are protected from discrimination on the ground of nationality, ethnicity, race, gender, age, marital status, social standing and religious belief. **Prohibiting child labour and stamping out forced labour** • At the recruitment stage, the Group would ask a candidate to provide valid identification documents for verification of his/her identity and age to ensure that he/she could be legally employed. **Proper handling of employment termination** • The Group has clearly stated the conditions for discharging and terminating a labour contract and the termination arrangements in the Staff Manual in accordance with the relevant laws and regulations in order to protect the rights of the employers and employees. • The conditions leading to the discharge of a labour contract include violation of laws and disciplines, such as repeatedly violating the attendance system during the probation period, providing false personal information, committing a serious breach of duty, corruption and fraud. • In case of any violation of the labour contract, the Group would arrange the relevant employee to properly hand over his/her work and complete the termination procedure by the date of termination.
Pay and promotional opportunities	**Striving to set up a fair and competitive pay and job ranking system** • Job ranks commensurate with the duties assumed by, and the performance and competence of, the employees. • The Group has in place a pay system driven by the value of a job position and personal performance to link the pay of an employee to his/her performance and contributions in order to make reasonable pay allocation assessments and implement a long-term incentive system on staff salary. • The Human Resources Department of the Group conducts performance assessment on all the employees every year and adjusts their pay, job positions and job promotional opportunities based on the assessment results.

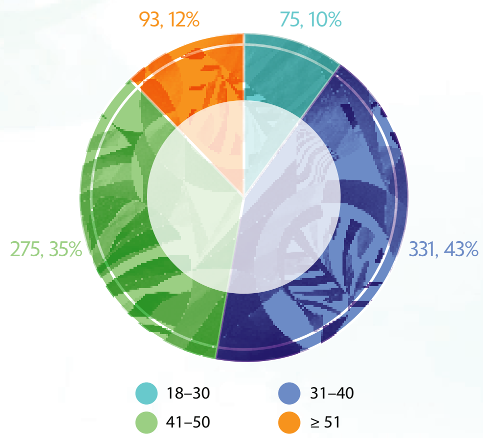
<table>
<tr><td>Welfare, benefits and leave</td><td>Welfare and benefits
The Group enrolls the employees in various social insurance programmes and provident funds in accordance with the relevant national and local requirements.
Other than statutory benefits, the Group offers a range of subsidies for its employees, such as lunch subsidies and holiday subsidies, through the Standards and Implementation Rules on Staff Benefits to standardise the benefit payment procedure and process.
During the reporting period, we issued the Management Measures for Externally Posted Staff (Revised) and the Relevant Regulations on Staff Allowance for Remote Projects in Shanghai to increase the allowance and rent reimbursement for externally posted staff by an appropriate percentage and provide transport allowance to staff members working for remote projects in Shanghai.
Leave
Employees are entitled to different types of leave, including statutory holiday leave, marriage leave, compassionate leave, annual leave, compensatory leave, family leave, sick leave, maternity leave, lactation leave, paternity leave and casual leave.</td></tr>
<tr><td>Working hours</td><td>Strictly implementing a standard working hour system
The Group strictly implements a standard working hour system to ensure the employees enjoy reasonable working hours and protect their rights. The Group implements a standard working hour system. Each employee works 40 hours a week on average. Employees are encouraged to finish their work in an 8-hour working day while overtime working is not encouraged.
The persons-in-charge of each department should try to make adjustments to manpower arrangement in order to avoid overtime work for staff members.
Even if overtime work is required, the duration would not exceed one hour per day under normal situations and three hours per day under special circumstances. The total amount of overtime work shall not exceed 36 hours per month.</td></tr>
</table>

As at the end of the reporting period, the Group had 774 employees and the number and percentage[1] of its employees by gender, age group, employment type and geographical region were as follows:

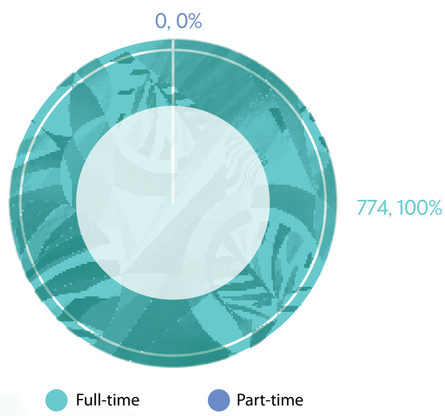
Number and percentage of employees by gender



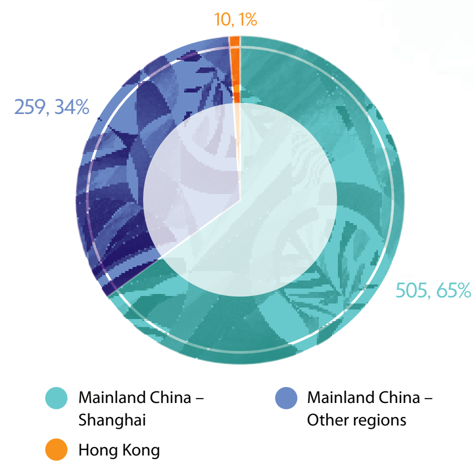
Number and percentage of employees by age group



Number and percentage of employees by employment type



Number and percentage of employees by geographical region



[1] Formula of calculating the percentage of employees of each category: Number of employees in the category as at the end of the reporting period/Total number of employees in the category as at the end of the reporting period x 100%.

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

	Number of Employee Turnover	Employee Turnover Rate (%)[2]
By gender		
Male	25	6%
Female	20	6%
By age group		
≤30	12	16%
31–40	22	7%
41–50	2	1%
≥51	9	10%
By geographical region		
Mainland China — Shanghai	23	5%
Mainland China — Other regions	22	8%
Hong Kong	0	0%

4.2 Nurturing Talents

The Group provides ample space for career development to the staff members and devotes abundant resources to help them explore their talents and potentials.

All staff members are encouraged to actively participate in the relevant training. The Training Management System has been formulated to strengthen the management of different training activities. Based on its general plan and business development needs, the Group formulates annual training plans and conducts a wide range of thematic training tailored to different staff levels every year to help the staff members enrich their knowledge and enhance their professional level and skills.

[2] Formula of calculating the employee turnover rate of each category: Number of employee turnover in the category during the reporting period/Total number of employees in the category as at the end of the reporting period x 100%.

During the reporting period, we arranged the management to attend the training for directors and supervisors organised by the State-owned Assets Supervision and Administration Commission to enhance their management skills. We also organised the Staff Reading Club, online courses on epidemic prevention and mental health during COVID-19, and topical training courses to create a learning atmosphere. The major training activities held by the Group included:

Recipient	Training Topic
Management	Professional training for supervisors and professional training for directors
All staff members	Staff Reading Club,"City Forum", online courses on epidemic prevention and mental health during COVID-19
Professional department training	Topical training targeting each department of the Group, such as the special training on Production Safety Law received by the project management department

During the reporting period, the Group offered a series of online courses on epidemic prevention and mental health to all staff members to provide training on meditation and emotion management for the sake of their well-being.

During the reporting period, all of the Group's employees received training and a total of 93,360 training hours were recorded. The employee training data of the Group by different categories during the reporting period is set out as follows:

	Percentage of employees trained to the total number of employees (%)[3]	Percentage of employees trained in each category to the total number of employees trained (%)[4]	Average training hours completed by each employee (hour)[5]
By gender			
Male	100%	58%	120
Female	100%	42%	120
By employment category			
Senior management	100%	2%	120
Middle management	100%	12%	120
Technician	100%	28%	120
General staff	100%	58%	120

4.3 Promoting Work-life Balance

The Group embraces good staff relations management to strengthen the cohesion and sense of belonging among employees. Staff members are encouraged to communicate and share their opinions with the management via the company's intranet and the other channels. The Group strives to create a harmonious working environment by organising a range of staff activities to foster team collaboration and closer bonding between an individual and the team in order to build an energetic and motivated team of talents.

3 Formula of calculating the percentage of employees trained to the total number of employees: Number of employees trained in the category/Total number of employees in the category as at the end of the reporting period x 100%.

4 Formula of calculating the percentage of employees trained in each category to the total number of employees trained: Number of employees trained in the category/Total number of employees trained x 100%.

5 Formula of calculating the average training hours completed by each employee in each category: Total training hours completed by employees in the category/Number of employees in the category.

During the reporting period, the Group provided special incentives and anti-epidemic allowances and supplies to volunteers and staff stationed at project sites during the pandemic as a token of appreciation for the contribution made by grassroot party cadres and the staff members. The Group distributed nearly RMB693,000 of subsidies and token of solidarity to 141 people in total.

During the reporting period when the pandemic was volatile, the Group managed to obtain resources from different channels and sent two batches of supplies to all staff members of the headquarters to help solve their difficulty of getting food supply.

During the reporting period, the Group launched the online expansion activity for the 8th Staff Sports Festival. We organised different activities to encourage the staff to exercise more to help them build a healthy lifestyle. This activity attracted 475 participants in total, and 201 people won the awards. The activity was widely received and acclaimed by the staff as evidenced by the high participation rate.

During the reporting period, Tianjin Intercity, a subsidiary of the Group, organised the staff birthday party and celebration activities for Tuen Ng Festival and Women's Day to share the joy with the staff.

On 27 May 2022, the Group's subsidiary in Shenyang organised a sports event for the staff under the theme of "Healthy Life, Happy Work" at a gymnasium, where fitness instructors taught the staff members how to train their bodies based on their different fitness levels. Apart from physical fitness, the staff members also strengthened communications and exchanges with their fellow colleagues through the activity.

4.4 Creating a Safe Workplace

The Group endeavours to minimise occupational health and safety risks and create a safe and healthy workplace for employees by adopting a prevention-focused approach in combination with treatment. The Group strictly adheres to laws and regulations that have a significant impact on the Group relating to health and safety, including the Production Safety Law of the People's Republic of China (《中華人民共和國安全生產法》), the Fire Prevention Law of the People's Republic of China (《中華人民共和國消防法》), the Law of the People's Republic of China on Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》), the Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》), the Regulations on Work-related Injury Insurance (《工傷保險條例》), the Measures for Ascertainment of Work-related Injuries (《工傷認定辦法》), Regulations of Shanghai Municipality on Environmental Protection (《上海市環境保護條例》), Regulations of Shanghai Municipality on Inspection and Testing (《上海市檢驗檢測條例》) and Regulations of Shanghai Municipality Prevention and Control of Occupational Diseases (《上海市職業病防治條例》). Based on these laws and regulations, the Group has formulated various safety management systems, including the Occupational Health and Safety Management System, to prevent, control and eliminate the dangerous factors of occupational diseases and ensure the health and safety of the practitioners. During the reporting period, the Group did not violate any laws and regulations that have a significant impact on the Group relating to health and safety.

The Group adopts a three-pronged safety management approach, namely strengthening risk prevention and investigation and treatment of potential hazards, stepping up on publicity and education and enhancing contingency rescue capabilities, to control and eliminate the risks related to occupational health and safety.

Optimising the Accountability System

The Safety Management Committee is responsible for leading and monitoring the occupational health and safety measures of the Group, ensuring safe production and improving the safety management level. Duties of the Safety Management Committee include (but not limited to):

- preparing annual safe production plans;
- formulating safety rules and regulations and contingency plans;
- organising and monitoring the investigation and handling of production safety incidents and occupational diseases and hazards;
- making recommendations on occupational health and safety assessment;
- setting goals and tasks that are related to its duties to synchronise safe production initiatives with the other business operations.

To guarantee the fulfilment of its duties, the Safety Management Committee also regularly monitors and tracks the daily control status, progress towards target achievement and investigation and remediation status of potential hazards. During the reporting period, the Group and its subsidiaries and functional departments signed the safe production responsibility statements and letters of undertakings while the staff members signed the undertakings on obeying the safety codes to ensure safety responsibilities were fulfilled at every job level and by every staff member.

Structure of Safety Management Committee

During the reporting period, the Safety Management Committee held a total of four safe production meetings to communicate the requirements for safe production to each responsible unit and review the implementation of safe production.

We also adopted a multi-pronged approach by conducting safety education and training at the same time. During the reporting period, as many as 5,211 people attended the training sessions of the Group and completed 13,063 hours of training in total. We hope to create a safe workplace for the staff members through enhancing their safety awareness.

Consolidating Safety Management

The Group mainly operates in project construction sites, commercial operation premises and offices. We have adopted the most suitable health and safety management measures by taking into consideration the different characteristics of each main operating premise to prevent, control and eliminate occupation hazards and protect the safety and occupation health of its staff members.

Project Construction	Commercial Operation	Office
The Group attaches great importance to the safety of the employees and construction units. Therefore, the top priority of the Group is to enhance site safety and protection. We work together with the construction units to implement the Civilised Management Standards and Guidelines for Work Sites during the project construction process to ensure proper management of occupational health and safety on site. Besides, the Group also strictly follows the "three simultaneous" principle of occupational health in the construction, alteration, expansion and technical renovation of potentially hazardous projects as well as in the introduction of technologies to such projects.[6]	The commercial operation business of the Group involves hotels and commercial and retail premises, each with different occupational safety risks. The Group implements the Safety Management Standards for Properties Leased by the Group and the Daily Safety Management Manual for Business Properties during its operation to better identify, assess and manage the material sources of risk in different operating premises in order to minimise the occupational safety risk.	To offer a safe and comfortable workplace for the employees, the Group has formulated the Safety Management Requirements for Office Premises. The Group also provides various kinds of health and safety training for its employees, including safe production and fire safety knowledge training, road safety training, fire prevention and firefighting skills training, virtual reality experience of a fire scene, and fire evacuation and rescue drills.

6 The "three simultaneous" principle of occupational health means that the occupational disease prevention facilities of a construction project must be designed, constructed and put into production and use simultaneously with the main project.

Enhancing Safety Awareness

The Group continues to enhance the safety awareness of the employees by organising safety workshops, training sessions and drills from time to time to promote occupational health and safety. During the reporting period, based on their actual situations, the subsidiaries of the Group conducted thematic trainings and drills on flood and typhoon control, emergency equipment repairs, fire prevention and extinguishing, evacuation and escape and incident resolution, etc., and invited the relevant parties (including construction units, tenants and merchants) to join the trainings in order to remind the entire Group of the importance and urgency of safe production with a view to lowering the risks of safety incidents.

Case Sharing: Safety Education and Training

On 17 June 2022, the Group's subsidiary in Xi'an organised safety education and training for the staff members, including reading out the Production Safety Proposal and watching training videos on production safety. Besides, Tianjin Intercity, another subsidiary of the Group, also provided training to the staff members on the new Production Safety Law during the reporting period.

Case Sharing: Safety Knowledge Competition

On 17 June 2022, the Group's subsidiary in Xi'an held a production safety knowledge competition. The competition comprised a compulsory answer session and a quick answer session on safety risks. It aimed to arouse the passion of the employees towards production safety and foster and advocate a safe culture so as to encourage the employees to better discharge their safe production responsibility.

Case Sharing: Fire Prevention Training

The Group's subsidiary in Shenyang and Tianjin Intercity each organised a training for the National Fire Prevention Month 2022 for the staff members on 17 November 2022. The training included knowledge about high fire risk areas, prevention methods, initial fire suppression, fire escape skills, police procedures in case of fire and the laws and regulations relating to fire prevention.

Case Sharing: Emergency Response Training and Drills

During the reporting period, a series of contingency training were conducted at different intervals for the management of the Le Meridien Xi'an, Chanba Hotel, including contingency drills on electric shock, first aid, bandaging and cardiopulmonary resuscitation (CPR) drills and case study on counter terrorism knowledge, to allow them to acquire basic contingency response skills and enhance their self-defence capability. The management of the Le Meridien Xi'an, Chanba Hotel strengthened their response capabilities through training and drills to ensure effective and timely handling of any sudden emergencies in order to reduce the harm caused by an accident and protect the safety of customers.

During the reporting period, the Group's lost days due to work injury was 162 days. There were no work-related fatalities over the past three years (including the reporting year).

Joining Hands in Fighting the Virus

In 2022, we closely monitored the development of the pandemic and further strengthened our anti-epidemic measures with the health conditions of our employees as the top priority. The Group followed the infection control guidelines and requirements issued by the government and formulated an emergency response plan for infection control. A series of anti-epidemic measures were implemented, including (but not limited to):

- continuously providing epidemic prevention supplies, such as protective masks, hand sanitisers and wet wipes;

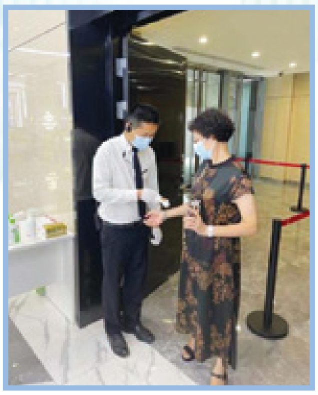
- distributing the latest notice on anti-epidemic arrangements to staff members in a timely manner, implementing staggered working hours, encouraging staff members to hold meetings via telephone or video conferencing, and arranging staff members to alternate the days of going to the workplace with the days of working from home, etc.;

- enhancing the cleaning and disinfection work on public facilities, practising centralised food serving and separate meals and prohibiting meal gathering to ensure the hygiene of the office premises per the epidemic control requirements of the local governments;

- round-the-clock sanitisation at designated areas by property companies;

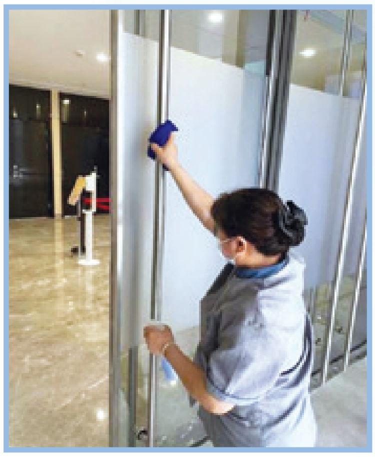
- strictly controlling the business travel applications of the Group's personnel to mid- and high-risk areas;

- strengthening monitoring and control, recording the body temperature of staff members on a daily basis and minimising the risk of cross-infection among staff members.



Stepping up on body temperature monitoring on staff members and customers

Provision of epidemic prevention supplies



Enhancing the cleansing work and hygiene in public spaces

Following the relaxation of epidemic control by the government, we have also made adjustments to our anti-epidemic measures to align with the anti-epidemic policies of the government. These include (but are not limited to):

- performing regular antigen tests on employees, registering employees with positive symptoms and reporting them to the Group, and tracking and recording the employees who are in self-quarantine via text messages every day.

5. MUTUAL GROWTH AND CARE FOR SOCIETY

5.1 Responsible Supply Chain

The Group is committed to establishing a win-win value chain ecosystem with its suppliers and partners. We have been following a fair, just and open principle in standardising the management of the admission, engagement, review and assessment of suppliers to minimise the environmental and social risks faced by each part of its supply chain.

The Group refines the supply chain system from the perspective of the entire project lifecycle. Our main suppliers include construction design suppliers, project contractors, construction material and equipment suppliers, project supervision suppliers and property operation consultants. The Group has formulated policies such as the Tender and Procurement Management System, the Qualified Project Supplier Administrative Measures and the SIUD Design Supplier Database Management System with an aim of strengthening the management of supplier engagement and assessment. To ensure orderly supplier engagement and assessment, we updated the Design Supplier Management System during the reporting period by including an annual assessment mechanism and the selection procedures for strategic construction design suppliers in order to strengthen our management of construction design suppliers. The headquarters and subsidiaries of the Group perform their respective functions to create an impartial and transparent supply chain.

— At the headquarter level, the Project Management Centre and Technical Management Centre of the Group are responsible for taking the lead in organising the engagement of suppliers, and reviewing, approving and checking the engagement and contract execution status of the subsidiaries;

— At the subsidiary level, the tender and procurement leading group is responsible for leading and reviewing the engagement of suppliers as per the requirements of the state and the Group's headquarters. The engagement would be executed, and the suppliers would be assessed, by the relevant departments, including the Project Department, Business Department and Contracting Department.

The Group also strictly inspects the governance and business compliance of a supplier. The Group has established a comprehensive supplier admission process by gradually integrating environmental and social risk assessments into each part of the supply chain management so as to select suppliers with outstanding performance in the environmental and social aspects. The supplier admission process is divided into four major parts as below:

1) Qualification review: For a potential supplier, an assessment would be conducted on its management of the environmental and social risks of each part through background checks and site visits. The assessment covers the scope of operation, service area, quality and reputation, qualifications and teamwork of the potential supplier. After passing through the review process, a tender invitation would be issued to the potential supplier.

2) Tendering and bidding: There are two types of tender, namely open tender and internal invitation to tender with price comparison. For an open tender, a tender notice should be published in accordance with the relevant requirements applicable to the locality in which the project is located. Projects for internal invitation to tender with price comparison shall be executed based on the relevant management systems of the Group. While preparing a tender document, the Group would set out the main terms, including the tender scope, quality and technical standards, quotation requirements, schedule, payments and commercial requirements. Upon approval by the Group's headquarters, the tender document would be issued to the potential suppliers who have accepted the invitation to tender and bidding proposals would be collected from them.

3) Tender evaluation: The bidding proposals submitted by the potential suppliers would be assessed based on the tender assessment approach as set out in the tender assessment document and summary table. The assessment criteria include the feasibility and reasonableness of the proposal, supply progress plans and guarantee measures, choices and performance of equipment, quality, safe and civilised construction and environmentally-friendly measures, repair and maintenance measures, qualifications of the project manager and chief technical managers, credit standing of the enterprise, relevant past projects and performance. Unqualified suppliers would be rejected.

4) Tender confirmation: The successful tenderer would be determined based on the assessment results. A contract would be entered into with the successful tenderer following the workflow of the Group.

Suppliers that fulfill the admission criteria would be incorporated in an electronic supplier database. To strengthen the management of the supplier database, the Group's subsidiaries would perform an annual assessment on the suppliers to make sure they can fully meet the requirements of the Group so as to improve the project design quality of the subsidiary. We will also optimise the annual assessment of suppliers step by step by adjusting the categorisation of suppliers and the methods and contents of assessment to assess their environmental and social performance in a more effective and objective manner.

To align with the rights and responsibility chart published by the Group's headquarters in July 2022, we updated the Selection and Management Requirements for Specific Project Design Suppliers, which are applicable to both the headquarters and project development companies of the Group and cover all suppliers. Looking ahead, we will pursue green procurement to reduce the environmental impact of our procurement activities by considering the recycled-content, durability and energy efficiency of products and whether hazardous materials will be emitted or produced from their use or disposal and by giving priority to products with green certification. We will advocate an environmentally-friendly and sustainable business model by starting from the source.

During the reporting period, there were totally 2,111 suppliers[7] in the supplier database centrally managed by the Group's headquarters and all these suppliers have passed the above annual assessment. As at the end of the reporting period, the number of suppliers by geographical region was as follows:

Region	Number of Suppliers
Shanghai	1,384
Xi'an	323
Shenyang	227
Beijing	23
Tianjin	44
Chongqing	4
Other regions in China	105
Other countries	1

5.2 Giving Back to Society

The Group takes the initiative to understand and respond to the needs of the community which it is operating through close communication. Adhering to the mission of creating value for the community, we make valuable contributions in caring for the disadvantaged, poverty relief and anti-epidemic operations in response to the society's needs for the harmonious development of the enterprise and society.

Care For Community

The Group continues to communicate and engage with the residents of the community to understand their needs, listen to their opinions and care for their livelihood in the hope of raising the living standard of the community. In view of this, the Group actively arranged its staff to participate in various charitable activities and worked together with charitable organisations to support the underprivileged group during the reporting period, with the hope of creating a better life for local residents through different channels.

On 17 June 2022, Wuxi Property, a subsidiary of the Group, organised the "Cool Summer" campaign to pay visit to a local elderly centre. During the visit, party members of the branch visited the facilities of the centre, learnt about the daily activities and entertainment of the elderly from the person-in-charge, and gave away supplies. At the end of the visit, the party members reminded the elderly to pay attention to their health, electrical safety in summer as well as food safety.

[7] The types of suppliers include design, project services, materials and equipment and consultation services, etc.

On 17 August 2022, the Jin Jiang International Hotel Xi'an of the Group organised the "Cool Summer" campaign for the fire contingent in Chanba.

In September 2022, Shanghai Shentian Property, a subsidiary of the Group, participated in the caring for autism patients campaign and the Tencent "99 Giving Day" donation, and raised funds for 50 rehabilitation sessions for autistic children in Shanghai.

During the reporting period, the Group donated RMB200,000 to the Xuhui Working Committee of Shanghai Foundation for Supporting the Military and Families to set up a fund pool at the Xuhui branch of the Foundation for Supporting the Military and Families for the purpose of conducting activities in support of the military and their families in Xuhui District, increasing the regional contribution of state-owned assets and enterprises, and performing its social responsibility as a state-owned enterprise.

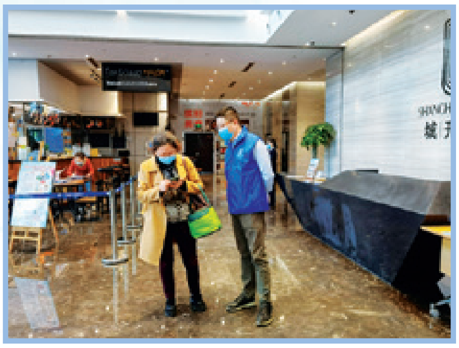
Actively Participating in Controlling and Combating COVID-19

In early 2022, in response to the volatile pandemic situation, the Group continued to join the fight in combating the virus by sending its staff members to support the anti-epidemic efforts in different areas. We deployed nearly 200 staff members to support epidemic control: 56 staff members for supporting epidemic prevention in different areas, 79 party members and staff members for frontline pandemic control in the community, 33 staff members for the mobile cabin hospital in Lingang and 6 staff members for the mobile cabin hospital in Xuhui. Our anti-epidemic efforts were well recognised. Apart from the appreciation letters from Shanghai Industrial Investment (Holdings) Co., Ltd. and Xuhui District, we also received more than 90 letters of appreciation, letters of commendation and honour certificates for volunteers from different communities and residents' committees.

Case Sharing: Setting up the SIUD Nucleic Acid Testing Team

During the reporting period, we set up the SIUD Nucleic Acid Testing Team, which conducted nucleic acid tests for a total of 7,500 people and made valuable contribution for community prevention. A party member squad was established to give full support to the anti-epidemic efforts.

Case Sharing: Setting Up a Volunteer Team for Pandemic Control



During the reporting period, Wuxi Property, a subsidiary of the Group, proactively followed and executed the deployment of the Group and the region in respect of pandemic control. A project volunteer team was established to help curb the epidemic at the frontline and contribute to the fight against COVID-19.

6. CARE FOR ENVIRONMENT AND GREEN OPERATION

As a leading and influential property developer, the Group strives to facilitate sustainable development while maximising the value for all stakeholders. Recognising that sustainable construction development and environmental pollution controls are important measures to combat climate change, the Group actively shoulders the responsibility of environmental protection by exercising stringent environmental control in all of its major operating premises. The Group strictly complies with laws and regulations that have a significant impact on the Group relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste, including the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), the Energy Conservation Law of the People's Republic of China (《中華人民共和國節約能源法》), the Law of the People's Republic of China on Prevention and Control of Environmental Noise Pollution (《中華人民共和國環境噪聲污染防治法》), the Law of the People's Republic of China on Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》), the Water Law of the People's Republic of China (《中華人民共和國水法》), the Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治法》), the Environmental Impact Assessment Law of the People's Republic of China (《中華人民共和國環境影響評價法》), the Regulations of Shanghai Municipality on Household Waste Management (《上海市生活垃圾管理條例》), the Law of the People's Republic of China on Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》), the Law of the People's Republic of China on Prevention and Control of Soil Contamination (《中華人民共和國土壤污染防治法》) and the Regulations of Shanghai Municipality on Prevention and Control of Atmospheric Pollution (《上海市大氣污染防治條例》).

Besides, the Group has formulated the Environmental Maintenance Service Manual for the Shenyang U Center Commercial Project, the Administrative and Management System for Shenyang Intercity Company, and policies on Garbage Treatment, Green Energy Management, Water Treatment and Energy Management in relation to air and greenhouse gas emissions, discharges into water and land, hazardous and non-hazardous waste, use of energy resources, as well as environmental and natural resources. During the reporting period, the Group did not violate the above laws and regulations that have a significant impact on the Group.

6.1 Achieving Environmental Targets

To further practise the green concept in the operation of its properties and offices, the Group has set targets and taken corresponding actions in areas related to the emission of air pollutants, emission of greenhouse gas, waste generation, energy efficiency, water efficiency and promotion of environmental and conservation awareness. The Group's ESG Working Group would assist the Board in reviewing the progress of SIUD in achieving the targets and report the progress of target achievement to the Board in a timely manner to demonstrate our commitment in promoting green operation.

