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

Open a NEW PAGE OF DEVELOPMENT through VALUE CREATION

ANNUAL REPORT 2018

CREATE a BRIGHT FUTURE with URBAN WISDOM

Shanghai Industrial Urban Development Group Limited ("SIUD") currently has 25 real estate projects in 10 major cities in China, mainly located at Shanghai, Kunshan, Wuxi, Beijing, Shenyang, Tianjin, Xi'an, Chongqing, Changsha and Shenzhen. Most of the projects are mid- to high-end residential projects which are under construction at full steam, presenting the Group with approximately 3.88 million square meters saleable floor areas and building a marvelous foundation for our long term development.

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Zeng Ming *(Chairman) (appointed on 23 May 2018)*
Zhou Xiong *(Vice Chairman and President)*
(appointed on 23 May 2018)
Lou Jun
Fei Zuoxiang
Ye Weiqi
Huang Fei
Zhong Tao

Independent Non-Executive Directors

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

AUTHORIZED REPRESENTATIVES

Zeng Ming *(appointed on 23 May 2018)*
Chan Kin Chu, Harry

BOARD COMMITTEES

Audit Committee

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

Remuneration Committee

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

Nomination Committee

Zeng Ming *(Committee Chairman)*
(appointed on 23 May 2018)
Doo Wai-Hoi, William, *J.P.*
Fan Ren Da, Anthony

Investment Appraisal Committee

Fan Ren Da, Anthony *(Committee Chairman)*
Zhou Xiong *(appointed on 23 May 2018)*
Zhong Tao
Qiao Zhigang

COMPANY SECRETARY

Chan Kin Chu, Harry

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

WEBSITE

http://www.siud.com

PRINCIPAL BANKERS

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

AUDITOR

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

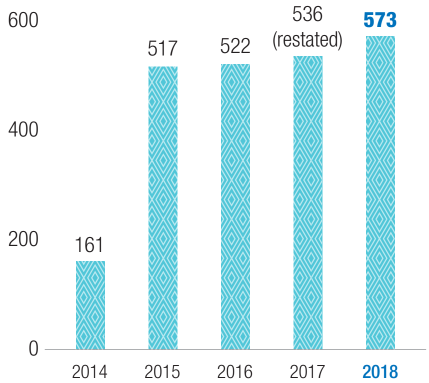
LISTING INFORMATION

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

FINANCIAL HIGHLIGHTS

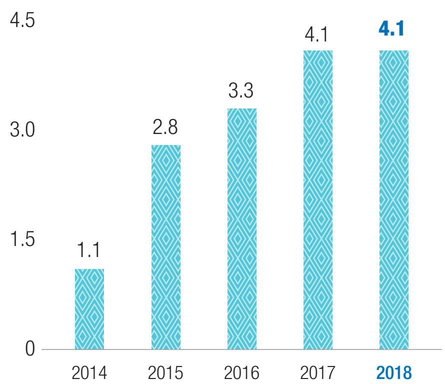
ATTRIBUTABLE PROFIT TO OWNERS

HK$ million

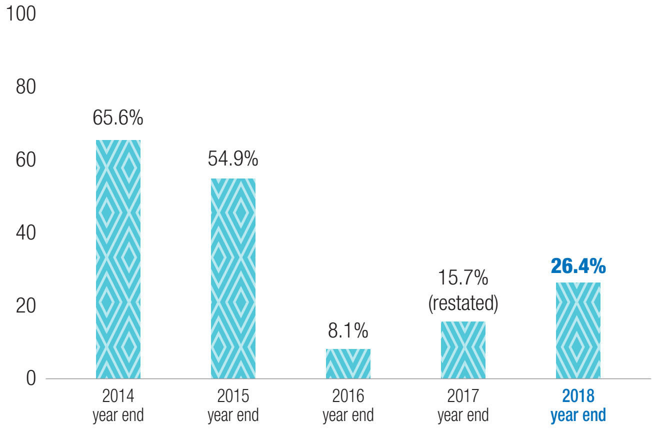


PROPOSED DIVIDEND/ DIVIDEND PAID

HK cents



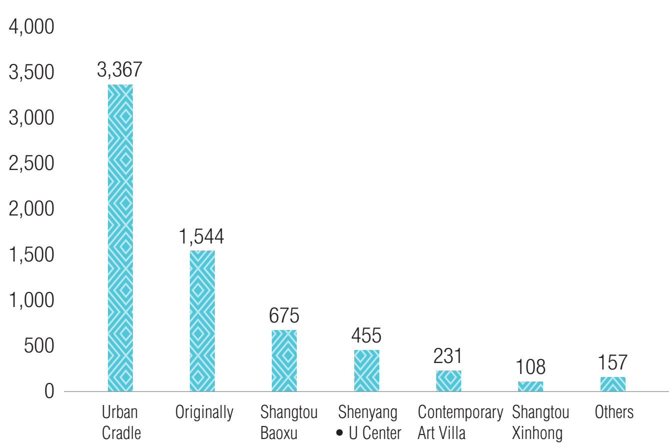
NET DEBT TO TOTAL EQUITY (%) (NOTE)



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

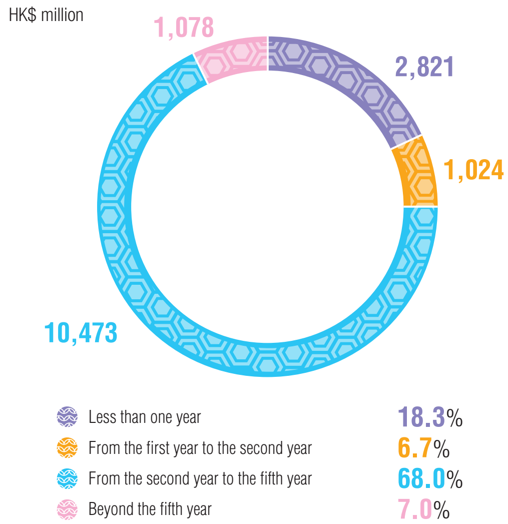
ANALYSIS ON PRE-SALE PROCEEDS RECEIVED ON SALES OF PROPERTIES

HK$ million



DEBT MATURITY PROFILE

HK$ million



PREMIUM
LEGENDARY
HAIPAI COLLECTION

Artist Impression – WEST DIAOYUTAI

CHAIRMAN'S STATEMENT

Amid the unstable and fluctuating international economic and trade environment in 2018, led by the supply side structural reform and innovation under the new norm, China demonstrated resilience and stability in its economic development. Benefited from tailored and precise control policies, housing system reforms and the establishment of a long-term mechanism, the property market developed steadily as a whole. The transaction prices and volume of properties in first-tier cities, in particular Shanghai, were steadfast, driven by the demand of most users for home purchase and improvement of the living environment in premium districts. On the other hand, core cities in mid and western China, in particular Xi'an, which is positioned as a national central city, saw an increase in both transaction volume and property prices with the release of rigid demand. In face of the complex external environment, SIUD experienced a smooth and stable leadership transition and turned a new page by building on its past achievements. SIUD maintained a steady growth in its overall operating results, which laid a solid foundation for the long-term development of the Group. During the year under review, the Group posted an overall contract sale of RMB5.15 billion and an overall revenue of HK$6.98 billion. The Group realized earnings after tax of HK$1,270 million and profit attributable to owners of HK$573 million. As a token of appreciation for the trust and support of the shareholders of SIUD, the Board proposed to distribute an annual final dividend of 4.1 HK cents per share.

MR. ZENG MING
Chairman

In 2018, the trade friction between China and the United States triggered dramatic changes in the global arena. New industries, new operation types and new models became the emphasis of the new drivers for economic growth in China. With the continual enhancement of the new economic drivers, the gross domestic product of China reached a new milestone of RMB90 trillion. The government continued to enhance the differential austerity measures on the property market under the "Category- and City-based Policy". It also quickened the pace in refining the long-term mechanism for the stable and sound development of the property market and reforming the housing system by encouraging both house purchase and rental. Meanwhile, the steadily increasing household income has led to higher demand for living environment improvement, and thus steered the property market towards the development of high-quality housing and provided a huge market for medium to high quality residential housing with a pleasant living environment. As a China-first operator in key urban areas, SIUD persisted in consolidating its strengths in residential and commercial projects by building upon its past achievements. On this basis, SIUD kept abreast of the times by pursuing transformation and upgrading, promoting the integration of industry and finance and venturing into the new business of residential leasing, with a view to establishing its edge in the industry with a diversified business portfolio.

With a sound foothold in Shanghai, SIUD remained focused on key metropolitan areas and placed its emphasis on a number of first- and second-tier key cities in China. Upholding the vision of creating quality landmarks with its "Shanghai-style" craftsmanship, the Group completed a range of high-quality medium to high end residential projects, which have become the gems of the skyline of various cities. Flagship projects, including Urban Cradle in Shanghai, Grand Mansion in Shanghai and Originally in Xi'an, were the Group's main contributors of sales revenue. Several flagship projects of the Group in Shanghai continued to top the sale. In August 2018, Towers 1 and 3 of the phase I residential portions of TODTOWN, a famous and symbolic metro superstructure associate project in China, were sold out in three hours after being launched. Moreover, the new housing units rolled out under Urban Cradle, a project that has earned high reputation for 16 years in Shanghai, remained the favourite of buyers. As the last high-end project of the "million city state" series under Urban Cradle, Royal Mansion was launched for sale in October 2018 and recorded an impressive sale of RMB1.5 billion in just an hour after the launch. At the end of 2018, Contemporary Art Villa, a unique urban villa project in Shanghai, was rolled out and reaped sales of more than RMB500 million. The supply of new housing units continued under Originally, a quality natural and ecological residential project in Xi'an. The premium, exquisite and slightly-luxurious A12 residential units were launched for sale in May 2018. These units were again swiftly sold out soon after being launched and outperformed the other projects in Chanba in both transaction prices and volume. By leveraging on its delicate craftsmanship, SIUD plans to roll out Tower 2 of the phase I residential portions of TODTOWN in Shanghai and Contemporary Art Villa, an urban villa community project rarely found in the market, at opportune times in 2019. Besides, several medium to high end projects in Shanghai, Tianjin, Xi'an and Shenyang are also set to be released. All these projects will definitely attract another wave of buyers. Being highly forward-looking in terms of strategies with deep market insights, SIUD continued to enhance its overall brand strength and fully implemented the concept of "limitless life with urban wisdom". During the year, SIUD was assessed as one of "China's Top 50 Listed Real Estate Companies in Overall Strength in 2018" by the China Real Estate Association.

SIUD became more sophisticated in its commercial property product lines, namely the "Ucenter series", "Uplaza+ series" and "Urban renewal series". By fully capitalizing on its strengths in commercial property development and comprehensive business solicitation and operational management, SIUD attracted famous national and international retail brands as its tenants, such as Starbucks, Suning and Freshhema, and witnessed a surge in both its leasing capability and rental efficiency. SIUD recorded an annual rental income of HK$704 million, up by nearly 8.1% year-on-year. During the year under review, YOYO Tower, which is located in the key commercial area of Xujiahui, Shanghai, grandly opened in October 2018 as an innovative commercial and office complex after the completion of its renovation. As an international commercial and trading platform, ShanghaiMart introduced the "Hongqiao Trade Facilitation One-Stop Service Centre" of Changning District as its tenant during the year to realize one-stop customs clearance and inspection. Besides, the tenancy with industrially influential tenants, including the Shanghai Youth Art Fair and Shanghai Creative Industry Expo, also led to a significant increase in rental income and occupancy rate. As at 31 December 2018, the total operational area of commercial projects completed by the Group in five major cities in China was approximately 640,000 sq.m. More than 1 million sq.m. of commercial area is expected to be completed in the next three to five years. By virtue of its outstanding performance in the commercial property sector, SIUD received the awards of "Best 30 out of China's Top 100 Commercial Property Enterprises in 2018" and "TOP 10 Outstanding Commercial Property Product Lines in 2018".

SIUD adopted a multi-pronged approach to refine its land bank and kept an eye for premium land resources in Shanghai and other key cities through participation in bidding, auction and listing-for-sale, equity acquisition, urban renewal and redevelopment. During the year, SIUD successfully acquired two land parcels for "rental residential" purpose in Shanghai. The acquisitions allowed the Group to venture into the residential leasing market to further diversify its business portfolio. At the end of 2018, SIUD won the bid in two open bidding auctions for two land parcels situated in Xuhui District and Minhang District, Shanghai for "rental residential" purpose at a land premium of RMB456 million and RMB649 million, respectively. By taking the initiative to embrace the trend of encouraging both house purchase and rental, SIUD introduced a new driver for its business growth. SIUD also attached high importance to urban renewal as a long-term development mechanism and kept watch for any opportunities of old town redevelopment. In July 2018, SIUD acquired Shanghai's first commercial and office land parcel under the "urban village" renewal project in

Minhang District, Shanghai at RMB523 million. Planned to be developed into a sophisticated leisure and community commercial project integrating the ideas of lifestyle and social interactions, the land will lay a solid strategic foundation for the long-term development of the Group in Minhang District. Furthermore, SIUD also strove for joint primary and secondary land development through equity acquisition. During the year, SIUD acquired 35% equity interest in Shanghai Real Estate Northern Region Investment Development Company Limited, which was engaged in primary land development, and the entire equity interest in Shanghai Shangtou Real Estate Investment Company Limited, which was engaged in secondary land development. These equity acquisitions have further consolidated the position and strengths of the Group as a leading property developer in Shanghai. As an urban operator rooted in Shanghai, SIUD sought to replenish its land reserve in its hometown with lands of high growth potential and synergistic effect to expand its regional influence, while developing the new business of residential leasing to bring in steady long-term rental income. These efforts further expanded the boundary and value of the Group in the commercial ecosystem, and facilitated the steady and sound development of the Group in the long run.

In 2019, amid the new global landscape, new development stage of China and new trends in the property market, SIUD will fulfil its aspiration at the time of inception and achieve new developments under its new leadership with a focus on steady progress. SIUD will strive to strengthen the overall control on its residential projects, concentrate on building up its commercial brand, facilitate the integration of industry and finance as well as step up reforms and innovation by relying on focused regional development, sophisticated property development and asset revitalization. Being committed to "creating value for the shareholders", SIUD will concentrate on innovation and reforms by carrying on with past successes while creating new achievements, aiming at achieving breakthroughs in its operating results and sound development. Step by step, the Group will create its own solid development path and strive to bring more fruitful and sustainable returns for the shareholders.

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

Zeng Ming
Chairman

27 March 2019

Note:

The gross domestic product data of China for 2018 is gathered from the information published by the National Bureau of Statistics on 21 January 2019.

Discover an EXTRAORDINARY LIFESTYLE with our DELICATE CRAFTSMANSHIP

Artist Impression – Contemporary Art Villa

MANAGEMENT DISCUSSION AND ANALYSIS

PROPERTY MARKET REVIEW

In 2018, given the precise control over the supply and demand sides and rational market expectations, China's property market remained stable. The National People's Congress, the National Committee of the Chinese People's Political Consultative Conference and the Central Politburo reiterated the principle that "houses are built to be inhabited, not for speculation". Following the policy differences under the "City-based Policy", the local governments were able to strike a balance between supply and demand in different cities, and the transaction volume and prices of China's property market climbed up steadily on a whole. In particular, the demand for home purchase and living environment improvement remained intact in four major first-tier cities, namely Beijing, Shanghai, Guangzhou and Shenzhen, as well as the core cities in mid and western China (represented by Xi'an). The market competitiveness of quality medium to high end residential housing offering a pleasant living environment stayed strong. Besides, while the austerity measures worked towards adjusting market demand, a long-term mechanism was established on the supply side to promote the development of the residential leasing market. With industrial reforms coming to an advanced stage, only urban operators that cater to the need for industrial restructuring and persist in diversified development can stay control over fluctuations and excel in the industry.