Environmental Target	Metrics	Action Plan	Achievement Timeline	Progress
Emission of Air Pollutants				
Promoting the development of green buildings	Increasing the proportion of green construction projects in all projects of the Group	1. Further expand the application of green materials and gradually increase the proportion of prefabricated construction 2. Increase green building certification 3. Follow national and local standards and government requirements on green construction for all new development projects	Long-term (ongoing)	1. The percentage and types of recyclable and reusable materials are specified in the green construction design sections of the design documents of new development projects 2. Green construction pre-certification was obtained for two projects under development in 2022
Encouraging green travel	Strengthening the management of official vehicles	1. Record the fuel consumption of official vehicles 2. Regular inspection and maintenance of official vehicles 3. Gradually replace official vehicles with vehicles of lower or zero emission levels 4. Monitor the preparation and execution of the fuel budgets of official vehicles	Mid-term (ongoing)	1. Fuel consumption of official vehicles is recorded annually 2. Annual inspection is conducted on official vehicles to understand their actual carbon emissions 3. The Notice on Further Standardising and Strengthening the Management of Official Vehicles of the Group was issued to improve the management of the carbon emissions of official vehicles

Environmental Target	Metrics	Action Plan	Achievement Timeline	Progress
Emission of Greenhouse Gas				
Achieving the carbon neutrality target	Enhancing the management of carbon emissions	1. Learn the rules related to carbon trade and enhance the capability of engaging in carbon trade as soon as possible 2. Conduct a carbon audit on the Company's operations and devise carbon reduction measures	Long-term (to launch)	
	Offsetting carbon emissions	1. Purchase carbon credits for offsetting the carbon emitted from operations, such as directly investing in renewable resources and environmental rehabilitation and sponsoring tree planting activities, etc.	Long-term (to launch)	
Waste Generation				
Increasing waste recycling rate	Increasing the recycling rate of office waste papers	1. Improve the office waste recycling system and calculate the amount of office waste papers recycled, etc.	Short-term (ongoing)	1. The amount of waste recycled from offices (e.g. amount of office waste papers recycled, etc.) is recorded annually
	Recycling office electronic equipment	1. Develop recycling plans for electronic equipment, etc. 2. Regularly check the implementation status of the plan	Short-term (to launch)	
	Separating and recycling wastes	1. Set up non-renewable and renewable waste recycling bins in the properties and increase the types of waste to be recycled	Short-term (ongoing)	1. Waste separation points have been set up in the commercial buildings managed by the Group
Adopting the principle of circular construction	Selecting environmentally-friendly construction materials	1. Choose recyclable construction materials	Long-term (ongoing)	1. The percentage and types of recyclable and reusable materials are specified in the green construction design sections of the design documents of new development projects

Environmental Target	Metrics	Action Plan	Achievement Timeline	Progress
Energy Efficiency				
Increasing energy efficiency	Reducing office energy consumption	1. Purchase electrical appliances with an energy label, such as promoting the use of energy-saving lighting, using new air-conditioning equipment and installing automatic control devices, etc. 2. Monitor the preparation and execution of energy consumption budgets of offices	Short-term (ongoing)	1. Actual execution of the energy consumption budgets of offices is monitored and compared with that of the previous year for alert
	Conducting energy audit on offices	1. Devise annual energy audit plans 2. Devise energy-saving measures	Mid-term (to launch)	
	Monitoring the energy consumption of commercial properties	1. Choose energy-saving construction materials 2. Record the meter readings of energy consumption of commercial properties regularly, and summarise and analyse the consumption of energy 3. Understand the energy-saving policies of the country to benefit from energy-saving subsidies 4. Monitor the preparation and execution of energy consumption budgets of commercial properties	Mid-term (ongoing)	1. Actual execution of the energy consumption budgets of commercial properties is monitored and compared with that of the previous year for alert

Environmental Target	Metrics	Action Plan	Achievement Timeline	Progress
Promoting the development of green buildings	Incorporating green construction design concepts	1. Adopt people-oriented and energy-efficient building design to minimise energy consumption by taking into account the climate, environment, resources, economy and cultural characteristics of the location of the building. The most suitable green facilities should be determined and project design should be conducted by considering the safety and durability, health and comfort, convenience, resource conservation and environmental livability of a building throughout its lifecycle	Long-term (ongoing)	1. Green construction project design is adopted for all new development projects. Appropriate facilities are incorporated based on specific project conditions to achieve green star rating targets. For example, among the newly designed development projects in 2022, two residential projects used the solar photovoltaic systems while a commercial project adopted the solar water heating system
Water Efficiency				
Increasing water efficiency	Reducing average water consumption	1. Formulate water management regulations 2. Increase the use of water-saving equipment, including water-saving faucets 3. Monitor the preparation and execution of water bill budgets of offices and commercial properties	Mid-term (ongoing)	1. Actual execution of the water bill budgets of offices and commercial properties is monitored and compared with that of the previous year for alert

Environmental Target	Metrics	Action Plan	Achievement Timeline	Progress
All Environmental Aspects				
Promoting environmental and conservation awareness	Providing environmental training/promotion campaigns among staff members	1. Incorporate environmental training into the induction training 2. Devise environmental training/promotional plans to organise energy saving activities regularly	Short-term (completed)	1. Environmental protection is promoted during the induction training of new staff members and various environmental protection activities have been rolled out
	Setting up environmental protection bulletin boards in the management service areas	1. Post environmental protection signage and slogans on the public facilities and equipment of commercial properties	Short-term (ongoing)	1. Environmental awareness is promoted to the marketing department of each project company 2. More environmental promotional activities have been conducted with the project companies

6.2 Low-Carbon Green Design

To establish an environmentally-friendly and resources saving community, the Group has set goals for facilitating green construction development and achieving carbon neutrality to drive the development of green initiatives. Our projects are located across different regions in China, and our project development companies have complied with the national and local design standards. During the reporting period, by adopting renewable energy design, conserving land, materials and energy, using green materials and improving the quality of indoor environment, the Group constructed various high-standard green buildings in order to provide healthy, practical and efficient space for use by customers. Internationally leading green designs and construction materials were used in our green buildings. For instance, we applied the sponge city concept to our construction projects, where concave green space and rainwater retention tank, etc. were adopted based on the characteristics of different projects in order to meet the local requirements on annual runoff volume control rate and annual runoff pollution control rate, etc. This can also reduce the wastage of land, energy and water resources while lowering the environmental impact of the buildings throughout their lifecycle and achieve a harmonised symbiosis of human, architecture and the natural environment.

Case Sharing: Incorporating solar energy design into the A3–4 and A3–7 cluster projects on lot no. A3 of Originally in Xi'an

During the reporting period, we added a solar water heating system to the newly constructed project, generating 14.93% of hot water with renewable energy. By using water-saving sanitary ware, establishing a household waste station to separate hazardous waste, food waste and recyclable waste from the others, and reusing recyclable waste, we strove to construct a safe, healthy and efficient green building for our customers.

The Group assesses the green performance of its development projects by adopting a set of objective standards. All its new development projects adopt green construction design based on national and local standards and government requirements, and satisfy or exceed the prefabrication rate and assembly rate required by the local governments. For the new construction project on lot nos. J10–02, J09–01, J10–01, J11–01, J12–01 and J13–01 of unit PDC1–0401 in Lingang New Area, the three-star green building standard has been implemented and the requirements of the guidelines on ultra-low energy building techniques in Shanghai are to be met. On top of these, the residential buildings of this project also need to adhere to the three-star healthy building standard. Meanwhile, Two-star Green Building Pre-assessment Certificates were obtained for the Qiyuan 1st Road project and the A3–4 and A3–7 cluster projects on lot no. A3 of Originally in Xi'an. In future, by actively adopting a circulative construction principle, we will continue to innovate and create climate-resilient construction projects through adopting efficient construction design, water-saving design and green construction materials.

Two-star Green Building Pre-assessment Certificate for the A3–4 and A3–7 cluster projects on lot no. A3 of Originally in Xi'an

Two-star Green Building Pre-assessment Certificate for the Qiyuan 1st Road cluster project in Xi'an

6.3 Practising Green Construction

The construction stage is a very critical part in the entire lifecycle of a building. The Group is well aware that the different types of environmental pollutions generated from the construction process will affect the nearby communities if not controlled properly. Therefore, to reduce the negative impact of the construction activities on the natural environment, including on the atmosphere, water and land, during the project construction stage, the Group requires the contractors to strictly comply with the national and local laws and regulations relating to the environment and execute the management measures as set out in the environment management checklist for the construction period, so as to create a safe, healthy and clean working environment.

Fugitive dust emission control	Management of water resources
✓ Installing spray devices at construction sites to control fugitive dust emissions from the operation of civil machinery. ✓ Using water mist cannon and mobile water bowser for fugitive dust control for works sites and access to work. ✓ Cleaning the vehicles entering and leaving the construction sites regularly.	✓ Constructing water reclamation facilities to collect and treat rainwater for greenery irrigation and road cleaning on works sites, etc. ✓ Using water-saving equipment, such as sanitary ware of higher water efficiency. ✓ Installing water usage measuring devices and regularly calculating the water consumption of its project construction sites. ✓ Constructing gullies on construction sites to collect sewage for treatment in sedimentation tanks. ✓ Setting up grease traps and septic tanks so that sewage from onsite canteens and washrooms is filtered through sewage screens before entering the effluent pipelines.
Disposal of hazardous and non-hazardous waste	**Use of materials and other environmental protection measures**
✓ Collecting the household waste, construction waste and hazardous waste generated during the construction process and handing them to qualified organisations for handling. ✓ Designating different waste collection points based on actual needs for source separation and clearing the waste regularly.	✓ Encouraging staff members to devote themselves into technical renovation, process optimisation, energy saving and consumption reduction, innovation management and waste reusing, etc. ✓ Focusing on the adoption of recyclable materials and prefabricated construction method.

Case Sharing: Application of BIM technique in the Xinhong commercial project, rental housing in Zizhu Science Park and lot no. 21–08 located in the north of Huateng Road, Huaxin Town, Qingpu District, Shanghai

During the reporting period, we devoted our efforts to expanding our smart construction equipment, continuously facilitating the use of a BIM coordination platform and providing comprehensive construction models by making use of BIM technique to visualise and simulate the effect at the stages of project design and construction. This could help us identify and reduce potential hazards and defects, further enhance resource efficiency, explore potential ways for reducing greenhouse gas emissions and thus manage the environmental impact more effectively.

6.4 Promoting Green Operation

The Group strives to incorporate sustainability in its operations and continues to promote "green operation" to reduce the environmental risk faced by its operations and the negative impact on the environment and to strike a balance between business development and environmental protection.

Enhancing Environmental Awareness

To enhance the awareness of the staff members for environmental protection and conservation, we continue practising the green office concept and conduct training and promotional education for our staff members via different channels. We have added environmental protection training to our induction training, and we plan to organise more energy saving and green activities in future.

Reducing Waste Generation

During the reporting period, we rolled out different measures to reduce waste generation. For example, to follow the centralised deployment requirements of Shanghai and to reduce, recycle and enhance the detoxified management of household waste, all staff members are encouraged to practise waste separation to help create an environmentally-friendly office environment. Baoxu Property, a subsidiary of the Group, also organised the "Clear Your Plate" campaign to help staff members form a civilised dining habit and cherish their food without wasting. The subsidiary issued the Conservation Measures for Baoxu Company Canteen to require rational food matching in order to reduce wastage resulting from food quality problems. As for the office premises, staff members are encouraged to use both sides of paper and edit documents on the computer to reduce paper consumption, and bring their own cups and minimise or even cut the use of paper cups to reduce waste. Baoxu Property issued the Notice of Shanghai Shangtou Baoxu Property Co., Ltd. on Waste Separation, which requires staff members to separate and recycle food waste and hazardous and non-hazardous waste so as to increase the recycling rate.

Water Conservation

To avoid water wastage, all staff members are encouraged to take an active part in the promotion, education, implementation and supervision of water conservation so as to develop the sense of social responsibility of "taking pride in water conservation and feeling shame on water wastage" and arouse their water conservation awareness. Besides, according to the Aqueduct Water Risk Atlas published by the World Resources Institute, there is no problem with the water source of the Group's main operating locations.

Energy Saving and Consumption Reduction

During the reporting period, we strove to maximise energy efficiency by actively reducing office energy consumption. Various measures were launched to develop the energy-saving habits of our staff members, such as minimising the use of lighting in daytime. Baoxu Property prepared the Energy Saving and Consumption Reduction Plan for Shanghai Shangtou Baoxu Property Co., Ltd. to launch different initiatives to save energy, water and office supplies. Publicity signage and photos on saving energy and reducing consumption were posted on the company's bulletin board to promote the message of reducing wastage.

Case Sharing: Reducing energy consumption in the mall under management

During the reporting period, Chongqing Intercity, a subsidiary of the Group, rolled out measures to reduce energy consumption in the mall under its management, including measuring the water consumption of the washrooms in the mall, converting all manual water taps to sensor water taps, and enhancing the temperature management of the mall.

6.5 Addressing Climate Change

The Group is aware of the potential risks brought by climate change to our business. Consequences of climate change, such as extreme weather conditions and super typhoons, may endanger the physical assets of the Group and directly harm or lead to a depreciation of our corporate assets. Climate change may also give rise to different transitional risks, including more stringent legal and regulatory measures and policies and a shift in market trends. The stable operation of the Group may be directly or indirectly affected if the Group fails to transform itself in response to market conditions in a timely manner. Therefore, the Group incorporated the risk of climate change into its own ESG risk database and formulated the relevant management measures to mitigate and adapt to climate change during the reporting period.

To lower the risks and impact of climate change, all of the Group's subsidiaries have formulated an environmental emergency response plan and conducted the relevant safety training and contingency drills to prevent natural disasters or material man-made environmental incidents and reduce the impact of such incidents. During the reporting period, the Jin Jiang International Hotel Xi'an of the Group devised the "Contingency Plan for Snowy and Icy Weather in Winter" with an aim of eliminating and avoiding bodily harm caused by snowy and icy weather. The plan sets out the division of labour and a list of preparatory supplies for each department and standardises the relevant response measures and actions to get prepared for severe weather. Shanghai Qiyao Property Development, a subsidiary of the Group, formulated the "Special Contingency Plan for Rain, Snow, Ice and Sleet Disasters" to further refine and implement the response measures to rain, snow, ice and sleet disasters, including setting up a contingency group. The contingency group will be responsible for the emergency response to rain, snow, ice and sleet disasters, such as on-site rescue, on-site disaster relief, on-site medical treatment of casualties, checking the status of first responders, evacuating non-rescue personnel from dangerous areas and on-site management of public order, traffic and disaster alert. The management team of the Le Meridien Xi'an, Chanba Hotel also prepared the "Collaborative Quick Response Plan for Park Hotels under Snowy and Icy Weather in Winter" to enhance the quick emergency response capability of the two hotels in the hotel area under snowy and icy weather in winter.

For effective emergency response to natural disasters and dangerous incidents during the tidal period and efficient and orderly disaster rescue and relief, Shanghai Qiyao Property Development also prepared the "Special Contingency Plan for Flood and Typhoon Control" to lay down the strategies of disaster prevention, alert and response, such as discharging water, and preventing waterlogging in underground space and areas prone to flooding.

In future, the Group will continue to explore the opportunities brought to us by climate change and actively follow the action initiatives in relation to climate change, with a view to achieving the goals of hitting carbon emission peak by 2030 and reaching carbon neutrality by 2060 as proposed by the PRC and accelerating in low-carbon transformation.

6.6 Environmental Performance

The environmental performance data set out in this section cover the offices, property projects and hotels operated by the Group.

Calculation of Environmental Data Intensity

	Unit	2022	2021
Annual revenue	HK$0'000	1,108,504.5	1,101,508.8
Number of motor vehicles	unit	Gasoline vehicle: 61 units Ethanol fuel vehicle: 3 units Diesel vehicle: 2 units Battery Electric Vehicle: 2 units	Gasoline vehicle: 65 units Ethanol fuel vehicle: 3 units Diesel vehicle: 1 unit

Resources Consumption

	Unit	2022	2021
Energy			
Direct Energy			
Total direct energy consumption[8]	MWh	15,065.42	19,411.75
Total direct energy consumption intensity	MWh/income in HK$10,000	0.013	0.018
Total gasoline consumption	litre	81,244.60	194,119.27
Gasoline consumption intensity[9]	litre/per gasoline vehicle	1,331.88	2,986.45
Total ethanol fuel consumption	litre	1,921.94	3,903.64
Ethanol fuel consumption intensity[9]	litre/per ethanol fuel vehicle	640.65	1,301.21
Total diesel consumption	litre	11,835.34	15,995.80
Diesel consumption intensity[9]	litre/per diesel vehicle	5,917.67	15,995.80
Total natural gas consumption[10]	m^3	1,257,154.00	1,556,429.00
Natural gas consumption intensity	m^3/income in HK$10,000	1.13	1.41
Total purchased heat consumption	GJ	2,084.43	2,084.43
Purchased heat consumption intensity	GJ/income in HK$10,000	0.002	0.002
Total town gas consumption	m^3	280.00	398.15
Town gas consumption intensity	m^3/income in HK$10,000	0.00025	0.00036

8 The unit conversion calculation of direct energy and the related conversion factors are based on the Accounting Method and Reporting Guidelines for Greenhouse Gas Emissions from Public Construction Units (Enterprises) (Trial) (《公共建築運營單位(企業)溫室氣體排放核算方法和報告指南(試行)》) and the Accounting Method and Reporting Guidelines for Greenhouse Gas Emissions from Land Transport Enterprises (Trial) (《陸上交通運輸企業溫室氣體排放核算方法與報告指南(試行)》).

9 The Group's consumption of gasoline, ethanol fuel and diesel originate from vehicle fuel consumption. Therefore, the vehicle fuel consumption intensity was calculated by using the respective number of gasoline, ethanol fuel and diesel vehicles.

10 The Group mainly uses natural gas for cooking and heat supply.

	Unit	2022	2021
Indirect Energy			
Indirect energy consumption	MWh	44,362.03	50,622.53
Total indirect energy consumption intensity	MWh/income in HK$10,000	0.04	0.05
Electricity consumption	kWh	44,362,027.50	50,622,532.05
Use of Water Resources			
Water resources consumption	tonne	99,055.58[11]	140,739.04
Water resources consumption intensity	tonne/income in HK$10,000	0.09	0.13

Emission of Pollutants and Greenhouse Gas

	Unit	2022	2021
Emission of air pollutants from vehicles			
CO emissions	kg	1,108.80	1,931.64
NOx emissions	kg	301.93	483.93
SOx emissions	kg	1.45	3.24
PM2.5 emissions	kg	11.68	41.80
PM10 emissions	kg	12.78	46.14
Emission of air pollutants from town gas and natural gas[12]			
NOx emissions	kg	1,508.96	1,984.77
SO_2 emissions	kg	1.06	1.64
PM2.5 emissions	kg	0.04	0.09
PM10 emissions	kg	138.29	181.87
TVOC emissions	kg	0.00014	0.00027
Total Emissions			
Total greenhouse gas emissions	tonne of carbon dioxide equivalent (tCO_2e)	29,740.10	35,017.70
Total greenhouse gas emission intensity	tCO_2e/income in HK$10,000	0.03	0.03

11 During the reporting period, the water resources consumption of ShanghaiMart decreased drastically as compared with that of the same period last year because of the pandemic.

12 The emission of air pollutants from town gas and natural gas for 2021 has been recalculated due to a change of emission factors. The air pollutants from town gas and natural gas are calculated based on the Manual on Accounting Methods and Factors for Pollutant Emissions from Household (《生活源產排污核算方法和係數手冊》).

	Unit	2022	2021
Scope 1[13]			
Total greenhouse gas emissions for Scope 1	tCO_2e	4,211.14	5,229.91
Total greenhouse gas emission intensity for Scope 1	tCO_2e/income in HK$10,000	0.0038	0.0048
Emission from gasoline, ethanol fuel and diesel	tCO_2e	223.74	485.47
Emission from refrigerants	tCO_2e	1,311.00	1,411.52
Emission from natural gas consumption	tCO_2	2,718.13	3,365.21
Emission from town gas consumption	tCO_2	0.20	0.28
Greenhouse gas offset by owned trees	tCO_2e	–41.93	–32.57
Scope 2[14]			
Total greenhouse gas emissions for Scope 2	tCO_2e	25,424.73	29,787.79
Total greenhouse gas emission intensity for Scope 2	tCO_2e/income in HK$10,000	0.02	0.03
Emission from electricity consumption	tCO^2	25,299.66	29,558.50
Emission from purchased heat consumption	tCO^2	125.07[15]	229.29

13 The calculation scope of greenhouse gas emissions (Scope 1) includes fuel consumption for cooking and vehicles, consumption of refrigerants and emissions reductions by trees. The calculation method of the emission from cooking fuel consumption and the related emission factors are based on the Accounting Method and Reporting Guidelines for Greenhouse Gas Emissions from Public Construction Units (Enterprises) (Trial). The calculation method of the emission from vehicle fuel consumption and the related emission factors are based on the Accounting Method and Reporting Guidelines for Greenhouse Gas Emissions from Land Transport Enterprises (Trial) and Greenhouse Gas Inventory Guidance — Direct Emissions from Mobile Combustion Sources. The calculation method of the emission from refrigerant consumption and the related emission factors are based on the Fifth Assessment Report. The calculation method of the emissions reductions by trees and the related emission reduction coefficient are based on the Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings in Hong Kong.

14 The calculation scope of greenhouse gas emissions (Scope 2) includes consumption of electricity and purchased heat. The calculation method of the emission from electricity consumption and the related emission factors for the reporting period are based on the Notice on Proper Reporting and Management of Greenhouse Gas Emissions from Power Generation Enterprises in 2023–2025 (《關於做好2023–2025年發電行業企業溫室氣體排放報告管理有關工作的通知》). The calculation method of the emission from purchased heat consumption and the related emission factors are based on the Accounting Method and Reporting Guidelines for Greenhouse Gas Emissions from Public Construction Units (Enterprises) (Trial).

15 During the reporting period, the calculation method of the emission from purchased heat consumption and the related emission factors are based on the Notice of Shanghai Municipal Bureau of Ecology and Environment on the Adjustment of the Values of Emission Factors Related to the City's Accounting Guidelines for Greenhouse Gas Emission (《上海市生態環境局關於調整本市溫室氣體排放核算指南相關排放因子數值的通知》).

Volume of Solid Waste Produced and Recycled

	Unit	2022	2021
Non-hazardous waste produced			
Total non-hazardous waste produced	tonne	1,308.89	3,786.12
Intensity of total non-hazardous waste produced	tonne/income in HK$10,000	0.0012	0.0034
Household waste			
Volume produced	tonne	768.19[16]	3,189.25
Papers			
Volume produced	tonne	82.48	83.33
Volume recycled	tonne	80.23	80.49
Plastic			
Volume produced	tonne	11.05	12.63
Volume recycled	tonne	10.83	11.45
Metals			
Volume produced	tonne	8.65	9.14
Volume recycled	tonne	8.65	9.14
Food waste			
Volume produced	tonne	438.53	491.77
Volume recycled	tonne	427.28	221.96
Hazardous waste produced[17]			
Waste fluorescent tube			
Volume produced	unit	1,513.00[18]	720.00
Volume recycled	unit	1,257.00	690.00
Intensity	unit/income in HK$10,000	0.0014	0.0007
Waste battery			
Volume produced	unit	2,608.00[19]	1,960.00
Volume of waste and old battery recycled	unit	1,519.00	1,488.00
Intensity of waste and old battery	unit/income in HK$10,000	0.0024	0.0018
Waste ink cartridge			
Volume produced	unit	571.00	645.00
Volume recycled	unit	184.00	239.00
Intensity	unit/income in HK$10,000	0.00052	0.00059

16 During the reporting period, the Le Meridien Xi'an, Chanba Hotel adopted a waste separation system and reduced the purchase of one-off production materials. Additionally, it was used as a medical quarantine and surveillance location for about 100 days. Therefore, the volume of household waste produced decreased significantly as compared with the same period last year.

17 Since hazardous waste is not a major source of waste of the Group, it is not calculated by weight for the time being.

18 During the reporting period, ShanghaiMart replaced a large number of fluorescent tubes with LED tubes. Therefore, the volume of waste fluorescent tubes produced increased significantly as compared with that of the same period last year.

19 During the reporting period, the Jin Jiang International Hotel Xi'an replaced the battery of its equipment, including door locks and meeting rooms. Therefore, the volume of waste battery produced increased significantly as compared with that of the same period last year.

CONTENT INDEX OF THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE

Mandatory disclosure requirements	Description	Reference or Explanation
Governance Structure	A statement from the board containing the following elements: (i) a disclosure of the board's oversight of ESG issues; (ii) the board's ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer's businesses); and (iii) how the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's businesses.	2. ESG Governance and Approach
Reporting Principles	A description of, or an explanation on, the application of the following Reporting Principles in the preparation of the ESG report	1. About This Report
Reporting Boundary	A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report. If there is a change in the scope, the issuer should explain the difference and reason for the change	1. About This Report

A. Environmental			
General Disclosure/Key Performance Indicators		**Description**	**Reference or Explanation**
Aspect A1: Emissions			
General Disclosure		Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste	6 Care for Environment and Green Operation
Key Performance Indicators	A1.1	The types of emissions and respective emissions data	6.6 Environmental Performance
	A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	6.6 Environmental Performance
	A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	6.6 Environmental Performance
	A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	6.6 Environmental Performance
	A1.5	Description of emissions target(s) set and steps taken to achieve them	6.1 Achieving Environmental Targets
	A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them	6.1 Achieving Environmental Targets 6.4 Promoting Green Operation

A. Environmental			
General Disclosure/Key Performance Indicators		**Description**	**Reference or Explanation**
Aspect A2: Use of Resources			
General Disclosure		Policies on the efficient use of resources, including energy, water and other raw materials	6 Care for Environment and Green Operation
Key Performance Indicators	A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in'000s) and intensity (e.g. per unit of production volume, per facility)	6.6 Environmental Performance
	A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility)	6.6 Environmental Performance
	A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them	6.1 Achieving Environmental Targets 6.4 Promoting Green Operation
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them	6.1 Achieving Environmental Targets 6.4 Promoting Green Operation
	A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced	* The business nature of the Group does not involve any consumption of packaging materials
Aspect A3: The Environment and Natural Resources			
General Disclosure		Policies on minimising the issuer's significant impacts on the environment and natural resources	6 Care for Environment and Green Operation
Key Performance Indicators	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	6 Care for Environment and Green Operation

A. Environmental			
General Disclosure/Key Performance Indicators		**Description**	**Reference or Explanation**
Aspect A4: Climate Change			
General Disclosure		Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer	6 Care for Environment and Green Operation 6.5 Addressing Climate Change
Key Performance Indicators	A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them	6 Care for Environment and Green Operation 6.5 Addressing Climate Change

B. Social			
General Disclosure/Key Performance Indicators		**Description**	**Reference or Explanation**
Aspect B1: Employment			
General Disclosure		Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare	4.1 Protecting the Employers and Employees 4.2 Nurturing Talents
Key Performance Indicators	B1.1	Total workforce by gender, employment type, age group and geographical region	4.1 Protecting the Employers and Employees
	B1.2	Employee turnover rate by gender, age group and geographical region	4.1 Protecting the Employers and Employees

B. Social			
General Disclosure/Key Performance Indicators		**Description**	**Reference or Explanation**
Aspect B2: Health and Safety			
General Disclosure		Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards	4.4 Creating a Safe Workplace
Key Performance Indicators	B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year	4.4 Creating a Safe Workplace
	B2.2	Lost days due to work injury	4.4 Creating a Safe Workplace
	B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored	4.4 Creating a Safe Workplace
Aspect B3: Development and Training			
General Disclosure		Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities	4.2 Nurturing Talents
Key Performance Indicators	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management)	4.2 Nurturing Talents
	B3.2	The average training hours completed per employee by gender and employee category	4.2 Nurturing Talents

B. Social			
General Disclosure/Key Performance Indicators		**Description**	**Reference or Explanation**
Aspect B4: Labour Standards			
General Disclosure		Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour	4.1 Protecting the Employers and Employees
Key Performance Indicators	B4.1	Description of measures to review employment practices to avoid child and forced labour	4.1 Protecting the Employers and Employees
	B4.2	Description of steps taken to eliminate such practices when discovered	* No violation was identified by the Group during the reporting period
Aspect B5: Supply Chain Management			
General Disclosure		Policies on managing environmental and social risks of the supply chain	5.1 Responsible Supply Chain
Key Performance Indicators	B5.1	Number of suppliers by geographical region	5.1 Responsible Supply Chain
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored	5.1 Responsible Supply Chain
	B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored	5.1 Responsible Supply Chain
	B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored	5.1 Responsible Supply Chain

B. Social			
General Disclosure/Key Performance Indicators		**Description**	**Reference or Explanation**
Aspect B6: Product Responsibility			
General Disclosure		Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress	3 Compliant Operation and Construction Craftsmanship * The business nature of the Group does not involve any labelling of products and services
Key Performance Indicators	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	3. Compliant Operation and Construction Craftsmanship
	B6.2	Number of products and service related complaints received and how they are dealt with	3.2 Improving Customer Experience
	B6.3	Description of practices relating to observing and protecting intellectual property rights	3.4 Adhering to Business Ethics
	B6.4	Description of quality assurance process and recall procedures	3.1 High Quality Project Construction 3.2 Improving Customer Experience * The business nature of the Group does not involve any recall procedures
	B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored	3.3 Safeguarding Customers' Rights

B. Social			
General Disclosure/Key Performance Indicators		**Description**	**Reference or Explanation**
Aspect B7: Anti-corruption			
General Disclosure		Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering	3.4 Adhering to Business Ethics
Key Performance Indicators	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	3.4 Adhering to Business Ethics
	B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored	3.4 Adhering to Business Ethics
	B7.3	Description of anti-corruption training provided to directors and staff	3.4 Adhering to Business Ethics
Aspect B8: Community Investment			
General Disclosure		Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests	5.2 Giving Back to Society
Key Performance Indicators	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport)	5.2 Giving Back to Society
	B8.2	Resources contributed (e.g. money or time) to the focus area	5.2 Giving Back to Society

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Huang Haiping
Chairman, Executive Director and Chairman of the Nomination Committee

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

Mr. Lou Jun
Executive Director

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

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

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

Mr. Li Ka Fai, David, ***M.H.***
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. Huang Haiping, Chairman, Executive Director and Chairman of the Nomination Committee

Mr. Huang, aged 56, was appointed as the chairman of the Board, an executive Director and the chairman of the Nomination Committee of the Company on 18 May 2020.

He graduated from the Shanghai Education Institute majoring in political education (undergraduate) and obtained a bachelor degree of laws from the Shanghai Normal University. He holds the title of political engineer. He is a vice president of Shanghai Industrial Investment (Holdings) Company Limited ("**SIIC**", a controlling shareholder of the Company) and the chairman of SIIC Dongtan Investment & Development (Holdings) Co., Ltd. (上海實業東灘投資開發（集團）有限公司). Mr. Huang previously acted as deputy officer of the Huangpu District Xiaodongmen Sub-district Office, officer of the Huangpu District Bansongyuan Road Sub-district Office, director of the Huangpu District Housing and Land Administrative Bureau, leader of the Joint Preparation Group of the Huangpu District Development and Reform Commission, director of the Huangpu District Housing Security and Housing Administrative Bureau, deputy director of the Putuo District Government of Shanghai and vice chairman of the CPC Shanghai Putuo District Committee. He has over twenty years of working experience in urban construction and management. He is also the chairman of Shanghai Urban Development (Holdings) Co., Ltd. ("**SUD**"), and a director of Continental Land Development Limited, Advantage World Investment Limited, Phoenix Real Properties Limited, Joy Century Investments Limited and Silvery Champ Limited, the subsidiaries of the Company.

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

Mr. Tang, aged 55, was appointed as the President, an executive Director and a member of the Investment Appraisal Committee of the Company on 15 January 2021.

He graduated from the University of South Australia with a master degree of business administration. He holds the title of senior auditor and is a member of the Chinese Institute of Certified Public Accountants. Mr. Tang previously acted as an executive director of Shanghai Industrial Holdings Limited, general manager of the audit department and deputy general manager of the financial planning department of SIIC, director and president, vice president and financial director of Shanghai Industrial Development Co., Ltd., and deputy head of the foreign funds usage audit division of the Shanghai Municipal Audit Bureau. He has over twenty years of working experience in auditing and financial practices.

Mr. Lou Jun, Executive Director

Mr. Lou, aged 51, was appointed as an executive Director of the Company on 30 June 2017. 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. He is a vice president and general manager of the board office of SIIC. 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. Ye Weiqi, Executive Director, Vice President and Member of the Remuneration Committee

Mr. Ye, aged 59, was appointed as an executive Director of the Company on 22 March 2013. He is also a vice president and a member of the Remuneration Committee of the Company. Mr. Ye has a master's degree in business administration from EIPOS Europäisches Institut für postgraduate Bildung an der Technischen Universität Dresden in 2002 and a master's degree in business administration from Arizona State University in 2008. He was the finance manager of finance department of Shanghai Far East Aviation Technology Import and Export Company, the manager of budget finance department of Shanghai Great World Plaza Company Limited, the deputy manager of budget finance department of Shanghai Great World (Group) Company prior to his employment with the Group. He was also the director of the auditing office, manager of investment and development department and assistant to the general manager of SUD. He is currently a director and president of SUD.

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

Mr. Doo, aged 78, was appointed as an independent non-executive Director of the Company on 5 July 2010. He is the chairman of the Remuneration Committee and a member of the Audit Committee of the Company. He was appointed as a member of the Nomination Committee on 3 August 2015. Mr. Doo is the chairman and director of Fungseng Prosperity Holdings Limited. He is also the Honorary Consul General of the Kingdom of Morocco in Hong Kong and Macau, and has been serving as a Governor of the Canadian Chamber of Commerce in Hong Kong since 1995. Mr. Doo was awarded the Bronze Bauhinia Star by the Government of the Hong Kong Special Administrative Region in 2021. In addition, he was appointed as a National Committee Member of the 12th Chinese People's Political Consultative Conference in February 2013, and was promoted to the Officier del'Ordre National de la Légion d'Honneur by the French Government in 2019. He is a director of the following listed companies:

Listed Company	Role
Hong Kong listed companies	
• Lifestyle International Holdings Limited (stock code: 1212, withdrawal of its listing of shares on the Stock Exchange with effect from 20 December 2022)	Non-executive director
• FSE Lifestyle Services Limited (stock code: 331)	Alternate director to non-executive director, Dr. Cheng Kar Shun, Henry
• New World Development Company Limited (stock code: 17)	Vice chairman and non-executive director

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

Dr. Fan, aged 62, was appointed as an independent non-executive Director of the Company on 5 July 2010. He is also the chairman of the Investment Appraisal Committee and the members of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Dr. Fan holds a Master's Degree in Business Administration from the United States and a PhD Degree in Economics. He has over six years of experience in the property industry. He is the founding president of the Hong Kong Independent Non- Executive Director Association. He is also the chairman and managing director of AsiaLink Capital Limited. He is a director of the following listed companies:

Listed Company	Role
Hong Kong listed companies	
• Tenfu (Cayman) Holdings Company Limited (stock code: 6868)	Executive director
• Technovator International Limited (stock code: 1206)	Independent non-executive director, chairmen of the remuneration committee and the risk management committee, members of the audit committee and the nomination committee
• Uni — President China Holdings Ltd. (stock code: 220)	Independent non-executive director, chairman of the audit committee, members of the remuneration committee and the investment, strategy and development committee
• China Dili Group (stock code: 1387)	Independent non-executive director and chairman of the audit committee
• CITIC Resources Holdings Limited (stock code: 1205)	Independent non-executive director, chairman of the audit committee, members of the remuneration committee, the nomination committee and the risk management committee

Listed Company	Role
• Hong Kong Resources Holdings Company Limited (stock code: 2882)	Independent non-executive director, members of the audit committee, the nomination committee and the remuneration committee
• China Development Bank International Investment Limited (stock code:1062)	Independent non-executive director, members of the audit committee, the nomination committee and the remuneration committee
• Neo-Neon Holdings Limited (stock code:1868)	Independent non-executive director, chairman of the risk management and regulatory compliance committee, members of the audit committee, the remuneration committee and the nomination committee
• Semiconductor Manufacturing International Corporation (stock code: 981)	Independent non-executive director, chairman of the audit committee and the compensation committee, member of the nomination committee
• Hilong Holding Limited (stock code: 1623)	Non-executive director
• Raymond Industrial Limited (stock code: 0229)	Independent non-executive director, members of the remuneration committee, the audit committee and the nomination committee (retired, with effect from 21 May 2021)

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

Mr. Li, aged 68, was appointed as an independent non-executive Director of the Company on 5 July 2010. He is the chairman of the Audit Committee of the Company. He is the senior advisor of SHINEWING (HK) CPA Limited. He is also a fellow of the Association of Chartered Certified Accountants, United Kingdom. Mr. Li has over sixteen years of experience in the property industry. He is a director of the following listed companies:

Listed Company	Role
Hong Kong listed companies	
• Goldlion Holdings Limited (stock code: 533)	Independent non-executive director, chairman of the audit committee, members of the nomination committee and the remuneration committee
• China-Hongkong Photo Products Holdings Limited (stock code: 1123)	Independent non-executive director, chairman of the audit committee, members of the nomination committee and the remuneration committee
• Cosmopolitan International Holdings Limited (stock code: 120)	Independent non-executive director, chairman of the audit committee, members of the nomination committee and the remuneration committee
• Continental Aerospace Technologies Holding Limited (formerly known as "AVIC International Holding (HK) Limited", stock code: 232)	Independent non-executive director, members of the audit committee and the remuneration committee

Listed Company	Role
• China Merchants Port Holdings Company Limited (stock code: 144)	Independent non-executive director, chairman of the audit committee and member of the remuneration committee
• Wai Yuen Tong Medicine Holdings Limited (stock code: 897)	Independent non-executive director and chairman of the audit committee
• CR Construction Group Holdings Limited (stock code: 1582)	Independent non-executive director, chairman of the audit committee and the remuneration committee, member of the nomination committee (retired, with effect from 25 June 2021)

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

Mr. Qiao, aged 55, was appointed as an independent non-executive Director and a member of the Investment Appraisal Committee of the Company on 28 September 2017. He 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 is currently an executive partner of Shanghai Guanhao Enterprise Management Consultancy Partnership (Limited Partnership) (上海觀晧企業管理諮詢合夥企業(有限合夥)), 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), and 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).

Mr. Qiao previously served as the chairman of Shanghai Fudan Kingstar Computer Co., Ltd., a director of Shanghai Shuwei Information Technology Co., Ltd. and Shanghai Ma Ke Bo Luo E-Commerce Limited, the deputy officer of Shanghai Municipal Commission of Informatization, the deputy district head of Shanghai Changning District People's Government and the vice general manager of Shenergy (Group) Co., Ltd. As for social responsibilities, he was the executive chairman of the Junior Chamber of Shanghai Pudong, the vice director of Shanghai Software Industry Association, the vice chairman of Shanghai Young Entrepreneurs Association, the standing committee member of the Shanghai Youth Federation, the vice chairman of Shanghai Financial Youth Federation, the vice chairman of Shanghai Federation of Industry and Commerce (Chamber of Commerce) and the standing committee member of the Shanghai Committee of the Chinese People's Political Consultative Conference.

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

SENIOR MANAGEMENT

Mr. Li Bin
Vice President

Mr. Li, aged 49, is a vice president of the Company. He 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). Mr. Li was the chief and the independent director of company secretary and information office in Shanghai Xujiahui Commercial Company Limited, the chief of secretary department in Shanghai Xuhui District Committee Office and the supervisor of SUD.

Ms. Zhou Yan
Vice President

Ms. Zhou, aged 55, is a vice president of the Company. 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. She was an executive director of Shanghai Zendai Property Limited (stock code: 755). Ms. Zhou has more than 23 years of experience in the real estate industry in the PRC. She is also currently a director and vice president of SUD.

Mr. Yang Yong
Vice President

Mr. Yang, aged 51, is a vice president of the Company. Mr. Yang holds a master degree in management science from management science and engineering discipline of School of Economics and Management, Tongji University. He used to be the deputy general manager of Shanghai International Group Investment Development Limited. Since December 2015, Mr. Yang has been the vice president of Shanghai Shangtou Asset Management Limited.

Mr. He Bin
Vice President

Mr. He, aged 42, is a vice president of the Company. Mr. He received a bachelor's degree in economics from Fudan University in Shanghai. He was the assistant to the president of the Company and SUD. He has been the general manager of Shanghai Shentian Property Limited (上海莘天置業有限公司) since February 2013. Mr. He is also currently a director and vice president to SUD.

Ms. Yang Hua
Vice President

Ms. Yang, aged 44, is a vice president of the Company. Ms. Yang holds a bachelor's degree in economics from Shanghai University of Finance and Economics. She was the assistant to the president of the Company and SUD. She is currently the chairman of the intercity companies in Xi'an, Tianjin and Yantai.

SENIOR MANAGEMENT

Mr. Chan Kin Chu, Harry
Company Secretary

Mr. Chan, aged 53, has been the Company Secretary of the Company since 1 June 2011. He was appointed as Board Secretary and Deputy General Counsel in February 2013. Mr. Chan graduated from the University of Hong Kong with a bachelor of laws degree. He also obtained a master of laws degree from the University of London, U.K. and a bachelor of laws degree from Tsinghua University, the PRC. He was admitted to the High Court of Hong Kong Special Administrative Region as a solicitor. Mr. Chan has over twenty years of working experience in legal, compliance and corporate governance matters. Before joining the Group, Mr. Chan worked for a sizable property developer as an in-house counsel.

DIRECTORS' REPORT

The Board presents its annual report and the audited financial statements of the Group for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries, its associates and its joint ventures are set out in notes 47, 21 and 22 to the consolidated financial statements respectively.

BUSINESS REVIEW

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2022 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 139 to 140.

The Board recommends the payment of a final dividend of 2.1 HK cents per share in cash and a special dividend of 0.9 HK cents per share in cash for the year ended 31 December 2022 (for the year ended 31 December 2021: final dividend of 2.1 HK cents per share in cash and special dividend of 2.4 HK cents per share in cash) to the Shareholders whose names appear on the register of members of the Company at the close of business on Thursday, 1 June 2023, subject to approval by the Shareholders at the 2023 AGM. It is expected that the final dividend and special dividend warrants will be despatched to those entitled Shareholders on or around Friday, 23 June 2023.

CLOSURE OF REGISTER OF MEMBERS

Entitlement to attend and vote at the 2023 AGM

The 2023 AGM is scheduled to be held on Monday, 22 May 2023. For determining the entitlement to attend and vote at the 2023 AGM, the register of members of the Company will be closed from Tuesday, 16 May 2023 to Monday, 22 May 2023, 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 2023 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30p.m. on Monday, 15 May 2023.

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 Monday, 29 May 2023 to Thursday, 1 June 2023, 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 the Shareholders' approval at the 2023 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30p.m. on Thursday, 25 May 2023.

INVESTMENT PROPERTIES

Details of movements during the year ended 31 December 2022 in investment properties of the Group are set out in note 16 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year ended 31 December 2022 in other property, plant and equipment of the Group are set out in note 17 to the consolidated financial statements.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 260 of this annual report.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 December 2022 are set out in note 36 to the consolidated financial statements.

LOAN AGREEMENT WITH SPECIFIC PERFORMANCE COVENANT ON THE CONTROLLING SHAREHOLDER

As disclosed in the Company's announcement dated 19 September 2022, the Company as borrower entered into a facility letter (the "**Facility Letter**") with a bank as lender for a revolving term loan facility of up to HKD400,000,000 with the maturity date being the date falling 12 months from the acceptance date of the Facility Letter (the "**RTL Facility**"). The Facility Letter contains an undertaking by the Company that so long as the RTL Facility or any sum thereunder remains outstanding, Shanghai Industrial Holdings Limited ("**SIHL**"), a controlling and substantial shareholder of the Company and the shares of which are listed on the main board of The Stock Exchange of Hong Kong Limited (stock code: 363) and Shanghai Industrial Investment (Holdings) Company Limited ("**SIIC**"), being a controlling shareholder of SIHL, shall collectively directly or indirectly own not less than 51% of the total issued share capital of the Company and maintain management control of the Company (the "**Shareholding and Management Covenant**"). A breach of the Shareholding and Management Covenant will constitute an event of default under the Facility Letter.

As disclosed in the Company's announcement dated 6 December 2022, the Company (as the borrower) entered into a loan agreement with a bank (as the lender) for a term loan facility in the amount of RMB2,400,000,000 for a term of thirty-six months for the purpose of re-financing the term loan facility granted by a bank (as referred to in the announcement of the Company dated 17 June 2020). The loan agreement provides that during the subsistence of the Facility SIIC, being a controlling shareholder of the Company and SIHL (a controlling and substantial shareholder of the Company), shall directly or indirectly maintain no less than 51% of the total issued share capital of the Company and maintain actual control and management of the Company (the "**Requisite Covenant**"). A breach of the Requisite Covenant will constitute a default under the Loan Agreement.

Reference is made to the announcements of the Company dated 4 November 2020 and 25 November 2021 with regard to a facility letter (the "**Facility Letter**") entered between the Company and a bank for a revolving loan facility of up to HKD500,000,000 granted by a bank (the "**RL Facility**"). As disclosed in the Company's announcement dated 9 December 2022, the Company (as the borrower) entered into a supplemental facility letter (the "**Supplemental Facility Letter**") with the lender under the RL Facility to revise certain terms and conditions of the Facility Letter. Pursuant to the Supplemental Facility Letter, the maturity date of the RL Facility is extended to 31 October 2023. The RL Facility contains a Shareholding and Management Covenant under which the Company shall ensure that so long as the RL Facility or any sum thereunder is outstanding, SIHL, a controlling and substantial shareholder of the Company, and/or SIIC, a controlling shareholder of SIHL, shall collectively directly or indirectly own not less than 51% of the total issued share capital of the Company and maintain management control of the Company. A breach of the Shareholding and Management Covenant will constitute a default under the Facility Letter.

As at 31 December 2022, SIHL and SIIC are beneficially interested in approximately 44.04% and 70.17%, respectively, of the total issued share capital of the Company. Other than as disclosed above, there are no other events which are required to be disclosed by the Company under Rule 13.18 of the Listing Rules.

MATERIAL ACQUISITIONS AND DISPOSALS

Details of material acquisitions and disposals of the Company are set out in note 53 and 37 to the consolidated financial statements respectively.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year ended 31 December 2022 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 2022.

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$8,903,527,660 as at 31 December 2022 (as at 31 December 2021: HK$8,909,949,000) may be distributed in the form of fully paid bonus shares.

DIRECTORS

The Directors during the year ended 31 December 2022 and up to the date of this annual report have been:

Executive Directors
Mr. Huang Haiping *(Chairman)*
Mr. Tang Jun *(President)*
Mr. Lou Jun
Mr. Ye Weiqi
Mr. Zhong Tao (resigned on 31 March 2022)

Independent Non-executive Directors
Mr. Doo Wai-Hoi, William, *B.B.S., J.P.*
Dr. Fan Ren Da, Anthony
Mr. Li Ka Fai, David, *M.H.*
Mr. Qiao Zhigang

In accordance with Bye-law 87 of the Company's Bye-laws, Mr. Huang Haiping, Dr. Fan Ren Da, Anthony and Mr. Li Ka Fai, David, *M.H.* 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 2023 AGM to re-elect Mr. Huang Haiping as an executive Director and Dr. Fan Ren Da, Anthony and Mr. Li Ka Fai, David, *M.H.* as independent non-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 46 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 2022 or at any time during the year ended 31 December 2022.

MANAGEMENT CONTRACT

During the year ended 31 December 2022, no contract concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed.

CONTRACT OF SIGNIFICANCE

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

(i) No contracts of significance in relation to the business of the Group, to which the Company or any of its subsidiaries was a party and in which a controlling shareholder of the Company or any of its subsidiaries had a material interest, whether directly or indirectly, subsisted at the year ended 31 December 2022 or at any time during the year ended 31 December 2022; 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 2022 or at any time during the year ended 31 December 2022.

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 111 to 118 of this annual report.

DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

A summary of the Company's directors' and senior management's remuneration is set out in notes 12 and 46(a) to the consolidated financial statements respectively.

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

As at 31 December 2022, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (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:

(1) 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
Tang Jun	Beneficial owner	178,000	—	0.00%

Note:

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) Long positions in the shares and underlying shares of the associated corporations of the Company

SIHL

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 SIHL
Tang Jun	Beneficial owner	65,000	—	0.00%

Note:

1. These interests represent the interests in the underlying shares of SIHL in respect of the share options (which are unlisted and physically settled equity derivatives) granted by SIHL under its share option scheme.

Save as disclosed herein, as at 31 December 2022, none of the Directors or 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.

All the share options granted in September 2010 under the Share Option Scheme were lapsed on 24 September 2020. As at 31 December 2022, no share options remained outstanding under Share Option Scheme. The Share Option Scheme expired on 11 December 2012.

During the year ended 31 December 2022, there were no movements in the Company's share options under the Share Option Scheme.

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

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

The eligible participants include the following classes of participants:

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

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

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

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

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

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

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

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

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

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

The Company had not granted any share options under the New Share Option Scheme since its Adoption Date up to 31 December 2022.

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 2022.

ARRANGEMENTS FOR DIRECTORS TO PURCHASE SHARES OR DEBENTURES

At no time during the year ended 31 December 2022 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, *M.H.* (Committee Chairman), Mr. Doo Wai-Hoi, William, *B.B.S., J.P.* and Dr. Fan Ren Da, Anthony.

During the year ended 31 December 2022, 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 2022, the audited final financial statements of the Group for the year ended 31 December 2022 and discussed with the management and the auditor of the Company on the accounting principles and practices adopted by the Group; risk management, internal audit and internal controls; and financial reporting matters. The audit committee also reviewed the progress report on the preparation of the Environmental, Social and Governance report.

CONNECTED TRANSACTIONS

Certain related party transactions as set out in notes 46 and 53 to the consolidated financial statements are connected transactions under the Listing Rules. Details of the connected transaction of the Company, which is also related party transaction as disclosed in notes 46 and 53 to the consolidated financial statements, required to be disclosed under Chapter 14A of the Listing Rules are set out below.

(i) Major and Connected Transaction in Relation to Acquisition of the Target Company Holding 28.5% Equity Interest in a Non-wholly Owned Subsidiary

On 30 November 2022, the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the share transfer agreement (the "**Share Transfer Agreement**") with the Vendor, Mr. Shi, the Target Company, Shanghai Saiba and Shanghai Saiyin in relation to the acquisition of the entire shares of the Target Company (the "**Sale Shares**"). Pursuant to the Share Transfer Agreement, the Purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Sale Shares at the consideration of RMB696,000,000 (the "**Acquisition**"). The principal asset of the Target Company and its subsidiaries is 28.5% equity interest in the Project Company. The Project Company and its subsidiaries are the project companies established to hold and develop the Originally project located in Xi'an, the PRC.

The Company believes that the Acquisition represents a valuable opportunity to acquire the Project Company as a wholly-owned subsidiary of the Company which enhances the profit, the flexibility of dividend distribution and capital management. The Acquisition will help the Group achieve an independent operation of the Project Company which provides the flexibility in management of the Originally project and subsequent contract sales or leases of the property units, thereby creating a flexible business development environment.

As the Vendor is a connected person of the Company at the subsidiary level by virtue of being the indirect holding company of Shanghai Saiyin, which is a substantial shareholder of the Project Company, the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. By virtue of Rule 14A.101 of the Listing Rules, since (i) the Vendor is a connected person at the subsidiary level, (ii) the Board has approved the Acquisition, and (iii) the Directors (including the independent non-executive Directors) have also confirmed that the terms of the Acquisition are fair and reasonable and the Acquisition is on normal commercial terms or better and in the interests of the Company and its shareholders as a whole, the Acquisition is subject to the reporting and announcement requirements, but is exempt from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition exceeds 25% but is less than 100%, the entering into of the Share Transfer Agreement and the transactions contemplated thereunder constitute a major transaction of the Company and are therefore subject to the notification, publication and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, none of the shareholders has any material interest in the Acquisition under the Share Transfer Agreement and therefore none of them is required to abstain from voting if a general meeting was to be convened to approve the Share Transfer Agreement and the Acquisition. In accordance with Rule 14.44 of the Listing Rules, the Company has obtained a written approval from a group of closely allied group of shareholders which are controlled by SIIC holding an aggregate of 3,220,353,977 ordinary shares of the Company, representing approximately 67.00% of the issued share capital of the Company as at 30 November 2022, for the Share Transfer Agreement and the Acquisition in lieu of holding a general meeting of the Company. As such, the Company did not convene a special general meeting to consider and approve the Share Transfer Agreement and the Acquisition as permitted under Rule 14.44 of the Listing Rules.

As none of the Directors is considered to have a material interest in the Acquisition, no Director is required to abstain from voting on the resolution of the Board in respect of the Acquisition.

For further information about the Acquisition, please refer to the announcements of the Company dated 30 November 2022 and 21 December 2022; and the circular of the Company dated 28 March 2023.

(ii) Guaranteed Return on Equity in Relation to Subscription of Equity Interest in SIIC Financial Leasing

Reference is made to the announcement of the Company dated 22 January 2020 and the circular of the Company dated 25 August 2020 in relation to the subscription of equity interest in SIIC Financial Leasing by SIUD Shanghai, a subsidiary of the Company (the "**Subscription**").

Pursuant to the Subscription Agreement dated 22 January 2020 and entered among SIUD Shanghai, Shanghai Galaxy, the Managing JV Partners and Mr. Lin Zhen, the Managing JV Partners and Mr. Lin Zhen have undertaken to compensate SIUD Shanghai, on a joint and several basis, if the return on equity (calculated as the net profit attributable to the parent divided by the net assets) of SIIC Financial Leasing for the first financial year following completion of the Subscription is less than 8% (the "**Guaranteed Return on Equity**"). SIUD Shanghai has received the audited financial statements of SIIC Financial Leasing for the year ended 31 December 2021 and noted that the actual return on equity for the first financial year following Completion is less than the Guaranteed Return on Equity. It was agreed that the amount of compensation for not meeting the Guaranteed Return on Equity amounted to approximately RMB16,668,087 (the "**Compensation**").

The Managing JV Partners and Mr. Lin Zhen have now agreed to settle the Compensation with SIUD Shanghai in three tranches in cash as follows:

(i) RMB6,000,000 plus interest thereon calculated from 1 July 2022 at a rate of 4.45% per annum, by 31 December 2022;

(ii) RMB5,000,000 plus interest thereon calculated from 1 July 2022 at a rate of 4.45% per annum, by 31 December 2023; and

(iii) the remaining amount of the Compensation plus interest thereon calculated from 1 July 2022 at a rate of 4.45% per annum, by 31 December 2024

The Board is of the view that while the Managing JV Partners and Mr. Lin Zhen have yet to pay the Compensation to SIUD Shanghai pursuant to the terms of the Guaranteed Return on Equity under the Subscription Agreement, they have agreed on a payment schedule which is acceptable to SIUD Shanghai. Considering the payment schedule and that interest is payable on the payment instalments, the Board is of the view that the payment schedule is fair and reasonable and in the interests of the shareholders of the Company as a whole.

For further information about the Guaranteed Return on Equity, please refer to the announcement of the Company dated 4 November 2022.

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

As at 31 December 2022, substantial shareholders and other persons (other than the directors and chief executives of the Company) who had interests or short positions in the shares and underlying shares of the Company which were notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO and entered in the register required to be kept by the Company pursuant to Section 336 of the SFO, or otherwise notified to the Company were as follows:

Ordinary shares of HK$0.04 each of the Company

Name of substantial shareholders	Capacity	Number of shares of the Company held	Approximate % of the issued share capital of the Company
SIHL	Held by controlled corporation	2,111,229,080(L)[1,2,3]	44.04%
SIIC	Held by controlled corporation	3,363,749,977(L)[1,2,3,4]	70.17%

Notes:

1. L denotes long positions.

2. These include 2,061,229,080 shares of the Company held by S.I. Smart Charmer Limited and 50,000,000 shares of the Company that are deemed to be held by Novel Good Limited under the pledge described in note 3 below. As S.I. Smart Charmer Limited and Novel Good Limited are both wholly-owned subsidiaries of SIHL, which is in turn controlled by SIIC, SIHL and SIIC are deemed or taken to be interested in the interests in the shares of the Company held by S.I. Smart Charmer Limited and Novel Good Limited.

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

4. SIIC, through Shanghai Investment Holdings Limited (a subsidiary of SIIC) held approximately 55.13% of the shares of SIHL. Therefore, SIIC is deemed or taken to be interested in the 2,111,229,080 shares of the Company held by SIHL for the purpose of the SFO. On the other hand, SIIC is also deemed or taken to be interested in the 1,252,520,897 shares of the Company held by its subsidiaries, namely SIIC Trading Company Limited, Shanghai Industrial Financial Holdings (Hong Kong) Company Limited, SIIC CM Development Limited, SIIC Capital (B.V.I.) Limited and Shanghai Investment Holdings Limited.

Save as disclosed herein, as at 31 December 2022, 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 3.0% of the Group's total revenue for the year ended 31 December 2022 and the sales attributable to the Group's largest customer were approximately 1.9% of the Group's total revenue for the year ended 31 December 2022.

The aggregate purchases attributable to the Group's five largest suppliers comprised approximately 20.8% of the Group's total purchases and the purchases of the year ended 31 December 2022 attributable to the Group's largest supplier were approximately 10.4% of the Group's total purchases for the year ended 31 December 2022.

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

During the year ended 31 December 2022, the Company repurchased a total of 13,646,000 ordinary shares of the Company of HK$0.04 each on the Stock Exchange at an aggregate purchase price of HK$7,503,060. Details of the repurchase of such ordinary shares were as follows:

Date of repurchase	No. of ordinary shares repurchased	Price per ordinary share		Aggregate purchase price
		Highest	Lowest	
		HK$	*HK$*	*HK$*
17 November 2022	3,000,000	0.59	0.58	1,754,000
18 November 2022	2,000,000	0.59	0.58	1,175,000
21 November 2022	1,600,000	0.57	0.54	884,000
22 November 2022	800,000	0.54	0.51	420,000
23 November 2022	700,000	0.51	0.495	351,000
25 November 2022	350,000	0.51	0.50	176,500
29 November 2022	1,000,000	0.51	0.50	501,000
5 December 2022	200,000	0.51	0.51	102,000
7 December 2022	1,944,000	0.51	0.50	987,000
8 December 2022	500,000	0.52	0.51	259,000
9 December 2022	402,000	0.53	0.52	210,060
15 December 2022	150,000	0.59	0.59	88,500
16 December 2022	200,000	0.58	0.58	116,000
20 December 2022	300,000	0.60	0.59	178,000
21 December 2022	300,000	0.61	0.61	183,000
22 December 2022	200,000	0.59	0.59	118,000
Total	13,646,000			7,503,060

The ordinary shares repurchased on 17 November 2022, 18 November 2022, 21 November 2022, 22 November 2022, 23 November 2022, 25 November 2022, 29 November 2022, 5 December 2022, 7 December 2022, 8 December 2022, 9 December 2022 and 15 December 2022 were cancelled on 30 December 2022. (The ordinary shares repurchased on 16 December 2022, 20 December 2022, 21 December 2022 and 22 December 2022 were cancelled on 27 February 2023.) 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 23 May 2022.

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 2022.

AUDITOR

The financial statements for the year ended 31 December 2022 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 2023 AGM.

NON-COMPETE UNDERTAKING

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

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

CHANGES IN INFORMATION OF DIRECTORS

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

(a) Mr. Li Ka Fai, David, *M.H.*, an independent non-executive director of the Company, has retired as a member of the nomination committee and has been redesignated from a member to the chairman of the audit committee and from the chairman to a member of the remuneration committee of China Merchants Port Holdings Company Limited, a company listed on the Stock Exchange with stock code of 144, with effect from 8 December 2022; and

(b) Mr. Doo Wai-Hoi, William, *B.B.S., J.P.*, an independent non-executive director of the Company, no longer serves as a non-executive director of Lifestyle International Holdings Limited (stock code: 1212) due to the withdrawal of the listing of its shares on the Stock Exchange with effect from 20 December 2022.

DONATIONS

During the year ended 31 December 2022, the Group made charitable donations of RMB400,000 (equivalent to approximately HK$465,000).

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
Huang Haiping
Chairman

Hong Kong, 22 March 2023

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 139 to 259, which comprise the consolidated statement of financial position as at 31 December 2022, 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 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
We identified the valuation of investment properties as a key audit matter due to significance of its balance to the consolidated statement of financial position and estimation uncertainty associated with determining the fair value of investment properties. As disclosed in Note 16 to the consolidated financial statements, the fair value of the Group's investment properties of HK$21,232,971,000 as at 31 December 2022 with the fair value gain of HK$3,211,000 recognised in the consolidated statement of profit or loss and other comprehensive income for the year. The fair value of the Group's investment properties as at 31 December 2022 has been arrived at on the basis of valuation carried out by an independent qualified professional valuer not connected to the Group (the "Valuer"). Details of the valuation techniques and significant unobservable inputs used in the valuations are disclosed in Note 16 to the consolidated financial statements. The fair value is dependent on certain significant unobservable inputs that involve judgment and estimation made by the management of the Group together with the Valuer, including, among other factors, reversionary yield and adjustments to transaction prices.	Our procedures in relation to the valuation of the investment properties included: • Evaluating the competence, capabilities and objectivity of the Valuer and obtaining an understanding of the Valuer's scope of work and their terms of engagement; • Discussing with the Valuer and the management of the Group on the valuation process to understand the performance of property markets, significant assumptions adopted and data used in the valuation; • Discussing with the Valuer to understand whether the Group's investment properties were valued on a consistent basis using the same methodologies; • Involving our internal valuation expert to evaluate the appropriateness of the valuation methodologies and the reasonableness of the significant unobservable inputs, such as reversionary yield and adjustments to transaction prices, adopted in the valuation models for selected investment properties; and • Evaluating the appropriateness of the valuation methodologies and assessing the reasonableness of the significant unobservable inputs, such as reversionary yield and adjustments to transaction prices, adopted in the valuation models for the investment properties not being selected for our internal valuation expert review by checking, on a sample basis, the publicly available information and comparing the data used in the valuation to entity-specific historical information.

Key audit matter	How our audit addressed the key audit matter
Assessing the net realisable value ("NRV") of properties held-for-sale ("PHFS")	
We identified assessing the NRV of the Group's PHFS as a key audit matter because certain of such PHFS, which are not located in first-tier cities, such as Beijing and Shanghai, in the People's Republic of China (the "PRC") and have no pre-sale agreements entered into by the Group (the "Concerned PHFS"), are more sensitive to changes in economic conditions and local government policy in the PRC. Accordingly, there is a risk that carrying value of the Concerned PHFS is lower than its NRV. Besides, estimation uncertainty is associated with determining the NRV of the Concerned PHFS. As disclosed in Note 26 to the consolidated financial statements, the Group has PHFS of HK$4,429,975,000 as at 31 December 2022, of which an amount of HK$1,688,983,000 relates to the Concerned PHFS. No impairment loss in respect of the Concerned PHFS is recognised in the consolidated statement of profit or loss and other comprehensive income for the year. The management of the Group determined the NRV of the Concerned PHFS as at 31 December 2022 by reference to the valuation reports prepared by the Valuer. The valuation is dependent on certain adjustments that involve judgment and estimation made by the management of the Group together with the Valuer including, among other factors, on the nature of each property, its location and the prevailing market prices.	Our procedures in relation to the valuation of the Concerned PHFS included: • Understanding and evaluating the appropriateness of the inventory provision policy adopted and assessing whether the provision policy is implemented properly and consistently with the basis adopted in prior years; • Challenging the forecasted property selling prices for those PHFS located in first-tier cities in the PRC as estimated by the management of the Group with reference to publicly available information and checking, on a sample basis, the pre-sale agreements entered into by the Group during the year, if applicable; • Evaluating the competence, capabilities and objectivity of the Valuer and obtaining an understanding of the Valuer's scope of work and their terms of engagement; • Discussing with the Valuer and the management of the Group on the valuation process to understand the performance of property markets, significant assumptions adopted and data used in the valuation; • Evaluating the reasonableness of the methodologies adopted in the valuation models; and • Assessing the reasonableness of the adjustments on the nature of each property, its location and the prevailing market price adopted in the valuation models by checking, on a sample basis, the publicly available information and comparing the data used in the valuation 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, actions taken to eliminate threats or safeguards applied.