BUSINESS REVIEW

Overview

In 2018, by virtue of an extensive geographical coverage covering core first- and second-tier cities with a focus on Shanghai and a wide range of precisely-positioned products, the Group gained new market insights in the transforming property industry and saw a proliferation of its core operations in various districts. During the year, flagship projects, including Urban Cradle in Shanghai, Grand Mansion in Shanghai and Originally in Xi'an, were the Group's main contributors of sales revenue, bringing in loads of sales for the Group. As for investment properties, the Group further promoted cross-sector development by constructing "commerce+" complex projects to provide a fully upgraded experience and concentrated on developing and renovating commercial projects occupying prime sites in popular cities, such as Shanghai, Beijing and Chongqing. The enhancement of the Group's leasing capability led to higher rental income. During the year, the Group also acquired Shanghai's first commercial and office land parcel under the "urban village" renewal project in Meilong Town, Minhang District, Shanghai to expand the "commerce+" roadmap. Meanwhile, in response to the call for "encouraging both house purchase and rental", the Group acquired two land parcels for "rental residential properties" in Shanghai, with a total site area of 64,544.3 sq.m., which fueled the Group's development in the new industrial landscape.

Contract Sales

During the year ended 31 December 2018, the contract sales from commodity housing of the Group amounted to RMB5,149,000,000 (2017: RMB5,936,000,000). Total contract sales in terms of G.F.A. were 239,000 sq.m. during 2018, down 38.1% year-on-year. The average selling price rose to approximately RMB21,500 per sq.m. mainly because of the delay in rolling out new projects and carrying forward revenue during the first three quarters due to the imposition of price limits. In 2018, Urban Cradle in Shanghai, Originally in Xi'an, Contemporary Art Villa in Shanghai and Shenyang • U Center were the Group's principal projects for sale, which accounted for approximately 43.5%, 35.4%, 9.7% and 6.4% of the total contract sales during the year.

New Project Acquisition (Land Bank)

As at 31 December 2018, the Group's land bank was developed into 25 property projects located in 10 major cities in China, including Shanghai, Beijing, Tianjin, Xi'an, Chongqing, Kunshan, Wuxi, Shenyang, Changsha and Shenzhen, and comprised medium to high class residential and commercial properties, most of which were completed or under construction. The Group has a future saleable planned G.F.A. of approximately 3,883,000 sq.m. to support its development pipeline for the next three to five years.

SIUD continued to adopt a multi-pronged land acquisition strategy as ever and sought to increase the possibility of acquiring new projects through participation in bidding, auction and listing-for-sale, equity acquisition, urban renewal and redevelopment. During the year, the Group won the bid in two open bidding auctions for two land parcels in Shanghai for "rental residential" purpose, signifying the Group's entry in the residential leasing market. In November 2018, the Group won the bid for a parcel of land situated at Caohejing Road, Xuhui District, Shanghai for "rental residential" purpose with a total site area of 17,161 sq.m. at a land premium of RMB456,480,000. In December 2018, the Group made another successful attempt and won the bid for a parcel of land situated at Zizhu Hi-Tech Industrial Development Zone, Wujing Town, Minhang District, Shanghai for "rental residential" purpose with a total site area of 47,383.3 sq.m. at a land premium of RMB649,100,000. These land parcels will be developed into residential properties based on the type of land use, and the completed housing units will be available for rent in the open market. Development of rental residential properties will bring steady rental income for SIUD in the long run and allow the Group to explore a new business form in Shanghai, in response to the national housing system of "encouraging both house purchase and rental".

Besides, the Group also made breakthroughs with initial achievements in primary commercial land development in Shanghai. In July 2018, SIUD acquired Shanghai's first commercial and office land parcel under the "urban village" renewal project in Meilong Town, Minhang District, Shanghai at RMB522,530,000. With a total site area of 20,571.9 sq.m., the land is planned to be developed into a sophisticated lifestyle centre integrating commerce and offices, culture and education, leisure and entertainment and lifestyle retail with a focus on community commerce to lay a strategic foundation for the long-term development of the Group in Minhang District.

SIUD also engaged in joint primary and secondary land development through equity acquisition to create synergy with its principal operations. In January 2018, the Group acquired 35% equity interest in Shanghai Real Estate Northern Region Investment Development Company Limited, which was engaged in primary land development, at a consideration of RMB88,338,100. Then in February 2018, the Group acquired the entire equity interest in Shanghai Shangtou Real Estate Investment Company Limited, which was engaged in secondary land development, at a consideration of RMB530,827,057.

Property Development

During the year ended 31 December 2018, the Group had 12 projects with a total G.F.A. of 2,719,000 sq.m. under construction, which primarily included TODTOWN in Shanghai, Binjiang U Center in Shanghai, Originally in Xi'an, Shenyang • U Center and Shanghai Shangtou Xinhong. The floor space started of the Group was 1,346,000 sq.m., which mainly came from in Shanghai Binjiang U Center and Shangtou Xinhong. The Group delivered a total G.F.A of 269,000 sq.m., which mainly comprised Urban Cradle in Shanghai, Originally in Xi'an and Grand Mansion in Shanghai.

Many of the Group's residential projects continued to roll out new housing units for sale, and the transaction volume and prices remained steady. As the last project under Urban Cradle in Shanghai, Royal Mansion was launched for sale in October 2018 and recorded an impressive sales of RMB1.5 billion in just an hour after the launch. In August 2018, Towers 1 and 3 of the phase I residential portions of TODTOWN, a symbolic metro superstructure associate project in China, were sold out in three hours after being launched. The supply of new housing units continued under Originally in Xi'an. The premium, exquisite and slightly-luxurious A12 residential units were launched for sale in May 2018 and were again swiftly sold out soon after being launched. Moreover, Contemporary Art Villa in Shanghai was officially launched for sale in the second half of 2018. As a pure villa project rarely found in Shanghai, the project successfully attracted a lot of high-end home buyers who were pursuing a high-quality life. Dozens of standalone villas were swiftly presold.

SIUD will continue to closely monitor the latest trends in China's property market and seek to sell its medium to high end residential projects at the best possible price at opportune times. Tower 2 of the phase I residential portions of TODTOWN in Shanghai and Contemporary Art Villa, an urban villa community project rarely found in the market, are already well prepared for sale, while a wide range of products in Shanghai, Tianjin, Xi'an and Shenyang are also set to be released. All these projects will definitely attract another wave of buyers in each city, boost the sales performance of the Group and contribute generous income for the Group as its main sources of income.

Investment Properties

By continuing to devote its efforts to developing commercial assets, SIUD successfully attracted famous national and international brands as its tenants and witnessed a surge in both its leasing capability and rental efficiency. For the year ended 31 December 2018, the commercial projects held by the Group in five major cities in China provided a total operational G.F.A. of over 640,000 sq.m., and the overall rental income increased by 8.1% year-on-year to HK$703,669,000 (2017: HK$651,037,000 (restated)). During the year, SIUD stepped up its efforts to develop and renovate the commercial projects situated in the prime sites of key cities, such as Shanghai, Beijing and Chongqing. The maturity of the product lines under the "Ucenter series", "Uplaza+ series" and "Urban renewal series" further refined the commercial asset portfolio of the Group. More than 1 million sq.m. of commercial properties is expected to be completed in the next three to five years.

During the year, YOYO Tower, which is located in the key commercial area of Xujiahui, Shanghai, grandly opened in October 2018 as an innovative commercial and office complex after the completion of its renovation. Moreover, targeted to be an international commercial and trading platform, ShanghaiMart introduced the "Hongqiao Trade Facilitation One-Stop Service Centre" of Changning District as its tenant to realize one-stop customs clearance and inspection. Together with the tenancy with industrially influential tenants, ShanghaiMart witnessed a rise in both rental income and occupancy rate. In future, Binjiang U Center and TODTOWN, which are two upcoming commercial and office property landmarks positioned as brand new business lifestyle experience complexes in Shanghai, will become SIUD's engine for revenue growth.

FINANCIAL REVIEW

Revenue

During the year ended 31 December 2018, the Group's revenue decreased by 25.6% year-on-year to HK$6,977,683,000 (2017: HK$9,372,903,000 (restated)), primarily due to the Group's delay in rolling out new projects and carrying forward revenue during the first three quarters with the imposition of price limits. During the year, property sales remained as the Group's main source of revenue and amounted to HK$5,966,198,000 (2017: HK$8,375,839,000), accounting for 85.5% (2017: 89.4%) of the Group's total revenue. The revenue contribution from Urban Cradle in Shanghai, Originally in Xi'an, Grand Mansion in Shanghai and Royal Villa in Kunshan accounted for 48.5%, 29.7%, 13.3% and 4.3% 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$703,669,000, HK$12,163,000 and HK$295,653,000 (2017: HK$651,037,000, HK$152,923,000 and HK$193,104,000 (restated)) respectively and accounting for 10.1%, 0.2% and 4.2% (2017: 6.9%, 1.6% and 2.1% (restated)) of the total revenue, respectively.

Gross Profit and Gross Profit Margin

For the year ended 31 December 2018, the Group's gross profit amounted to HK$3,380,865,000, representing a decrease of 23.2% compared with that of 2017. Gross profit margin was 48.5%, up by 1.5 percentage points as compared to that of the same period last year, mainly because most of the properties completed and delivered by the Group were high return projects in Shanghai and the Group adopted a steadily increasing pricing strategy during the year.

Investment Property Revaluation

For the year ended 31 December 2018, the Group recorded a net loss on revaluation of investment properties of approximately HK$176,447,000 (2017: HK$39,496,000), which was mainly attributable to Top City in Chongqing and Contemporary Art Villa in Shanghai.

Distribution and Selling Expenses

For the year ended 31 December 2018, the Group's distribution and selling expenses rose 36.7% year-on-year to HK$321,707,000 (2017: HK$235,255,000 (restated)), which was mainly attributable to the increase in marketing and promotion expenses due to the launch of new projects.

General and Administrative Expenses

For the year ended 31 December 2018, the Group's general and administrative expenses decreased by 14.4% to HK$385,812,000 (2017: HK$450,697,000 (restated)), which was mainly attributable to the Group's efforts in stringent implementation of cost control measures which proved to be effective.

Other Expenses, Gains and Losses, Net

For the year ended 31 December 2018, the Group recorded a net loss of approximately HK$13,667,000 in other expenses, gains and losses (2017: net loss of HK$28,849,000 (restated)). The changes were mainly due to the change in exchange rates of Renminbi.

Profit

During the year ended 31 December 2018, the Group's profit increased by 3.7% to HK$1,269,747,000 (2017: HK$1,224,410,000 (restated)). During the year, the Group recorded a one-off gain of approximately HK$155,140,000 from the disposal of the entire issued share capital of Fine Mark Investment Limited, an indirect wholly-owned subsidiary, and assignment of the outstanding loans for an aggregate consideration of RMB176,750,000 on 17 April 2018. Profit attributable to owners of the Company was approximately HK$573,074,000 (2017: HK$536,109,000 (restated)). The basic and diluted earnings per share amounted to 11.91 HK cents (2017: basic and diluted earnings per share of 11.14 HK cents (restated)).

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 2018, bank balances and cash of the Group were HK$9,127,828,000 (31 December 2017: HK$13,185,306,000 (restated)). 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 15.7% as at the end of last year to 26.4%. Current ratio rose slightly to 2.3 times (31 December 2017: 2.1 times (restated)).

As at 31 December 2018, the total borrowings of the Group including bank borrowings, other borrowings and advanced bonds amounted to approximately HK$15,395,520,000 (2017: HK$17,091,255,000 (restated)).

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 2018. However, the Group will adopt necessary measures whenever appropriate to minimise the impact arising from exchange rate fluctuations.

Distribution of Dividends

In return for shareholders' unwavering support over the years, the Board resolved through discussion to propose a final dividend of 1.8 HK cents (2017: 1.6 HK cents) per share, together with a special dividend of 2.3 HK cents (2017: 2.5 HK cents) per share.

Contingent Liabilities

Details of contingent liabilities are set out in note 43 to the consolidated financial statements.

CHARGE ON GROUP'S ASSETS

As at 31 December 2018, certain bank deposits of approximately HK$27,831,000 (31 December 2017: HK$47,324,000) were pledged to banks to secure mortgage loans granted by banks to the purchasers of pre-sale properties. These pledged deposits may be released upon the transfer of the property title certificates to respective purchasers.

As at 31 December 2018, certain inventories, certain investment properties and bank deposits of the Group located in the PRC, with total carrying amounts of approximately HK$1,852,538,000 (31 December 2017: HK$734,472,000 (restated)), HK$8,128,213,000 (31 December 2017: HK$8,543,940,000) and HK$5,602,000 (31 December 2017: HK$5,870,000) respectively, were pledged as collateral for the Group's bank borrowings, details of which are set out in note 32 to the consolidated financial statements.

HUMAN RESOURCES AND REMUNERATION POLICIES

As at 31 December 2018, the Group employed 783 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 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 2018, the Group provided training programs relating to work to employees. Activities aiming at building up team spirit were regularly organized for employees, so as to enhance the human capital of the Group and the sense of belonging of the staff.

OUTLOOK

In light of the drastic changes in the external environment, with its tenacity, China will maintain steady economic development in 2019. "Stability" will be the main theme of the property market. With the goals of "stabilizing land premiums, property prices and market expectations", the austerity measures will further emphasize city-based and categorized management and reform the mid- to long-term housing system, including encouraging both home purchase and rental. As austerity policies become the norm, the property market will change from high speed growth and frequent fluctuations to generally stable and rational development. A company with steady and expectable growth and a high quality and sound asset portfolio will enjoy more flexibility and be better able to realize its value.

As a China-first urban operator in core areas, by staying pragmatic yet aggressive and adopting lean management, SIUD will take advantage of the demand overflow and rotation in the core areas of main city clusters in China with a focus in the Yangtze River Delta and reasonably time the launch of its residential projects in Shanghai, Xi'an, Tianjin and Shenyang in order to fully realize the value of its projects. As for commercial properties, SIUD will make sure that the tenant mix, customer growth and rental income will continue to improve to support the steady increase of the efficiency of its commercial assets, thereby laying a solid foundation for the future high-quality business growth of SIUD. In the meantime, in view of the development of the residential leasing market, the Group will accelerate in rental residential property development and strive to construct high quality apartments with its Shanghai-style craftsmanship. The synergistic development of the residential leasing operation with the residential and commercial divisions will quicken the Group's steps in transforming and upgrading to a new operational model and support the diversified development of the Group. Hence, the Group will be able to fully satisfy the demand for high quality housing and residence of most urban dwellers.

In a market featured with accelerated integration and intense competition, the Group will continue to adopt a sound financial management approach to ensure sufficient cashflows and a healthy debt structure, so as to secure the high quality and sustainable development of the Group with solid financial fundamentals. In the meantime, the Group will capitalize on its advantages as a state-owned enterprise and take greater effort in obtaining premium land resources through participation in bidding, auction and listing-for-sale in the primary market and mergers and acquisitions in the secondary market while controlling the acquisition cost of land and strengthening risk control. The Group will also promote the integration of industry and finance and speed up in realizing its profits.

After years of operating in the property market in first- and second-tier cities, especially Shanghai, not only has SIUD built up a diversified business portfolio and solid financial foundation, it has also become more determined to push forward reforms and innovative leadership in order to support the steady progress of the Group in the new industrial landscape.

INVESTOR FAQ

Q IN RECENT YEARS, THE CENTRAL GOVERNMENT HAS BEEN FIRM IN TIGHTENING THE CONTROL OF THE PROPERTY MARKET AND CONTAINING INVESTMENT AND SPECULATIVE HOME PURCHASES. HOW WILL THE GROUP DEVELOP ITS OPERATIONS IN RESPONSE TO THE NATIONAL POLICIES?

A

As macro control policies have become the norm in the property market, a long-term mechanism has been implementing steadily for the property market. In order to transform the long-standing "focus on home purchase rather than rental", the central government called for "encouraging both home purchase and rental" in order to cool down the overheated property market and support the leasing market, which has long been underdeveloped. This has set a new direction for the development of the industry. To ride on the tide of development of the residential leasing market, as an urban operator with a strong foothold in Shanghai, the Group will fully capitalise on the national policies by proactively replenishing potential and synergistic land reserves in Shanghai, while developing the new residential leasing operation. This will bring steady rental income for the Group and further expand its business ecosystem in the long run, thus facilitating the sound and stable long-term development of the Group.

Q WITH THE TIGHTENING CONTROL MEASURES IN FIRST- AND SECOND-TIER CITIES, WILL THE GROUP ADJUST ITS DEVELOPMENT STRATEGY TO FOCUS ON PROMISING THIRD- AND FOURTH-TIER CITIES?

A

The Group will remain focused in city clusters in the Yangtze River Delta. With a strong foothold in Shanghai, the Group will expand into city clusters in the Jingjinji region, including Beijing and Tianjin, as well as national central cities, such as Xi'an. The generally and continuously robust demand for residential projects with premium locations and outstanding construction quality for home purchase and living environment improvement in these first- and second-tier cities has helped to support the transaction prices of new projects. During the year, the premium mid to high end residential projects of the Group in Shanghai, Shenyang and Xi'an continued to report good sales performance, which helped the Group drive up its contract sales and successfully complete its annual sales target.

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

A

In future, the Group will study the possibility of acquiring new projects in three ways, namely participation in bidding, auction and listing-for-sale, equity acquisition, and urban renewal and redevelopment, continue adopting a multi-pronged approach in land acquisition and prudently seek opportunities to acquire premium projects in Shanghai and first- and second-tier core cities in China. Meanwhile, the Group will strive to increase the proportion of rental residential properties in its land bank to take advantage of the development of the residential leasing market. The Group will also grasp business development opportunities by leveraging on its own strengths.

Q THE GROUP HAS BEEN MAINTAINING THE GROSS PROFIT MARGIN AT A LEVEL OF 40% TO 50% IN RECENT YEARS. UNDER THE POLICY OF "STABILIZING THE MARKET, PROPERTY PRICES AND MARKET EXPECTATIONS", HOW WILL THE GROUP MAINTAIN ITS CORE COMPETENCE OF HIGH PROFITABILITY IN FUTURE? WILL THE GROUP BE ABLE TO SUSTAIN A CONTINUOUS GROWTH IN DIVIDEND PAYOUT?

A

The Group will continue to place its emphasis on first- and second-tier core cities, such as Shanghai, Beijing, Tianjin and Xi'an. Currently, certain premium land parcels acquired at low prices have been developed into mid to high end residential projects and launched for sale at market prices. These projects will generate revenue in the next one to two years and thus achieve the result of a low premium, high unit price and high gross profit margin. Generally, by virtue of the brand influence and development experience of the Group in Shanghai, together with the sustainable healthy development of the property industry, the Group is optimistic towards the property market in first- and second-tier cities. The Group is also confident in maintaining its core competence of high profitability in future.

The Group has been endeavouring to maintain dividend growth while trying its best to enhance the return on equity in the past. With the revenue realized from flagship projects including Urban Cradle in Shanghai, Contemporary Art Villa, Originally in Xi'an and the residential portions of TODTOWN in Shanghai, the Group is confident in maintaining a steady profit growth and sharing the fruits of development with the shareholders in future.

Q THIS YEAR, THE GROUP ACQUIRED THREE LAND PARCELS FOR "RENTAL RESIDENTIAL PROPERTIES" IN ORDER TO VENTURE INTO THE RESIDENTIAL LEASING MARKET IN CHINA. WHAT IS THE GROUP'S VIEW ON THE RENTAL INCOME EXPECTATION AND FUTURE PROSPECTS?

A

In response to the national policies and to ride on the tide of "encouraging both home purchase and rental", the Group acquired three land parcels for "rental residential properties" in Shanghai through an open auction in 2018 to venture into the residential leasing market, in the hope of further diversifying its operations and achieving high return on market rental efficiency. Benefited from the continuous economic growth in Shanghai, the rigid demand for rental residential properties from locals and non-locals is robust. In future, the Group will strive to increase the proportion of rental residential properties to make them the growth engine for SIUD's revenue.

Q HOW IS THE PROGRESS ON THE "PROPERTY OPERATION INTEGRATION" PROPOSAL WITHIN SHANGHAI INDUSTRIAL? WILL THERE BE ANY CHANGE IN THE POSITIONING OF THE GROUP?

A

Subsequent to a smooth and stable leadership transition, the Group has completed rationalising its management structure. The new leadership will fully leverage on their functional strengths to better communicate with all units within the Group, promote the integration of industry and finance, consolidate the operations and coordinate with all parties to achieve consensus over the development of the Group and create greater value for the shareholders in future.

DETAILS OF PROPERTIES — LAND BANK

Artist Impression — Beijing West DiaoYuTai Project

As at 31 December 2018

Project	City	Site area (sq.m.)	Planned G.F.A. (sq.m.)	Saleable G.F.A. (sq.m.)	2018 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	26,500	795,540	113,514	86,330	–	Complete by phase from 2007 to 2022	53.1%
Binjiang U Center	Shanghai	77,371	525,888	324,600	–	–	324,600	324,600	–	Complete by phase from 2019 to 2021	35.4%
Shanghai Youth City	Shanghai	57,944	212,130	164,688	–	139,840	24,848	–	–	Completed	100.0%
Shanghai Jing City	Shanghai	301,908	772,885	609,488	335	560,409	49,079	43,129	–	Complete by phase from 2012 to 2019	59.0%
TODTOWN	Shanghai	117,825	605,000	385,300	37,659	37,659	347,641	272,300	113,000	Complete by phase from 2018 to 2022	20.7%
Contemporary Art Villa (Jade Villa)	Shanghai	116,308	83,622	83,622	8,838	40,543	43,079	–	11,800	Complete by phase from 2018 to 2022	100.0%
Contemporary Splendour Villa	Shanghai	120,512	191,636	68,404	–	–	68,404	68,404	–	Complete by phase from 2018 to 2022	100.0%
Shangtou Xinhong	Shanghai	69,495	212,347	145,719	–	–	145,719	145,719	–	Complete by 2021	90.0%
Shangtou Baoxu	Shanghai	118,880	306,167	230,142	–	–	230,142	219,549	10,593	Complete by phase from 2019 to 2020	100.0%
Chenghang Project	Shanghai	20,572	60,964	60,964	–	–	60,964	–	60,964	Complete by 2021	80.0%
Jinxiang Project	Shanghai	17,161	48,050	48,050	–	–	48,050	–	48,050	Complete by 2022	59.0%
Shenzhicheng Project	Shanghai	47,435	128,075	128,075	–	–	128,075	–	128,075	Complete by 2022	29.5%
Chenglong Project	Shanghai	47,383	118,458	118,458	–	–	118,458	–	118,458	Complete by 2023	59.0%
American Rock	Beijing	121,499	523,833	454,610	–	454,563	47	–	–	Completed	100.0%
Youngman Point	Beijing	112,700	348,664	295,114	–	258,814	36,300	–	–	Complete by phase from 2007 to 2021	100.0%
West Diaoyutai	Beijing	42,541	250,930	230,801	–	172,069	58,732	49,288	–	Complete by phase from 2007 to 2021	90.0%
Laochengxiang	Tianjin	244,252	752,883	613,357	–	578,266	35,091	29,795	–	Complete by phase from 2006 to 2019	100.0%
Yooóou.net	Kunshan	34,223	129,498	112,812	158	63,133	49,679	–	–	Completed	30.7%
Royal Villa	Kunshan	205,017	267,701	222,666	6,867	215,912	6,754	–	–	Completed	53.1%
Urban Development Int'l Center	Wuxi	24,041	193,368	143,862	–	42,303	101,559	–	–	Completed	59.0%
Originally	Xi'an	2,101,967	3,899,867	3,202,324	154,370	2,388,278	814,046	186,490	613,940	Complete by phase from 2008 to 2022	71.5%
Shenyang U Center	Shenyang	22,651	228,768	176,315	30,778	50,524	125,791	176,315	–	Complete by phase from 2015 to 2019	80.0%
Top City	Chongqing	120,014	786,233	616,122	–	376,095	240,027	–	–	Completed	100.0%
Forest Sea	Changsha	679,620	1,032,534	1,016,765	3,429	305,646	711,119	–	704,553	Complete by phase from 2007 to 2025	67.0%
China Phoenix Tower	Shenzhen	11,038	106,190	79,391	–	78,343	1,048	–	–	Completed	91.0%
Total		**5,775,357**	**13,011,989**	**10,440,703**	**268,934**	**6,557,937**	**3,882,766**	**1,601,919**	**1,809,433**		

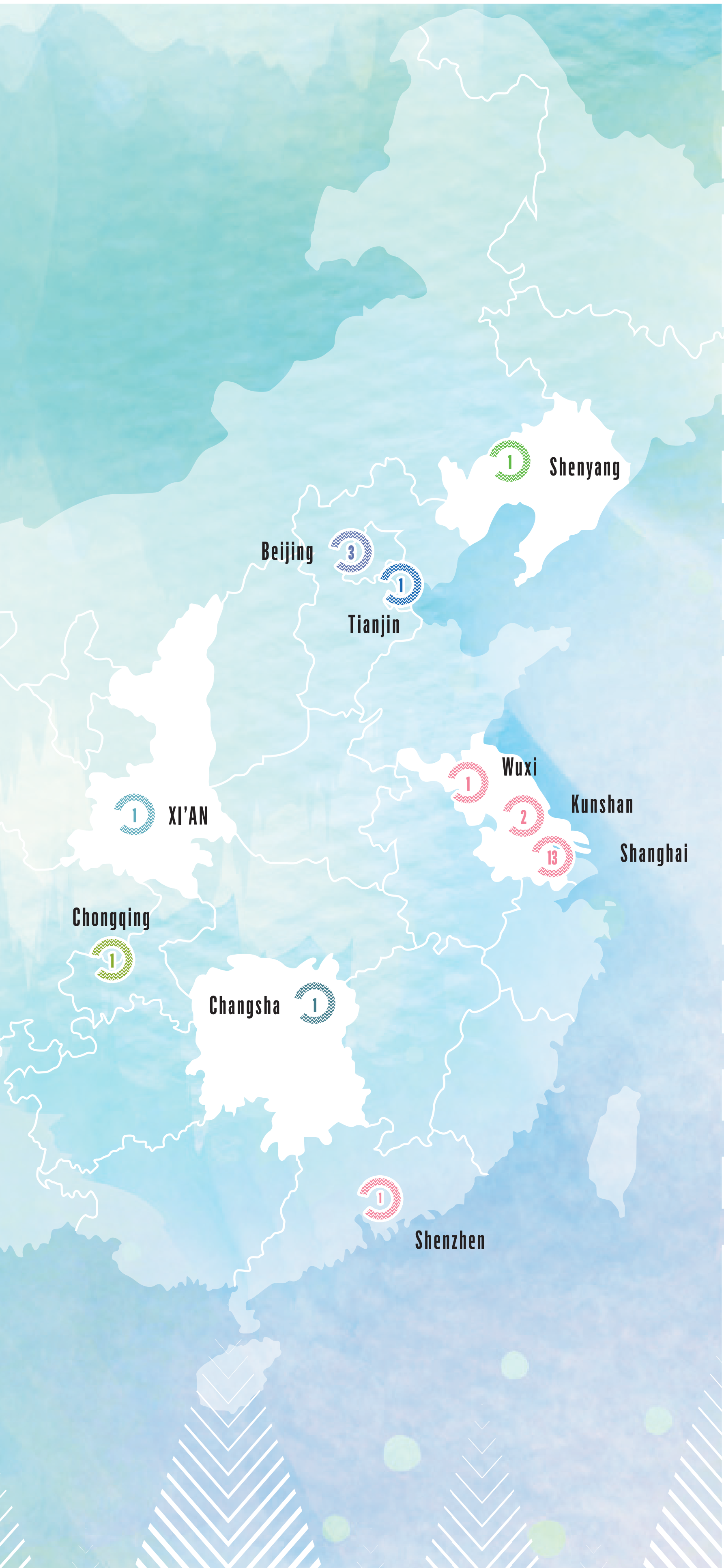
Artist Impression — Binjiang U Center

MAJOR INVESTMENT PROPERTIES

Project	City	Property Category	Lease Term	Planned G.F.A. (sq.m.)
Shanghai Youth City	Shanghai	Commercial	Medium-term lease	16,349[1]
Top City	Chongqing	Commercial, parking lot	Medium-term lease	251,847[1]
China Phoenix Tower	Shenzhen	Office building	Medium-term lease	1,048[1]
Youngman Point	Beijing	Commercial	Medium-term lease	19,768[1]
ShanghaiMart[2]	Shanghai	Exhibition, transaction market, office building and parking lot	Medium-term lease	284,651
Urban Development Int'l Tower[3]	Shanghai	Office building	Medium-term lease	45,239
YOYO Tower[4]	Shanghai	Commercial	Medium-term lease	13,839
Others	Shanghai, Tianjin	Commercial, office building and parking lot	Medium-term lease	9,249
Total				**641,990**

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

INTRODUCTION OF KEY PROJECTS IN CHINA



SHENYANG

- Shenyang • U Center

BEIJING

- American Rock
- Youngman Point
- West Diaoyutai

TIANJIN

- Laochengxiang

WUXI

- Urban Development International Center

KUNSHAN

- Yoooou.net
- Royal Villa

SHANGHAI

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

SHENZHEN

- China Phoenix Tower

CHANGSHA

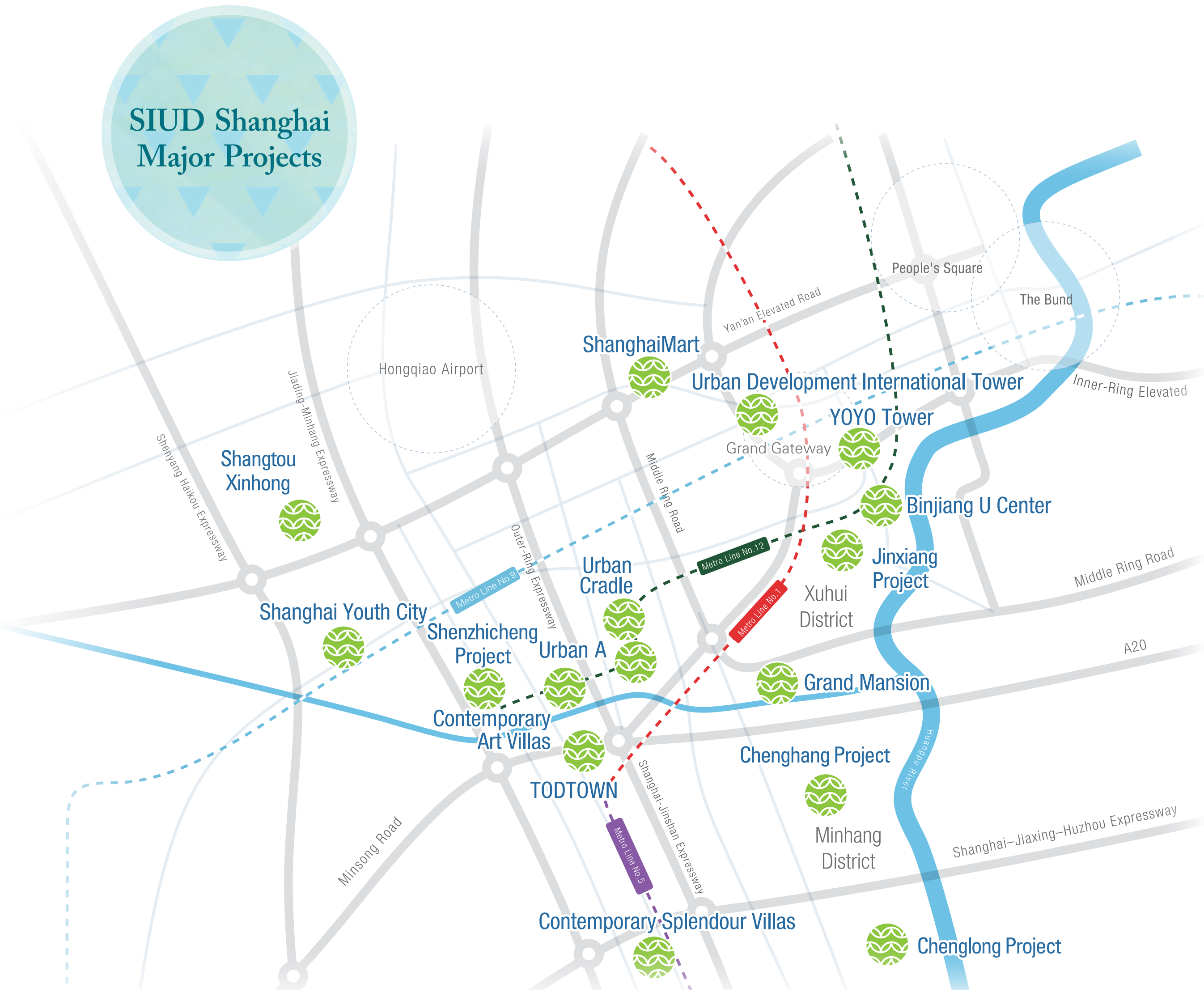
- Forest Sea

CHONGQING

- Top City

XI'AN

- Originally



URBAN CRADLE

Address:
588 Gulong Road,
Minhang District, Shanghai

Category:
Residence/
Commerce

Feature:

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

BINJIANG U CENTER

Address:
Xuhui Binjiang,
Shanghai

Category:
Office/
Commerce

Feature:

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


Artist Impression

TODTOWN

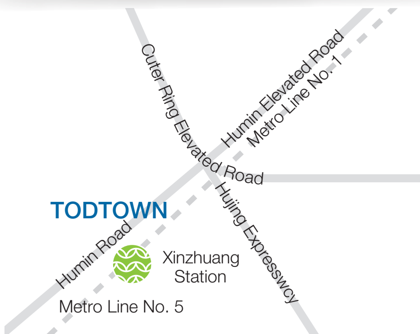
Address:
Xinzhuang Town,
Minhang District, Shanghai

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

Feature:

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


Artist Impression

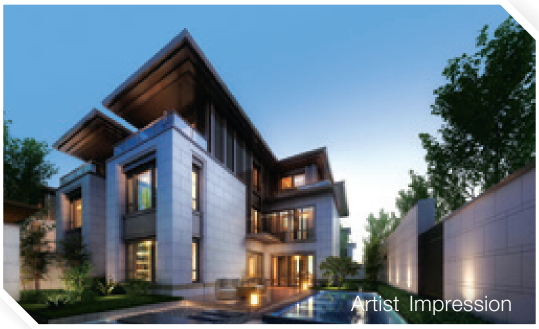


As one of the most advanced TOD (Transit-oriented Development) projects in Shanghai, TODTOWN covers a total site area of approximately 118,000 sq.m. with a total G.F.A. of 605,000 sq.m., of which 100,000 sq.m. is transport-related. Upon completion, TODTOWN will be connected to metro line 1 and line 5,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

CONTEMPORARY ART VILLA (JADE VILLA)

Address:
Minhang District,
Shanghai

Category:
Residential


Artist Impression

Feature:

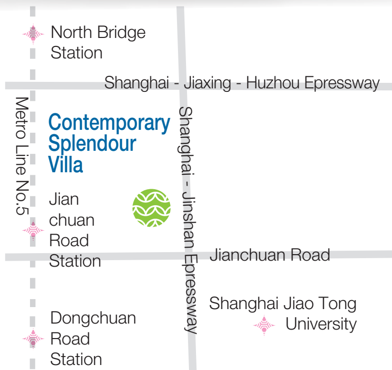
Contemporary Art Villas project is situated in Minhang District in the southwest of Shanghai. The project is adjacent to the outer ring road in the east and adjoins the ground satellite communication station of Shanghai in the west. It extends to Gudai Road in the north and connects Zhandou River in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

CONTEMPORARY SPLENDOUR VILLA

Address:
Minhang District,
Shanghai

Category:
Residential


Artist Impression



Feature:

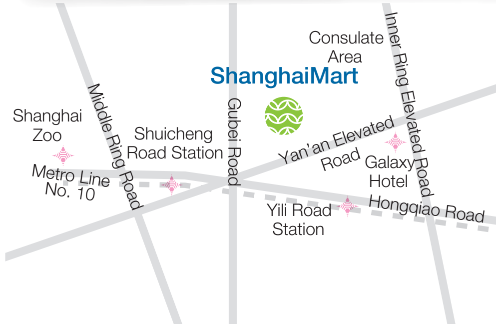
Contemporary Splendour Villas (tentative name) project is situated in Zhuanqiao Town, Minhang District, Shanghai, with Shanghai-Jinshan Expressway (S4) in the east and Dushi Road in the west. It connects the branch of Wujing-Minhang Railway in the south and adjoins Denghui Road in the north. The project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

INTRODUCTION OF KEY PROJECTS IN CHINA

SHANGHAIMART

Address:
2299 West
Yan'an Road, Shanghai

Category:
Exhibition/
Commerce/ Office



Feature:

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

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

SHANGHAI JING CITY (Including "Grand Mansion")

Address:
Lane 266,
Zhumei Road, Shanghai

Category:
Residence/
Commerce


Artist Impression

Feature:

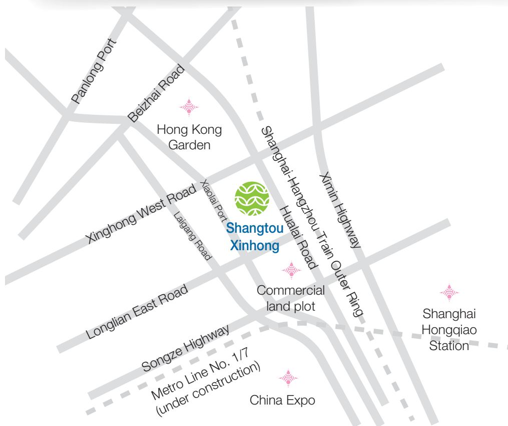
The project is an affordable housing project approved by Shanghai Bureau of Housing Security and Housing Administration. It is a large scale indemnificatory housing project on the list of among major construction projects of Shanghai in 2009. In Meilong Town, Minhang District, the project is on an about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

SHANGTOU XINHONG

Address:
Minhang District,
Shanghai

Category:
Residential

Artist Impression



Feature:

Located at the peripheral area of Hongqiao CBD and next to the sub-city center (Xujing), the project is just one block way from National Exhibition and Convention Center First Road. The project is east of the greenbelt of Hualai Road (in planning), south of Longlian East Road (in planning), west of the greenbelt of Xiaolai Port (in planning) and north of Xinghong West Road (in planning). The project spans a site area of about 70,000 sq.m. with an estimated overground G.F.A. of approximately 150,000 sq.m.. Upon completion, the project will be repurchased by the government for the purpose of relocation settlement. By significantly improving the surrounding urban area of the National Exhibition and Convention Center project and establishing a new urban landscape, the project will facilitate the integrated development of Hongqiao CBD as well as the sound relationship between the government and business enterprises, thereby laying a solid foundation for the future development of the enterprises.

SHANGTOU BAOXU

Address:
Guchun Town, Baoshan
District, Shanghai

Category:
Residential

Artist Impression

Feature:

The project is located at the core area of the urban functional zone of central Baoshan in the expansion area of Shanghai city center. Located at the junction of the Hutai Road urban development axis and the Bao'an Highway comprehensive development axis, the project is currently a new large-scale residential community near Shanghai city center available for regional comprehensive development and construction.

The project comprises totally four residential land parcels (projects), amongst which two land parcels are district-level resettlement housing with a total G.F.A. of approximately 150,000 sq.m. and two land parcels are city-level joint ownership government-supported housing with a total G.F.A. of approximately 150,000 sq.m.. Currently, the project is still at the preliminary stage of development.

CHENGHANG PROJECT

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

Category:
Commerce/Office


Artist Impression

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.

BEIJING

YOUNGMAN POINT

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

Category:
Residence/
Commerce

Feature:

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

WEST DIAOYUTAI

Address:
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. Phase I and II had been completed and demolition work of phase III has been finished more than a half.

TIANJIN

LAOCHENGXIANG

Address:
Laochengxiang,
Nankai District,
Tianjin

Category:
Residence/
Commerce/
Office

Feature:

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

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

SHENYANG

SHENYANG • U CENTER

Address:
South Taiyuan Street,
Heping District,
Shenyang

Category:
Commerce/Office/
Serviced Apartment


Artist Impression

Feature:

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

KUNSHAN

YOOOOU.NET

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

Category:
Commerce/
Office

Feature:

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

ROYAL VILLA

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

Category:
Residence

Feature:

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

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 kilometers from the center of the city with Lihu Lake Scenic Spot, Lihu Central Park and Bogong Island in its vicinity to enjoy. The area is well developed, equipped with all essential facilities and convenient transportation choices. The integrated complex comprises an international five-star hotel, serviced apartments, a 5A-grade office building and a commercial center.

XI'AN

ORIGINALLY

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

Category:
Residence/Commerce/Hotel

Feature:

In the heart of Xi'an Chanba Ecotope, the project lies where the Chan River and Ba River meet. The project with more than 2,000,000 square meters in terms of site area is the largest eco-district in northwestern China. The area has been well planned and is developing rapidly, enjoying convenient access to road networks and public transports including Metro Line 3 which will soon commence operation.

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

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

CHONGQING

TOP CITY

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

Category:
Residence/
Commerce/
Office

Feature:

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


Artist Impression

CHANGSHA

FOREST SEA

Address:
No. 1218,
Leifeng North Avenue,
Wangcheng District, Changsha

Category:
Residence/
Commerce

Feature:

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

INVESTOR RELATIONS REPORT

SUMMARY

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

COMMUNICATION STRATEGY:

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

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

1. Create value for shareholders;

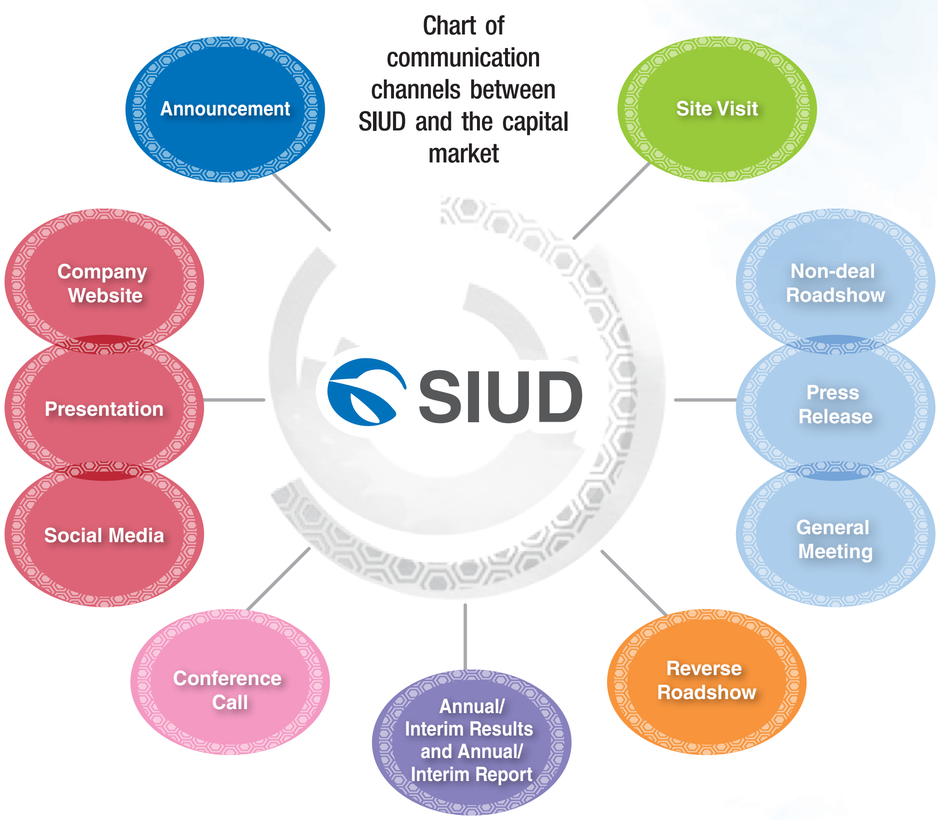
2. Devise development strategies and operate the Company's business on the basis of meeting the values and expectation of shareholders; and

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

CHANNELS AND METHODS:

In 2018, SIUD disseminated information to the capital market through multiple channels, including annual reports, interim reports, press releases and announcements. All these information is available on the Company's website. The corporate communications department also shared the announcements and press releases with investors via email, WeChat official account and other ways in due course, and proactively responded to relevant inquiries and provided guidance.

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



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

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

ANNUAL GENERAL MEETING:

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

During the period under review, the Company held a special general meeting at the Niccolo Room, Murray Hotel, Central, Hong Kong on 19 April 2018. Matters passed on the meeting included the acquisition of equity interests in Shanghai Shangtou and re-election of directors. All resolutions proposed at the special general meeting were passed.

The Company held the annual general meeting at the ballroom of Island Shangri-La Hotel, Admiralty, Hong Kong on 23 May 2018. Matters passed on the meeting included the re-election of directors and declaration of special dividends in cash. All ordinary resolutions proposed at the annual general meeting were passed by poll.

ANNUAL REVIEW:

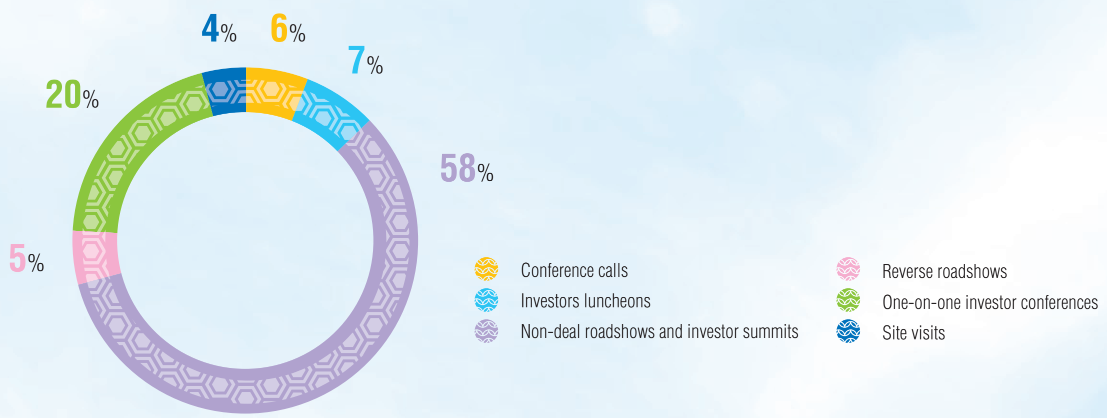
During the year, the Group totally attended more than 15 investor summits and non-deal roadshows staged by investment banks and large institutions, 1 reverse roadshow and several conference calls, hosting more than 250 investors and capital market participants. The Company also arranged investors and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

SUMMARY OF THE INVESTOR RELATIONS EVENTS



MAJOR INVESTOR RELATIONS EVENTS IN 2018:

Time	Event	Organiser	Location
January	Investor summit	Shanghai Everbright Securities	Shanghai
January	One-on-one investor conference	Zhongtai International	Hong Kong
January	One-on-one investor conference	SIUD	Hong Kong
January	Investor summit	Strategic Public Relations	Hong Kong
January	Investor summit	Huatai Securities	Shanghai
February	Non-deal roadshow	Zhongtai International	Hong Kong
February	One-on-one investor conference	Huatai Securities	Hong Kong
March	Post-results telephone conference	Strategic Public Relations	Hong Kong
March	Post-results one-on-one meeting	Haitong International	Hong Kong
April	Post-results one-on-one meeting	SIUD	Shenzhen
April	Investor summit	Gelonghui	Shenzhen
April	Non-deal roadshow	SIUD	Hong Kong
May	Investor summit	Everbright Overseas	Shanghai
June	One-on-one investor conference	SIUD	Hong Kong
November	Investor summit	Gelonghui	Shanghai
December	Reverse roadshow	SIUD	Shanghai

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 2018, the Company has complied with the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules except for the deviation from code provision A.2.1 of the Code as described below.

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

BOARD OF DIRECTORS

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

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

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

As at 31 December 2018, the Board comprised eleven members, including seven 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 61 to 67 of this annual report. The Board reviews regularly its composition to ensure a balance of skills and experience appropriate for the requirements of the business of the Company.

INDEPENDENCE CONFIRMATION

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

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

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

DIRECTORS AND OFFICERS LIABILITY INSURANCE

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

THE CHAIRMAN AND THE PRESIDENT

Following the re-designation of Mr. Ji Gang ("**Mr. Ji**") as the chairman of the Board (the "**Chairman**") since 2 February 2015, there had been a deviation from code provision A.2.1 of the Code (which stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual) as Mr. Ji had also been performing the role of chief executive of the Group until 23 May 2018, the date of his retirement as the Chairman, the president and an executive Director. The Board was aware of the said deviation but considered that this arrangement was appropriate and in the best interests of the Group as it helped to maintain the continuity of the Group's policies and strategies and the stability of the operations of the Group. The Board also considered that such arrangement did not impair the balance of power and authority between the Board and the management of the Company as the Board did meet regularly on a quarterly basis to review the operations of the Group and to consider other major matters affecting the business development and operations of the Group.