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 Tse Fung Chun.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

22 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	NOTES	2022 HK$'000	2021 HK$'000
Revenue	5		
Goods and services		10,480,999	10,185,781
Leases		541,497	829,307
Total revenue		11,022,496	11,015,088
Cost of sales		(8,052,026)	(7,460,968)
Gross profit		2,970,470	3,554,120
Other income	7	167,324	190,157
Other expenses, gains and losses, net	8	(156,171)	35,767
Fair value gain on investment properties, net	16	3,211	118,614
Distribution and selling expenses		(203,355)	(283,418)
General and administrative expenses		(412,633)	(335,057)
Gain on disposal of a subsidiary	37	—	1,111,382
Loss on liquidation of a subsidiary	38	(244,831)	—
Finance costs	9	(682,926)	(719,383)
Share of results of associates		(271,789)	(3,690)
Share of results of joint ventures		(15,701)	(7,050)
Profit before tax		1,153,599	3,661,442
Income tax	10	(848,598)	(2,762,758)
Profit for the year	11	305,001	898,684
Other comprehensive (expense) income for the year			
Items that will not be reclassified to profit or loss:			
Exchange differences on translation from functional currency to presentation currency		(1,295,381)	760,925
Fair value loss on equity instruments at fair value through other comprehensive income, net of tax		(20,173)	(18,805)
Item that may be reclassified subsequently to profit or loss:			
Reclassification adjustment for realisation of revaluation reserve upon disposal of the related properties		(27,659)	(5,205)
Other comprehensive (expense) income for the year		(1,343,213)	736,915
Total comprehensive (expense) income for the year		(1,038,212)	1,635,599

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTE	2022 HK$'000	2021 HK$'000
Profit (loss) for the year attributable to:			
Owners of the Company		406,823	572,328
Non-controlling interests		(101,822)	326,356
		305,001	898,684
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		(377,572)	1,054,227
Non-controlling interests		(660,640)	581,372
		(1,038,212)	1,635,599
Earnings per share			
Basic (HK cents)	15	8.47	11.91

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	NOTES	2022 HK$'000	2021 HK$'000
Non-current assets			
Investment properties	16	21,232,971	19,666,136
Property, plant and equipment	17	2,136,577	2,297,465
Right-of-use assets	18	473,729	503,099
Goodwill	19	23,604	23,604
Intangible assets	20	57,834	62,777
Interests in associates	21	1,796,882	2,246,277
Interests in joint ventures	22	2,668,967	2,914,426
Amount due from a related company	31	277,707	276,188
Equity instruments at fair value through other comprehensive income	23	59,872	93,372
Restricted and pledged bank deposits	24	33,074	122,575
Deferred tax assets	35	86,047	55,164
		28,847,264	28,261,083
Current assets			
Inventories	25	1,803	2,207
Properties under development for sale and properties held-for-sale	26	22,569,287	24,630,428
Trade and other receivables	27	1,185,644	4,365,527
Amounts due from related companies	31	2,492	12
Prepaid income tax and land appreciation tax		333,234	459,442
Financial assets at fair value through profit or loss	28	5,580	2,961
Restricted and pledged bank deposits	24	23,881	36,457
Bank balances and cash	29	4,477,602	14,116,711
		28,599,523	43,613,745
Current liabilities			
Trade and other payables	30	6,779,706	6,752,402
Amounts due to related companies	31	766,146	706,814
Pre-sale proceeds received on sales of properties	32	7,086,457	13,504,748
Bank and other borrowings	33	9,915,688	10,121,944
Lease liabilities	34	48,721	62,395
Income tax and land appreciation tax payables		1,377,284	3,226,796
Dividends payable		20,670	18,402
Dividends payable to non-controlling shareholders		—	1,963,472
		25,994,672	36,356,973
Net current assets		2,604,851	7,256,772
Total assets less current liabilities		31,452,115	35,517,855

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	2022 HK$'000	2021 HK$'000
Non-current liabilities			
Deferred revenue	30	**38,879**	32,452
Bank and other borrowings	33	**7,743,066**	9,598,138
Lease liabilities	34	**39,706**	57,794
Deferred tax liabilities	35	**2,799,190**	3,118,049
		10,620,841	12,806,433
		20,831,274	22,711,422
Capital and reserves			
Share capital	36	**191,747**	192,253
Reserves		**14,368,524**	15,021,633
Equity contributable to owners of the Company		**14,560,271**	15,213,886
Non-controlling interests		**6,271,003**	7,497,536
		20,831,274	22,711,422

The consolidated financial statements on pages 139 to 259 were approved and authorised for issue by the Board of Directors on 22 March 2023 and are signed on its behalf by:

HUANG HAIPING
DIRECTOR

YE WEIQI
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Attributable to owners of the Company													
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000 (note (i))	Other revaluation reserve HK$'000 (note (ii))	Property revaluation reserve HK$'000	Investment revaluation reserve HK$'000	Statutory surplus reserve HK$'000 (note (iii))	Shareholder's contribution/ merger reserve HK$'000 (note (iv))	Other reserve HK$'000 (note (v))	Exchange reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2021	192,253	8,909,949	472,027	52,526	(13,813)	27,790	904,577	2,159,430	(77,883)	722,894	1,016,581	14,366,331	11,147,131	25,513,462
Profit for the year	–	–	–	–	–	–	–	–	–	–	572,328	572,328	326,356	898,684
Exchange differences on translation from functional currency to presentation currency	–	–	–	–	–	–	–	–	–	498,200	–	498,200	262,725	760,925
Fair value loss on equity instruments at fair value through other comprehensive income, net of tax	–	–	–	–	–	(11,096)	–	–	–	–	–	(11,096)	(7,709)	(18,805)
Reclassification adjustment for realisation of revaluation reserve upon disposal of the related properties	–	–	–	(19,018)	13,813	–	–	–	–	–	–	(5,205)	–	(5,205)
Total comprehensive (expense) income for the year	–	–	–	(19,018)	13,813	(11,096)	–	–	–	498,200	572,328	1,054,227	581,372	1,635,599
Addition upon acquisition of a subsidiary (Note 52)	–	–	–	–	–	–	–	–	–	–	–	–	8,099	8,099
Disposal of a subsidiary (Note 37)	–	–	–	–	–	–	–	–	–	–	–	–	(2,179,126)	(2,179,126)
Transfer upon disposal/liquidation of subsidiaries	–	–	–	–	–	–	11,895	–	–	(2,936)	(8,959)	–	–	–
Dividends recognised as distributions (Note 51)	–	–	(206,672)	–	–	–	–	–	–	–	–	(206,672)	–	(206,672)
Dividends declared to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	(2,109,020)	(2,109,020)
Transfer	–	–	–	–	–	–	287,062	–	–	–	(287,062)	–	–	–
Capital injection from non-controlling shareholders without change in shareholdings	–	–	–	–	–	–	–	–	–	–	–	–	49,080	49,080
At 31 December 2021	192,253	8,909,949	265,355	33,508	–	16,694	1,203,534	2,159,430	(77,883)	1,218,158	1,292,888	15,213,886	7,497,536	22,711,422
Profit (loss) for the year	–	–	–	–	–	–	–	–	–	–	406,823	406,823	(101,822)	305,001
Exchange differences on translation from functional currency to presentation currency	–	–	–	–	–	–	–	–	–	(744,834)	–	(744,834)	(550,547)	(1,295,381)
Fair value loss on equity instruments at fair value through other comprehensive income, net of tax	–	–	–	–	–	(11,902)	–	–	–	–	–	(11,902)	(8,271)	(20,173)
Reclassification adjustment for realisation of revaluation reserve upon disposal of the related properties	–	–	–	(27,659)	–	–	–	–	–	–	–	(27,659)	–	(27,659)
Total comprehensive (expense) income for the year	–	–	–	(27,659)	–	(11,902)	–	–	–	(744,834)	406,823	(377,572)	(660,640)	(1,038,212)
Acquisition of an additional interest in a non-wholly owned subsidiary through acquisition of a subsidiary (Note 53)	–	–	–	–	–	–	–	–	(52,831)	–	–	(52,831)	(605,415)	(658,246)
Liquidation of a subsidiary (Note 38)	–	–	–	–	–	–	–	–	–	–	–	–	40,876	40,876
Transfer upon liquidation of a subsidiary	–	–	–	–	–	–	–	–	–	28,769	(28,769)	–	–	–
Dividends recognised as distributions (Note 51)	–	–	(216,285)	–	–	–	–	–	–	–	–	(216,285)	–	(216,285)
Dividends declared to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	(59,923)	(59,923)
Repurchase and cancellation of ordinary shares (Note 36)	(506)	(6,402)	–	–	–	–	–	–	–	–	–	(6,908)	–	(6,908)
Transaction costs attributable to repurchase and cancellation of ordinary shares (Note 36)	–	(19)	–	–	–	–	–	–	–	–	–	(19)	–	(19)
Transfer	–	–	–	–	–	–	(9,266)	–	–	–	9,266	–	–	–
Capital injection from a non-controlling shareholder without change in shareholdings	–	–	–	–	–	–	–	–	–	–	–	–	58,569	58,569
At 31 December 2022	191,747	8,903,528	49,070	5,849	–	4,792	1,194,268	2,159,430	(130,714)	502,093	1,680,208	14,560,271	6,271,003	20,831,274

Notes:

(i) Contributed surplus, serving as a distributable reserve, represents amounts transferred from share premium account which gives Shanghai Industrial Urban Development Group Limited (the "Company") a greater flexibility in its dividend policy and making distributions to the shareholders.

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

(iii) Pursuant to the relevant laws in the People's Republic of China (the "PRC"), subsidiaries established in the PRC are required to transfer 10% of its profit after tax to the statutory surplus reserve. Contribution to the statutory surplus reserve is discretionary when the reserve balance reaches 50% of the registered capital of the subsidiaries and can be used to make up for previous years' losses or, expand the existing operations or can be converted into additional capital of the subsidiaries.

(iv) Merger reserve comprises (1) the difference between the fair value of the consideration paid to the intermediate holding company of the Company, Shanghai Industrial Holdings Limited ("SIHL"), for the acquisition of subsidiaries controlled by SIHL (the "Acquiree") and the fair value of net assets of the Acquiree at the date of the Company and its subsidiaries (collectively referred to as the "Group") and the Acquiree became under common control in year 2011; and (2) the difference between the fair value of the consideration paid to Shanghai Shangtou Assets Operation Company Limited 上海上投資產經營有限公司 ("Shangtou Assets"), to which Shanghai Industrial Investment (Holdings) Company Limited ("SIIC"), being the ultimate holding company of the Company, exercises the authority as a state-owned shareholder, for acquisition of Shanghai Shangtou Real Estate Investment Company Limited 上海市上投房地產投資有限公司 ("Shangtou Real Estate") and its subsidiaries (collectively referred to as "Shangtou Real Estate Group") (after carving out certain assets and liabilities upon completion of the acquisition) controlled by Shangtou Assets and the fair value of net assets of Shangtou Real Estate Group at the date of the Group and Shangtou Real Estate Group became under common control in year 2018.

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

(v) Other reserve represents a premium contributed by the owners of the Company on acquiring additional interests in non-wholly owned subsidiaries of the Company. It comprises (1) the acquisition of the remaining 1.0% interest in 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, namely Shanghai World Trade, in the PRC, (2) the acquisition of the remaining 20% interest in, 瀋陽向明長益置業有限公司 ("瀋陽向明") from a non-controlling shareholder and (3) the acquisition of the remaining 28.5% interest in, 西安滻灞建設開發有限公司 ("西安滻灞") from a non-controlling shareholder through acquisition of a company and its subsidiaries. These acquisitions, without changing the Group's control over these entities, were accounted for as equity transactions. The difference between the fair value of the consideration paid and the Group's acquired share of fair value of net assets held by the non-controlling shareholders was recognised directly in equity as other reserve and attributable to owners of the Company.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	2022 HK$'000	2021 HK$'000
OPERATING ACTIVITIES		
Profit before tax	**1,153,599**	3,661,442
Adjustments for:		
Fair value gain on investment properties, net	**(3,211)**	(118,614)
Depreciation on property, plant and equipment	**146,782**	167,259
Depreciation of right-of-use assets	**26,710**	28,099
(Gain) loss on disposal of property, plant and equipment, net	**(365)**	114
Finance costs	**682,926**	719,383
Interest income	**(71,575)**	(94,398)
Dividend income from equity instruments at fair value through other comprehensive income	**—**	(41,544)
Fair value changes of financial assets at fair value through profit or loss, net	**(2,949)**	619
Gain on disposal of a subsidiary	**—**	(1,111,382)
Loss on liquidation of a subsidiary	**244,831**	—
Reversal of impairment losses recognised on properties held-for-sale	**—**	(12,499)
Share of results of associates	**271,789**	3,690
Share of results of joint ventures	**15,701**	7,050
Unrealised foreign exchange loss (gain)	**136,345**	(53,908)
Operating cash flows before movements in working capital	**2,600,583**	3,155,311
Decrease (increase) in inventories, properties under development for sale and properties held-for-sale	**713,189**	(1,076,061)
Increase in trade and other receivables	**(434,190)**	(71,003)
Increase in trade and other payables	**56,085**	130,053
Decrease in amounts due to related companies	**(4,900)**	(6,618)
(Decrease) increase in pre-sale proceeds received on sales of properties	**(5,509,673)**	1,748,131
Prepayments for acquisition of parcels of land for residential property projects	**—**	(3,410,029)
Cash (used in) from operations	**(2,578,906)**	469,784
Income tax paid	**(2,471,725)**	(1,808,160)
Net cash used in operating activities	**(5,050,631)**	(1,338,376)

CONSOLIDATED STATEMENT OF CASH FLOWS

	NOTES	2022 HK$'000	2021 HK$'000
INVESTING ACTIVITIES			
Net proceed from disposal of a subsidiary	37	–	4,254,159
Net cash outflow from liquidation of a subsidiary	38	(256)	–
Net cash inflow from acquisition of a subsidiary	52	–	196,439
Purchase of property, plant and equipment		(123,950)	(112,454)
Proceeds from disposal of property, plant and equipment		28,962	1,456
Development costs paid for investment properties		(495,321)	(585,915)
Acquisition of a parcel of land with portion held for development of investment properties		(159,273)	–
Investments in joint ventures		–	(322,043)
Investment in an associate		–	(17,169)
Decrease (increase) in restricted and pledged bank deposits		88,732	(89,122)
Advances to related companies		(24,259)	(114,284)
Repayment of loan receivables		–	9,812
Proceeds from refund of capital of equity instruments at fair value through other comprehensive income		–	19,374
Dividends received from equity instruments at fair value through other comprehensive income		–	41,544
Dividends received from an associate	21	627	3,719
Interest received		71,575	94,398
Net cash (used in) from investing activities		(613,163)	3,379,914
FINANCING ACTIVITIES			
Proceeds from new bank and other borrowings		8,865,708	5,777,424
Repayments of bank and other borrowings		(8,721,848)	(2,231,762)
Repayments of lease liabilities		(60,333)	(66,256)
Advances from related companies		350,802	356,069
Repayments to related companies		(90,692)	(2,086)
Capital injection from non-controlling shareholders		58,569	49,080
Transaction costs attributable to issue of domestic corporate bonds and medium term notes		(6,742)	(3,001)
Payments on repurchase and cancellation of ordinary shares		(6,908)	–
Transaction costs attributable to repurchase and cancellation of ordinary shares		(19)	–
Dividends paid to non-controlling shareholders		(1,921,738)	(181,032)
Dividends paid		(214,017)	(204,504)
Net cash outflow from acquisition of an additional interest in a non-wholly owned subsidiary through acquisition of a subsidiary	53	(204,905)	–
Interest paid		(1,153,318)	(1,139,826)
Net cash (used in) from financing activities		(3,105,441)	2,354,106

	2022 HK$'000	2021 HK$'000
Net (decrease) increase in cash and cash equivalents	**(8,769,235)**	4,395,644
Cash and cash equivalents at the beginning of the year	**14,116,711**	9,550,663
Effect of foreign exchange rate changes	**(869,874)**	170,404
Cash and cash equivalents represented by bank balances and cash at the end of the year	**4,477,602**	14,116,711

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. GENERAL INFORMATION

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

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

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

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

Amendments to HKFRSs that are mandatorily effective for the current year

In 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, which are mandatorily effective for the Group's annual period beginning on 1 January 2022 for the preparation of the Group's consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendment to HKFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[3]
Amendments to HKAS 1	Non-current Liabilities with Covenants[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

1 Effective for annual periods beginning on or after 1 January 2023
2 Effective for annual periods beginning on or after a date to be determined
3 Effective for annual periods beginning on or 1 January 2024

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

Amendments to HKAS 1 "Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)" (the "2020 Amendments") and Amendments to HKAS 1 "Non-current Liabilities with Covenants" (the "2022 Amendments")

The 2020 Amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 "Financial Instruments: Presentation".

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that the classification should not be affected by management intentions or expectations to settle the liability within 12 months.

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

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

Amendments to HKAS 1 "Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)" (the "2020 Amendments") and Amendments to HKAS 1 "Non-current Liabilities with Covenants" (the "2022 Amendments") (Continued)

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the requirements introduced by the 2020 Amendments have been modified by the 2022 Amendments. The 2022 Amendments specify that only covenants with which an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

In addition, the 2022 Amendments specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if the entity classify liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

The 2022 Amendments also defer the effective date of applying the 2020 Amendments to annual reporting periods beginning on or after 1 January 2024. The 2022 Amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted. If an entity applies the 2020 amendments for an earlier period after the issue of the 2022 Amendments, the entity should also apply the 2022 Amendments for that period.

Based on the Group's outstanding liabilities as at 31 December 2022, the application of the amendments will not result in reclassification of the Group's liabilities.

Amendments to HKAS 1 and HKFRS Practice Statement 2 "Disclosure of Accounting Policies"

HKAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 "Making Materiality Judgments" (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

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

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

Amendments to HKAS 8 "Definition of Accounting Estimates"

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty — that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgments or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. 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" ("HKFRS 2"), leasing transactions that are accounted for in accordance with HKFRS 16 "Lease" ("HKFRS 16"), and measurements that have some similarities to fair value but are not fair value, such as net realisable value for the purposes of measuring inventories in HKAS 2 "Inventories" or value in use for the purposes of impairment assessment in HKAS 36 "Impairment of Assets" ("HKAS 36").

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of preparation of consolidated financial statements (Continued)

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.

For financial instruments and investment properties which are transacted at fair value and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

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.

3.2 Significant accounting policies

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Basis of consolidation (Continued)

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

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

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

Changes in the Group's interests in existing subsidiaries

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Business combinations or asset acquisitions

Optional concentration test

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Asset acquisitions

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 or financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Business combinations

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

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

For business combinations in which the acquisition date is on or after 1 January 2022, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Conceptual Framework for Financial Reporting 2018 issued in June 2018 (the "Conceptual Framework") except for transactions and events within the scope of HKAS 37 "Provision, Contingent Liabilities and Contingent Assets" ("HKAS 37") or HK(IFRIC)-Int 21 "Levies" ("HK(IFRIC)-Int 21"), in which the Group applies HKAS 37 or HK(IFRIC)- Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Business combinations or asset acquisitions (Continued)

Business combinations (Continued)

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 Tax" ("HKAS 12") 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 at the acquisition date (see the accounting policy below);

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Merger accounting for business combination involving businesses under common control

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

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

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

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

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Goodwill (Continued)

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

The Group's policy for goodwill arising on the acquisition of an associate and a joint venture is described below.

Investments in associates and joint ventures

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

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

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Investments in associates and joint ventures (Continued)

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

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. 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.

Changes in the Group's interests in associates and joint ventures

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

Acquisition of additional interests in associates or joint ventures

When the Group increases its ownership interest in an associate or a joint venture but the Group continues to use the equity method, goodwill is recognised at acquisition date if there is excess of the consideration paid over the share of carrying amount of net assets attributable to the additional interests in associates or joint ventures acquired. Any excess of share of carrying amount of net assets attributable to the additional interests in associates or joint ventures acquired over the consideration paid are recognised in the profit or loss in the period in which the additional interest are acquired.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Revenue from contracts with customers

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

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

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

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

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

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

Output method

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

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

Incremental costs of obtaining a contract

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Revenue from contracts with customers (Continued)

Incremental costs of obtaining a contract (Continued)

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

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

Leases

Definition of a lease

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

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

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

The Group as a lessee

Allocation of consideration to components of a contract

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

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

Leases of low-value assets

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Right-of-use assets

The cost of right-of-use assets includes:

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

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

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

Refundable rental deposits

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

Lease liabilities

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

The lease payments include:

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Lease liabilities (Continued)

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

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

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

Lease modifications

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

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use assets.

When the modified contract contains one or more additional lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component. The associated non-lease components are included in the respective lease components.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessor

Classification and measurement of leases

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

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model. Variable lease payments for operating leases that depend on an index or a rate are estimated and included in the total lease payments to be recognised on a straight-line basis over the lease term. Variable lease payments that do not depend on an index or a rate are recognised as income when they arise.

When a lease contract contains a specific clause that provides for rent reduction or suspension of rent in the event that the underlying assets (or any part thereof) are affected by adverse events beyond the control of the Group and the lessee so as to render the underlying assets unfit or not available for use, the relevant rent reduction or suspension of rent resulting from the specific clause is accounted for as part of the original lease and not as a lease modification. Such rent reduction or suspension of rent is recognised in profit or loss in the period in which the event or condition that triggers those payments to occur.

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

Refundable rental deposits

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

Lease modification

Changes in considerations of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

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

For rent concession under which the Group legally releases the lessee from its obligation to make specifically identified lease payment, of which some of these lease payments are contractually due but not paid and some of them are not yet contractually due, the Group accounts for the portions which have been recognised as operating lease receivables (i.e. the lease payments which are contractually due but not paid) by applying the expected credit loss ("ECL") and derecognition requirements under HKFRS 9 and applies lease modification requirements for the forgiven lease payments that the Group has not recognised (i.e. the lease payments which are not yet contractually due) as at the effective date of modification.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Investment properties

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

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

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

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

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

If a property becomes an owner-occupied property because its use has been changed as evidenced by commencement of owner-occupation, the fair value of the property at the date of change in use is considered as the deemed cost for subsequent accounting.

Property, plant and equipment

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Property, plant and equipment (Continued)

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position except for those that are classified and accounted for as investment properties under the fair value model. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale 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 acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

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

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Bank balances and cash

Bank balances and cash presented on the consolidated statement of financial position include:

(a) cash, which comprises cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises (i) short-term (generally with original maturity of three months or less) and highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value and (ii) restricted deposits arising from pre-sale of properties that are held for meeting short-term cash commitments. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Bank balances for which use by the Group is subject to third party contractual restrictions are included as part of cash unless the restrictions result in a bank balance no longer meeting the definition of cash. Contractual restrictions affecting use of bank balances are disclosed in Note 29.

Inventories

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

Inventories used in hotel operations

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Inventories (Continued)

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

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

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

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

Financial instruments

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets

Classification and subsequent measurement of financial assets

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

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(i) Amortised cost and interest income

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

(ii) Equity instruments designated as at FVTOCI

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

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

(iii) Financial assets at FVTPL

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

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

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

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

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

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

(i) Significant increase in credit risk (Continued)

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

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

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

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

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

(iii) Credit-impaired financial assets (Continued)

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

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

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

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

(v) Measurement and recognition of ECL (Continued)

For ECL on financial guarantee contracts for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

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

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

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

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

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

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Financial liabilities

Financial liabilities, including certain trade and other payables, amounts due to related companies, dividends payable, dividends payable to non-controlling shareholders and bank and other borrowings, are subsequently measured at amortised cost using the effective interest method.

Financial guarantee contracts

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

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

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

Derecognition of financial liabilities

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

Retirement benefit costs

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

Short-term benefits

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Taxation

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

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

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

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Taxation (Continued)

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition due to application of the initial recognition exemption. Temporary difference arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modification that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

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

Government grants

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income 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. Such grants are presented under "other income".

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Borrowing costs

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

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

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

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the Group's interests in that foreign operation.

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

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Foreign currencies (Continued)

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss. Settlements of monetary items which formed part of net investment in foreign operations without changes in the Group's ownership interests is not considered as partial disposals.

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

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in OCI.

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).

Contingent liabilities

A contingent liability is a present obligation arising from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Where the Group is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability and it is not recognised in the consolidated financial statements.

The Group assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the consolidated financial statements in the reporting period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgment in applying accounting policies

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

Deferred taxation on investment properties

For the purpose of measuring deferred taxation arising from investment properties that are measured using the fair value model, the management of the Group has reviewed the Group's investment property portfolios and concluded that certain of the Group's investment properties are held under a business model which objective is to consume substantially all of the economic benefits embodied in the investment properties over time rather than through sale. Therefore, in measuring the Group's deferred taxation on these investment properties, the management of the Group has determined the presumption that the carrying amount of these investment properties are recovered entirely through sale is rebutted. As at 31 December 2022, the carrying amount of these investment properties is HK$15,016,369,000 (2021: HK$12,892,245,000). For the investment properties on which the 'sale' presumption is not rebutted, the Group has further recognised deferred taxes on the PRC's land appreciation tax in respect of the changes in their fair values, which is the additional tax to be charged if a property in the PRC is recovered through sale. As at 31 December 2022, the carrying amount of these investment properties is HK$6,216,602,000 (2021: HK$6,773,891,000).

Details about the Group's investment properties and deferred taxation in respect of changes in fair value of investment properties are set out in Notes 16 and 35 respectively.

Key sources of estimation uncertainty

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

Net realisable value of properties held-for-sale

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

The Group's properties held-for-sale are located in various cities, including first-tier cities such as Beijing and Shanghai, in the PRC. The properties held-for-sale located in cities other than the first-tier cities in the PRC are more sensitive to change in economic conditions and local government policy in the PRC. As at 31 December 2022, the carrying amount of properties held-for-sale is HK$4,429,975,000 (2021: HK$8,129,277,000), of which an amount of HK$1,688,983,000 (2021: HK$1,809,242,000) is properties located in cities other than first-tier cities in the PRC and has no pre-sale agreements entered into by the Group. Details about the Group's properties held-for-sale are set out in Note 26. During the year ended 31 December 2022, no impairment loss in respect of properties held-for-sale located in cities other than first-tier cities in the PRC is recognised in profit or loss.

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

Key sources of estimation uncertainty (Continued)

Estimation of fair value of investment properties

Investment properties are stated at fair value based on the valuation performed by an independent professional qualified valuer not connected to the Group. The determination of the fair value is dependent on certain significant unobservable inputs that involve judgment and estimation made by the management of the Group together with the valuer. Details of these are set out in Note 16.

The valuation of investment properties is arrived at by reference to comparable sales transactions available in the relevant market and, where appropriate, using investment approach which capitalises the net rental income derived from the existing tenancies with due allowance for the reversionary potential of the investment properties.

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

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

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

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

In relying on the valuation reports prepared by the valuer, the management of the Group has exercised the judgment and is satisfied that the method of valuation is reflective of the current market conditions. Changes to these assumptions, including the potential risk of any market violation, policy, geopolitical and social changes or other unexpected incidents as a result of changes in macroeconomic environment and policy direction of the PRC's government and increased complexity in international trade tensions and geopolitics, would result in changes in the fair value of the Group's investment properties and the corresponding adjustments to the amount of gain or loss reported in the consolidated statement of profit or loss and other comprehensive income.

The carrying amount of investment properties as at 31 December 2022 is HK$21,232,971,000 (2021: HK$19,666,136,000). The fair value of these investment properties may be higher or lower depending on the future market conditions.

5. REVENUE

(i) Disaggregation of revenue from contracts with customers:

	2022 HK$'000	2021 HK$'000
Types of goods or services		
Sales of properties	10,275,286	9,937,996
Hotel operations	203,272	246,949
Property management	2,441	836
Total	10,480,999	10,185,781
Timing of revenue recognition		
A point in time	10,275,286	9,937,996
Over time	205,713	247,785
	10,480,999	10,185,781

All the revenue of the Group generated from contracts with customers are originated in the PRC.

(ii) Performance obligations for contracts with customers

Revenue from sales of properties

For contracts entered into with customers on sales of properties, the relevant properties specified in the contracts are based on customer's specifications with no alternative use. Based on the opinion from the management of the Group, taking into consideration of the relevant contract terms, legal environment and relevant legal precedent, the Group does not have an enforceable right to payment prior to transfer of the relevant properties to customers. Revenue from sales of properties is therefore recognised when the respective properties have been completed and delivered to the customers which is a point in time when customers have the ability to direct the use of the properties and obtain substantially all of the remaining benefits of the properties and, at this point of time, the Group has present right to payment and collection of the consideration is probable.

Deposits received from customers, which represent certain percentage of the contract value when they sign the sale and purchase agreement, prior to meeting the revenue recognition criteria under HKFRS 15 are contract liabilities and included under current liabilities as pre-sale proceeds received on sales of properties in the consolidated statement of financial position.

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

Sales-related warranties associated with properties held-for-sale cannot be purchased separately and they serve as an assurance that the properties sold comply with agreed-upon specifications. Accordingly, the Group accounts for warranties in accordance with HKAS 37 and the management of the Group considers that the impact of the after-sale warranties is insignificant with reference to the historical record.

5. REVENUE (CONTINUED)

(ii) Performance obligations for contracts with customers (Continued)

Revenue from hotel operations

Revenue from hotel operations includes room rental, food and beverage sales and other ancillary services. The Group's performance obligations in relation to the hotel operations are considered to be granting customers a right to access hotel's facilities, products and services. The customers simultaneously receive and consume the benefits provided by the Group in running the hotels. Accordingly, the revenue from hotel operations is recognised over time.

Service income from property management

Revenue from provision of property management service is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation as the customers simultaneously receive and consume the benefits provided by the Group when the Group renders the service.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

The Group has elected to apply the practical expedient under HKFRS 15 for not disclosing the information of remaining performance obligations which are part of a contract that has an original expected duration of one year or less; or from satisfaction of which the Group recognises revenue in the amount, which the Group has the right to invoice, that corresponds directly with the value to the customers of the Group's performance completed to date. The transaction price allocated to the remaining performance obligations where the aforementioned practical expedients are not applicable as at 31 December 2022 is HK$8,937,097,000 (2021: HK$10,960,852,000), which relates to contract sales of properties. This amount represents the revenue expected to be recognised by the Group in the future when it satisfies the remaining performance obligations and around 78.7% (2021: 81.9%) of this balance is expected to be recognised as revenue within one year.

(iv) Leases

	2022 HK$'000	2021 HK$'000
Total revenue arising from operating leases:		
Lease payments that are fixed	541,497	829,307

6. SEGMENT INFORMATION

Information reported to the directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and performance assessment focuses on revenue analysis. No other discrete financial information is provided other than the Group's result and financial position as a whole. Accordingly, only entity-wide disclosures, major customers and geographic information are presented.

The Group's operations are located in the PRC. All revenue and non-current assets, except for certain property and equipment, of the Group are generated from and located in the PRC. Revenue from customers contributing over 10% of the total revenue of the Group of the corresponding years is as follows:

	2022 HK$'000	2021 HK$'000
Customer A	1,158,357	N/A[1]
Customer B	2,097,588	N/A[1]

1 No revenue was attributed from the relevant customer in the respective year.

7. OTHER INCOME

	2022 HK$'000	2021 HK$'000
Interest income on bank deposits	71,575	85,869
Other interest income	—	8,529
Rental income from property, plant and equipment	1,213	3,798
Dividend income from equity instruments at FVTOCI	—	41,544
Income from marketing and exhibition activities	285	731
Government grants	46,763	8,711
Management service income (Note 46(b))	17,581	11,571
Others	29,907	29,404
	167,324	190,157

8. OTHER EXPENSES, GAINS AND LOSSES, NET

	2022 HK$'000	2021 HK$'000
Foreign exchange (loss) gain, net (note)	(174,076)	35,759
Fair value changes of financial assets at FVTPL, net	2,949	(619)
Gain (loss) on disposal of property, plant and equipment, net	365	(114)
Others	14,591	741
	(156,171)	35,767

Note: Net foreign exchange (loss) gain mainly comprises realised and unrealised foreign exchange (loss) gain arising on remeasurement of foreign currency denominated monetary assets and liabilities.

9. FINANCE COSTS

	2022 HK$'000	2021 HK$'000
Interests on bank and other borrowings	1,112,583	1,126,696
Interests on lease liabilities	4,329	2,214
Total finance costs	1,116,912	1,128,910
Less: Amounts capitalised into properties under development for sale	(433,986)	(409,527)
	682,926	719,383

Borrowing costs capitalised during the year arising on the pool of general borrowings are calculated by applying an applicable capitalisation rate to expenditure on qualifying assets.

10. INCOME TAX

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

	2022 HK$'000	2021 HK$'000
Current tax:		
PRC Enterprise Income Tax ("EIT") (note)	483,525	1,418,706
PRC Land Appreciation Tax ("LAT")	558,780	1,217,348
PRC withholding tax on dividend income	13,588	13,047
	1,055,893	2,649,101
Overprovision in prior years:		
PRC EIT	(73,951)	(36,372)
PRC LAT	(23,366)	—
	(97,317)	(36,372)
Deferred tax (Note 35)	(109,978)	150,029
Income tax for the year	848,598	2,762,758

Note: During the year ended 31 December 2021, EIT of HK$836,651,000 was provided for the gain on disposal of the Group's entire equity interest in a subsidiary, namely Shanghai Huanyu (as defined in Note 37), incorporated in the PRC, by a resident company of the Group. The EIT provided was calculated at 25% on the difference between the consideration received by the seller and the seller's investment cost on this subsidiary after taking into account of the tax loss brought forward, if any. Details of the disposal are set out in Note 37.

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.

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.

10. INCOME TAX (CONTINUED)

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits arising in, nor derived from, Hong Kong.

Pursuant to the rules and regulations of Bermuda and the BVI, the Group is not subject to any income tax in these jurisdictions 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:

	2022 HK$'000	2021 HK$'000
Profit before tax	1,153,599	3,661,442
Tax at PRC EIT rate of 25%	288,400	915,361
Tax effect of share of results of associates and joint ventures	71,873	2,685
Tax effect of expenses not deductible for tax purposes	16,619	876,949
Tax effect of income not taxable for tax purposes	(10,924)	(1,217)
Tax effect of tax losses not recognised	200,489	141,079
Utilisation of tax losses previously not recognised	(51,306)	(78,257)
Derecognition of deferred tax liabilities due to reduction in tax rate of PRC LAT for certain properties held-for-sale being sold	(9,635)	(70,157)
Provision for PRC LAT for the year	558,780	1,217,348
Tax effect of PRC LAT deductible for PRC EIT	(133,854)	(304,337)
Overprovision of PRC EIT in prior years	(73,951)	(36,372)
Overprovision of PRC LAT in prior years	(23,366)	—
Effect of different tax rates of subsidiaries operating in Hong Kong	23,828	23,010
Deferred tax on PRC LAT in respect of investment properties	(6,257)	(86,994)
Deferred tax in respect of PRC withholding tax on dividend income	—	150,142
PRC withholding tax on dividend income	13,588	13,047
Others	(15,686)	471
Income tax for the year	848,598	2,762,758

11. PROFIT FOR THE YEAR

	2022 HK$'000	2021 HK$'000
Profit for the year has been arrived at after charging (crediting):		
Depreciation for property, plant and equipment	148,356	168,344
Less: Depreciation capitalised into properties under development for sale	(1,574)	(1,085)
	146,782	167,259
Depreciation of right-of-use assets	26,710	28,099
Total depreciation and amortisation	173,492	195,358
Gross rental income from investment properties	(541,497)	(829,307)
Less: Direct operating expenses incurred for investment properties that generated rental income during the year	258,877	291,344
	(282,620)	(537,963)
Directors' remuneration (Note 12)	6,105	6,643
Other staff costs		
Salaries, wages and other benefits	276,346	228,969
Retirement benefit scheme contributions	36,590	29,606
Total staff costs	319,041	265,218
Less: Staff costs capitalised into properties under development for sale	(48,572)	(73,572)
	270,469	191,646
Auditors' remuneration	5,317	5,572
Cost of properties held-for-sale recognised as an expense	6,502,218	6,731,568
Reversal of impairment loss recognised on properties held-for-sale (included in cost of sales)	–	(12,499)
Share of tax of associates (included in share of results of associates)	522	10,756

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the nine (2021: ten) directors of the Company, including the chief executive, are disclosed pursuant to the Listing Rules and the Hong Kong Companies Ordinance as follows:

For the year ended 31 December 2022

		Other emoluments		
	Fees HK$'000	Salaries and other allowances HK$'000	Retirement benefit scheme contributions HK$'000	Total emoluments HK$'000
Executive directors:				
Mr. Huang Haiping (note (iii))	–	–	–	–
Mr. Tang Jun	–	1,918	–	1,918
Mr. Lou Jun (note (iii))	–	–	–	–
Mr. Ye Weiqi	–	1,891	–	1,891
Mr. Zhong Tao	–	576	–	576
Independent non-executive directors:				
Mr. Doo Wai Hoi, William	430	–	–	430
Dr. Fan Ren Da, Anthony	430	–	–	430
Mr. Li Kai Fai, David	430	–	–	430
Mr. Qiao Zhigang	430	–	–	430
Total	1,720	4,385	–	6,105

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

For the year ended 31 December 2021

		Other emoluments		
	Fees HK$'000	Salaries and other allowances HK$'000	Retirement benefit scheme contributions HK$'000	Total emoluments HK$'000
Executive directors:				
Mr. Huang Haiping (note (iii))	—	—	—	—
Mr. Tang Jun (note (i))	—	943	—	943
Mr. Zhou Xiong (notes (i) and (ii))	—	18	—	18
Mr. Lou Jun (note (iii))	—	—	—	—
Mr. Ye Weiqi	—	1,935	—	1,935
Mr. Zhong Tao	—	1,956	71	2,027
Independent non-executive directors:				
Mr. Doo Wai Hoi, William	430	—	—	430
Dr. Fan Ren Da, Anthony	430	—	—	430
Mr. Li Kai Fai, David	430	—	—	430
Mr. Qiao Zhigang	430	—	—	430
Total	1,720	4,852	71	6,643

Notes:

i. Mr. Zhou Xiong resigned as an executive director of the Company on 15 January 2021 and his vacancy was replaced by Mr. Tang Jun on the same date.

ii. The emoluments for Mr. Zhou Xiong were primarily borne by SIHL.

iii. The emoluments for Mr. Huang Haiping and Mr. Lou Jun for both years were borne by SIIC.

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

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

During the years ended 31 December 2022 and 2021, Mr. Huang Haiping was also the chief executive of the Company. The emoluments disclosed above include those for services rendered by him as the chief executive.

During the years ended 31 December 2022 and 2021, 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 both years.

13. FIVE-HIGHEST PAID EMPLOYEES

For the year ended 31 December 2022, of the five individuals with the highest emoluments in the Group, two (2021: two) are directors of the Company whose emoluments are included in the disclosures in Note 12. The emoluments of the remaining three (2021: three) individuals are as follows:

	2022 HK$'000	2021 HK$'000
Salaries and other allowances	4,856	4,941

The emoluments of those individuals are within the following band:

	2022	2021
HK$1,500,001 to HK$2,000,000	3	3

During the years ended 31 December 2022 and 2021, no emoluments have been paid by the Group to the five employees with the highest emoluments as an inducement to join or upon joining the Group or as compensation for loss of office.

14. EMPLOYEE RETIREMENT BENEFITS

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

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

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

15. EARNINGS PER SHARE

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

Earnings

	2022 HK$'000	2021 HK$'000
Earnings for the purposes of calculating basic earnings per share: Profit for the year attributable to owners of the Company	406,823	572,328

15. EARNINGS PER SHARE (CONTINUED)

Number of shares

	2022 '000	2021 '000
Weighted average number of ordinary shares for the purposes of calculating basic earnings per share	4,805,066	4,806,323

No diluted earnings per share for 2022 and 2021 were presented as there were no potential ordinary shares in issue for both years.

16. INVESTMENT PROPERTIES

The Group leases out various commercial and residential properties including offices, shopping malls, stores, mart, exhibition hall, car park units and service apartments under operating leases with rentals payable monthly. The leases typically run for an initial period of one to twenty years and the lessees have the option to extend the lease beyond initial agreed period but it is subject to mutual agreement between the Group and the lessees. The extension option is subject to market review clauses in the event the lessee exercises the option.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

	2022 HK$'000	2021 HK$'000
FAIR VALUE		
At 1 January	19,666,136	17,825,877
Subsequent expenditure	495,321	585,915
Acquisitions (note (i))	159,273	951,724
Fair value gain on investment properties, net	3,211	118,614
Disposal of a subsidiary (Note 37)	—	(1,245,325)
Liquidation of a subsidiary (Note 38)	(739,163)	—
Transfer to property, plant and equipment (note (ii))	(66,513)	—
Transfer from properties held-for-sale (note (iii))	3,362,919	838,624
Exchange realignment	(1,648,213)	590,707
At 31 December	21,232,971	19,666,136
Unrealised gain on revaluation of investment properties included in profit or loss for the year	3,211	118,614

16. INVESTMENT PROPERTIES (CONTINUED)

Notes:

(i) During the year ended 31 December 2021, the Group obtained the land use right certificate for two parcels of land in Minhang District in Shanghai in the PRC. One of them would be developed into residential properties held for earning rentals and the other one would have a portion to develop commercial building held for earning rentals. Accordingly, the respective prepayments of HK$951,724,000 made in year 2020 were transferred to investment properties during the prior year.

During the year ended 31 December 2022, the Group obtained the land use right certificate for six parcels of land in Minhang District in Shanghai in the PRC. Five of them would be developed into residential properties held for sale and the remaining one would have a portion to develop commercial building held for earning rentals. Accordingly, the respective cost of HK$159,273,000 was transferred from land cost to investment properties at the date of the acquisition of this parcel of land.

(ii) During the year ended 31 December 2022, certain units of investment properties of the Group located in Shanghai in the PRC were arranged for own use and served as office premises of the Group due to the needs of expansion of business. Accordingly, investment properties with fair value of HK$66,513,000 were transferred to property, plant and equipment.

(iii) During the year ended 31 December 2022, the management of the Group changed the intention from selling the commercial units of several property projects to lease them out for rentals. Accordingly, properties held-for-sale with carrying amount of HK$3,362,919,000 (2021: HK$838,624,000) was transferred to investment properties upon inception of lease agreements with the tenants. A fair value gain of HK$7,545,000 (2021: HK$111,909,000) in respect of these properties is recognised in profit or loss during the year.

The investment properties of the Group comprises of completed properties and properties currently under development.

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 2022 and 2021 have been arrived at on the basis of valuation carried out on the respective dates by Cushman & Wakefield Limited ("CWL"), an independent qualified professional valuer not connected to the Group. CWL has appropriate qualification and recent experience in the valuation of similar properties in the relevant locations. The address of CWL is 27th Floor, One Island East, Taikoo Place, 18 Westlands Road, Quarry Bay, Hong Kong. The Group's investment properties are valued individually on market value basis, which conforms to HKIS Valuation Standards 2020 Edition published by Hong Kong Institute of Surveyors. The fair value is arrived at by reference to comparable sales transactions available in the relevant markets and, where appropriate, using investment approach which capitalises the net rental income derived from the existing tenancies with due allowance for the reversionary potential of the properties.

In estimating the fair value of the investment properties, the management of the Group has considered that the highest and best use of the properties is their current use. The fair values of certain investment properties have been adjusted to exclude prepaid or accrued operating lease income to avoid double counting.

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

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

At the end of the reporting period, the management of the Group works closely with CWL to establish and determine the appropriate valuation techniques and inputs for Level 3 fair value measurements. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to the management of the Group.

16. INVESTMENT PROPERTIES (CONTINUED)

Information about fair value measurements using key unobservable inputs (Level 3)

The following table shows the valuation techniques used in the determination of fair values for investment properties and the key unobservable inputs used in the valuation models.

Description	Fair value as at 31 December 2022 HK$'000	31 December 2021 HK$'000	Valuation techniques	Key unobservable inputs	Range of key unobservable inputs	Relationship of unobservable key inputs to fair value
Commercial – offices and related car park units in various locations	**5,904,621**	3,932,217	Investment approach	For offices: Reversionary yield derived from market rent and transaction price of comparable properties in the same location	2022: 4.5% to 6.75% 2021: 4.5% to 6.75%	The higher the reversionary yield, the lower the fair value
			Direct comparison approach	For car park units: Price per unit	2022: RMB191,700 to RMB373,000 per unit 2021: RMB191,700 to RMB254,000 per unit	The higher the price per unit, the higher the fair value
Commercial – shopping malls, stores, mart and related car park units in various locations	**9,200,904**	9,586,213	Investment approach	For shopping malls, stores and mart: Reversionary yield derived from market rent and transaction price of comparable properties in the same location	2022: 3.5% to 7.75% 2021: 3.5% to 6.5%	The higher the reversionary yield, the lower the fair value
			Direct comparison approach	For car park units: Price per unit	2022: RMB85,000 to RMB189,400 per unit 2021: RMB82,500 to RMB189,400 per unit	The higher the price per unit, the higher the fair value
Commercial – exhibition hall in Shanghai	**256,526**	279,755	Investment approach	Reversionary yield derived from market rent and transaction price of comparable properties in the same location	2022: 5.25% 2021: 5.25%	The higher the reversionary yield, the lower the fair value
Commercial – building complex with offices, shopping malls and related car park units in Chongqing	**3,085,691**	3,349,693	Investment approach	Reversionary yield derived from market rent and transaction price of comparable properties in the same location	2022: 5.0% 2021: 5.0%	The higher the reversionary yield, the lower the fair value
Residential – a detached villa and service apartments in various locations	**1,106,621**	235,706	Investment approach	For a detached villa: Reversionary yield derived from market rent and transaction price of comparable properties in the same location	2022: 3.5% 2021: 3.5%	The higher the reversionary yield, the lower the fair value
			Direct comparison approach	For service apartments: Price per unit	2022: RMB10,327 per unit 2021: RMB10,326 per unit	The higher the price per unit, the higher the fair value
			Direct comparison approach	For car park units: Price per unit	2022: RMB230,000 per unit 2021: N/A	The higher the price per unit, the higher the fair value
Commercial and residential properties held for rentals under construction in Shanghai	**1,678,608**	2,282,552	Direct comparison and cost approach	For parcels of land commenced construction for commercial properties: Price per unit	2022: RMB37,395 per unit 2021: RMB39,542 per unit	The higher the price per unit, the higher the fair value
			Direct comparison and cost approach	For a parcel of land commenced construction for service apartments: Price per unit	2022: RMB23,060 per unit 2021: RMB23,350 to RMB26,274 per unit	The higher the price per unit, the higher the fair value
	21,232,971	19,666,136				

As at 31 December 2022, certain of the investment properties of the Group with carrying amount of HK$9,783,232,000 (2021: HK$9,993,573,000) are pledged as collaterals for bank borrowings.

17. PROPERTY, PLANT AND EQUIPMENT

	Hotel buildings and improvements HK$'000	Hotel furniture and equipment HK$'000	Other buildings HK$'000	Leasehold improvements HK$'000	Other furniture and equipment HK$'000	Motor vehicles HK$'000	Office premises HK$'000	Construction in progress HK$'000	Total HK$'000
COST									
At 1 January 2021	2,204,439	165,402	472,360	55,504	85,541	41,794	193,633	89,170	3,307,843
Additions	19,791	146	4,693	155	6,542	2,266	–	78,861	112,454
Disposals	(1,153)	(847)	–	–	(3,183)	(3,935)	–	–	(9,118)
Transfer	31,122	–	–	–	–	–	–	(31,122)	–
Addition from acquisition of a subsidiary (Note 52)	–	–	–	37	26	–	–	–	63
Disposal of a subsidiary (Note 37)	–	–	–	(4,462)	(1,964)	(1,351)	–	–	(7,777)
Exchange realignment	68,999	5,426	15,546	1,137	3,512	1,397	4,335	5,070	105,422
At 31 December 2021	2,323,198	170,127	492,599	52,371	90,474	40,171	197,968	141,979	3,508,887
Additions	6,948	880	778	26	4,228	1,139	–	109,951	123,950
Disposals	(220)	(47)	(32,677)	–	(2,282)	(346)	–	–	(35,572)
Transfer from investment properties (Note 16)	–	–	–	–	–	–	66,513	–	66,513
Transfer	–	–	–	–	2,127	–	–	(2,127)	–
Liquidation of a subsidiary (Note 38)	–	–	–	–	(1,873)	(346)	–	–	(2,219)
Exchange realignment	(119,963)	(13,464)	(37,685)	(2,670)	(7,299)	(3,370)	(14,735)	(26,757)	(225,943)
At 31 December 2022	2,209,963	157,496	423,015	49,727	85,375	37,248	249,746	223,046	3,435,616
ACCUMULATED DEPRECIATION									
At 1 January 2021	719,287	88,958	55,285	51,352	70,311	35,314	1,254	–	1,021,761
Provided for the year	121,101	8,067	8,232	1,298	19,205	3,115	7,326	–	168,344
Eliminated on disposals	(1,043)	(827)	–	–	(1,932)	(3,746)	–	–	(7,548)
Disposal of a subsidiary (Note 37)	–	–	–	(4,462)	(1,640)	(800)	–	–	(6,902)
Exchange realignment	26,556	3,051	1,956	1,135	1,804	1,167	98	–	35,767
At 31 December 2021	865,901	99,249	65,473	49,323	87,748	35,050	8,678	–	1,211,422
Provided for the year	114,740	5,695	6,995	1,296	7,094	3,485	9,051	–	148,356
Eliminated on disposals	(168)	(37)	(4,950)	–	(1,487)	(333)	–	–	(6,975)
Liquidation of a subsidiary (Note 38)	–	–	–	–	(1,740)	(344)	–	–	(2,084)
Exchange realignment	(24,317)	(7,983)	(5,283)	(2,663)	(7,664)	(2,914)	(856)	–	(51,680)
At 31 December 2022	956,156	96,924	62,235	47,956	83,951	34,944	16,873	–	1,299,039
CARRYING AMOUNTS									
At 31 December 2022	1,253,807	60,572	360,780	1,771	1,424	2,304	232,873	223,046	2,136,577
At 31 December 2021	1,457,297	70,878	427,126	3,048	2,726	5,121	189,290	141,979	2,297,465

17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

Hotel buildings and improvements	20–25 years
Hotel furniture and equipment	5–15 years
Other buildings	Over the term of the lease
Leasehold improvements	5 years
Other furniture and equipment	3–10 years
Motor vehicles	5–10 years
Office premises	30 years

As at 31 December 2022, certain of the property, plant and equipment of the Group with carrying amount of HK$150,424,000 (2021: HK$189,290,000) are pledged as collaterals for bank borrowings.

18. RIGHT-OF-USE ASSETS

	Leasehold land HK$'000	Leased properties (note (i)) HK$'000	Total HK$'000
At 31 December 2022			
Carrying amounts	427,772	45,957	473,729
At 31 December 2021			
Carrying amounts	470,216	32,883	503,099
For the year ended 31 December 2022			
Depreciation charge	5,457	21,253	26,710
For the year ended 31 December 2021			
Depreciation charge	6,518	21,581	28,099

	2022 HK$'000	2021 HK$'000
Total cash outflow for leases (note (ii))	**64,662**	68,470
Additions to right-of-use assets (note (iii))	**36,361**	299,332
Addition from acquisition of a subsidiary (Note 52)	**–**	608
Disposal of a subsidiary (Note 37)	**–**	(7,965)

Notes:

(i) The leased properties include office premises and apartment units.

(ii) Total cash outflow for leases included the repayment of lease liabilities and interest paid. Details are set out in Note 45.

(iii) Additions to right-of-use assets for the year ended 31 December 2021 included a land cost of HK$270,865,000 in respect of a new hotel under construction in Shanghai in the PRC.

19. GOODWILL

	HK$'000
COST	
At 1 January 2021	—
Arising on acquisition of a subsidiary (Note 52)	23,604
At 31 December 2021 and 2022	23,604

Details of the calculation of the goodwill arising from the acquisition of CSL (as defined in Note 52), to which the Group owns 80% interest, are set out in Note 52.

For the purpose of impairment testing, goodwill set out above has been allocated to the individual cash-generating unit ("CGU") which refers to CSL. During the years ended 31 December 2022 and 2021, the management of the Group determined that there was no impairment of the CGU containing the goodwill by reference to the recoverable amount of CGU, which had been determined based on fair value less cost of disposal.

On 31 August 2021, CSL entered into a subscription agreement with the subscribers, pursuant to which the subscribers conditionally agreed to pay HK$118,161,000 in aggregate for the subscription of 166,666 subscription shares, representing 62.5% of the enlarged issued share capital of CSL. After the subscription, the interests of the Group in CSL will be diluted from 80% to 30% and it will result in a deemed disposal of CSL. Based on the subscription price, the management of the Group was in the opinion that there was no impairment of the goodwill. The assets and liabilities of CSL were not reclassified as assets and liabilities held for disposal in the consolidated statement of financial position because certain condition precedents in respect of the subscription had not been fulfilled as at 31 December 2022 and 2021. Details of this subscription are set out in the Company's announcement dated 31 August 2021.

20. INTANGIBLE ASSETS

	Trademark HK$'000
COST	
At 1 January 2021	60,584
Addition from acquisition of a subsidiary (Note 52)	200
Exchange realignment	1,993
At 31 December 2021	62,777
Exchange realignment	(4,943)
At 31 December 2022	57,834

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 2021, the trademarks were renewed for 10 years to September 2031. The directors of the Company are of the opinion that the Group will renew the trademarks continuously and has the ability to do so at minimal cost. Various studies including product life cycle studies, market competitive and environment trends, and brand extension opportunities had been performed by the management of the Group, which supported 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 are 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 CGU which refers to SUD. During the year ended 31 December 2022, the management of the Group determines that there is no impairment (2021: nil) of the CGU containing trademarks by reference to the recoverable amount of CGU, which has been determined based on the value in use calculation.

21. INTERESTS IN ASSOCIATES

	2022 HK$'000	2021 HK$'000
Unlisted shares, at cost	**1,735,321**	1,884,153
Share of post-acquisition results, net of dividends received	**61,561**	362,124
	1,796,882	2,246,277

As at 31 December 2022 and 2021, the Group has interests in the following associates:

Name of associates	Form of entity	Place of incorporation/ registration and operation	Issued and fully paid share capital		Proportion of ownership interest: The Group's effective interest		Proportion of ownership interest: Held by a subsidiary		Principal activity
			2022	2021	**2022**	2021	**2022**	2021	
上海城開房地產經紀有限公司	Sino-foreign joint venture	The PRC	**RMB20,000,000**	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**	RMB2,850,000,000	**20.7%**	20.7%	**35%**	35%	Property development
上海地產北部投資發展有限公司	Limited liability company	The PRC	**RMB250,000,000**	RMB250,000,000	**20.7%**	20.7%	**35%**	35%	Property development
上海上實醫療美容醫院有限公司 ("Shanghai Healthcare") (Formerly known as "上實(上海)醫療美容醫院有限公司")	Limited liability company	The PRC	**RMB150,000,000**	RMB150,000,000	**19%**	19%	**19%**	19%	Medical and healthcare consultation services
上實融資租賃有限公司 ("SIIC Financial Leasing")	Limited liability company	The PRC	**RMB1,873,873,875**	RMB1,873,873,875	**20%**	20%	**20%**	20%	Provision of financial leasing, operating leasing, entrusted leasing, joint financial leasing, leased asset management and financial leasing consultation services

21. INTERESTS IN ASSOCIATES (CONTINUED)

Summarised financial information of material associates

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

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

For the years ended 31 December 2022 and 2021

Shanghai Shentian

	2022 HK$'000	2021 HK$'000
Non-current assets	25,012	37,678
Current assets (note)	6,024,622	5,522,216
Non-current liabilities	(692,878)	(7,722)
Current liabilities	(1,122,710)	(923,268)
Net assets	4,234,046	4,628,904
Revenue	–	54,476
(Loss) profit for the year	(30,075)	86,294
Other comprehensive (expense) income for the year	(364,783)	146,159
Total comprehensive (expense) income for the year	(394,858)	232,453

Note: The balance mainly comprises land and construction costs relating to properties under development for sale and properties held-for-sale. The development plan of Shanghai Shentian's property project was approved by the respective government departments in the PRC and the construction commenced during the year ended 31 December 2014. The pre-sale activities for certain phases were carried out continuously since year 2018 and the constructions were completed by phases since early of year 2020. Completed properties of phase 1 of this project has been delivered in progress since prior periods and the other phases are expected to be delivered from 2023 onwards.

21. INTERESTS IN ASSOCIATES (CONTINUED)

Summarised financial information of material associates (Continued)

For the years ended 31 December 2022 and 2021 (Continued)

Shanghai Shentian (Continued)

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

	2022 HK$'000	2021 HK$'000
Net assets of Shanghai Shentian	**4,234,046**	4,628,904
Proportion of the Group's ownership interest in Shanghai Shentian	**35%**	35%
Carrying amount of the Group's interest in Shanghai Shentian	**1,481,916**	1,620,116

For the year ended 31 December 2021

SIIC Financial Leasing

	2021 HK$'000
Non-current assets (note)	7,713,399
Current assets (note)	9,378,618
Non-current liabilities	(10,334,686)
Current liabilities	(4,489,117)
Net assets	2,268,214
Net assets attributable to owners of SIIC Financial Leasing	2,255,473
Non-controlling interests of SIIC Financial Leasing	12,741
Revenue	1,135,861
Loss for the year	(143,643)
Other comprehensive income for the year	94,855
Total comprehensive expense for the year	(48,788)

Note: The balances mainly comprise finance lease receivables and loan receivables relating to financial leasing businesses.

21. INTERESTS IN ASSOCIATES (CONTINUED)

Summarised financial information of material associates (Continued)

For the year ended 31 December 2021 (Continued)

SIIC Financial Leasing (Continued)

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

	2021 HK$'000
Net assets attributable to owners of SIIC Financial Leasing	2,255,473
Proportion of the Group's ownership interest in SIIC Financial Leasing	20%
Share of net assets of SIIC Financial Leasing	451,095
Goodwill	21,904
Impairment loss recognised	(1,714)
Carrying amount of the Group's interest in SIIC Financial Leasing	471,285

Aggregate information of associates that are not individually material

For the years ended 31 December 2022 and 2021

	2022 **HK$'000**	2021 HK$'000
The Group's share of results	**(261,263)**	(5,163)
Dividends received from an associate during the year	**627**	3,719
Aggregate carrying amount of the Group's interests in these associates	**314,966**	154,876

22. INTERESTS IN JOINT VENTURES

	2022 **HK$'000**	2021 HK$'000
Unlisted shares, at cost	**2,691,924**	2,921,476
Share of post-acquisition results	**(22,957)**	(7,050)
	2,668,967	2,914,426

22. INTERESTS IN JOINT VENTURES (CONTINUED)

Details of the Group's joint ventures at the end of the reporting period are as follows:

Name of joint ventures	Form of entity	Place of incorporation/ registration and operation	Issued and fully paid share capital		Proportion of ownership interest: The Group's effective interest		Proportion of ownership interest: Held by a subsidiary		Proportion of ownership interest: Held by a joint venture (note)		Principal activity
			2022	2021	2022	2021	2022	2021	2022	2021	
上海莘至城置業有限公司 ("Shenzhicheng")	Limited liability company	The PRC	RMB1,100,000,000	RMB1,100,000,000	29.5%	29.5%	50%	50%	–	–	Property development, property investment and property management
上海諾卓企業管理有限公司 ("Shanghai Nuozhuo")	Limited liability company	The PRC	RMB2,640,000,000	RMB2,640,000,000	29.5%	29.5%	50%	50%	–	–	Integrated management service
上海天宇實宏企業發展有限公司 ("Shanghai Tianyu")	Limited liability company	The PRC	RMB4,800,000,000	RMB4,800,000,000	21.2%	21.2%	5%	5%	55%	55%	Property development
武漢庚城置業有限公司 ("Wuhan Gengcheng")	Limited liability company	The PRC	RMB300,000,000	RMB300,000,000	28.9%	28.9%	49%	49%	–	–	Property development
上海城之輝商務諮詢有限公司	Limited liability company	The PRC	– (registered capital: RMB1,000,000)	– (registered capital: RMB1,000,000)	51%	51%	51%	51%	–	–	Information consultancy, marketing and project planning services
上海城之信企業管理有限公司	Limited liability company	The PRC	– (registered capital: RMB6,000,000)	– (registered capital: RMB6,000,000)	50%	50%	50%	50%	–	–	Information consultancy, marketing and project planning services
上海卓美商務諮詢有限公司	Limited liability company	The PRC	– (registered capital: RMB1,000,000)	– (registered capital: RMB1,000,000)	49%	49%	49%	49%	–	–	Information consultancy, marketing and project planning services
上海東頤置業有限公司 ("Shanghai Dongyi Property")	Limited liability company	The PRC	RMB300,000,000	RMB300,000,000	40%	40%	40%	40%	–	–	Property development and property management

Note: The joint venture is Shanghai Nuozhuo

On 25 December 2020, SUD entered into a cooperation agreement (the "Cooperation Agreement") with Zhonggeng Property Group Co., Ltd. 中庚置業集團有限公司 ("Zhonggeng Group"), Wuhan Zhonggeng Shencheng Industrial Co., Ltd. 武漢中庚申城實業有限公司 ("Wuhan Zhonggeng"), a wholly-owned subsidiary of Zhonggeng Group, and Wuhan Gengcheng, being the project company, for the formation of the joint venture to acquire the land use rights of and to develop the Wuhan site located at Yangluo Economic Development Zone in Wuhan in the PRC 中國武漢市陽邏經濟開發區. The project company succeeded in the bidding of such land use rights at a consideration of RMB1,329 million. Pursuant to the terms of the Cooperation Agreement and subsequent amendment on Wuhan Gengcheng's article of association, the project company is owned as to 49% by SUD, 48% by Wuhan Zhonggeng and 3% by an unrelated entity and all matters of the project company are required unanimous approval from its shareholders and board of directors. SUD was committed to invest a total sum of RMB434,582,000 (equivalent to HK$491,109,000). As at 31 December 2022, an amount of RMB392,743,000 (equivalent to HK$443,828,000) (2021: RMB372,093,000 (equivalently to HK$456,556,000)) was made by SUD, in form of capital injection and a shareholder loan to Wuhan Gengcheng. As at 31 December 2022, the amount of this shareholder loan to Wuhan Gengcheng is HK$277,707,000 (2021: HK$276,188,000). Details of this shareholder loan to Wuhan Gengcheng are set out in Note 31. During the year ended 31 December 2021, the Group, as guarantor, entered into a guarantee agreement in favour of a bank, pursuant to which the Group has agreed to provide guarantee for the due performance of the repayment obligations of Wuhan Gengcheng to a bank under the fixed asset loan agreement dated 22 November 2021 which was entered into between Wuhan Gengcheng and the bank in relation to the grant of a loan up to a maximum principal amount of RMB400,000,000 by the bank to Wuhan Gengcheng for a term of not more than 2 years commencing from 22 November 2021 to 8 November 2023. The guarantee provided by the Group to Wuhan Gengcheng will end in three years after the expiry of the term of the loan agreement. Details of this guarantee provided to Wuhan Gengcheng are set out in the Company's announcement dated 22 November 2021.