Following the retirement of Mr. Ji as the Chairman, the president and an executive Director at the annual general meeting held on 23 May 2018 (the "**2018 AGM**"), Mr. Zeng Ming was appointed as the Chairman and an executive Director while Mr. Zhou Xiong was appointed as the vice chairman, the president and an executive Director with effect from the conclusion of the 2018 AGM. Therefore, there is no longer aforesaid deviation since then.

MEETING BETWEEN THE CHAIRMAN AND INDEPENDENT NON-EXECUTIVE DIRECTORS

Under code provision A.2.7 of the Code, the chairman should at least annually hold meetings with the independent non-executive directors without the presence of other directors. There was one meeting held between the chairman of the Company and the independent non-executive Directors, without the presence of other Directors for the year ended 31 December 2018.

BOARD DIVERSITY POLICY

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

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

BOARD NOMINATION POLICY

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

1. the personal and professional ethics and integrity;

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

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

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

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

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

DIVIDEND POLICY

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

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

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

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

RESPONSIBILITIES OF DIRECTORS

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

TRAINING AND SUPPORT FOR DIRECTORS

(A) Training

Pursuant to the Code, all Directors shall participate in the continuous professional development programme to develop and update their knowledge and skills so that they can contribute to the Board. During the year ended 31 December 2018, the Company offered several appropriate training sessions for Directors. The training sessions were related to the internal controls, anti-fraud policies and site visiting. The Company has received from each of the Directors the individual training record of Directors pursuant to A.6.5 of the Code and time involved in public companies or organizations and description of other significant commitments pursuant to A.6.6 of the Code.

During the year ended 31 December 2018, the Directors participated in the following trainings:

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

Notes:

1. Trainings may include

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

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

   (c) Company's site visiting.

2. Mr. Zeng Ming was appointed as the Chairman of the Board, an executive Director and the chairman of the Nomination Committee with effect from 23 May 2018.

3. Mr. Zhou Xiong was appointed as the Vice Chairman of the Board, the President, an executive Director and a member of the Investment Appraisal Committee with effect from 23 May 2018.

4. Mr. Ji Gang retired as the Chairman of the Board, the President, an executive Director and the chairman of the Nomination Committee with effect from 23 May 2018.

5. Mr. Yang Jianwei retired as an executive Director and a member of the Investment Appraisal Committee with effect from 23 May 2018.

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 2018.

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 2018.

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 2018 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**	**SGM[1]**	**2018 AGM[2]**
Executive Directors							
Zeng Ming[3]	3/3						
Zhou Xiong[4]	3/3				2/2		
Ji Gang[5]	2/2			1/1		1/1	1/1
Lou Jun	5/5					0/1	0/1
Yang Jianwei[6]	2/2				2/2	0/1	1/1
Fei Zuoxiang	5/5					0/1	1/1
Ye Weiqi	5/5		2/2			0/1	1/1
Huang Fei	5/5					0/1	1/1
Zhong Tao	5/5				4/4	1/1	1/1
Independent Non-executive Directors							
Doo Wai-Hoi, William, *J.P.*	5/5	1/2	2/2	1/1		0/1	1/1
Fan Ren Da, Anthony	5/5	2/2	2/2	1/1	4/4	1/1	0/1
Li Ka Fai, David	5/5	2/2				1/1	1/1
Qiao Zhigang	5/5				4/4	1/1	0/1

Notes:

1. The special general meeting of the Company was held on Thursday, 19 April 2018.

2. The 2018 annual general meeting of the Company was held on Wednesday, 23 May 2018.

3. Mr. Zeng Ming was appointed as the Chairman of the Board, an executive Director and the chairman of the Nomination Committee with effect from 23 May 2018.

4. Mr. Zhou Xiong was appointed as the Vice Chairman, the President, an executive Director and a member of the Investment Appraisal Committee with effect from 23 May 2018.

5. Mr. Ji Gang retired as the Chairman of the Board, the President, an executive Director and the chairman of the Nomination Committee with effect from 23 May 2018.

6. Mr. Yang Jianwei retired as an executive Director and a member of the Investment Appraisal Committee with effect from 23 May 2018.

BOARD COMMITTEES

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

A. Audit Committee

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

The main responsibilities of the Audit Committee are:

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

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

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

There were two Audit Committee meetings held for the year ended 31 December 2018. The Chairman of the Audit Committee, Mr. Li Ka Fai, David, possesses relevant financial management expertise and this meets the requirements of Rule 3.21 of the Listing Rules.

During the year ended 31 December 2018, the Audit Committee reviewed the independence and objectivity of the external auditor, the scope of audit services and related audit fees payable to the external auditor for the Board's approval. The Audit Committee has reviewed the audited financial statements of the Company and discussed with the management and the auditor of the Company on the accounting principles and practices adopted by the Group, risk management, internal controls matter of the Group, interim results and financial statements and the terms of reference for Audit Committee.

B. Remuneration Committee

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

The major responsibilities of the Remuneration Committee are:

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

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

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

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

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

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

During the year ended 31 December 2018, two Remuneration Committee meetings were held to review the remuneration packages of all directors and senior management of the Company, directors' services contracts, the terms of reference for Remuneration Committee and the renewal of the directors' services contracts.

C. Nomination Committee

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

During the year ended 31 December 2018, 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 and by Shareholders; and

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

D. Investment Appraisal Committee

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

The main responsibilities of the Investment Appraisal Committee are:

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

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

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

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

5. to make subsequent assessment on investment projects; and

6. to review on the above matters.

During the year ended 31 December 2018, four Investment Appraisal Committee meetings were held to discuss and consider, *inter alia*, the following matters:

1. Connected transaction in relation to acquisition of equity interest in NR Investment; and discloseable and connected transaction in relation to acquisition of equity interest in Shanghai Shangtou (details can be found in the announcements of the Company dated 31 January 2018 and 28 February 2018);

2. Connected transaction in relation to disposal of the entire issued share of Fine Mark Investment Limited (details can be found in the announcement of the Company dated 17 April 2018);

3. Discloseable transaction in relation to land resumption agreement between relevant government authorities and SUD (details can be found in the announcement of the Company dated 28 September 2018); and

4. 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 2018, 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 2018, appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants which are pertinent to its operations and relevant to the financial statements on the going concern basis were adopted. The Company has received acknowledgements from all Directors of their responsibilities for preparing the financial statements. It is the responsibility of the auditor to form an independent opinion, based on their audit, of these financial statements and to report their opinion to the members of the Company, as a body, and for no other purpose. The auditor does not assume responsibilities toward or accept liability to any other person for the contents of their report.

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

INTERNAL CONTROLS

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

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

Anti-fraud policies and procedures

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

RISK MANAGEMENT

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

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

EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company about their reporting responsibilities on the financial statements is set out in the "INDEPENDENT AUDITOR'S REPORT" on pages 80 to 85.

During the year ended 31 December 2018, the remuneration paid and accrued to the Company's auditor, Deloitte Touche Tohmatsu, is set out below:

	HK$
For audit services	
— audit fee paid for the year ended 31 December 2018	4,804,526
— other audit-related services	1,593,508
Total:	6,398,034

SHAREHOLDERS' RIGHTS

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

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

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

CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2018, there is no significant change in the Company's constitutional documents.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENT

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

1. Source of greenhouse gas emissions

Type	Scope	Unit	Quantity	CO_2 emission (kg)
Direct emission	LPG	kg	3,624	6,084.70
	Gas	unit	1,968,404	27,215.15
	Sedans — lead-free gasoline	litre	200,496	473,170.56
	Trucks — diesel	litre	2,383	6,229.16
	Minibuses — diesel	litre	25,272	66,061.01
Indirect emission	Electricity	kWh	37,800,614	23,818,687.14

2. Electricity

The Group consumed 37,800,614 kWh of electricity. The energy-saving initiatives adopted by the Group included, amongst others, purchasing energy-saving office electrical appliances and equipment and LED lighting, setting the power saving mode as default in printers and computers, and requiring staff members of all divisions to switch off lights and computers during non-office hours. The results were more significant as compared to those of last year.

3. Water consumption

The Group consumed 1,096,329 m^3 of water. In 2019, the Group intends to implement new water consumption standards and adopt centralised water supply to enhance water efficiency and practise energy saving and emission reduction.

4. Gasoline and diesel

The motor vehicles of the Group consumed 200,496 litre of gasoline and 27,655 litre of diesel in total. In the acquisition of new motor vehicles, new energy vehicles and multi-purpose vehicles are the Group's top priority.

5. Air conditioner refrigerants

The Group consumed 702 kg of air conditioner refrigerants in total. For details, please refer to Chart 1.

Consumption of air conditioner refrigerants

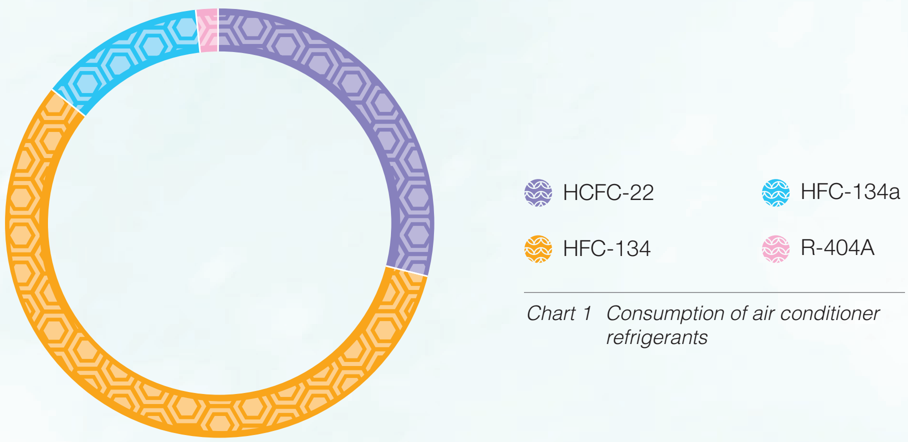


Chart 1 Consumption of air conditioner refrigerants

B. SOCIETY

I. The Group's Vision

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

In 2018, the Group continued to actively promote and engage in different types of corporate social responsibility activities, including the provision of a good working environment for its employees, establishment of a standardised system for the Group's product lines to ensure product quality, active participation in public welfare and promotion of the idea of energy-saving and environmental protection which set a good example in energy-saving and consumption reduction. As a professional and leading brand in integrated property development in China in 2018, SIUD had a brand value of RMB6,016 million.

The Group continues to facilitate long-term and systematic brand building and enhance the uniqueness and humanitarian image of the brand. The Group also effectively incorporates the concept of social responsibility into its corporate culture and branding and focuses on unifying corporate efficiency and social responsibility with a view to maximizing the integrated value of the economy, society and environment, and promoting harmonious development of both the enterprise and the society. In 2018, the Group was named as a "Famous Trademark" (著名商標) in Shanghai.

II. Quality of Working Environment

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

Working Environment (Care for Employees):

To strengthen the rational management and standard operation of the enterprise and to promote the harmonious relationship between the enterprise and its employees, the Group strictly adheres to the requirements of the "Employees Manual" by (1) entering into labour contracts with all the employees to clearly specify the working hours, calculation of overtime pay and the administration measures for holidays to protect the interests of the employees; (2) enrolling employees in the social insurance program, which includes pension funds, medical insurance, work-related injury insurance, maternity insurance and unemployment insurance, and making full contributions in a timely manner; (3) caring about the occupational health and safety of its employees and offering body check-up to all employees on an annual basis; and (4) implementing a paid leave system for the employees to allow them to arrange their own work, relax themselves and achieve a work-life balance. More competitive remuneration packages are provided to gradually uplift the living standard of the employees. The Company has established a remuneration system driven by the value of job positions and individuals. By persisting in the equality between rights and obligations and allocation of income linked to performance and contribution, the Company has set up a more reasonable remuneration allocation system and refined the long-term incentive system in response to both corporate development and employees' needs. The remuneration level of the Group's frontline staff continues to rise.

Meanwhile, the Group takes greater effort in organizing staff caring activities. The Group's leaders expressed their care to more than 300 frontline staff during hot weather (excluding projects located beyond Shanghai). The Group also extended its care to employees in difficulty. For the whole year, nearly 60 employees in difficulty were relieved and a token of solidarity amounting to nearly RMB150,000 was distributed to show the concern and care of the enterprise to the employees.

Total workforce and employee turnover rate by age group
(Data as of 31 December 2018)

Age group (age)	Total workforce	Number of employees terminated	Employee turnover rate (%)
18–30	112	38	33.93
31–40	353	51	14.45
41–50	215	16	7.44
51–60	102	10	9.80
61 or above	1	4	400.00
Total	**783**	**119**	**15.20**

Development and Training:

The Group pays high attention to the needs for personal growth and career development of its employees and actively facilitates the advancement of its human resources. In 2018, following the strategic goal of "persistence in innovation and deepening reforms", the Group strengthened the coordination and management of human resources, creating a high-quality talent pool for the long-term development of the Company. The Group reformed its remuneration and appraisal system in a bid to provide efficient, fair and comprehensive incentives. The Group further leveraged on the cord function of professional human resources management to establish a positive corporate culture for the corporate development. The middle and senior management of the Group were arranged to attend the thematic seminar on "Learning the essentials of the Convention and understanding the macro reforms (學大會精神、明改革大局)". Top leaders were elected to attend the "4th SIIC Senior Management Class", while outstanding young talents were arranged to attend the "7th SIIC Young Cadre Class", "Overseas Practical Training" and "Practical Training in Hong Kong", etc. Competent project reserve talents were also selected to participate in the "3rd Talent Pipeline Training" programme. In terms of general training, the Group continued to arrange the "6th Staff Activity Day" for the staff to enhance team cohesiveness and organised the "City Forum" to create a learning atmosphere. As for the development of management trainees, the Group helped them grow together with the Group by providing induction training and follow-up job rotation training, etc.

Job attachment training plays an important part in the cadre training of SIIC. It aims at grooming a pool of cross-functional management talents with strong composite capability and professional skills. During the year, through job attachment and exchanges between the Company and Shanghai Industrial Development Co., Ltd., which are two enterprises with very similar business types, operational models and organisation structures, the matching rate between the trainees and jobs increased. This also enhanced the targeting and efficiency of job attachment.

Schedule 1: Number of employees trained and sum of training hours completed by each employee (By gender) (Data as of 31 December 2018)

No.	Gender	Number of employees	Sum of training hours completed by each employee
1	Male	448	10,836
2	Female	335	8,118
Total		**783**	**18,954**

Schedule 2: Number of employees trained and sum of training hours completed by each employee (By employee category) (Data as of 31 December 2018)

No.	Employee category	Number of employees	Sum of training hours completed by each employee
1	Senior management	17	1,383
2	Middle management	206	6,245
3	General staff	394	5,197
4	Technician	137	5,296
5	Other	29	833
Total		**783**	**18,954**

Recruitment and Promotion:

The Group has nearly a thousand employees in 10 cities in the Mainland China and in Hong Kong. Every year, it also recruits a large number of professional technical personnel and fresh graduates from universities in strict compliance with the Labour Law. It provides a platform for career development and creates abundant promotion opportunities for employees while bringing about job opportunities for the society. SIUD establishes a rational and reasonable job grading system which makes reference to the types, responsibilities, levels of contributions and terms of reference of the post. The post ranks of employees are determined based on their responsibilities, performance and capability. In 2018, based on the current general talent distribution, and the political quality, professional level, age, academic qualification, experience and character of each individual, the Group placed its focus on young cadres who have frontline working experience and certain leadership skills. For the purpose of making recommendations to the upper group, talents were divided into three main categories, namely the middle-level reserve cadre, outstanding young management cadre and project management.

For the regular recruitment process, on top of the standard recruitment procedures and establishment interview guidelines last year, the Group placed its focus on strengthening comprehensive control during the year. On the Group level, the number of establishments under the headquarter functional centre was strictly controlled through enhancing the rationality and reasonableness of establishment assessment. On the project company level, the human resources department of the Group fully participated in and strictly controlled the recruitment and interview procedures of the project companies.

Apart from recruitment from the society, the Group also attaches high importance to the establishment of a talent pipeline and actively recruits management talents. The Group introduced the "2018 SIUD Management Trainee Campus Recruitment" programme, which lasted for 5 months. After four stages, namely online application, mutual selection, preliminary test (written test) and second test (assessment), more than 3,000 resumes were received, and more than 100 students took the first test and written test. After a series of strict selection process, including a professional written test, online assessments and two rounds of interviews, the Group finally picked 8 students for the job.