22. INTERESTS IN JOINT VENTURES (CONTINUED)

On 15 October 2021, the Group entered into an equity transfer agreement, among fellow subsidiaries of SIIC, and Shanghai Dongyi Property for the acquisition of equity interests in Shanghai Dongyi Property. Pursuant to the equity transfer agreement, the Group acquired 40% equity interests in Shanghai Dongyi Property from a fellow subsidiary of SIIC for a cash consideration of RMB48,296,000. Following completion of the equity transfer, the shareholders of Shanghai Dongyi Property would make an aggregate capital contribution of RMB180,000,000, on a pro-rata basis in accordance with their respective equity interests, to the registered capital of Shanghai Dongyi Property. On this basis, the Group contributed RMB72,000,000 in cash to the registered capital of Shanghai Dongyi Property. Details of the acquisition of this joint venture are set out in the Company's announcement dated 15 October 2021.

Summarised financial information of material joint ventures

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

All of the Group's joint ventures are accounted for using the equity method in the consolidated financial statements.

Shenzhicheng

	2022 **HK$'000**	2021 HK$'000
Non-current assets (note)	**2,329,086**	1,961,349
Current assets	**86,228**	92,568
Non-current liabilities	**(982,304)**	(702,783)
Current liabilities	**(194,279)**	(1,441)
Net assets	**1,238,731**	1,349,693

Note: The balance mainly comprises land and development costs relating to properties under development for rentals located at Shanghai in the PRC.

	2022 **HK$'000**	2021 HK$'000
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**10,717**	41,780
Non-current financial liabilities (excluding trade and other payables and provisions)	**982,064**	621,882
Current financial liabilities (excluding trade and other payables and provisions)	**5,650**	–

22. INTERESTS IN JOINT VENTURES (CONTINUED)

Summarised financial information of material joint ventures (Continued)

Shenzhicheng (Continued)

	2022 HK$'000	2021 HK$'000
Expense	(6,807)	—
Loss for the year	(4,475)	—
Other comprehensive (expense) income for the year	(106,487)	42,969
Total comprehensive (expense) income for the year	(110,962)	42,969

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

	2022 HK$'000	2021 HK$'000
Net assets of Shenzhicheng	1,238,731	1,349,693
Proportion of the Group's ownership interest in Shenzhicheng	50%	50%
Carrying amount of the Group's interest in Shenzhicheng	619,366	674,847

Shanghai Nuozhuo

	2022 HK$'000	2021 HK$'000
Non-current assets (note)	2,972,046	3,239,264
Current assets	86	4
Current liabilities	(475)	(419)
Net assets	2,971,657	3,238,849

Note: The balance mainly comprises investment cost in Shanghai Tianyu.

	2022 HK$'000	2021 HK$'000
The above amounts of assets include the following:		
Cash and cash equivalents	86	4

22. INTERESTS IN JOINT VENTURES (CONTINUED)

Summarised financial information of material joint ventures (Continued)

Shanghai Nuozhuo (Continued)

	2022 HK$'000	2021 HK$'000
Expense	–	(410)
Loss for the year	(11,683)	(410)
Other comprehensive (expense) income for the year	(255,508)	102,302
Total comprehensive (expense) income for the year	(267,191)	101,892

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

	2022 HK$'000	2021 HK$'000
Net assets of Shanghai Nuozhuo	2,971,657	3,238,849
Proportion of the Group's ownership interest in Shanghai Nuozhuo	50%	50%
Carrying amount of the Group's interest in Shanghai Nuozhuo	1,485,829	1,619,425

Wuhan Gengcheng

	2022 HK$'000	2021 HK$'000
Non-current assets	966	1,459
Current assets (note)	2,097,493	1,282,317
Non-current liabilities	–	(306,748)
Current liabilities	(1,787,413)	(625,586)
Net assets	311,046	351,442

Note: The balance mainly comprises land and construction costs relating to properties under development for sale located at Wuhan in the PRC.

22. INTERESTS IN JOINT VENTURES (CONTINUED)

Summarised financial information of material joint ventures (Continued)

Wuhan Gengcheng (Continued)

	2022 HK$'000	2021 HK$'000
The above amounts of assets include the following: Cash and cash equivalents	15,360	10,709
Non-current financial liabilities (exclude trade and other payables and provisions)	–	306,748
Current financial liabilities (exclude trade and other payables and provisions)	254,266	–

	2022 HK$'000	2021 HK$'000
Expense	(16,508)	(16,356)
Loss for the year	(13,007)	(16,356)
Other comprehensive (expense) income for the year	(27,388)	335,086
Total comprehensive (expense) income for the year	(40,395)	318,730

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

	2022 HK$'000	2021 HK$'000
Net assets of Wuhan Gengcheng	311,046	351,442
Proportion of the Group's ownership interest in Wuhan Gengcheng	49%	49%
Carrying amount of the Group's interest in Wuhan Gengcheng	152,413	172,207

22. INTERESTS IN JOINT VENTURES (CONTINUED)

Aggregate information of joint ventures that are not individually material

	2022 HK$'000	2021 HK$'000
The Group's share of results	**(1,248)**	1,169
Aggregate carrying amount of the Group's interests in these joint ventures	**411,359**	447,947

23. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2022 HK$'000	2021 HK$'000
Equity securities:		
— Listed in the PRC (note (i))	**46,780**	71,264
— Unlisted (note (ii))	**13,092**	22,108
	59,872	93,372

Notes:

(i) The above listed equity investments represent the Group's equity interest in an entity listed in the PRC. These investments are not held-for-trading. Instead, they are held for long-term strategic purpose. The management of the Group elected to designate these investments as equity instruments at FVTOCI as they believe that recognising short-term fluctuations in fair value of these investments in profit or loss is not consistent with the Group's strategy of holding these investments for long-term strategic purpose and realising their performance potential in the long run.

(ii) The above unlisted equity investments represent the Group's equity interest in several private entities established in the PRC. The management of the Group elected to designate these investments at FVTOCI as they believe that these investments will benefit the Group in long run through realisation or receiving steady dividends. The Group engaged GW Financial Advisory Services Limited, an independent qualified professional valuer not connected to the Group, to determine the fair value of the Group's certain unlisted equity investments and the carrying amount of these investments is HK$10,555,000 (2021: HK$19,353,000). Details of the valuation for these investments are set out in Note 41.

24. RESTRICTED AND PLEDGED BANK DEPOSITS

Restricted bank deposits

The restricted bank deposits of HK$19,509,000 (2021: HK$20,811,000), of which an amount of HK$9,882,000 (2021: HK$20,811,000) is expected to be released within twelve months, represents a frozen portion of pre-sale proceeds received on sales of affordable housings to the public under the instruction of the local government in Shanghai in the PRC. The amount is calculated based on a pre-agreed percentage on the pre-sale proceeds received and required to transfer to the escrow account regularly.

Pledged bank deposits

The Group has entered into agreements with certain banks with respect to mortgage loans provided for buyers of the Group's property units and has made deposits as security to and given guarantees on mortgage loans provided for the buyers by these banks under the agreements. Pursuant to the terms of agreements, upon default in payments of mortgage loans by these buyers, the Group is liable to repay the banks the outstanding mortgage loans together with any accrued interest and penalty thereon, after netting off the pledged bank deposits, and the Group is entitled to take over the legal title and possession of the related properties. These pledged bank deposits of HK$32,486,000 (2021: HK$36,010,000), and the related guarantees, will be released when the property title deeds of the buyers are pledged to banks as security for respective mortgage loans. As at 31 December 2022, deposits of HK$13,999,000 (2021: HK$15,646,000), which are expected to be released within twelve months, are classified as current assets. The remaining balances of HK$18,487,000 (2021: HK$20,364,000), which are expected to be released more than one year after the property title deeds are passed to the buyers, are classified as non-current assets. These pledged bank deposits carry a variable interest rate at 0.25% (2021: 0.35%) per annum as at 31 December 2022. Details of the mortgage guarantees are set out in Note 44.

Pledged bank deposits also include deposits of HK$4,960,000 (2021: HK$102,211,000) pledged to banks to secure bank borrowings granted to the Group. As at 31 December 2022, deposits of HK$4,960,000 (2021: HK$102,211,000) with maturity of more than one year are classified as non-current assets. These pledged bank deposits carry interest at fixed interest rates ranging from 1.75% to 3.00% (2021: 1.9% to 3.0%) per annum as at 31 December 2022 and will be released upon the settlement of relevant bank borrowings.

Details of impairment assessment of restricted and pledged bank deposits are set out in Note 40(b).

25. INVENTORIES

	2022 **HK$'000**	2021 HK$'000
Hotel operations		
Finished goods — food and beverage and others	**1,803**	2,207

26. PROPERTIES UNDER DEVELOPMENT FOR SALE AND PROPERTIES HELD-FOR-SALE

	2022 **HK$'000**	2021 HK$'000
Property development		
Properties under development for sale	**18,139,312**	16,501,151
Properties held-for-sale	**4,429,975**	8,129,277
	22,569,287	24,630,428

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 2022, an amount of HK$2,727,929,000 (2021: HK$6,293,242,000) is properties located in first-tier cities, such as Beijing and Shanghai, in the PRC and an amount of HK$1,702,046,000 (2021: HK$1,836,035,000) are properties located in cities other than first-tier cities in the PRC, of which an amount of HK$1,688,983,000 (2021: HK$1,809,242,000) has no pre-sale agreements entered into by the Group.

The net realisable value of the Group's properties held-for-sale, which are not located in first-tier cities in the PRC and have no pre-sale agreements entered into by the Group, as at 31 December 2022 has been arrived at on the basis of valuation carried out by CWL. CWL has appropriate qualification and recent experience in the valuation of similar properties in the relevant locations. These properties held-for-sale are valued individually on market value basis, which conforms to HKIS Valuation Standards 2020 Edition published by Hong Kong Institute of Surveyors. The net realisable value of these properties held-for-sale is arrived at by reference to comparable sales transactions available in the relevant markets with adjustments according to nature of each property, its location and the prevailing market prices.

During the year ended 31 December 2021, a reversal of impairment loss of HK$12,499,000 in respect of certain public affordable housing in the PRC was recognised in profit or loss.

As at 31 December 2022, properties held-for-sale of HK$178,824,000 (2021: HK$198,179,000) are carried at net realisable value.

As at 31 December 2022, properties under development for sale of HK$12,600,983,000 (2021: HK$8,456,192,000) are not expected to be realised within one year.

As at 31 December 2022, properties under development for sale of HK$6,814,317,000 (2021: HK$9,531,818,000) and properties held-for-sale of HK$265,745,000 (2021: HK$259,702,000) are pledged as collaterals for bank borrowings.

27. TRADE AND OTHER RECEIVABLES

	2022 HK$'000	2021 HK$'000
Trade receivables		
— Contracts with customers		
Sales of properties (note (i))	268,617	—
Hotel operations and others	14,262	6,267
— Lease receivables	12,036	15,512
	294,915	21,779
Less: Loss allowance	(274)	(297)
	294,641	21,482
Other receivables (note (ii))	291,470	334,362
Secured deposits held by Shanghai government department (note (iii))	214,779	113,719
Receivable from a former subsidiary (note (iv))	137,184	—
Advance payments to contractors	14,780	54,613
Prepaid other taxes (note (v))	220,635	357,113
Prepayments for acquisition of parcels of land (note (vi))	—	3,472,790
Deposits and prepayments	12,155	11,448
	1,185,644	4,365,527

Notes:

(i) The balance represents a trade receivable from Shanghai government department in respect of the sales of affordable housings and it will be settled once the project clearance process completes.

(ii) Other receivables mainly comprise various warranty deposits placed with the relevant government bodies in respect of properties under development for sale, properties held-for-sale and properties being sold.

(iii) The balance represents deposit paid to Shanghai government department in respect of two affordable housing projects in Shanghai in the PRC. The deposit was paid according to a pre-determined percentage on the pre-sale proceed received from the sales of affordable housings and it will be refunded to the Group once the properties delivery and projects clearance process complete.

(iv) The balance represents an amount due from a former subsidiary of the Group, net of ECL allowance, which may be settled upon completion of the liquidation process of 昆山錦亭 (as defined in Note 31). Details of the liquidation of 昆山錦亭 are set out in Note 38.

(v) Prepaid other taxes comprise prepayments for urban real estate tax, city maintenance and construction tax, business tax and value-added tax.

(vi) The balance as at 31 December 2021 represented the full amount of the considerations of RMB2,830,324,000 (equivalent to HK$3,472,790,000) paid by the Group in respect of the acquisition of parcels of land in Qingpu and Lingang districts in Shanghai in the PRC for the development of residential properties for sale, while the land use right certificates were not ready at prior year end. During the year ended 31 December 2022, the Group obtained the land use right certificates and the amount was transferred to properties under development for sale.

27. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

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

	2022 HK$'000	2021 HK$'000
Within 90 days	16,125	15,673
Within 91–180 days	273,393	2,967
Over 180 days	5,123	2,842
	294,641	21,482

Ageing of trade receivables which are past due

	2022 HK$'000	2021 HK$'000
Within 91–180 days	273,393	2,967
Over 180 days	5,123	2,842
	278,516	5,809

The management of the Group considers that the impact of ECL for these past due trade receivables is insignificant.

Movement in the ECL allowance for trade receivables

	2022 HK$'000	2021 HK$'000
At 1 January	297	288
Exchange realignment	(23)	9
At 31 December	274	297

As at 31 December 2022, certain lease receivables with carrying amount of HK$8,703,000 (2021: HK$11,447,000) are pledged as collaterals for bank borrowings.

Details of impairment assessment of trade and other receivables are set out in Note 40(b).

28. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 HK$'000	2021 HK$'000
Listed securities held-for-trading		
— Equity securities listed in the PRC	5,580	2,948
— Equity securities listed in Hong Kong	—	13
	5,580	2,961

29. BANK BALANCES AND CASH

Cash and cash equivalents include demand deposits and short term deposits for the purpose of meeting the Group's short term cash commitments.

The Group's bank balances comprise saving deposits and fixed deposits with maturity less than three months. These bank balances carry interest at market rates ranging from 1.75% to 3.35% (2021: 0.35% to 3.00%) per annum.

Included in the bank balances there are amounts of HK$1,310,421,000 (2021: HK$1,874,459,000) that can only be applied in the designated property development projects and are required to place in restricted bank accounts in accordance with the applicable government regulations and contractual restrictions, if applicable. These bank balances are held for meeting short-term cash commitments and are, thus, included in cash and cash equivalents.

Included in the bank balances, there are amounts of HK$4,291,000 (2021: HK$3,376,000) and HK$80,690,000 (2021: HK$275,914,000) that are denominated in United States Dollars ("US$") and HK$ respectively which are foreign currency of respective companies of the Group.

Details of impairment assessment of bank balances are set out in Note 40(b).

30. TRADE AND OTHER PAYABLES AND DEFERRED REVENUE

	2022 HK$'000	2021 HK$'000
Trade and other payables recognised as current liabilities		
Trade payables	1,810,201	1,586,139
Accrued expenditure on properties under development for sale	2,527,840	3,002,366
Amounts due to former shareholders of the Company's former subsidiaries (note (i))	159,768	171,594
Rental deposits and receipt in advance from tenants	225,781	220,902
Interest payable	91,044	127,450
Payables to the Shanghai government department (note (ii))	158,079	171,637
Accrued charges and other payables	364,982	429,187
Consideration payables (note (v))	576,337	—
Other taxes payables (note (iii))	865,674	1,043,127
	6,779,706	6,752,402
Deferred revenue recognised as non-current liabilities		
Deferred revenue (note (iv))	38,879	32,452

Notes:

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

(ii) The amount represents the receipts of HK$1,071,191,000 (2021: HK$1,163,064,000) from the purchasers of affordable housings which were collected on behalf of the Shanghai government department, net of receivables of HK$913,112,000 (2021: HK$991,427,000) from Shanghai government department for the construction and other related costs and the agreed profit margin of the affordable housings. The amount is repayable on demand. During the year ended 31 December 2022, no payment (2021: HK$340,793,000) 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 balance mainly represents the deferred portion of the government's subsidies in relation to the development residential properties held for rentals in the PRC.

(v) The balance represents the outstanding consideration in respect of the Acquisition (as defined in Note 53) and it will be settled according to an agreed schedule and upon satisfaction of particular conditions. Details of the Acquisition and settlement of the consideration payables are set out in Note 53.

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

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:

	2022 HK$'000	2021 HK$'000
Within 30 days	1,291,833	1,122,073
Within 31–180 days	115,792	3,987
Within 181–365 days	74,626	177,648
Over 365 days	327,950	282,431
	1,810,201	1,586,139

Included in trade and other payables, there is an amount of HK$26,319,000 (2021: HK$22,755,000) denominated in HK$ which is the foreign currency of respective companies of the Group.

31. AMOUNTS DUE FROM (TO) RELATED COMPANIES

The Group had the following balances with related parties:

	notes	2022 HK$'000	2021 HK$'000
Amount due from a related company recognised in non-current assets:			
— A joint venture	(iii)	277,707	276,188
Amounts due from related companies recognised in current assets:			
— A joint venture	(iii)	237	12
— Entities controlled by Xuhui SASAC	(i)	2,255	—
		2,492	12
Amounts due to related companies recognised in current liabilities:			
— Xuhui SASAC and entities controlled by Xuhui SASAC	(i)	45,400	47,649
— A non-controlling shareholder	(ii)	—	61,350
— Non-controlling shareholders	(iv)	687,529	559,581
— SIHL	(v)	26,777	29,074
— Associates	(vi)	6,440	9,160
		766,146	706,814

31. AMOUNTS DUE FROM (TO) RELATED COMPANIES (CONTINUED)

Notes:

(i) The entire amounts due from (to) Xuhui SASAC and entities controlled by Xuhui SASAC are non-trade in nature, interest-free, unsecured and repayable on demand.

(ii) The entire amount due to a non-controlling shareholder was non-trade in nature and unsecured.

The balance as at 31 December 2021 represented a loan advanced from a non-controlling shareholder which carried a fixed interest at 108% of three year's People's Bank of China Benchmark Lending Rate per annum at the date of borrowing. It was repaid in full during the year ended 31 December 2022.

(iii) The entire amounts due from joint ventures are non-trade in nature and unsecured.

The amount due from a joint venture as at 31 December 2022 of RMB245,743,000 (equivalent to HK$277,707,000) (2021: RMB225,093,000 (equivalent to HK$276,188,000) represents funds advanced by the Group at a guaranteed return of 8% per annum to a joint venture for its acquisition of parcels of land and subsequent construction expenditure in respect of a property development project in Wuhan in the PRC. In the opinion of the management of the Group, the amount will not be repaid in 12 months from the end of the reporting period.

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

(iv) The amounts due to non-controlling shareholders of the Group's subsidiaries are non-trade in nature and unsecured.

Included in the amounts due to non-controlling shareholders as at 31 December 2021, there was an amount of RMB154,183,000 (equivalent to HK$189,182,000), which represented interest-free loans advanced from a non-controlling shareholder. As at 31 December 2021, these loans were overdue due to shareholders' dispute and classified as current liabilities. During the year ended 31 December 2022, the Group completed litigation procedures and initiated a voluntary liquidation of the group entity in issue, namely 昆山城開錦亭置業有限公司 ("昆山錦亭"), to which the aforementioned loans had been made. Details of the liquidation of 昆山錦亭 are set out in Note 38.

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

(v) The amounts are due to the Group's intermediate holding company (i.e. SIHL) and are non-trade in nature, interest-free and repayable on demand.

(vi) The amounts are trade in nature, unsecured and interest-free. The Group is granted an average credit period of 30 days for the outstanding balance.

32. PRE-SALE PROCEEDS RECEIVED ON SALES OF PROPERTIES

Pre-sale proceeds received on sales of properties in respect of sale and purchase agreements entered into with property buyers are contract liabilities. These proceeds are advance payments received from property buyers on sales of property units and recognised as liabilities throughout the property construction period until the Group satisfies its performance obligation by transferring the control of the properties to property buyers, at which time the liabilities are recognised as revenue. The Group normally receives 30% to 100% of the contract value as pre-sale proceeds from property buyers when they sign the sale and purchase agreements. The following table shows how much of the revenue recognised in the current year relates to carried-forward contract liabilities.

	2022 **HK$'000**	2021 HK$'000
Revenue recognised that was included in the balance of "pre-sale proceeds received on sales of properties" at the beginning of the year	**8,981,829**	10,848,800

For properties under development for sale, the Group typically provides guarantees to banks in connection with the property buyers' mortgage loans to finance their purchase of the properties for an amount up to 70% of the purchase price of the related properties. If a property buyer defaults on the repayment of the loan during the term of the guarantee, the bank holding the mortgage may demand the Group to repay the outstanding balance of the loan and any accrued interest and penalty thereon. Under such circumstance, the Group is entitled to forfeit the property buyer's deposits, take over the legal title and possession of the related property and re-sell it to other interested buyers to recover any amounts paid or payable by the Group to the bank. Unless there is significant drop in the market price to the extent below the cost of the related properties which is however considered as remote by the management of the Group, the Group would not be in a significant loss position in re-selling the related properties.

33. BANK AND OTHER BORROWINGS

	2022 HK$'000	2021 HK$'000
Bank borrowings	**9,643,354**	9,077,575
Other borrowings (note (ii))	**8,015,400**	10,642,507
	17,658,754	19,720,082
Analysed as:		
Secured bank borrowings (note (i))	**3,450,272**	4,092,231
Unsecured bank and other borrowings	**14,208,482**	15,627,851
	17,658,754	19,720,082
Carrying amount repayable:		
Within one year	**9,915,688**	10,121,944
Within a period of more than one year but not more than two years	**1,661,754**	4,441,941
Within a period of more than two years but not more than five years	**4,555,848**	3,852,399
Within a period of more than five years	**1,525,464**	1,303,798
	17,658,754	19,720,082
Less: Amount due within one year shown under current liabilities	**(9,915,688)**	(10,121,944)
Amount due after one year (note (iii))	**7,743,066**	9,598,138
Floating rate (note (iv))		
— expiring within one year	**7,261,979**	5,247,478
— expiring beyond one year	**4,464,374**	5,643,095
Fixed rate		
— expiring within one year	**2,653,709**	4,874,466
— expiring beyond one year	**3,278,692**	3,955,043
	17,658,754	19,720,082

33. BANK AND OTHER BORROWINGS (CONTINUED)

Notes:

(i) Assets that are pledged as collaterals to secure bank borrowings are as follows:

	2022 HK$'000	2021 HK$'000
Properties under development for sale	**6,814,317**	9,531,818
Properties held-for-sale	**265,745**	259,702
Investment properties	**9,783,232**	9,993,573
Property, plant and equipment	**150,424**	189,290
Pledged bank deposits	**4,960**	102,211
Trade receivables	**8,703**	11,447
	17,027,381	20,088,041

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

	2022 HK$'000	2021 HK$'000
Advanced bonds — 2015 (note (a))	**—**	2,168,097
Advanced bonds — 2019 (note (b))	**—**	1,409,845
Advanced bonds — 2020 (note (c))	**2,653,709**	2,878,134
Domestic corporate bonds — 2022 (note (d))	**1,293,777**	—
Medium term notes — 2019 (note (e))	**—**	1,225,848
Medium term notes — 2021 (note (f))	**992,750**	1,076,908
Medium term notes — 2022 (note (g))	**992,164**	—
Borrowings from SIHL Finance Limited (note (h))	**2,083,000**	1,813,000
Others (note (i))	**—**	70,675
	8,015,400	10,642,507

(a) The advanced bonds — 2015 represented bonds issued by SUD to public and were listed on the Shanghai Stock Exchange during the year ended 31 December 2015. The bonds were unsecured and had maturity of seven years falling due on 6 November 2022. The bonds carried a fixed interest rate 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 had 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 RMB19,220,000 (equivalent to HK$22,952,000) were directly deducted from the carrying amount of the bonds. The bonds, net of transaction costs, carried an effective interest rate at 4.71% per annum. During the year ended 31 December 2022, the Group repaid the advance bonds — 2015 in full upon maturity.

(b) The advanced bonds — 2019 represented bonds issued by SUD to public and were listed on the Shanghai Stock Exchange during the year ended 31 December 2019. The bonds were unsecured and had maturity of four years falling due on 23 August 2022. The bonds had principal amount of RMB1,150,000,000 and carried a fixed interest rate at 3.95% per annum. Transaction costs of RMB4,340,000 (equivalent to HK$4,923,000) were directly deducted from the carrying amount of the bonds. The bonds, net of transaction costs, carried an effective interest rate at 4.09% per annum. During the year ended 31 December 2022, the Group repaid the advance bonds — 2019 in full upon maturity.

33. BANK AND OTHER BORROWINGS (CONTINUED)

Notes: (Continued)

(ii) (Continued)

(c) The advanced bonds — 2020 represent two batches of bonds issued by SUD to public and are listed on the Shanghai Stock Exchange during the year ended 31 December 2020. The bonds are unsecured and have maturity of three years falling due in year ending 31 December 2023. One batch of bonds, which will mature on 18 September 2023, were issued at the principal amount of RMB1,800,000,000 and carry a fixed interest rate at 4.07% per annum (the "Bond A"). Transaction costs of RMB5,604,000 (equivalent to HK$6,298,000) were directly deducted from the carrying amount of the Bond A. The Bond A, net of transaction costs, carries an effective interest rate at 4.18% per annum. The other batch of bonds, which will mature on 18 June 2023, were issued at the principal amount of RMB550,000,000 and carry a fixed interest rate at 3.49% per annum (the "Bond B"). Transaction costs of RMB2,075,000 (equivalent to HK$2,332,000) were directly deducted from the carrying amount of the Bond B. The Bond B, net of transaction costs, carries an effective interest rate at 3.62% per annum.

(d) The domestic corporate bonds — 2022 represent bonds issued by SUD to public and are listed on the Shanghai Stock Exchange during the year ended 31 December 2022. The bonds are unsecured and have maturity of three years falling due on 2 November 2025. The bonds have principal amount of RMB1,150,000,000 and carry a fixed interest rate at 3.07% per annum. Transaction costs of RMB5,425,000 (equivalent to HK$6,131,000) were directly deducted from the carrying amount of the bonds. The bonds, net of transaction costs, carry an effective interest rate at 3.24% per annum.

(e) The medium term notes — 2019 represented notes issued by SUD to financial institutions during the year ended 31 December 2019. The notes were unsecured and had maturity of three years falling due on 11 June 2022. The notes had principal amount of RMB1,000,000,000 and carried a fixed interest rate at 4.00% per annum. Transaction costs of RMB5,943,000 (equivalent to HK$6,742,000) were directly deducted from the carrying amount of the notes. The notes, net of transactions costs, carried an effective interest rate at 4.21% per annum. During the year ended 31 December 2022, the Group repaid the medium term notes — 2019 in full upon maturity.

(f) The medium term notes — 2021 represent notes issued by SUD to financial institutions during the year ended 31 December 2021. The notes are unsecured and have maturity of three years falling due on 15 October 2024. The notes have principal amount of RMB880,000,000 and carry a fixed interest rate at 3.48% per annum. Transaction costs of RMB2,491,000 (equivalent to HK$3,001,000) were directly deducted from the carrying amount of the notes. The notes, net of transactions costs, carry an effective interest rate at 3.58% per annum.

(g) The medium term notes — 2022 represent notes issued by SUD to financial institutions during the year ended 31 December 2022. The notes are unsecured and have maturity of three years falling due on 8 June 2025. The notes have principal amount of RMB880,000,000 and carry a fixed interest rate at 2.85% per annum. Transaction costs of RMB2,491,000 (equivalent to HK$2,918,000) were directly deducted from the carrying amount of the notes. The notes, net of transactions costs, carry an effective interest rate at 2.95% per annum.

(h) On 6 May 2019 and 12 August 2019, the Group entered into short-term loan agreements with SIHL Finance Limited, a subsidiary of SIHL, for two unsecured borrowings at the principal amounts of HK$423,000,000 and HK$740,000,000 respectively. These borrowings carried a variable interest rate at 3 months Hong Kong Interbank Offered Rate ("HIBOR") plus a premium of 2.4% per annum. Upon the maturity dates, these borrowings of HK$423,000,000 and HK$740,000,000 were extended. During the year ended 31 December 2022, these borrowings were further extended to 17 May 2023 (2021: 17 May 2022) and 12 August 2024 (2021: 12 August 2022) respectively with interest rates remained unchanged.

On 2 June 2021 and 25 November 2021, the Group raised new borrowings of HK$350,000,000 and HK$300,000,000 from SIHL Finance Limited respectively. These borrowings carried a variable interest rate at 3 months HIBOR plus a premium of 2.4% per annum and have maturity dates on 1 June 2022 and 24 November 2022 respectively. Upon the maturity dates, the borrowing with principal amount of HK$350,000,000 was further extended by a year up to 7 June 2023 with interest rates remained unchanged.

33. BANK AND OTHER BORROWINGS (CONTINUED)

Notes: (Continued)

(ii) (Continued)

(h) (Continued)

On 10 June 2022 and 10 December 2022, the Group raised new borrowings of HK$450,000,000 and HK$120,000,000 from SIHL Finance Limited respectively. These borrowings carried a variable interest rate at 3 months HIBOR plus a premium of 2.4% per annum and have maturity dates on 10 June 2023 and 10 December 2023 respectively.

(i) 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 a fixed interest rate at 9% per annum. The loan facility could be drawn down in any amount and at any time from the date of the loan facility agreement and it was unsecured and administrated by a bank. During the year ended 31 December 2016, loans with aggregated amount of RMB200,000,000 were drawn down by the Group and would mature during May 2017 to June 2018. On 20 April 2017 and 5 December 2021, the Group and the lender entered into loan extension agreements respectively. Pursuant to the agreements, the maturity dates for the loans of RMB80,000,000 and RMB120,000,000 were extended to 3 May 2020 and 5 December 2020 respectively and the fixed interest rate was revised to 7.5% per annum. As at 31 December 2021, the loan of RMB57,600,000 (equivalent to HK$70,675,000) remained outstanding because the Group had dispute with the non-controlling shareholder of 昆山錦亭, where it carried the loans in issue, regarding the arrangement of providing additional capital to 昆山錦亭. During the year ended 31 December 2022, the Group completed litigation procedures and initiated a voluntary liquidation of 昆山錦亭. Details of the liquidation of 昆山錦亭 are set out in Note 38.

(iii) As at 31 December 2022, included in the Group's borrowings due after one year are amounts of other borrowings of HK$3,278,692,000 (2021: HK$3,955,043,000).

(iv) The Group's variable-rate borrowings carry interest at HIBOR, Loan Prime Rate ("LPR") and People's Bank of China Lending Rate ("PBOCLR").

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

	2022	2021
Effective interest rate:		
Fixed-rate borrowings	**3.24%–4.18%**	3.48%–7.50%
Variable-rate borrowings	**3.10%–5.15%**	2.21%–6.51%

Included in bank and other borrowings, there is an amount of HK$2,083,000,000 (2021: HK$2,213,000,000) denominated in HK$ which is the foreign currency of respective companies of the Group.

33. BANK AND OTHER BORROWINGS (CONTINUED)

In respect of a bank borrowing with carrying amount of RMB2,040,000,000 (equivalent to HK$2,503,067,000) as at 31 December 2021, the Group was required to comply with certain financial covenants throughout the continuance of the borrowing and/or as long as the borrowing is outstanding. However, the Group failed to comply with the covenant related to dividend declared/paid out ratio for the prior year. Accordingly, the entire balance of this borrowing was reclassified from non-current liabilities to current liabilities as at 31 December 2021. During the year ended 31 December 2022, the Group has obtained a waiver in respect of this covenant from the bank.