III. Environmental Protection

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

In the course of development of construction projects, the Group encourages its employees to carry out technical modification, technical optimization, energy-saving measures, management innovation and recycling activities. Through proactive promotion and active participation of the employees, the ideas of building green environmentally-friendly projects and establishing an energy-saving enterprise have taken root in all the employees. On this basis, the Group takes efforts to fulfill its responsibility of energy-saving and emission reduction. During the design stage, the Group adheres to the idea of sustainable development and adopts energy-saving and environmentally-friendly technical measures to minimise energy consumption and pollutant discharge. During the construction stage, the Group focuses on using reusable materials and prefabrication to reduce environmental pollution. The Group also gradually upgrades and transforms its current commercial projects as environment-friendly by lifting the energy efficiency of the electrical and mechanical systems, enhancing the insulation capability of original buildings and upgrading waste processing facilities. The Group has been endeavouring to minimise the impact of its construction and operation on the environment to pursue the harmonious and sustainable development between the enterprise, the society and the environment.

The residential and public construction projects developed by the Group are in compliance with the national and local energy-saving design standards for buildings, and have satisfied the requirements regarding construction thermal performance, energy efficiency of building services, performance of water-saving appliances and utilization of renewable energy. On this basis, the Group seeks to exceed the energy-saving and environmental protection design standards by adopting a series of land-saving, energy-saving, water-conserving and material-saving designs in order to minimise the environmental impact and resources consumption of the buildings throughout their lifecycle. All newly constructed projects which were designed in 2018 satisfied all the international green building assessment standards. In particular, Xi'an A3–1/2 and Wanyuan A project were named as two-star green building projects, and Gucun public housing project and Xinhong public housing project were named as one-star green building projects. The Wanyuan A neighbourhood commercial and office project attained the two-star rating under the China Green Building Design Label by integrating the civil engineering and decoration works of the public areas, implementing rooftop greening, solar water heating and industrial production of prefabricated structural components, and adopting permeable pavement on 50% of the hard ground. Xi'an A3–1/2 is located in Chanba River Ecological District and in order to protect the ecology of the district, the project adopted higher design standards compared to previous residential projects and attained the two-star rating under the China Green Building Design Label. Four office towers under the Xuhui Binjiang project (total G.F.A. of 257,677 sq.m.) have been pre-certified at the Gold Level under the U.S. LEED CS. In particular, its T1 and T2 towers have been pre-certified at the Gold Level under U.S. WELL Certification, its land no. 2–4 and building no. 3 on land no. 1 have attained the two-star rating under the China Green Building Design Label, and the remaining parts of land no. 1 have attained the one-star rating under the China Green Building Design Label.

All of the residential and public construction projects developed by the Group have complied with the national and local regulations and design standards in relation to environmental protection and hygiene. During the design stage, professionals were hired to conduct environmental impact appraisal, formulate an environment management checklist during the construction period and develop environmental protection measures during the operation period. The Group adopted appropriate measures to handle the pollutants and wastes derived from its production to put the impact on the surrounding waters, atmosphere and ecological environment, as well as noise pollution, under control to ensure that the impact of each project stage on the environment is in line with the national and local policies and regulations.

IV. Operation Management

The Group constructs an honest and harmonious enterprise by upholding the principle of building a harmonious enterprise, following the direction of creating long-term mutual benefits with the best quality and services and creating a win-win situation for upstream and downstream customers.

Supply Chain Management:

The Group attaches high importance to building a close partnership with its upstream and downstream customers to facilitate the mutual growth of the Group and its customers. The Group has (1) formulated the "Qualified Project Supplier Administrative Measures" to standardise supplier management; (2) established a supplier categorization mechanism for refined management; (3) set up a supplier access mechanism. The Group has collected information about suppliers from various channels, including the project companies of the Group, and established a supplier list, which is being continuously expanded. The Group will conduct preliminary review on the information provided by suppliers to initially determine whether the scope of operation, service area, qualifications and main performance of the suppliers are in line with project requirements. The Group will pay physical visits to suppliers who have met the requirements and passed the preliminary review process. Suppliers who have passed the physical visits would be added to the Group's database; (4) through the assessment mechanism, the Group would conduct annual assessment on contracted suppliers with an aim to assess the performance capability of the suppliers in an objective manner; (5) the list of suppliers would be updated annually, and priority would be given to the qualified suppliers on the list to ensure that the quality of the goods and services provided by the selected suppliers satisfies the Group's requirements; and (6) the Group's interests are safeguarded by establishing a long-term, steady and reliable list of suppliers through informational management.

Product Liability:
According to the SIUD Design Vendor Pipeline Management System, after a design vendor has completed the design work, the design management department of a project company would, together with the other relevant departments, such as the design, marketing, project and cost departments, assess and rate the design vendor based on service quality, capability and service attitude. The assessment results would be aggregated by the technical management center of the Group and published within the Group annually. Design vendors who have serious design quality problems and who have brought adverse social impact, after being reported by the designer-in-charge of the project company, would be reviewed by the professional engineers of the Group. Such vendors would be disqualified as design vendors of SIUD and banned from all project design engagements initiated by SIUD upon approval of the person-in-charge and technical vice president of the Group's technical management center. In the 2018 new version of the design vendor database system, an interface for showcasing corporate case studies has been added. Design units can access the system to record or update information about the cases in real time. This update provides an important protection for project companies to filter design units, and facilitates the information exchange between the project companies of the Group and the design units in the vendor system in a more effective manner. Upon completion of a project, the design execution department under the design management line is required to conduct post-assessment on the design vendor which they have cooperated with. The post-assessment will affect the rating of a design unit in the database. The introduction of the post-assessment process has guaranteed the design quality of the Company's projects. Besides, the "process evaluation" section has also been added to the new vendor system. Under this section, the service quality of a design unit can be evaluated at all project stages and such evaluation may be initiated any time. This is also one of the important considerations for projects companies in the selection of design units. A design inspection system has been established to conduct physical inspection on the Group's projects from stage to stage, in order to materialise the design effects and control the material selection, quality and construction procedures of the parts and components. The Group has also integrated information on the construction, landscape, boutique professional design and parts and components of completed residential projects, gathered the investigation and research data of competing projects, and broken down the data into different modules with a view to enhancing the efficiency and quality of the development, positioning, design and parts procurement of its future residential projects.

Aiming at providing customer-oriented services, the Group exercises stringent control on product quality in order to provide customers with a comfortable working and living environment. For the properties held by the Group, once a complaint is received from a tenant, the property and commercial management department will handle the complaint and then communicate the issue raised by the tenant to the relevant engineering and technical departments in a timely manner for effective liaison, communication and site control. For example, during the later stage of the Huimin Commercial Tower renovation project, the technical management centre of the Group cooperated with the commercial management department to handle the issues experienced by tenants at the delivery stage and provided technical support, which mainly included reviewing tenants' drawings and technical coordination during the construction stage. For instance, the Group reviewed the drawings based on the water and fume emission needs of tenants, provided feedback and arranged construction units to conduct on-site tests on the relevant items to further optimise project design.

Anti-corruption:

Corruption is a stubborn issue that causes great harm to the society. It directly undermines the fairness and justice of the society. As a corporation taking a stringent approach to compliance with applicable laws and regulations, SIUD is always of the opinion that anti-corruption is an essential part of the risk control of business and the security of social fairness and justice, as well as the basis for sustainable development of business. Anti-corruption is also a part continuously emphasised by the Group in staff education. As part of our efforts to enhance the awareness of cleanliness and integrity for common interests, apart from the specific professional ethic requirements stipulated in the "Employees Manual", the Group also further strengthens the promotion and education of anti-corruption and the establishment of corporate culture featured by integrity. All directors and senior executives play a leading role in promoting integrated and disciplined practices in our operations, and are dedicated to act as a role model for subordinated divisions and staff. General managers from various functions and subsidiaries are incorporated into the accountability system of integrity building. The integrity practice commitment and integrity building target responsibility statement have also been signed by these parties involved. The Group organised integrity education for employees and provided more targeted and effective anti-corruption education by combining both positive and negative case studies, in a bid to create an atmosphere within which the stakeholders "would not dare, not be able and not want to engage in corrupt practices". The Group tried to launch talks with all newly promoted cadres on anti-corruption to further enhance their integrity awareness in order to establish a "line of defence" against corruption and create a "bottom line" for discipline obedience. The Group also strengthened the corruption risk early warning mechanism, introduced job corruption risk inspection and incorporated anti-corruption requirements into every part of the power structure and operation system to the greatest extent with a view to preventing the risk of corruption from the source and system.

V. Involvement in Community

SIUD has always considered promotion of justice and contribution to the society as the responsibilities and obligations of a corporate citizen. It plays an active role in supporting educational and charitable events and widely encourages the joint efforts of the army and the masses and community participation in proactively fulfilling their corporate social responsibilities. The Group organised the "SIUD Dream Comes True" (築夢'城'長) thematic activity to visit the Liu'an Hope Primary School in Anhui province, during which the educational grants for 2018 and warm-keeping packs were donated to paired-up poor students while stationery was given to new students. Meanwhile, to support the poverty elimination work in Xihekou Village, Liu'an, the Group has sponsored the tuition fees of two university students every year since 2018. Wanyuan Company under the Group persists in organising village teacher training activities every year by arranging teaching exchange programmes, visits and seminars in Shanghai for village teachers from Zhongan Town, Huangping County, Qiandongnan. Huanyu Company under the Group introduced the "Arts with Children" (藝啟童行) branding campaign to provide arts development opportunities for children with autism. The Group also continued to carry out activities with the armed police to strengthen the harmonious relationship between the military force and the civilians. In the future, SIUD will continue to adhere to the social responsibility as a corporate citizen, providing support to rural education, promoting regional harmonious development and so on to make persistent contribution.

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

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

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

Mr. Lou Jun
Executive Director

Mr. Fei Zuoxiang
Executive Director

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

Ms. Huang Fei
Executive Director and Vice President

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

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

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

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

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

EXECUTIVE DIRECTORS

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

Mr. Zeng, aged 48, was appointed as the Chairman of the Board, executive Director and chairman of the Nomination Committee on 23 May 2018.

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

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

Mr. Zhou, aged 52, was appointed as the Vice Chairman, the president, an executive Director and a member of the Investment Appraisal Committee on 23 May 2018.

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

Mr. Lou Jun, Executive Director

Mr. Lou, aged 47, was appointed as an executive Director on 30 June 2017. He is a director, chief representative of the Shanghai representative office, general manager of the board office and general manager of the executive office of Shanghai Industrial Investment (Holdings) Company Limited. He obtained a bachelor's degree in law and graduated from the Youth Work Department of the China Youth University of Political Studies, majoring in political education. In 2008, he acted as deputy director of the general office of the Foreign Affairs Office of the Shanghai Municipal People's Government (Hong Kong and Macao Affairs Office of the Shanghai Municipal People's Government) and was seconded to the Standing Committee Office of Shanghai Municipal People's Congress as the leading secretary of the standing committee. He previously acted as the leading secretary of the Standing Committee of Shanghai Municipal People's Congress and director of the general supervision department of the Standing Committee Office of Shanghai Municipal People's Congress.

Mr. Fei Zuoxiang, Executive Director

Mr. Fei, aged 54, was appointed as an executive Director on 30 June 2017. He is the vice chairman of Shanghai Urban Development (Holdings) Co., Ltd.. He graduated from Shanghai Second Light Industry School, majoring in financial accounting for industrial enterprises, and is a senior accountant. He was previously an accountant of the Shanghai Pujiang Metalwork Factory (上海浦江金屬品廠), cadre of the Xuhui District Audit Bureau, head of the general business division of the Xuhui District Audit Bureau and director of the Xuhui District Finance Bureau.

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

Mr. Ye, aged 55, was appointed as an executive Director on 22 March 2013. He is also the vice president and 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 and the deputy manager of budget finance department of Shanghai Great World (Group) Company prior to his employment with the Group. He was also the director of the auditing office, manager of investment and development department and assistant to the general manager of SUD. He is currently the director and vice president of Shanghai Urban Development (Holdings) Co., Ltd. and the chairman of Shanghai Huanyu Urban Investment and Development Co., Ltd..

Ms. Huang Fei, Executive Director and Vice President

Ms. Huang, aged 54, was appointed as an executive Director on 22 March 2013. She is also the vice president of the Company. She was awarded a master's degree in business administration and European integration by Technische Universität Dresden in 2003. She was the league secretary of the Third Tramway Company of the Public Transport Corporation in Shanghai, the chairman of the labour union of Xuhui Urban Construction Corporation, the manager of sales division of SUD, the general manager of Shanghai Urban Development (Group) Real Property Agent Company and the director and general manager of Shanghai Wanyuan Real Estate Development Co., Ltd. prior to her employment with the Group. She is currently the director and vice president of SUD.

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

Mr. Zhong, aged 46, was appointed as an executive Director and a member of the Investment Appraisal Committee on 30 June 2017. He is also the vice president of the Company. He obtained a master's degree in business management from Shanghai Fudan University in 1998. He was a project manager of Shanghai Industrial Real Property Group (Shanghai) Company Limited, an assistant to the general manager of Shanghai Galaxy Digital Investment Company Limited and the chief planning officer of Shanghai Industrial Management (Shanghai) Company Limited prior to his employment with the Company. He is also currently a director and vice president of Shanghai Urban Development (Holdings) Co., Ltd., and the chairman of each of the intercity companies in Beijing, Tianjin and Shenyang.

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

Mr. Doo, aged 74, was appointed as an independent non-executive Director on 5 July 2010. He is the chairman of the remuneration committee and a member of the audit committee of the Company. He was appointed as a member of the nomination committee of the Company on 3 August 2015. Mr. Doo is the chairman and sole shareholder of Fungseng Prosperity Holdings Limited. In addition, he was appointed as a National Committee Member of the 12th Chinese People's Political Consultative Conference in February 2013. Mr. Doo is also the Honorary Consul General of the Kingdom of Morocco in Hong Kong and Macau. Since 1995 he has been serving as a Governor of the Canadian Chamber of Commerce in Hong Kong. In 2008, Mr. Doo was awarded the Chevalier de la Légion d'Honneur by the French Government. He was further awarded the Officier de l'Ordre National de la Légion d'Honneur in 2019. He is a director of the following listed companies:

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

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

Mr. Fan, aged 58, was appointed as an independent non-executive Director on 5 July 2010. He is also the chairman of the investment appraisal committee, the members of the audit committee, remuneration committee and nomination committee of the Company. He has over six years of experience in the property industry. Mr. Fan holds a Master's Degree in Business Administration from the United States of America. He is the president and an executive council member of the Hong Kong Independent Non-Executive Director Association. He is the chairman and managing director of AsiaLink Capital Limited. Mr. Fan was an independent non-executive director of Chinney Alliance Group Limited (stock code: 385) and an independent director of 深圳世聯地產顧問股份有限公司 (a company listed on the Shenzhen Stock Exchange with stock code of 002285). He is a director of the following listed companies:

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

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

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

Mr. Li, aged 64, was appointed as an independent non-executive Director on 5 July 2010. He is the chairman of the audit committee of the Company. He is currently the deputy managing partner of Li, Tang, Chen & Co. CPA (Practising). He is also a fellow of the Hong Kong Institute of Certified Public Accountants, a fellow of The Association of Chartered Certified Accountants, United Kingdom, as well as a fellow of The Institute of Chartered Accountants in England and Wales. Mr. Li has over twelve 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 and chairman of the audit committee, members of the nomination committee and the remuneration committee
• Cosmopolitan International Holdings Limited (stock code: 120)	Independent non-executive director, chairman of the audit committee, members of the nomination committee and the remuneration committee
• AVIC International Holding (HK) Limited (stock code: 232)	Independent non-executive director, members of the audit committee and the remuneration committee
• China Merchants Port Holdings Company Limited (stock code: 144)	Independent non-executive director, chairman of the remuneration committee, members of the audit committee and the nomination committee
• Wai Yuen Tong Medicine Holdings Limited (stock code: 897)	Independent non-executive director and chairman of the audit committee

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

Mr. Qiao, aged 51, was appointed as an independent non-executive Director and a member of the Investment Appraisal Committee on 28 September 2017. He is currently a member of the investment decision committee of Shanghai Yicheng Investment Management Co., Ltd. (上海頤成投資管理有限公司), a director of Dou Peng Education Science and Technology (Shanghai) Co., Ltd. (豆朋教育科技教育(上海)有限公司), a director of Shanghai Yinpei Data Management Co., Ltd. (上海銀沛資料管理有限公司), a supervisor of Shanghai Xueban Software Co., Ltd. (上海學伴軟體有限公司), a director of Shanghai Royoung Biotech Co., Ltd. (上海融揚生物技術有限公司), a director of Shanghai Ma Ke Bo Luo E-Commerce Limited (上海馬珂博邏電子商務有限公司) and a director of Shanghai Nianfu Intelligent Technology Co., Ltd. (上海捻幅智能科技有限公司).

Mr. Qiao graduated from Shanghai Fudan University with a bachelor's degree and a master's degree in computer as well as a doctor's degree in management. He also obtained an executive master degree of business administration from China Europe International Business School. He previously served as the chairman of Shanghai Fudan Kingstar Computer Co., Ltd., a director of Shanghai Shuwei Information Technology Co., Ltd., 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 45, is a vice president of the Company. He was the chief and the independent director of company secretary and information office in Shanghai Xujiahui Commercial Company Limited, the chief of secretary department in Shanghai Xuhui District Committee Office and the supervisor of SUD. Mr. Li received a master's degree in economics from Shanghai University of Finance and Economics in 2002. He is also an economist and a member of the Chartered Institute of Building (CIOB).

Ms. Zhou, aged 51, is a vice president of the Company. She was an executive director of Shanghai Zendai Property Limited (stock code: 755). She received a bachelor's degree in arts from the School of Literature of Shanghai University (a branch of the Fudan University) and a master's degree in business studies from Massey University of New Zealand in 2000. Ms. Zhou has more than 23 years of experience in the real estate industry in the PRC. She is also currently the director and vice president of SUD.

Ms. Zhou Yan
Vice President

Mr. Yang Yong
Vice President

Mr. Yang, aged 47, is a vice president of the Company. Mr. Yang graduated from Tongji University with a major in real estate management. He used to be the deputy general manager of Shanghai International Group Investment Development Limited. Since December 2015, he has been the vice president of Shanghai Shangtou Asset Operations Company Limited.

Mr. He, aged 38, is a vice president of the Company. Mr. He received a bachelor's degree in economics from Fudan University. He was the assistant to the president of the Company and SUD. He has been the general manager of Shanghai Shentian Property Limited (上海莘天置業有限公司) since February 2013. Mr. He is currently also the vice president to SUD.

Mr. He Bin
Vice President

Mr. Chan Kin Chu, Harry
Company Secretary

Mr. Chan, aged 49, has been the Company Secretary since 1 June 2011. He was appointed as Board Secretary and Deputy General Counsel in February 2013. Mr. Chan graduated from The University of Hong Kong with a bachelor of laws degree. He also obtained a master of laws degree from The University of London, U.K. and a bachelor of laws degree from Tsinghua University, the PRC. He was admitted to the High Court of Hong Kong Special Administrative Region as a solicitor. Mr. Chan has over 20 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 2018.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries and its associates are set out in notes 47 and 19 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 17 of this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2018 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 86 to 87.

The Board recommends the payment of a final dividend of 1.8 HK cents per share in cash and a special dividend of 2.3 HK cents per share in cash for the year ended 31 December 2018 (for the year ended 31 December 2017: final dividend of 1.6 HK cents per share in cash and special dividend of 2.5 HK cents per share in cash) to Shareholders whose names appear on the register of members of the Company at the close of business on Friday, 31 May 2019, subject to approval by the Shareholders at the 2019 AGM. It is expected that the final dividend and special dividend warrants will be despatched to those entitled Shareholders on or around Monday, 24 June 2019.

CLOSURE OF REGISTER OF MEMBERS

Entitlement to attend and vote at the 2019 AGM

The 2019 AGM is scheduled to be held on Wednesday, 22 May 2019. For determining the entitlement to attend and vote at the 2019 AGM, the register of members of the Company will be closed from Friday, 17 May 2019 to Wednesday, 22 May 2019, 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 2019 AGM, unregistered holders of shares of the Company should ensure that all duly completed transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30p.m. on Thursday, 16 May 2019.

Entitlement to receive the proposed final and special dividend

For determining the entitlement of the Shareholders to receive the proposed final and special dividend, the Company's register of members will be closed from Wednesday, 29 May 2019 to Friday, 31 May 2019, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the proposed final and special dividend (subject to Shareholders' approval at the 2019 AGM), all duly completed transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30p.m. on Tuesday, 28 May 2019.

INVESTMENT PROPERTIES

Details of movements during the year ended 31 December 2018 in investment properties of the Group are set out in note 15 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year ended 31 December 2018 in other property, plant and equipment of the Group are set out in note 16 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 210 of this annual report.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 December 2018 are set out in note 35 to the consolidated financial statements.

LOAN AGREEMENT WITH SPECIFIC PERFORMANCE COVENANT ON THE CONTROLLING SHAREHOLDER

As disclosed in the Company's announcement dated 31 January 2019, the Company (as borrower) entered into a facility letter (the "**Facility Letter**") with a bank (as lender) for a revolving loan facility of up to HK$500,000,000 with maturity date being the date falling one year from the acceptance date of the Facility Letter (the "**RL Facility**").

The Facility Letter contains an undertaking by the Company that so long as the RL Facility or any sum thereunder are outstanding, SIHL and/or SIIC (both being controlling shareholders of the Company) shall collectively directly or indirectly own not less than 51% of the total share capital of the Company and maintain management control of the Company (the "**Shareholding and Management Covenant**"). A breach of the Shareholding and Management Covenant will constitute a default under the Facility Letter. As at the date of this annual report, SIHL and SIIC are beneficially interested in approximately 71.00% and 71.25%, respectively, of the total issued share capital of the Company.

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

MATERIAL DISPOSALS AND ACQUISITIONS

Details of material disposals and acquisitions of the Company are set out in notes 34 and 36 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 2018 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 2018.

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

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

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

Under the Companies Act 1981 of Bermuda (as amended), the Company's share premium account of HK$9,514,684,000 as at 31 December 2018 (as at 31 December 2017: HK$9,514,684,000) may be distributed in the form of fully paid bonus shares.

DIRECTORS

The Directors during the year ended 31 December 2018 and up to the date of this annual report have been:

Executive Directors

Zeng Ming *(Chairman) (appointed on 23 May 2018)*
Zhou Xiong *(Vice Chairman and President) (appointed on 23 May 2018)*
Ji Gang *(retired on 23 May 2018)*
Lou Jun
Yang Jianwei *(retired on 23 May 2018)*
Fei Zuoxiang
Ye Weiqi
Huang Fei
Zhong Tao

Independent Non-executive Directors

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

In accordance with clause 86(2) of the Company's Bye-laws, Messrs. Zeng Ming and Zhou Xiong shall hold office as a Director until the first annual general meeting of the Members after his appointment. Separate ordinary resolutions will be proposed at 2019 AGM to seek Shareholders' approval to the proposed elections of Mr. Zeng Ming and Mr. Zhou Xiong as executive Directors.

In accordance with Bye-law 87 of the Company's Bye-laws, Mr. Doo Wai-Hoi, William, *J.P.*, Mr. Fan Ren Da, Anthony and Mr. Li Ka Fai, David will retire by rotation at the forthcoming annual general meeting of the Company and, being eligible, have offered themselves for re-election. Separate ordinary resolutions will be proposed at the 2019 AGM to re-elect Mr. Doo Wai-Hoi, William, *J.P.*, Mr. Fan Ren Da, Anthony and Mr. Li Ka Fai, David as independent non-executive Directors.

Mr. Doo Wai-Hoi, William, *J.P.*, Mr. Fan Ren Da, Anthony and Mr. Li Ka Fai, David have been serving the Board since 5 July 2010. For their further appointments after 9 years as independent non-executive Directors, pursuant to the Code, the papers to shareholders accompanying the resolutions for re-elections should include the reasons why the Board believes they are still independent and should be re-elected an independent non-executive directors after serving more than 9 years.

Pursuant to the Code, where the board proposes a resolution to elect an individual as an independent non-executive director at the general meeting, the Company will also set out in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting:

— the process used for identifying the individual and why the board believes the individual should be elected and the reasons why it considers the individual to be independent;

— if the proposed independent non-executive director will be holding their seventh (or more) listed company directorship, why the board believes the individual would still be able to devote sufficient time to the board;

— the perspectives, skills and experience that the individual can bring to the board; and

— how the individual contributes to diversity of the board.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in note 45 to the consolidated financial statements, no contract of significance, to which the Company, its holding company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at 31 December 2018 or at any time during the year ended 31 December 2018.

MANAGEMENT CONTRACT

During the year ended 31 December 2018, 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 2018 or at any time during the year ended 31 December 2018; 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 2018 or at any time during the year ended 31 December 2018.

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 61 to 67 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 11 and 45a to the consolidated financial statements respectively.

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

As at 31 December 2018, the interests of the directors and chief executives of the Company in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) and required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in the shares and underlying shares of the Company

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

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.

Save as disclosed herein, as at 31 December 2018, none of the Directors or the chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or pursuant to the Model Code.

SHARE OPTION SCHEME

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

As at 31 December 2018, the Company granted 27,750,000 shares options to subscribe for up to a total of 27,750,000 ordinary shares of nominal value of HK$0.04 each in the capital of the Company under the Share Option Scheme, representing approximately 0.58% of the issued share capital of the Company as at 31 December 2018. The Share Option Scheme expired on 11 December 2012.

The particulars and movements of the share options to subscribe for the Company's shares under the Share Option Scheme during the year ended 31 December 2018 were as follows:

Name of categories	Date of grant	Exercise price per share HK$	Exercise period[1]	Outstanding as at 1.1.2018	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Outstanding as at 31.12.2018
Directors								
Ye Weiqi	24 September 2010	2.98	24 September 2010 to 23 September 2020	6,000,000	–	–	–	6,000,000
Huang Fei	24 September 2010	2.98	24 September 2010 to 23 September 2020	6,000,000	–	–	–	6,000,000
Zhong Tao	24 September 2010	2.98	24 September 2010 to 23 September 2020	6,000,000	–	–	–	6,000,000
Doo Wai-Hoi, William, *J.P.*	24 September 2010	2.98	24 September 2010 to 23 September 2020	1,000,000	–	–	–	1,000,000
Fan Ren Da, Anthony	24 September 2010	2.98	24 September 2010 to 23 September 2020	1,000,000	–	–	–	1,000,000
Li Ka Fai, David	24 September 2010	2.98	24 September 2010 to 23 September 2020	1,000,000	–	–	–	1,000,000
Senior management and employees	24 September 2010	2.98	24 September 2010 to 23 September 2020	6,750,000	–	–	–	6,750,000
Total				**27,750,000**	**–**	**–**	**–**	**27,750,000**

Note:

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

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

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

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

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

Reference was made to the circular of the Company dated 16 April 2013 in relation to the adoption of the New Share Option Scheme. Unless the context requires otherwise, terms defined in the Circular shall have the same meanings when used in this annual report. As disclosed in the Circular, the New Share Option Scheme will be valid for ten years since the Adoption Date. The purpose of the New Share Option Scheme is to enable the Company to grant options to the Eligible Participants, as incentives and/or rewards for their contributions to the Group. The Board considers that the New Share Option Scheme will provide the Eligible Participants with the opportunity to acquire shares of the Company and to encourage the Eligible Participants to work towards enhancing the value of the Company and for the benefit of the Company and its shareholders as a whole. The provisions of the New Share Option Scheme comply with the requirements of Chapter 17 of the Listing Rules. Further details of the New Share Option Scheme can be found in the Circular.

The Company had not granted any share options under the New Share Option Scheme since its Adoption Date up to 31 December 2018.

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 2018.

ARRANGEMENTS FOR DIRECTORS TO PURCHASE SHARES OR DEBENTURES

Other than the Share Option Scheme detailed in note 37 to the consolidated financial statements, at no time during the year ended 31 December 2018 was the Company, its holding company or any of its subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

CORPORATE GOVERNANCE

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

AUDIT COMMITTEE

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

During the year ended 31 December 2018, 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 2018, the audited final financial statements of the Group for the year ended 31 December 2018 and discussed with the management and the auditor of the Company on the accounting principles and practices adopted by the Group; risk management and internal controls; and financial reporting matters.

CONNECTED TRANSACTIONS

Certain related party transactions as set out in notes 2, 19, 27, 34, 36, 45 and 46 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 2, 19, 34, 36, 45 and 46 to the consolidated financial statements, required to be disclosed under Chapter 14A of the Listing Rules are set out below.

CONNECTED TRANSACTIONS

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

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

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

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

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

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

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

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

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

The Acquisition of Shanghai Shangtou was approved by the independent Shareholders at the special general meeting held on 19 April 2018. For further information about the Acquisition of Shanghai Shangtou, please refer to the announcements of the Company dated 29 December 2017, 28 February 2018 and circular dated 29 March 2018 respectively.

(iii) Connected transaction in relation to disposal of the entire issued share of Fine Mark Investment Limited (the "Disposal")

On 17 April 2018, Neo-China Investment Limited (a wholly-owned subsidiary of the Company) and the Hongkong Ruimin Investment Co, Limited (香港瑞閩投資有限公司) (the "**Purchaser**") entered into the share transfer agreement, pursuant to which the Neo-China Investment Limited disposed of the entire issued share of Fine Mark Investment Limited, at a consideration of RMB120,750,000, and assign the related outstanding loans at an aggregate consideration of approximately RMB56,000,000.

As the Purchaser holds 40% of the entire issued share capital in Initial Point Investment Limited ("**Initial Point**"), a company incorporated in Hong Kong with limited liability and is owned as to 51% by Fine Mark Investment Limited and 40% by the Purchaser, and thus is a substantial shareholder of Initial Point and the sole shareholder of the Purchaser is a director of Initial Point, the Purchaser is a connected person of the Company at subsidiary level and the entering into of the share transfer agreement and the disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

For further information about the Disposal, please refer to the announcement of the Company dated 17 April 2018.

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

As at 31 December 2018, substantial shareholders and other persons (other than the directors and chief executives of the Company) who had interests or short positions in the shares and underlying shares of the Company which were notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO and entered in the register required to be kept by the Company pursuant to Section 336 of the SFO, or otherwise notified to the Company were as follows:

Ordinary shares of HK$0.04 each of the Company

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

Notes:

1. L denotes long positions.

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

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

4. SIIC through its subsidiaries, namely Shanghai Investment Holdings Limited, SIIC Capital (B.V.I.) Limited, Shanghai Industrial Financial (Holdings) Company Limited and SIIC CM Development Limited held approximately 59.99% of the shares of SIHL. Therefore, SIIC is deemed or taken to be interested in the 3,415,883,000 shares of the Company held by SIHL for the purpose of the SFO. Separately, 11,800,000 shares of the Company were held by SIIC Trading Company Limited, a subsidiary of SIIC.

Save as disclosed herein, as at 31 December 2018, the Company had not been notified by any persons (other than the Directors and chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of SFO.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's five largest customers comprised approximately 2.71% of the Group's total revenue for the year ended 31 December 2018 and the sales attributable to the Group's largest customer were approximately 0.55% of the Group's total revenue for the year ended 31 December 2018.

The aggregate purchases attributable to the Group's five largest suppliers comprised approximately 10.05% of the Group's total purchases and the purchases of the year ended 31 December 2018 attributable to the Group's largest supplier were approximately 4.69% of the Group's total purchases for the year ended 31 December 2018.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2018.

AUDITOR

The financial statements for the year ended 31 December 2018 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 2019 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.

DONATIONS

During the year ended 31 December 2018, the Group made charitable donations of RMB670,000 (equivalent to approximately HK$794,000).

APPRECIATION

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

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

Hong Kong, 27 March 2019

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 86 to 209, which comprise the consolidated statement of financial position as at 31 December 2018, 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 2018, 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 15 to the consolidated financial statements, the fair value of the investment properties of approximately HK$12,002,506,000 as at 31 December 2018 with the fair value loss of approximately HK$176,447,000 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 2018 has been arrived at on the basis of valuation carried out by an independent qualified professional valuer not connected to the Group (the "Valuer"). The valuation is dependent on certain significant inputs that involve judgment and estimation made by the management of the Group together with the Valuer, including, among other factors, market prices, prevailing market rents for comparable properties in the same location and condition, expected future market rents and discount and reversionary rates.	Our procedures in relation to the valuation of the investment properties included: • Assessing the competence, capabilities and objectivity of the Valuer; • Discussing with the Valuer on the valuation process to understand the performance of property markets, significant assumptions adopted and data used in the valuation and the management's critical judgmental areas; • Discussing with the Valuer to understand whether the investment properties held by the Group were valued on a consistent basis using consistent methodologies; • Evaluating the reasonableness of the methodologies adopted in the valuation models; and • Assessing the reasonableness of key inputs used in the valuation models by, on a sample basis, checking to the publicly available information and comparing the inputs to entity-specific historical information.