In respect of certain bank and other borrowings with aggregate carrying amount of HK$4,795,171,000 as at 31 December 2022, the Group is required to achieve certain requirements throughout the continuance of the borrowings and/or as long as the borrowings are outstanding. Because of these requirements, the bank borrowing of HK$2,712,171,000 and other borrowing of HK$740,000,000 were reclassified from non-current liabilities to current liabilities as at 31 December 2022.

34. LEASE LIABILITIES

	2022 **HK$'000**	2021 HK$'000
Lease liabilities payable:		
Within one year	**48,721**	62,395
Within a period of more than one year but not more than two years	**39,706**	44,915
Within a period of more than two years but not more than five years	**–**	12,879
	88,427	120,189
Less: Amount due for settlement within twelve months shown under current liabilities	**(48,721)**	(62,395)
Amount due for settlement after twelve months under non-current liabilities	**39,706**	57,794

The lease liabilities are denominated in currency other than the functional currency of the relevant group entity are set out below:

	HK$ against RMB HK$'000
As at 31 December 2022	**15,335**
As at 31 December 2021	11,422

35. DEFERRED TAXATION

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

	Fair value adjustment on properties under development for sale and properties held-for-sale HK$'000	Revaluation of investment properties HK$'000	Fair value adjustment on hotel properties HK$'000	Accrued expenses HK$'000	LAT deferred tax HK$'000	Leases HK$'000	Undistributed earnings of the PRC entities HK$'000	Others HK$'000	Total HK$'000
At 1 January 2021	(555,951)	(2,521,562)	(18,755)	116,104	(30,794)	(1,758)	(68,385)	94,958	(2,986,143)
Credit (charge) to profit or loss for the year	95,004	57,755	–	(129,564)	9,627	(1,346)	(150,142)	(31,363)	(150,029)
Credit to OCI upon fair value changes of equity instruments at FVTOCI	–	–	–	–	–	–	–	6,269	6,269
Disposal of a subsidiary (Note 37)	–	201,954	–	–	–	–	–	(41,122)	160,832
Exchange realignment	(16,456)	(74,048)	(617)	1,438	(835)	(83)	(5,012)	1,799	(93,814)
At 31 December 2021	(477,403)	(2,335,901)	(19,372)	(12,022)	(22,002)	(3,187)	(223,539)	30,541	(3,062,885)
Credit (charge) to profit or loss for the year	70,719	7,989	–	2,070	5,284	(860)	–	24,776	109,978
Credit to OCI upon fair value changes of equity instruments at FVTOCI	—	—	–	–	–	–	–	6,724	6,724
Liquidation of a subsidiary (Note 38)	–	(11,745)	–	–	–	–	–	–	(11,745)
Exchange realignment	35,350	190,759	1,530	894	1,586	276	17,658	(3,268)	244,785
At 31 December 2022	(371,334)	(2,148,898)	(17,842)	(9,058)	(15,132)	(3,771)	(205,881)	58,773	(2,713,143)

35. DEFERRED TAXATION (CONTINUED)

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2022 HK$'000	2021 HK$'000
Deferred tax assets	86,047	55,164
Deferred tax liabilities	(2,799,190)	(3,118,049)
	(2,713,143)	(3,062,885)

As at 31 December 2022, the Group has unused tax losses of HK$3,927,177,000 (2021: HK$3,763,203,000) available for offset against future profits, which are subject to the confirmation from Hong Kong Inland Revenue Department and the respective PRC tax authorities. No deferred tax asset was recognised in respect of such losses due to the unpredictability of future profit streams of respective group entities. During the year ended 31 December 2022, tax losses of HK$432,758,000 (2021: HK$80,926,000) were expired. Included in unrecognised tax losses, there are losses of HK$3,593,408,000 (2021: HK$3,429,440,000) that will expire in various dates in the next five years. Other losses may be carried forward indefinitely.

Under the EIT law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. No deferred taxation was provided in the consolidated financial statements in respect of temporary differences of HK$7,150,306,000 (2021: HK$6,270,113,000) 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.

36. SHARE CAPITAL

	Number of shares '000	Amount HK$'000
Ordinary shares of HK$0.04 each		
Authorised:		
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	10,000,000	400,000
Issued and fully paid:		
At 1 January 2021, 31 December 2021 and 1 January 2022	4,806,323	192,253
Shares repurchased and cancelled	(12,646)	(506)
At 31 December 2022	4,793,677	191,747

During the year ended 31 December 2022, the Company repurchased its own ordinary shares through the Stock Exchange as follows:

Date of repurchase	Number of ordinary shares of HK$0.04 each '000	Price per share Highest HK$	Price per share Lowest HK$	Aggregate consideration paid (excluding transaction costs) HK$'000	Transaction costs HK$'000
17 November 2022	3,000	0.59	0.58	1,754	5
18 November 2022	2,000	0.59	0.58	1,175	3
21 November 2022	1,600	0.57	0.54	884	3
22 November 2022	800	0.54	0.51	420	1
23 November 2022	700	0.51	0.495	351	1
25 November 2022	350	0.51	0.5	177	—*
29 November 2022	1,000	0.51	0.5	501	1
5 December 2022	200	0.51	0.51	102	—*
7 December 2022	1,944	0.51	0.5	987	3
8 December 2022	500	0.52	0.51	259	1
9 December 2022	402	0.53	0.52	210	1
15 December 2022	150	0.59	0.59	88	—*
	12,646			6,908	19

The above ordinary shares were cancelled on 30 December 2022.

36. SHARE CAPITAL (CONTINUED)

Date of repurchase	Number of ordinary shares of HK$0.04 each '000	Price per share Highest HK$	Lowest HK$	Aggregate consideration paid (excluding transaction costs) HK$'000	Transaction costs HK$'000
16 December 2022	200	0.58	0.58	116	—*
20 December 2022	300	0.6	0.59	178	1
21 December 2022	300	0.61	0.61	183	1
22 December 2022	200	0.59	0.59	118	—*
	1,000			595	2

The above ordinary shares were repurchased but not yet cancelled during the year ended 31 December 2022.

* The amount is less than HK$1,000.

Save as disclosed above, none of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during both years.

37. GAIN ON DISPOSAL OF A SUBSIDIARY

Disposal of Shanghai Huanyu (defined below)

On 20 October 2021, the Group entered into an equity transfer agreement with Shanghai Xuhui Capital Investment Co., Ltd 上海徐匯資本投資有限公司 (the "Buyer"), a state-owned enterprise established in the PRC and wholly-owned by Xuhui SASAC, in relation to disposal of 60% of the equity interest in Shanghai Huanyu Urban Investment and Development Co., Ltd. 上海寰宇城市投資發展有限公司 ("Shanghai Huanyu") held by SUD (i.e. being the entire equity interest in Shanghai Huanyu held by the Group) for a total cash consideration of RMB3,576,000,000 (equivalent to HK$4,300,144,000). Pursuant to the equity transfer agreement, the consideration was payable by the Buyer to SUD in cash according to the following schedule:

(i) an initial deposit: the Buyer had already paid a deposit in the amount of RMB1,072,800,000 to participate in the public tender for the disposal of 60% equity interests in Shanghai Huanyu through the Shanghai United Assets and Equity Exchange ("Shanghai Assets Exchange") which took place between 13 September 2021 and 14 October 2021. Such amount would applied towards payment of the consideration after the effective date, which was the date of the approval obtained from the Company's shareholders for the disposal (the "Effective Date"); and

(ii) the remaining consideration: the Buyer would pay the balance of the consideration in the amount of RMB2,503,200,000 within three business days after the Effective Date.

As at 31 December 2021, the disposal was completed and the consideration was received by the Group in full. Following the completion of the disposal, the Group ceased to have controls on Shanghai Huanyu.

As Shanghai Huanyu was disposed to an entity under common control of Xuhui SASAC, the transaction was a connected transaction and a related party transaction.

37. GAIN ON DISPOSAL OF A SUBSIDIARY (CONTINUED)

Disposal of Shanghai Huanyu (defined below) (Continued)

The net assets of Shanghai Huanyu at the date of disposal were as follow:

	HK$'000
Consideration:	
Cash consideration	4,300,144
Analysis of assets and liabilities over which control was lost:	
Investment properties	1,245,325
Equipment	875
Right-of-use assets	7,965
Properties under development for sale and properties held-for-sale	6,841,920
Trade and other receivables	81,439
Bank balances and cash	45,985
Trade and other payables	(536,068)
Amounts due to relates companies	(190,451)
Bank borrowings	(1,960,257)
Lease liabilities	(8,013)
Deferred tax liabilities	(160,832)
Net assets disposed of	5,367,888
Gain on disposal of Shanghai Huanyu:	
Total consideration	4,300,144
Net assets disposed of	(5,367,888)
Non-controlling interests disposed of	2,179,126
Gain on disposal of a subsidiary	1,111,382
Net cash inflow arising on the disposal:	
Cash received	4,300,144
Less: bank balances and cash disposed of	(45,985)
	4,254,159

38. LOSS ON LIQUIDATION OF A SUBSIDIARY

In previous year, the Group had a dispute with a non-controlling shareholder of 昆山錦亭 regarding the arrangement of providing additional capital to 昆山錦亭 which in turns caused defaults of a bank borrowing of RMB130,000,000 (equivalent to HK$151,339,000), an other borrowing of RMB57,600,000 (equivalent to HK$67,034,000) and an amount due to a non-controlling shareholder of RMB154,183,000 (equivalent to HK$179,475,000). During the year ended 31 December 2022, the Group completed litigation procedures and initiated a voluntary liquidation of 昆山錦亭. After the court's assignment of a liquidator to take over 昆山錦亭 and completion of the creditors meeting in late July 2022, all the relevant activities of 昆山錦亭 were subject to direction by the liquidator. Accordingly, the Group lost control on 昆山錦亭 and it was de-consolidated from the Group's consolidated financial statements.

The net liabilities of 昆山錦亭 at the date the control was lost are as follow:

	HK$'000
Consideration:	
Cash consideration	—
Analysis of assets and liabilities over which control was lost:	
Investment properties	739,163
Equipment	135
Deferred tax assets	11,745
Other receivables	8,693
Bank balances and cash	256
Pledged bank deposits	3,429
Trade and other payables	(33,149)
Amounts due to a non-controlling shareholder (included in amounts due to related companies)	(179,475)
Amounts due to the Group	(417,582)
Bank and other borrowings	(218,373)
Net liabilities disposed of	(85,158)
Impact on liquidation of 昆山錦亭:	
Total consideration	—
Net liabilities disposed of	85,158
Non-controlling interests disposal of	(40,876)
	44,282
ECL on receivable from a former subsidiary	(289,113)
Loss on liquidation of 昆山錦亭	(244,831)
Net cash outflow arising on the liquidation:	
Cash received	—
Less: bank balances and cash disposed of	(256)
	(256)

39. CAPITAL RISK MANAGEMENT

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

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

The management of the Group actively and regularly reviews the capital structure. As part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital. The Group has a target gearing ratio of not more than 100% determined as the proportion net debt, which includes bank and other borrowings less bank balances and cash and restricted and pledged bank deposits to equity. As at 31 December 2022, the gearing ratio of the Group is 63% (2021: 24%). Based on recommendations of the management of the Group, the Group will balance its overall capital structure through new shares issue, and share buy-backs as well as the issue of new debt or the redemption of existing debts.

40. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2022 HK$'000	2021 HK$'000
Financial assets		
Financial assets at FVTPL	**5,580**	2,961
Equity instruments at FVTOCI	**59,872**	93,372
Financial assets at amortised cost	**5,752,830**	15,021,505
Financial liabilities		
Amortised cost	**21,406,874**	24,648,474

b. Financial risk management objectives and policies

The Group's major financial instruments include equity instruments at FVTOCI, financial assets at FVTPL, restricted and pledged bank deposits, bank balances and cash, certain trade and other receivables, amounts due from related companies, certain trade and other payables, amounts due to related companies, dividends payable, dividends 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.

40. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

Market risk

(i) Currency risk

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

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

	Assets		**Liabilities**	
	2022	2021	**2022**	2021
	HK$'000	HK$'000	**HK$'000**	HK$'000
US$	**4,291**	3,376	**—**	—
HK$	**80,690**	275,914	**2,109,319**	2,235,755

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% (2021: 5%) increase and decrease in RMB against the relevant foreign currencies. 5% (2021: 5%) is the sensitivity rate used when reporting foreign currency risk internally and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items. A negative number below indicates a decrease in post-tax profit where RMB strengthen 5% (2021: 5%) against US$ and HK$ respectively. For a 5% (2021: 5%) weakening of RMB against US$ and HK$ respectively, there would be an equal and opposite impact on the result.

	US$ (i)		**HK$ (ii)**	
	2022	2021	**2022**	2021
	HK$'000	HK$'000	**HK$'000**	HK$'000
Impact for post-tax profit for the year	**(215)**	(169)	**101,419**	97,992

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

(ii) This is mainly attributable to the exposure to certain bank balances, certain bank and other borrowings and certain trade and other payables denominated in HK$.

40. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank and other borrowings (see Note 33), amount due to a non-controlling shareholder (see Note 31), 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, amount due from a joint venture (see Note 31), bank balances and restricted 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's cash flow interest rate risk is mainly concentrated on the fluctuations of the PBOCLR, LPR and HIBOR arising from the Group's RMB and HK$ denominated bank and other borrowings respectively.

A fundamental reform of major interest rate benchmarks has been undertaken globally to replace some interbank offered rates ("IBORs") with alternative nearly risk-free rates. Details of the impacts on the Group's risk management strategy arising from the interest rate benchmark reform and the progress towards implementation of alternative benchmark interest rates are set out under "interest rate benchmark reform" in this note.

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 (2021: 100) basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 (2021: 100) basis point higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2022 would have decreased/increased by HK$73,829,000 (2021: HK$62,339,000) assuming interest of HK$27,802,000 (2021: HK$34,259,000) are capitalised into qualifying assets.

40. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Interest rate risk (Continued)

Interest rate benchmark reform

As set out in Note 33, several of the Group's other borrowings with HIBOR have been subject to the interest rate benchmark reform. The Group is closely monitoring the market and managing the transition to new benchmark interest rates, including announcements made by the relevant IBOR regulators.

<u>HIBOR</u>

While the Hong Kong Dollar Overnight Index Average ("HONIA") has been identified as an alternative to HIBOR, there is no plan to discontinue HIBOR. The multi-rate approach has been adopted in Hong Kong, whereby HIBOR and HONIA will co-exist. The Group's other borrowings linked to HIBOR will continue until maturity and, hence, not subject to transition.

(iii) Other price risk

The Group is exposed to equity price risk arising from changes in the fair value of its financial assets at FVTPL and equity instruments at FVTOCI (both listed and unlisted).

No sensitivity analysis on other price risk is presented for the financial assets at FVTPL and unlisted equity instruments at FVTOCI as the management of the Group considers a reasonable possible change to the fair value of these financial instruments will not have a significant effect to the Group's profit or loss and investment revaluation reserve respectively.

The sensitivity analysis below has been determined assuming that the change in prices had occurred at the end of the reporting period and had been applied to the exposure to price risk for the Group's listed equity instrument at FVTOCI at that date.

A 10% (2021: 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 2022, if the price of the listed equity instruments at FVTOCI had been 10% higher/lower and all other variables were held constant, the Group's investment revaluation reserve, net of tax, would have increased/decreased by HK$2,070,000 (2021: HK$3,153,000) as a result of the changes in fair value of listed equity instruments at FVTOCI.

40. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment

As at 31 December 2022, 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 is the liabilities in relation to financial guarantees provided by the Group as disclosed in Note 44(a). The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets and financial guarantee contracts.

The Group's credit risk is primarily attributable to its trade and other receivables, amounts due from related companies, restricted and pledged bank deposits and bank balances.

With respect to the credit risk of the Group's treasury operations, the management of the Group has established internal procedures to monitor the Group's bank balances and cash to be placed and securities investments and entered into with financial institution of good reputation. These internal procedures also impose limitation on the amount outstanding and to manage the credit ratings on equity investments to be held, so as to minimise the Group's credit risk exposure.

The credit risk on bank balances and restricted and pledged bank deposits is limited because the counterparties are banks with good reputation and having high credit ratings assigned by international credit rating agencies. There has been no recent history of default in relation to these banks and thus the risk of default is regard as low.

In order to minimise the credit risk on trade and other receivables and amounts due from related companies, the management of the Group implements monitoring procedures to ensure that follow-up action is taken to recover overdue debts and reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate allowance are made for irrecoverable amounts on trade and other receivables (including lease receivables). In this regard, the management of the Group considers that the credit risk on trade and other receivables (including lease receivables) are significantly reduced. The Group applies simplified approach on trade receivables and lease receivables and 12m ECL on other receivables to assess for lifetime ECL prescribed by HKFRS 9. To measure the ECL on trade and other receivables (including lease receivables), they are assessed individually on the recoverability based on historical settlement records, past experience, and also the available and supportive forward-looking information. The management of the Group believes that there is no material credit risk inherent in the Group's outstanding balances of trade and other receivables (including lease receivables).

40. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The Group has significant concentration of credit risk on the receivable from a former subsidiary of the Group of HK$137,184,000 (2021: nil), net of ECL allowance of HK$289,133,000 (2021: nil). Considered the former subsidiary of the Group was in liquidation process, the management of the Group made an assessment on the recoverability of this balance at the end of the reporting period based on the expected proceeds to be received by the Group from realisation of assets held by the former subsidiary and the assets distribution arrangement after the liquidation process to determine whether adequate ECL was recognised. The primary asset of that former subsidiary refers to investment properties located at Kunshan in the PRC. Details of the liquidation of this subsidiary are set out in Note 38.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which account for 100% (2021: 100%) of the total trade and other receivables (including lease receivables) as at 31 December 2022. The management of the Group closely monitors the subsequent settlement of trade and other receivables (including lease receivables) and financial positions of related companies and debtors to which the Group made advancements. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

In relation to the guarantees provided by the Group to secure obligations of the buyers of the property units for the repayment of their mortgage loans, if there is a default on repayment of mortgage loans by these buyers, the Group is responsible for repaying the banks the outstanding mortgage loans together with any accrued interests and penalties thereon. Under such circumstance, the Group is entitled to forfeit the property buyer's deposits, take over the legal title and possession of the related properties and re-sell them to other interested buyers to recover any amounts paid or payable by the Group to banks. In this regard, the management of the Group considers that the Group's credit risk on such guarantees is significantly reduced. Details disclosure of these guarantees are set out in Note 44(a).

The Group's exposure to credit risk is mainly influenced by the characteristics of each individual non-governmental customer rather than the industry or country in which the customers operate. Therefore, significant concentration of credit risk arises when the Group has significant exposure to any individual non-governmental customer. At the end of the reporting period, the Group has no significant concentration of credit risk in its business including property development, property investment, hotel operations and property management.

The Group's credit risk position on other receivables are closely monitored by the management of the Group.

For financial guarantee contracts, the aggregate utilised amount of outstanding financial guarantees issued to banks in respect of bank facilities granted to an associate, a joint venture and property buyers of the Group that the Group could be required to pay at the end of the reporting period are set out in Note 44(a). The fair value of these financial guarantees, at dates of initial recognition, were considered insignificant. At the end of the reporting period, the management of the Group has performed impairment assessment, and concluded that there has been no significant increase in credit risk since initial recognition of the financial guarantee contracts. Accordingly, the loss allowance for financial guarantee contracts issued by the Group is measured at an amount equal to 12m ECL. No loss allowance was recognised in the profit or loss.

40. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management 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 2022, the Group had available unutilised banking facilities of HK$3,717,091,000 (2021: HK$3,953,662,000).

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	Weighted average interest rate	On demand or less than 1 year	1–2 years	2–5 years	More than 5 years	Total undiscounted cash flows	Carrying amount at 2022
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2022							
Non-derivative financial liabilities							
Trade and other payables	N/A	2,961,304	–	–	–	2,961,304	2,961,304
Amounts due to related companies	N/A	766,146	–	–	–	766,146	766,146
Bank and other borrowings (note)	3.60	11,350,759	1,926,771	4,712,593	2,179,116	20,169,239	17,658,754
Dividends payable	N/A	20,670	–	–	–	20,670	20,670
Financial guarantee contracts issued							
Maximum amount guaranteed (Note 44(a))	N/A	2,541,714	–	–	–	2,541,714	–
		17,640,593	1,926,771	4,712,593	2,179,116	26,459,073	21,406,874
Lease liabilities	4.75	48,721	43,567	–	–	92,288	88,427

40. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

	Weighted average interest rate	On demand or less than 1 year	1–2 years	2–5 years	More than 5 years	Total undiscounted cash flows	Carrying amount at 2021
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2021							
Non-derivative financial liabilities							
Trade and other payables	N/A	2,239,704	–	–	–	2,239,704	2,239,704
Amounts due to related companies	N/A	706,814	–	–	–	706,814	706,814
Bank and other borrowings (note)	4.08	9,317,831	6,779,441	3,768,723	2,186,010	22,052,005	19,720,082
Dividends payable	N/A	18,402	–	–	–	18,402	18,402
Dividends payable to non-controlling shareholders	N/A	1,963,472	–	–	–	1,963,472	1,963,472
Financial guarantee contracts issued							
Maximum amount guaranteed (Note 44(a))	N/A	3,041,878	–	–	–	3,041,878	–
		17,288,101	6,779,441	3,768,723	2,186,010	30,022,275	24,648,474
Lease liabilities	4.75	62,395	49,283	14,804	–	126,482	120,189

Note: The undiscounted cash flows of bank and other borrowings are prepared based on the earliest date on which the Group can be required to pay after considering the waiver obtained from the bank, if applicable, as disclosed in Note 33.

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the financial guarantee arrangement if the counterparty to the guarantee claims the amount. Based on expectations made by the management of the Group, at the end of the reporting period, it is not likely an amount is payable under the arrangement. However, this estimate is subject to change as it depends on the probability of the counterparty to guarantee who exercises the right to claim. It is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

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

41. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

Some of the Group's financial instruments are measured at fair value for financial reporting purposes. In estimating the fair value, the Group uses market-observable data to the extent it is available. For instruments with significant unobservable inputs under Level 3, the Group engaged an independent qualified professional valuer to perform the valuation. The management of the Group works closely with the valuer to establish the appropriate valuation techniques and inputs to the model.

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis

The Group's financial assets at FVTPL and equity instruments at FVTOCI are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined.

Financial assets	Fair value 2022	Fair value 2021	Fair value hierarchy	Valuation techniques and inputs	Significant unobservable inputs
Financial assets at FVTPL	**Listed equity securities in the PRC — HK$5,580,000**	Listed equity securities in the PRC — HK$2,948,000	Level 1	Quoted bid prices in an active market	N/A
	Listed equity securities in Hong Kong — Nil	Listed equity securities in Hong Kong — HK$13,000	Level 1	Quoted bid prices in an active market	N/A
Equity instruments at FVTOCI	**Listed equity securities in the PRC — HK$46,780,000**	Listed equity securities in the PRC — HK$71,264,000	Level 1	Quoted bid prices in an active market	N/A
	Unlisted equity securities in the PRC — HK$13,092,000	Unlisted equity securities in the PRC — HK$22,108,000	Level 3	Adjusted net asset value method under cost approach	Discount factor of 6% (2021: 4%)

41. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

(ii) Reconciliation of Level 3 fair value measurement

	Unlisted equity securities classified as equity instruments at FVTOCI HK$'000
At 1 January 2021	42,230
Change in fair value recognised in OCI	(1,749)
Refund of capital	(19,374)
Exchange realignment	1,001
At 31 December 2021	22,108
Change in fair value recognised in OCI	(7,484)
Exchange realignment	(1,532)
At 31 December 2022	13,092

In the opinion of the management of the Group, there were no material change in fair value of unlisted equity instruments at FVTOCI during the years ended 31 December 2022 and 2021. Besides, no material impact on the fair value of these instruments is expected if there is 5% increase or decrease of the discount factor. Therefore, no sensitivity analysis for these level 3 instruments are presented.

There were no transfer between instruments in Level 1, 2 and 3 in both years.

(iii) Fair value of the Group's 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 cash flow analysis.

The management of the Group considers that the carrying amounts of other financial assets and financial liabilities carried at amortised cost approximate their respective fair values.

42. CAPITAL COMMITMENTS

	The Group	
	2022	2021
	HK$'000	HK$'000
Expenditure contracted for but not provided for in the consolidated financial statements		
— additions in properties under development for sale	**10,928,447**	7,188,016
— capital contribution into a joint venture	**47,281**	76,673
	10,975,728	7,264,689

43. OPERATING LEASES

The Group as lessor

Property rental income earned during the year is HK$541,497,000 (2021: HK$829,307,000). 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.

Undiscounted lease payments receivable on lease are as follows:

	2022	2021
	HK$'000	HK$'000
Within one year	**560,818**	701,275
In the second year	**354,265**	449,510
In the third year	**241,235**	309,428
In the fourth year	**189,069**	166,802
In the fifth year	**163,151**	126,374
After five years	**364,428**	331,586
	1,872,966	2,084,975

44. FINANCIAL GUARANTEE CONTRACTS AND CONTINGENT LIABILITIES

(a) Financial guarantee contracts

	2022 HK$'000	2021 HK$'000
Guarantees given to banks in respect of banking facilities utilised by:		
— property buyers	2,417,124	2,453,534
— an associate	—	438,037
— a joint venture	124,590	150,307
	2,541,714	3,041,878

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

The Group entered into agreements with certain banks with respect to mortgage loans provided to buyers of the Group's property units and made deposits as security to and gave guarantees on mortgage loans provided to the buyers by these banks under the agreements. The management of the Group considers that the possibility of default of repayment of the mortgage loans by the relevant buyers is remote and, in case of the default, the net realisable value of the related properties withheld by the Group can recover the repayment of the outstanding mortgage principals together with the accrued interests and penalties. Accordingly, no ECL under HKFRS 9 has been made in the consolidated financial statements for these guarantees.

Guarantee given to a bank in respect of banking facilities utilised by an associate of the Group

The Group entered into an agreement with a bank to provide a corporate guarantee with respect to the bank borrowing granted to an associate of the Group. As at 31 December 2021, the maximum liability of the Group under such guarantee was the outstanding amount of the bank borrowing to the associate of RMB357,000,000 (equivalent to HK$438,037,000) which represented the Group's portion of the outstanding amount of the bank borrowing to the associate. This guarantee expired during the current year and the condition for the new guarantee has not been fulfilled as at 31 December 2022.

Guarantee given to a bank in respect of banking facilities utilised by a joint venture of the Group

The Group entered into an agreement with a bank to provide a corporate guarantee with respect to the bank borrowing granted to a joint venture of the Group. As at 31 December 2022, the maximum liability of the Group under such guarantee was the outstanding amount of the bank borrowing to the joint venture of RMB110,250,000 (equivalent to HK$124,590,000) (2021: RMB122,500,000 (equivalent to HK$150,307,000)) which represents the Group's portion of the outstanding amount of the bank borrowing to the joint venture.

In the opinion of the management of the Group, the fair values of the aforementioned financial guarantee contracts of the Group are insignificant at initial recognition. At the end of the reporting period, the management of the Group has performed impairment assessment, and concluded that there has been no significant increase in credit risk since initial recognition of these financial guarantee contracts. Accordingly, the loss allowance for these contracts issued by the Group is measured at an amount equal to 12m ECL. However, no loss allowance was recognised in profit or loss for both years as the amount of the loss allowance was not significant.

(b) Contingent liabilities

In the opinion of the management of the Group, there were no material contingent liabilities of the Group which required a separate disclosure in the consolidated financial statements for both years.

45. 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 (note (ii)) HK$'000	Interest payable (Note 30) HK$'000	Bank and other borrowings (Note 33) HK$'000	Amounts due to related companies (Note 31) HK$'000	Lease liabilities (Note 34) HK$'000	Total HK$'000
At 1 January 2021	16,234	138,366	17,747,266	512,652	175,549	18,590,067
Financing cash flows (note (i))	(385,536)	–	2,405,049	353,983	(68,470)	2,305,026
Finance costs recognised (Note 9)	–	–	1,126,696	–	2,214	1,128,910
New leases entered	–	–	–	–	28,467	28,467
Non-cash transaction	–	–	–	–	(14,517)	(14,517)
Transfer	–	(10,916)	10,916	–	–	–
Addition from acquisition of a subsidiary (Note 52)	–	–	–	–	621	621
Disposal of a subsidiary (Note 37)	–	–	(1,960,257)	(190,451)	(8,013)	(2,158,721)
Dividends declared	2,315,692	–	–	–	–	2,315,692
Foreign exchange translation	35,484	–	390,412	21,470	4,338	451,704
At 31 December 2021	1,981,874	127,450	19,720,082	697,654	120,189	22,647,249
Financing cash flows (note (i))	(2,135,755)	–	(1,011,871)	260,110	(64,662)	(2,952,178)
Finance costs recognised (Note 9)	–	–	1,112,583	–	4,329	1,116,912
New leases entered	–	–	–	–	36,361	36,361
Transfer	–	(36,406)	36,406	–	–	–
Liquidation of a subsidiary (Note 38)	–	–	(218,373)	(179,475)	–	(397,848)
Dividends declared	276,208	–	–	–	–	276,208
Foreign exchange translation	(101,657)	–	(1,980,073)	(18,583)	(7,790)	(2,108,103)
At 31 December 2022	20,670	91,044	17,658,754	759,706	88,427	18,618,601

Notes:

(i) The financing cash flows represented the net amount of proceeds from bank and other borrowings, advances from related companies, payments of transaction costs for issue of domestic corporate bonds and medium term notes, payments of finance costs, repayments of bank and other borrowings, repayments to related companies, repayment of lease liabilities, and payments of dividends.

(ii) This balance comprises dividends payable and dividends payable to non-controlling shareholders.

46. RELATED PARTY TRANSACTIONS

(a) Transactions with key management personnel

Remuneration for key management personnel of the Group, including amounts paid to the directors of the Company as disclosed in Note 12, is as follows:

	2022 HK$'000	2021 HK$'000
Short-term employee benefits	6,105	6,572
Post-employment benefits	–	71
	6,105	6,643

Total remuneration is included in "total staff costs" (Note 11).

(b) Transactions and balances with related parties

Saved as disclosed in elsewhere in the consolidated financial statements, the Group has following transactions and balances with related parties:

Name of related company	Nature of transactions	2022 HK$'000	2021 HK$'000
Entities controlled by SIHL	Management income	–	110
	Management fee	(1,073)	(17,011)
	Property charges	(1,455)	(487)
	Rental expense	(2,346)	(2,815)
Associates	Property agency fee	(1,111)	(12,400)
	Rental income	–	980
	Management fee	(417)	(3,745)
Non-controlling shareholders of a subsidiary	Management fee	–	(4,295)
Entities controlled by Xuhui SASAC	Management service income	17,581	11,571

Details of the balances with related parties as at 31 December 2022 and 2021 are set out in Note 31.

46. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Government-related entities

The Group itself is part of a larger group of companies under SIIC (SIIC and its subsidiaries are referred to as the "SIIC Group") which is controlled by the PRC government. The management of the Group considers that the Company is ultimately controlled by the PRC government and the Group operates in an economic environment currently predominated by entities controlled, jointly controlled or significantly influenced by the PRC government ("PRC Government Related Entities"). Apart from the transactions with the SIIC Group and Xuhui SASAC which have been disclosed above and in other notes to the consolidated financial statements, the Group also conducts businesses with other PRC Government Related Entities in the ordinary course of business. The Group's saving deposits, borrowings and other general banking facilities are placed or entered into with certain banks which are PRC Government Related Entities in its ordinary course of business. In view of the nature of the aforementioned financing transactions, the management of the Group is of the opinion that separate disclosures would not be meaningful.

In addition, the Group entered into various transactions, including sales, purchases and other operating expenses with other PRC Government Related Entities. In the opinion of the management of the Group, these transactions are considered as individually and collectively insignificant to the operation of the Group during the years ended 31 December 2022 and 2021.

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Name of subsidiaries	Place of incorporation/ registration and operation	Particulars of issued and paid-up share capital/registered capital	Percentage of issued and paid-up share capital/registered capital held				Principal activities
			2022		2021		
			Directly	Indirectly	Directly	Indirectly	
深圳鳳凰置業有限公司 (note (i))	The PRC	US$10,000,000	–	82%	–	82%	Property investment
中置(北京)企業管理有限公司 (note (ii))	The PRC	HK$200,000,000	–	100%	–	100%	Investment holding
北京金馬文華園房地產開發有限公司 (note (i))	The PRC	US$12,000,000	–	85%	–	85%	Property development
北京新松房地產開發有限公司 (note (i))	The PRC	RMB190,000,000	–	51.6%	–	51.6%	Property development and property investment
北京市御水苑房地產開發有限責任公司 (note (iii))	The PRC	RMB20,000,000	–	97.5%	–	97.5%	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
西安中新滻灞歐亞酒店發展有限公司 (notes (iii) and (viii))	The PRC	RMB50,000,000	–	100%	–	71.5%	Hotel operations
西安中新永佳房地產開發有限公司 (notes (iii) and (viii))	The PRC	RMB10,000,000	–	100%	–	71.5%	Property development

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

Name of subsidiaries	Place of incorporation/ registration and operation	Particulars of issued and paid-up share capital/registered capital	Percentage of issued and paid-up share capital/registered capital held 2022 Directly	2022 Indirectly	2021 Directly	2021 Indirectly	Principal activities
西安中新沁園房地產開發有限公司 (notes (iii) and (viii))	The PRC	RMB10,000,000	–	100%	–	71.5%	Property development
西安中新華勝房地產開發有限公司 (notes (iii) and (viii))	The PRC	RMB10,000,000	–	100%	–	71.5%	Property development, property investment and hotel operations
西安中新榮景房地產開發有限公司 (notes (iii) and (viii))	The PRC	RMB10,000,000	–	100%	–	71.5%	Property development
西安中新永景房地產開發有限公司 (notes (iii) and (viii))	The PRC	RMB10,000,000	–	100%	–	71.5%	Property development
西安城開新源置業有限公司 (note (iii))	The PRC	RMB1,000,000,000	–	100%	–	100%	Property development
重慶中華企業房地產發展有限公司 (note (iii))	The PRC	RMB200,000,000	–	100%	–	100%	Property development and property investment
天津中新濱海房地產開發有限公司 (note (ii))	The PRC	HK$100,000,000	–	100%	–	100%	Property development
天津中新華安房地產開發有限公司 (note (ii))	The PRC	RMB240,000,000	–	100%	–	100%	Property development
天津中新華城房地產開發有限公司 (note (ii))	The PRC	RMB80,000,000	–	100%	–	100%	Property investment
天津中新嘉業房地產開發有限公司 (note (ii))	The PRC	RMB120,000,000	–	100%	–	100%	Property investment
天津中新信捷房地產開發有限公司 (note (ii))	The PRC	RMB240,000,000	–	100%	–	100%	Property development
天津凱津房地產開發有限公司 (note (iii))	The PRC	RMB210,000,000	–	100%	–	100%	Property development
天津卓城房地產開發有限公司 (note (iii))	The PRC	RMB1,500,000,000	–	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 investment

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

Name of subsidiaries	Place of incorporation/ registration and operation	Particulars of issued and paid-up share capital/registered capital	Percentage of issued and paid-up share capital/registered capital held 2022 Directly	2022 Indirectly	2021 Directly	2021 Indirectly	Principal activities
上海啟耀房地產開發有限公司 (note (iii))	The PRC	US$12,000,000	–	100%	–	100%	Property development and property investment
上海海輝房地產有限公司 (note (iii))	The PRC	RMB12,000,000	–	100%	–	100%	Property development
上海海輝物業管理有限公司 (note (iii))	The PRC	RMB500,000	–	100%	–	100%	Property management
上海城浩置業有限公司 (notes (iii) and (vii))	The PRC	RMB2,400,000,000	–	80%	–	–	Property development
煙台卓實房地產開發有限公司 (note (iii))	The PRC	US$90,000,000	–	100%	–	100%	Property development
瀋陽向明 (note (i))	The PRC	US$63,750,000	–	100%	–	100%	Property development and property investment
上海城開(集團)有限公司 SUD (note (i))	The PRC	RMB3,200,000,000	–	59%	–	59%	Investment holding and property development
上海萬源房地產開發有限公司 (note (iii))	The PRC	RMB300,000,000	–	53%	–	53%	Property development and property investment
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 hotel operations
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
上海城開晶享置業有限公司 (note (iii))	The PRC	RMB480,600,000	–	59%	–	59%	Property development and property investment
上海城瀧置業有限公司 (note (iii))	The PRC	RMB400,000,000	–	59%	–	59%	Property development and property investment
Advantage World Investment Limited ("AWI") (note (iv))	The BVI	US$100	–	51%	–	51%	Investment holding
上海世界貿易商城有限公司 (note (iii))	The PRC	US$100,000,000	–	51%	–	51%	Property investment

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

Name of subsidiaries	Place of incorporation/ registration and operation	Particulars of issued and paid-up share capital/registered capital	Percentage of issued and paid-up share capital/registered capital held 2022 Directly	2022 Indirectly	2021 Directly	2021 Indirectly	Principal activities
上海城寰企業管理諮詢有限公司 (note (iii))	The PRC	RMB100,000	–	100%	–	100%	Investment holding
上海市上投房地產投資有限公司 Shanghai Shangtou Real Restate (note (iii))	The PRC	RMB770,000,000	–	100%	–	100%	Investment holding
上海上投寶旭置業有限公司 (notes (iii) and (vi))	The PRC	RMB100,000,000	–	71.3%	–	71.3%	Property development
上海上投新虹投資有限公司 (note (iii))	The PRC	RMB50,000,000	–	90%	–	90%	Property development and property investment
上海上投閔豐置業有限公司 (note (iii))	The PRC	RMB250,000,000	–	90%	–	90%	Property development
上海城開宜浩房地產開發有限公司 (notes (iii) and (v))	The PRC	RMB200,000,000	–	47.2%	–	47.2%	Property development
上海城開青新房地產開發有限公司 (note (iii))	The PRC	RMB100,000,000	–	59%	–	59%	Property development

Notes:

(i) This company was established in the PRC in the form of sino-foreign equity joint venture.

(ii) This company was established in the PRC in the form of wholly-owned foreign enterprise.

(iii) This company was established in the PRC in the form of limited liability company.

(iv) This company was established in the BVI in the form of limited liability company.

(v) 80% of the interest of this company was held by SUD.

(vi) 70% of the interest of this company was held by SUD and the remaining 30% was held indirectly by the Company through other wholly owned subsidiaries.

(vii) This company was newly established during the year ended 31 December 2022.

(viii) The Group acquired additional interest of the holding company of this company through acquisition of a subsidiary during the year ended 31 December 2022. Details of the acquisition are set out in Note 53.

The above table only includes those subsidiaries which, in the opinion of the management of the Group, 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 management of the Group, result in particulars of excessive length.

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

None of the subsidiaries had issued any debt securities at the end of the year except SUD which has outstanding issued advanced bonds, domestic corporate bonds and medium term notes as set out in Note 33(ii) in which the Group has no interest.

48. 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 subsidiaries	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		(Loss) profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2022	2021	2022 HK$'000	2021 HK$'000	2022 HK$'000	2021 HK$'000
SUD and its subsidiaries	Incorporated and operating in the PRC — Shanghai	41%	41%	(150,289)	267,670	4,075,637	4,637,125
AWI and its subsidiaries	Incorporated in the BVI and the PRC and operating in the PRC — Shanghai	49%	49%	64,153	96,791	2,409,697	2,611,762
Individually immaterial subsidiaries with non-controlling interests				(15,686)	(38,105)	(214,331)	248,649
				(101,822)	326,356	6,271,003	7,497,536

Summarised financial information in respect of each of the Group's subsidiary that has material non-controlling interests is set out below.

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

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

	2022 HK$'000	2021 HK$'000
Non-current assets	16,402,096	11,190,421
Current assets	10,392,887	24,224,774
Current liabilities	(10,164,897)	(16,682,374)
Non-current liabilities	(7,470,108)	(8,202,416)
Equity attributable to owners of the Company	5,084,341	5,893,280
Non-controlling interests of SUD	3,533,185	4,095,329
Non-controlling interests of SUD's subsidiaries	542,452	541,796
Revenue	2,508,295	5,823,023
Expenses	(2,666,228)	(3,854,769)
(Loss) profit before tax	(157,933)	1,968,254
(Loss) profit for the year	(372,139)	573,090
(Loss) profit attributable to owners of the Company	(221,850)	305,420
(Loss) profit attributable to the non-controlling interests of SUD	(154,167)	212,237
Profit attributable to the non-controlling interests of SUD's subsidiaries	3,878	55,433
(Loss) profit for the year	(372,139)	573,090

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

SUD and its subsidiaries (Continued)

	2022 HK$'000	2021 HK$'000
Other comprehensive (expense) income attributable to owners of the Company	**(501,872)**	259,256
Other comprehensive (expense) income attributable to the non-controlling interests of SUD	**(203,025)**	213,040
Other comprehensive (expense) income attributable to the non-controlling interests of SUD's subsidiaries	**(44,097)**	41,374
Other comprehensive (expense) income for the year	**(748,994)**	513,670
Total comprehensive (expense) income attributable to owners of the Company	**(723,722)**	564,676
Total comprehensive (expense) income attributable to the non-controlling interests of SUD	**(357,192)**	425,277
Total comprehensive (expense) income attributable to the non-controlling interests of SUD's subsidiaries	**(40,219)**	96,807
Total comprehensive (expense) income for the year	**(1,121,133)**	1,086,760
Dividends declared to non-controlling interests of SUD	**–**	2,086,966
Dividends paid to non-controlling interests of SUD	**–**	123,494
Net cash used in operating activities	**(3,010,051)**	(3,598,659)
Net cash (outflow) inflow from investing activities	**(396,387)**	4,790,857
Net cash (outflow) inflow from financing activities	**(3,490,875)**	2,435,127
Net cash (outflow) inflow	**(6,897,313)**	3,627,325

48. 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

	2022 HK$'000	2021 HK$'000
Non-current assets	**6,474,372**	7,029,840
Current assets	**139,871**	170,040
Current liabilities	**(157,362)**	(197,011)
Non-current liabilities	**(1,539,132)**	(1,672,744)
Equity attributable to owners of the Company	**2,508,052**	2,718,363
Non-controlling interests of AWI	**2,409,697**	2,611,762
Revenue	**307,928**	425,949
Expenses	**(142,369)**	(168,067)
Profit before tax	**165,559**	257,882
Profit for the year	**130,925**	197,532
Profit attributable to owners of the Company	**66,772**	100,741
Profit attributable to the non-controlling interests of AWI	**64,153**	96,791
Profit for the year	**130,925**	197,532

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

AWI and its subsidiaries (Continued)

	2022 HK$'000	2021 HK$'000
Other comprehensive (expense) income attributable to owners of the Company	(214,715)	85,069
Other comprehensive (expense) income attributable to the non-controlling interests of AWI	(206,295)	81,733
Other comprehensive (expense) income for the year	(421,010)	166,802
Total comprehensive (expense) income attributable to owners of the Company	(147,943)	185,810
Total comprehensive (expense) income attributable to the non-controlling interests of AWI	(142,142)	178,524
Total comprehensive (expense) income for the year	(290,085)	364,334
Dividends paid to non-controlling interests of AWI	59,923	57,538
Net cash generated from operating activities	92,986	200,531
Net cash inflow (outflow) from investing activities	2,620	(604)
Net cash outflow from financing activities	(145,760)	(140,522)
Net cash (outflow) inflow	(50,154)	59,405

49. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2022 HK$'000	2021 HK$'000
Non-current assets		
Investments in subsidiaries	**2,405,964**	2,405,964
Property and equipment	**1,982**	3,443
Right-of-use assets	**7,340**	11,010
Amounts due from subsidiaries	**9,255,135**	6,648,833
	11,670,421	9,069,250
Current assets		
Amounts due from subsidiaries	**9,555,692**	10,167,428
Deposit and prepayment	**2,963**	2,451
Bank balances and cash	**122,213**	35,100
Loan receivable from a subsidiary	**20,000**	—
	9,700,868	10,204,979
Current liabilities		
Other payables and accruals	**12,039**	8,484
Amount due to intermediate holding company	**78,819**	78,819
Amounts due to subsidiaries	**5,437,669**	3,546,963
Bank and other borrowings	**5,473,214**	4,716,067
Lease liabilities	**3,667**	3,497
Dividends payable	**20,670**	18,402
	11,026,078	8,372,232
Net current (liabilities) assets	**(1,325,210)**	1,832,747
Total assets less current liabilities	**10,345,211**	10,901,997
Non-current liabilities		
Bank borrowings	**—**	736,197
Lease liabilities	**3,845**	7,512
	3,845	743,709
Total assets less total liabilities	**10,341,366**	10,158,288
Capital and reserves		
Share capital	**191,747**	192,253
Reserves	**10,149,619**	9,966,035
	10,341,366	10,158,288

50. STATEMENT OF CHANGES IN EQUITY OF THE COMPANY

	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Exchange reserve HK$'000	Shareholders' contribution HK$'000 (note)	Accumulated losses HK$'000	Total HK$'000
As at 1 January 2021	192,253	8,909,949	472,027	824,232	2,475,111	(2,292,844)	10,580,728
Loss for the year	–	–	–	–	–	(552,621)	(552,621)
Exchange difference on translation from functional currency to presentation currency	–	–	–	336,853	–	–	336,853
Total comprehensive income (expense) for the year	–	–	–	336,853	–	(552,621)	(215,768)
Dividends recognised as distributions (Note 51)	–	–	(206,672)	–	–	–	(206,672)
As at 31 December 2021	192,253	8,909,949	265,355	1,161,085	2,475,111	(2,845,465)	10,158,288
Profit for the year	–	–	–	–	–	1,277,533	1,277,533
Exchange difference on translation from functional currency to presentation currency	–	–	–	(871,243)	–	–	(871,243)
Total comprehensive (expense) income for the year	–	–	–	(871,243)	–	1,277,533	406,290
Repurchase and cancellation of ordinary shares (Note 36)	(506)	(6,402)	–	–	–	–	(6,908)
Transaction costs attributable to repurchase and cancellation of ordinary shares	–	(19)	–	–	–	–	(19)
Dividends recognised as distributions (Note 51)	–	–	(216,285)	–	–	–	(216,285)
As at 31 December 2022	191,747	8,903,528	49,070	289,842	2,475,111	(1,567,932)	10,341,366

Note: The shareholders' contribution represents contribution from SIHL arising from combination under common control during the year ended 31 December 2011.

51. DIVIDENDS

Dividends recognised as distribution during the year:

	Year ended 31 December	
	2022	2021
	HK$'000	HK$'000
2021 final dividend declared — HK2.1 cents (2021: HK1.9 cents for year 2020)	**100,933**	91,320
2021 special dividend declared — HK2.4 cents (2021: HK2.4 cents for year 2020)	**115,352**	115,352
	216,285	206,672

A final dividend and a special dividend of HK2.1 cents (2021: HK1.9 cents) per ordinary share and HK2.4 cents (2021: HK2.4 cents) per ordinary share respectively, in an aggregate amount of HK$216,285,000 (2021: HK$206,672,000), in respect of the year ended 31 December 2021, were declared and an amount of HK$214,017,000 (2021: HK$204,504,000) was paid during the year ended 31 December 2022.

Subsequent to the end of the reporting period, a final dividend and a special dividend of HK2.1 cents per ordinary share and HK0.9 cent per ordinary share respectively, in respect of the year ended 31 December 2022, has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

52. ACQUISITION OF A SUBSIDIARY

In February 2021, the Group acquired 80% of the equity interest in Chelsea Securities Limited ("CSL") for a cash consideration of HK$56,000,000 from independent third parties. This acquisition was accounted for as a business combination. CSL operates in Hong Kong and is principally engaged securities dealing and portfolio management. CSL was acquired to enhance the competitiveness of the Group's business and explore a new dimension in Hong Kong. However, CSL has limited operation and, in the opinion of the management of the Group, the business of CSL is not regarded as a separate segment of the Group.

	HK$'000
Consideration transferred:	
Cash	26,000
Deposit paid in previous years	30,000
	56,000

52. ACQUISITION OF A SUBSIDIARY (CONTINUED)

The fair value of the assets acquired and liabilities assumed of CSL recognised at the date of acquisition were as follows:

	HK$'000
Property, plant and equipment	63
Right-of-use assets	608
Intangible assets	200
Financial assets at fair value through profit or loss	13
Other receivables, deposits and prepayments	4,894
Prepaid income tax	4
Amount due from a shareholder	30,002
Bank balances and cash	222,439
Other payables and accrued charges	(217,107)
Lease liabilities	(621)
	40,495

	HK$'000
Goodwill arising from the acquisition:	
Consideration transferred	56,000
Add: Non-controlling interests	8,099
Less: Fair value of identifiable net assets acquired	(40,495)
	23,604

Goodwill arose from the acquisition of CSL because the consideration paid for the acquisition included amounts paid for the benefits of expected revenue growth, future market development and the assembled workforce brought by CSL. These benefits were not recognised separately from goodwill as they did not meet the recognition criteria for identifiable intangible assets.

The goodwill arising on the acquisition was not expected to be deductible for tax purposes.

Net cash inflow arising from the acquisition during the year ended 31 December 2021:

	HK$'000
Cash and cash equivalents acquired	222,439
Cash paid	(26,000)
	196,439

53. ACQUISITION OF ADDITIONAL INTEREST IN A NON-WHOLLY OWNED SUBSIDIARY THROUGH AN ACQUISITION OF A SUBSIDIARY

On 30 November 2022, Honest State Limited (the "Purchaser"), an indirect wholly-owned subsidiary of the Company incorporated under the laws of the BVI with limited liability, entered into the share transfer agreement (the "STA"), among others, with Renowned Support Holdings Limited (the "Vendor"), a company incorporated under the laws of the BVI with limited liability. Pursuant to the STA, the Purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the entire shares of Leap Charm Limited, a company incorporated under the laws of Hong Kong with limited liability (the "Target Company") (the "Sale Shares") at a consideration of RMB696,000,000 (the "Consideration") (collectively referred to as the "Acquisition").

The principal asset of the Target Company and its subsidiaries (the "Target Group") is 28.5% equity interest in 西安滻灞建設開發有限公司 (the "Project Company"). The Project Company and its subsidiaries are indirect non-wholly owned subsidiaries of the Company and they were established to hold and develop a property project located in Xi'an in the PRC. The Acquisition, in substance, is an acquisition of additional interest in a subsidiary without change in control and is accounted for as an equity transaction.

The Consideration comprises (a) the purchase price of the Sale Shares in an amount of RMB490,346,000; and (b) after completion of the Acquisition (the "Completion"), the repayment of a loan in an amount of RMB205,654,000 owing by the subsidiary of the Target Company to an affiliate of the Vendor (the "Vendor's Affiliate Loan").

The purchase price of the Sale Shares is payable by the Purchaser in cash in three tranches:

(i) RMB100,000,000 (the "Deposit") should be placed by the Purchaser in a joint account opened in the name of the Purchaser and under the joint management of the Purchaser and the Vendor within 10 business days after the signing of the STA. The Deposit shall be released from the joint account to the designated account of the Vendor within 10 business days after the date of the Completion;

(ii) RMB250,000,000 shall be payable within 10 business days after the Completion and the satisfaction of the following conditions (the "Second Payment Conditions"), and shall be payable no earlier than 15 January 2023;

   a) the affiliates of the Vendor have settled the amount of RMB86,000,000 due to the Project Company within 2 days from the date of the First Loan Repayment (as defined below);

   b) important documents and materials of the Target Group having been handed over to the Purchaser; and

   c) the Vendor having obtained the Notice of Matters Relating to Settlement and Payment of Enterprise Income Tax on Non-resident Enterprise (非居民企業所得税税收繳款通知書) for the transfer of the Sale Shares under the STA and provided to the Purchaser the relevant tax payment proof.

53. ACQUISITION OF ADDITIONAL INTEREST IN A NON-WHOLLY OWNED SUBSIDIARY THROUGH AN ACQUISITION OF A SUBSIDIARY (CONTINUED)

(iii) RMB140,346,000 shall be payable before 31 March 2023, or within 10 business days after the Completion and the satisfaction of the following conditions, whichever is later:

a) the fulfilment of the Second Payment Conditions;

b) the personal guarantees of the ultimate beneficial owner of the Vendor and his spouse having been duly signed and remain valid;

c) the fulfilment of either one of (i) the corporate guarantee having been duly signed by an affiliate of the Vendor (the "Corporate Guarantor") with the approval from the shareholder's meeting of the Corporate Guarantor; or (ii) the pledge on the Charged Properties (as defined in the Company's announcement dated 30 November 2022) having been duly registered and the Purchaser having obtained the original real estate registration certificates of the Charged Properties, whichever is earlier; and

d) the fulfilment of either one of (i) the transfer of Sale Shares having been completed for 3 years; or (ii) the pledge on the Charged Properties having been duly registered and the Purchaser having obtained the original real estate registration certificates of the Charged Properties, whichever is earlier.

After the Completion, the Purchaser shall procure repayment of the Vendor's Affiliate Loan in the following manners:

(i) an amount of RMB86,000,000 shall be repaid within 5 business days after the Completion (the "First Loan Repayment"); and

(ii) an amount of RMB119,654,000 shall be repaid within 10 business days after the fulfilment of the Second Payment Conditions, but shall be paid no earlier than 15 January 2023.

In relation to the Project Company, there are certain accounts receivable due from and accounts payable due to affiliates of the Vendor. Pursuant to the STA, these accounts payable and receivable shall be settled as follows:

(i) The Vendor shall ensure that its affiliates shall settle the accounts receivable in the total amount of RMB86,000,000 due to the Project Company within 2 days from the date of the First Loan Repayment; and

(ii) Affiliates of the Vendor shall waive the payment obligations of the Project Company in respect of the accounts payable due to them in the amount of RMB2,550,000.

Subject to the satisfaction or waiver by the Purchaser of the conditions precedents set out under the STA, the Completion shall take place not later than the third day after payment of the Deposit by the Purchaser (or such other date as the Purchaser may agree). Details of the required conditions precedent for the completion of the Acquisition are set out in the Company's announcement dated 30 November 2022.

Following the Completion (which was in December 2022), the Target Group and the Project Company became indirect wholly-owned subsidiaries of the Company.

53. ACQUISITION OF ADDITIONAL INTEREST IN A NON-WHOLLY OWNED SUBSIDIARY THROUGH AN ACQUISITION OF A SUBSIDIARY (CONTINUED)

	HK$'000
Consideration transferred:	
Cash	205,140
Consideration payable for Sale Shares (included in other payable as at 31 December 2022)	441,119
Consideration payable for Vendor's Affiliate Loan (included in other payable as at 31 December 2022)	135,218
	781,477

The fair value of the assets acquired and liabilities assumed of the Target Group at the date of Completion are as follows:

	HK$'000
Interest in an associate (note)	110,239
Bank balances and cash	235
Other payables	(227,917)
	(117,443)

Note: The balance has been eliminated in the Group's consolidated financial statements upon completion of the Acquisition.

	HK$'000
Adjustment to other reserve as a result of the Acquisition:	
Consideration for Sale Shares paid and payable	540,803
Add: Fair value of identifiable net liabilities acquired	117,443
Less: Non-controlling interests	(605,415)
	52,831

53. ACQUISITION OF ADDITIONAL INTEREST IN A NON-WHOLLY OWNED SUBSIDIARY THROUGH AN ACQUISITION OF A SUBSIDIARY (CONTINUED)

Net cash outflow arising from the Acquisition during the year ended 31 December 2022:

	HK$'000
Cash and cash equivalents acquired	235
Cash paid	(205,140)
	(204,905)

Interest in an associate of the Target Company as at 31 December 2022:

	HK$'000
Interest in an associate at the date of the Completion	110,239
Share of results of an associate since the date of the Completion	175,708
	285,947

FINANCIAL SUMMARY

	Year ended 31 December				
	2018 HK$'000	2019 HK$'000	2020 HK$'000	2021 HK$'000	**2022** **HK$'000**
Revenue	6,977,683	8,583,906	6,356,732	11,015,088	**11,022,496**
Profit before tax	2,824,387	2,745,131	1,856,397	3,661,442	**1,153,599**
Income tax	(1,554,640)	(1,525,433)	(1,115,433)	(2,762,758)	**(848,598)**
Profit for the year	1,269,747	1,219,698	740,964	898,684	**305,001**
Attributable to:					
Owners of the Company	573,074	600,292	521,765	572,328	**406,823**
Non-controlling interests	696,673	619,406	219,199	326,356	**(101,822)**
	1,269,747	1,219,698	740,964	898,684	**305,001**

	As at 31 December				
	2018 HK$'000	2019 HK$'000	2020 HK$'000	2021 HK$'000	**2022** **HK$'000**
Assets and liabilities					
Total assets	58,990,277	60,444,024	67,425,918	71,874,828	**57,446,787**
Total liabilities	(35,614,471)	(36,662,398)	(41,912,456)	(49,163,406)	**(36,615,513)**
	23,375,806	23,781,626	25,513,462	22,711,422	**20,831,274**
Equity contributable to:					
Owners of the Company	13,060,692	13,249,553	14,366,331	15,213,886	**14,560,271**
Non-controlling interests	10,315,114	10,532,073	11,147,131	7,497,536	**6,271,003**
	23,375,806	23,781,626	25,513,462	22,711,422	**20,831,274**

GLOSSARY OF TERMS

Term used	Brief description
"2023 AGM"	forthcoming annual general meeting of the Company is scheduled to be held on Monday, 22 May 2023
"Adoption Date"	16 May 2013, adoption date of the New Share Option Scheme
"Audit Committee"	audit committee of the Company
"Board"	board of Directors
"Code"	code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules
"Company" or "SIUD"	Shanghai Industrial Urban Development Group Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange
"Company Secretary"	company secretary of the Company
"Director(s)"	director(s) of the Company
"Group"	the Company and its subsidiaries
"Invested Entities"	any entity in which any member of the Group holds any equity interest
"Investment Appraisal Committee"	investment appraisal committee of the Company
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Managing JV Partners"	Independent Third Parties including Beijing Zhenchen Asset Management Co., Ltd. (北京真辰資產管理有限公司), Shanghai Zhenchen Industrial Development Co., Ltd. (上海真辰實業發展有限公司), companies established in the PRC and controlled by Mr. Lin Zhen, and Happy Sincere Investment Limited, a company incorporated in Hong Kong with limited liability
"Member(s)"	Duly registered holder(s) from time to time of the share(s) in the capital of the Company
"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
"Mr. Shi"	Mr. Shi Stone (石德毅), the ultimate beneficial owner of the Vendor

GLOSSARY OF TERMS

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
"Originally project"	a residential, commercial and hotel project located at the East of Chan River, Chanba Avenue, Chanba Ecotope, Xi'an, the PRC which is held and developed by the Project Company and its subsidiaries
"PRC"	the People's Republic of China
"Project Company"	Xi'an Chanba Construction Development Co., Ltd (西安滻灞建設開發有限公司), a company incorporated under the laws of PRC with limited liability and an indirectly wholly-owned Company after the completion of the Acquisition
"Purchaser"	Honest State Limited, a company incorporated under the laws of BVI with limited liability, an indirect wholly-owned subsidiary of the Company and a substantial shareholder of the Project Company
"Remuneration Committee"	remuneration committee of the Company
"RMB"	Renminbi
"SFO"	Securities and Futures Ordinance (Chapter 571) of the laws of Hong Kong
"Shanghai Galaxy"	Shanghai Galaxy Investments Co., Ltd. (上海星河數碼投資有限公司), a company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of SIIC as to 10% of its equity interest. The remaining equity interest of Shanghai Galaxy was held as to 45% indirectly by SIHL and 45% by SIIC Shanghai
"Shanghai Saiba"	Shanghai Saiba Consultancy Co., Ltd. (上海賽灞企業顧問有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Target Company
"Shanghai Saiyin"	Shanghai Saiyin Management Co., Ltd. (上海賽銀企業管理有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of Shanghai Saiba
"Shareholder(s)"	holder(s) of share(s) of the Company

Term used	Brief description
"Share Option Scheme"	pursuant to ordinary resolutions passed by Shareholders at its special general meeting held on 12 December 2002, the Company adopted a share option scheme
"SIHL"	Shanghai Industrial Holdings Limited, a company incorporated in Hong Kong with limited liability whose shares are listed on the Main Board of the Stock Exchange with a stock code 363. It is a controlling shareholder of the Company
"SIIC"	Shanghai Industrial Investment (Holdings) Company Limited, a company incorporated in Hong Kong with limited liability and a controlling shareholder of the Company
"SIIC Financial Leasing"	SIIC Financial Leasing Co., Ltd. (上實融資租賃有限公司), a company established in the PRC with limited liability
"SIIC Shanghai"	SIIC Shanghai Holdings Co., Ltd. (上海上實（集團）有限公司), a company established in the PRC with limited liability with SIIC as the authorised representative exercising state-owned shareholder's right over it
"SIUD Shanghai"	Shanghai Industrial Urban Development (Shanghai) City Construction and Development Company Limited (上實城開（上海）城市建設開發有限公司), a company established in the PRC with limited liability, a wholly-owned subsidiary of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Agreement"	the subscription agreement dated 22 January 2020 and entered among SIUD Shanghai, Shanghai Galaxy, the Managing JV Partners and Mr. Lin Zhen
"SUD"	Shanghai Urban Development (Holdings) Co., Ltd. (上海城開（集團）有限公司), a company incorporated in the PRC with limited liability and is indirectly owned by the Company as to 59% and by Xuhui SASAC as to 41%
"Target Company"	Leap Charm Limited, a company incorporated under the laws of Hong Kong with limited liability and a wholly-owned subsidiary of the Vendor
"Vendor"	Renowned Support Holdings Limited, a company incorporated under the laws of BVI with limited liability

Term used	Brief description
"Xuhui SASAC"	State-owned Assets Supervision and Administration Commission of Shanghai Xuhui District (上海市徐匯區國有資產監督管理委員會), a government authority authorised by and established directly under Shanghai Xuhui District People's Government for supervising and managing state-owned assets in the possession of Xuhui District, including but not limited to, exercising state-owned shareholders' right over SUD and a shareholder holding 41% of the equity interest in SUD

* The English names of Chinese entities included in this report are unofficial translations of their Chinese names and are included for identification purposes only.

www.siud.com

WeChat Official Account QR Code

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