Key audit matter	How our audit addressed the key audit matter
Assessing the net realisable value of properties held-for-sale ("PHFS")	
We identified assessing the net realisable value of the Group's PHFS as a key audit matter because certain of such PHFS are not located in first-tier cities, such as Beijing and Shanghai, in the People's Republic of China (the "PRC"), which are more sensitive to changes in economic conditions and local government policy in the PRC. Accordingly, there is a risk that carrying value of such PHFS is lower than its net realisable value (the "NRV"). Besides, estimation uncertainty is associated with determining the NRV of the PHFS. As disclosed in note 23 to the consolidated financial statements, the Group has PHFS of approximately HK$8,860,695,000 as at 31 December 2018 of which an amount of approximately HK$1,943,274,000 related to PHFS which are not located in first-tier cities in the PRC and have no pre-sale agreements entered into by the Group during the year. No impairment loss in respect of PHFS not located in first-tier cities 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 PHFS, which are not located in first-tier cities in the PRC and have no pre-sale agreements entered into by the Group during the year, as at 31 December 2018 by reference to the valuation reports prepared by the Valuer. The valuation is dependent on certain significant inputs that involve judgment and estimation made by the management of the Group together with the Valuer including, among other factors, the nature of each property, its location and the prevailing selling price.	Our procedures in relation to the valuation of the Group's PHFS included: • Understanding and evaluating the appropriateness of the inventory provision policy adopted and assessing whether the provision policy is implemented properly and consistently with the basis adopted in prior years; • Challenging the forecasted property selling prices for those PHFS located in first-tier cities in the PRC as estimated by the management of the Group with reference to publicly available information and checking the pre-sale agreements entered into by the Group during the year, on a sample basis, if applicable; • Assessing the competence, capabilities and objectivity of the Valuer; • Discussing with the Valuer on the valuation process to understand the performance of property markets, significant assumptions adopted and data used in the valuation models and the management's critical judgmental areas; • Evaluating the reasonableness of the methodologies adopted in the valuation models; and • Assessing the reasonableness of key inputs used in the valuation models by, on a sample basis, checking to the publicly available information and comparing the inputs to entity-specific historical information.

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

27 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	NOTES	**2018 HK$'000**	2017 HK$'000 (restated)
Revenue	6A		
Goods and services		**6,274,014**	8,721,866
Rental		**703,669**	651,037
Total revenue		**6,977,683**	9,372,903
Cost of sales		**(3,596,818)**	(4,971,065)
Gross profit		**3,380,865**	4,401,838
Other income	7A	**842,885**	407,212
Other expenses, gains and losses, net	7B	**(13,667)**	(28,849)
Fair value changes on investment properties, net	15	**(176,447)**	(39,496)
Impairment loss in respect of properties held-for-sale		**—**	(113,120)
Distribution and selling expenses		**(321,707)**	(235,255)
General and administrative expenses		**(385,812)**	(450,697)
Gains on disposal of subsidiaries	34	**234,712**	—
Finance costs	8	**(743,301)**	(639,381)
Share of results of associates	19	**6,859**	4,129
Profit before tax		**2,824,387**	3,306,381
Income tax	9	**(1,554,640)**	(2,081,971)
Profit for the year	10	**1,269,747**	1,224,410
Other comprehensive (expense) income for the year			
Items that will not be reclassified to profit or loss:			
Exchange differences arising on translation into presentation currency		**(1,256,914)**	1,620,222
Fair value loss on equity instruments at fair value through other comprehensive income, net of tax		**(43,079)**	—
Item that may be reclassified subsequently to profit or loss:			
Fair value loss on available-for-sale investment, net of tax		**—**	(26,182)
Other comprehensive (expense) income for the year		**(1,299,993)**	1,594,040
Total comprehensive (expense) income for the year		**(30,246)**	2,818,450

	NOTE	2018 HK$'000	2017 HK$'000 (restated)
Profit for the year attributable to:			
Owners of the Company		**573,074**	536,109
Non-controlling interests		**696,673**	688,301
		1,269,747	1,224,410
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		**(187,485)**	1,398,834
Non-controlling interests		**157,239**	1,419,616
		(30,246)	2,818,450
			(restated)
Earnings per share			
Basic (HK cents)	14	**11.91**	11.14
			(restated)
Diluted (HK cents)	14	**11.91**	11.14

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	NOTES	31 December 2018 HK$'000	31 December 2017 HK$'000 (restated)	1 January 2017 HK$'000 (restated)
Non-current assets				
Investment properties	15	**12,002,506**	14,946,610	13,762,814
Property, plant and equipment	16	**2,160,650**	2,387,632	1,729,907
Prepaid lease payments	17	**198,926**	222,976	213,435
Intangible assets	18	**57,980**	61,261	56,945
Interests in associates	19	**1,260,780**	1,221,279	1,135,065
Interest in a joint venture	20	**626,281**	65,718	65,718
Available-for-sale investments	21A	**—**	273,458	287,993
Equity instruments at fair value through other comprehensive income	21B	**169,599**	—	—
Pledged bank deposits	22	**16,566**	30,427	20,937
Other receivables and prepayment	24	**686,131**	26,739	103,394
Deferred tax assets	33	**282,089**	238,033	419,910
		17,461,508	19,474,133	17,796,118
Current assets				
Inventories	23	**31,075,378**	28,495,408	26,172,239
Trade and other receivables	24	**490,016**	1,732,496	1,457,293
Amounts due from related companies	28	**305,472**	885,897	1,148,055
Prepaid lease payments	17	**4,684**	4,942	4,593
Prepaid income tax and land appreciation tax		**439,144**	435,101	375,773
Financial assets at fair value through profit or loss	25	**2,805**	3,506	5,193
Restricted and pledged bank deposits	22	**83,442**	80,586	137,672
Bank balances and cash	26	**9,127,828**	13,185,306	13,039,272
		41,528,769	44,823,242	42,340,090
Assets classified as held-for-sale	46	**—**	180,232	—
		41,528,769	45,003,474	42,340,090
Current liabilities				
Trade and other payables	27	**5,240,804**	5,390,662	5,269,050
Amounts due to related companies	28	**886,336**	1,564,233	1,043,981
Amounts due to associates	29	**10,451**	5,771	50,371
Consideration payables for acquisition of subsidiaries	30	**68,322**	736,249	935,291
Pre-sale proceeds received on sales of properties	31	**6,537,268**	6,969,335	8,067,800
Bank and other borrowings	32	**2,820,495**	4,068,888	854,595
Income tax and land appreciation tax payables		**2,655,058**	2,634,606	2,509,813
Dividend payable		**12,107**	10,044	8,384
Dividend payable to non-controlling shareholders		**170,803**	180,180	61,344
		18,401,644	21,559,968	18,800,629
Liabilities associated with assets classified as held-for-sale	46	**—**	154,804	—
		18,401,644	21,714,772	18,800,629

	NOTES	31 December 2018 HK$'000	31 December 2017 HK$'000 (restated)	1 January 2017 HK$'000 (restated)
Net current assets		**23,127,125**	23,288,702	23,539,461
Total assets less current liabilities		**40,588,633**	42,762,835	41,335,579
Non-current liabilities				
Deferred revenue	27	**159,751**	201,892	195,776
Amounts due to related companies	28	**—**	415,615	279,142
Bank and other borrowings	32	**12,575,025**	13,022,367	14,159,552
Deferred tax liabilities	33	**4,478,051**	4,925,666	4,722,103
		17,212,827	18,565,540	19,356,573
		23,375,806	24,197,295	21,979,006
Capital and reserves				
Share capital	35	**192,439**	192,439	192,451
Reserves		**12,868,253**	13,575,180	12,352,442
Equity contributable to owners of the Company		**13,060,692**	13,767,619	12,544,893
Non-controlling interests		**10,315,114**	10,429,676	9,434,113
		23,375,806	24,197,295	21,979,006

The consolidated financial statements on pages 86 to 209 were approved and authorised for issue by the Board of Directors on 27 March 2019 and are signed on its behalf by:

ZENG MING
DIRECTOR

YE WEIQI
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to owners of the Company													
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000 (note (iv))	Share options reserve HK$'000	Other revaluation reserve HK$'000 (note (i))	Investment revaluation reserve HK$'000	Statutory reserve HK$'000	Shareholder's contribution/ merger reserve HK$'000 (note (ii))	Other reserve HK$'000 (note (iii))	Exchange reserve HK$'000	Accumulated losses/ retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2017 (originally stated)	192,451	10,115,153	22,358	48,202	52,526	130,356	275,678	2,214,569	(47,317)	(74,380)	(638,773)	12,290,823	9,429,305	21,720,128
Merger adjustments	–	–	–	–	–	–	12,481	267,053	–	–	(25,464)	254,070	4,808	258,878
At 1 January 2017 (restated)	192,451	10,115,153	22,358	48,202	52,526	130,356	288,159	2,481,622	(47,317)	(74,380)	(664,237)	12,544,893	9,434,113	21,979,006
Profit for the year	–	–	–	–	–	–	–	–	–	–	536,109	536,109	688,301	1,224,410
Exchange differences arising on translation into presentation currency	–	–	–	–	–	–	–	–	–	888,906	–	888,906	731,316	1,620,222
Fair value loss on available-for-sale investment, net of tax	–	–	–	–	–	(26,182)	–	–	–	–	–	(26,182)	–	(26,182)
Total comprehensive income for the year	–	–	–	–	–	(26,182)	–	–	–	888,906	536,109	1,398,833	1,419,617	2,818,450
Transfer to distributable reserve (note (vi))	–	(600,000)	600,000	–	–	–	–	–	–	–	–	–	–	–
Repurchase of ordinary shares (note (v))	(12)	(469)	–	–	–	–	–	–	–	–	–	(481)	–	(481)
Dividends recognised as distributions (Note 51)	–	–	(158,772)	–	–	–	–	–	–	–	–	(158,772)	–	(158,772)
Dividends declared to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	(422,188)	(422,188)
Distribution in specie (note (vii))	–	–	–	–	–	–	(12,481)	–	–	–	(4,373)	(16,854)	(1,866)	(18,720)
Forfeiture of share options	–	–	–	(16,310)	–	–	–	–	–	–	16,310	–	–	–
Transfer	–	–	–	–	–	–	108,764	–	–	–	(108,764)	–	–	–
At 31 December 2017 (restated)	192,439	9,514,684	463,586	31,892	52,526	104,174	384,442	2,481,622	(47,317)	814,526	(224,955)	13,767,619	10,429,676	24,197,295
Profit for the year	–	–	–	–	–	–	–	–	–	–	573,074	573,074	696,673	1,269,747
Exchange differences arising on translation into presentation currency	–	–	–	–	–	–	–	–	–	(692,430)	–	(692,430)	(564,484)	(1,256,914)
Fair value loss on equity instruments at fair value through other comprehensive income, net of tax	–	–	–	–	–	(68,129)	–	–	–	–	–	(68,129)	25,050	(43,079)
Total comprehensive (expense) income for the year	–	–	–	–	–	(68,129)	–	–	–	(692,430)	573,074	(187,485)	157,239	(30,246)
Distributions of carved-out assets and liabilities (Note 36)	–	–	–	–	–	–	–	(322,192)	–	–	–	(322,192)	–	(322,192)
Dividends recognised as distributions (Note 51)	–	–	(197,250)	–	–	–	–	–	–	–	–	(197,250)	–	(197,250)
Dividends declared to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	(311,611)	(311,611)
Capital injection from a non-controlling shareholder without change in shareholding of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	39,810	39,810
Transfer upon disposal of subsidiaries	–	–	–	–	–	–	–	–	–	(13,653)	13,653	–	–	–
Transfer	–	–	–	–	–	–	158,956	–	–	–	(158,956)	–	–	–
At 31 December 2018	192,439	9,514,684	266,336	31,892	52,526	36,045	543,398	2,159,430	(47,317)	108,443	202,816	13,060,692	10,315,114	23,375,806

Notes:

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

(ii) Merger reserve comprises of (1) the difference between the consideration paid to the parent company of the Company, Shanghai Industrial Holdings Limited ("SIHL"), for the acquisition of subsidiaries controlled by SIHL (the "Acquiree") and the fair value of net assets of the Acquiree at the date of the Company and its subsidiaries (collectively referred to as the "Group") and the Acquiree became under common control in year 2011; and (2) the difference between the consideration paid to Shangtou Assets (as defined in Note 2) to which Shanghai Industrial Investment (Holdings) Company Limited ("SIIC"), being the ultimate parent of the Company, exercises the authority as a state-owned shareholder, for acquisition of Shangtou Real Estate Group (as defined in Note 2) (after carving out certain assets and liabilities upon completion of the acquisition) controlled by Shangtou Assets and the fair value of net assets of Shangtou Real Estate Group at the date of the Group and Shangtou Real Estate Group became under common control.

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

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

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

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

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

(vii) During the year ended 31 December 2017, the Group disposed of two entities to an entity under common control of SIIC at nil consideration.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	2018 HK$'000	2017 HK$'000 (restated)
OPERATING ACTIVITIES		
Profit before tax	2,824,387	3,306,381
Adjustments for:		
Fair value changes on investment properties, net	176,447	39,496
Depreciation on property, plant and equipment	126,873	107,589
Amortisation of prepaid lease payments	6,559	6,370
Gains on disposal of property, plant and equipment	(664)	(8,536)
Finance costs	743,301	639,381
Interest income	(252,786)	(300,951)
Dividend income from available-for-sale investments	–	(363)
Dividend income from equity instruments at fair value through other comprehensive income	(653)	–
Fair value changes of financial assets at fair value through profit or loss, net	541	1,997
Impairment loss in respect of properties held-for-sale	–	113,120
Gains on disposal of subsidiaries	(234,712)	–
Gains on land resumption	(538,579)	–
Share of results of associates	(6,859)	(4,129)
Unrealised foreign exchange loss	–	8,447
Operating cash flows before movements in working capital	2,843,855	3,908,802
Increase in inventories	(720,481)	(452,893)
Decrease (increase) in trade and other receivables	6,615	(424,349)
Decrease in trade and other payables	(102,932)	(39,713)
Increase (decrease) in amounts due to associates	5,182	(46,481)
Decrease in pre-sale proceeds received on sales of properties	(72,207)	(1,641,548)
Cash from operations	1,960,032	1,303,818
Income tax paid	(1,663,813)	(2,105,202)
Net cash from (used in) operating activities	296,219	(801,384)

	NOTES	2018 HK$'000	2017 HK$'000 (restated)
INVESTING ACTIVITIES			
Net proceeds from disposal of subsidiaries	34	160,068	—
Receipt of consideration receivable in respect of disposal of assets through disposal of a subsidiary		—	339,290
Prepayment for acquisition of land parcels		(694,669)	—
Repayment of consideration payables for acquisition of subsidiaries		(628,942)	(259,132)
Purchase of property, plant and equipment		(61,891)	(271,666)
Proceeds from disposal of property, plant and equipment		39,563	37,005
Proceeds from disposal of equity instruments at fair value through other comprehensive income		12,125	—
Proceeds from disposal of investment properties		—	5,676
Development costs paid for investment properties		(223,944)	(180,179)
Proceeds from land resumption		640,977	—
Decrease in restricted and pledged bank deposits		5,440	57,232
Advances to a related company		(29,731)	—
Repayment from a related company		555,988	335,203
Consideration paid for acquisition of an associate		(104,666)	—
Capital injection for establishment of a joint venture		(626,281)	—
Repayment of loan receivables		71,403	—
Dividend received from available-for-sale investments		—	363
Dividend received from equity instruments at fair value through other comprehensive income		653	—
Dividend received from an associate	19	4,296	3,955
Deposit received for disposal of a subsidiary		235,171	—
Interest received		252,786	294,950
Net cash (used in) from investing activities		(391,654)	362,697

CONSOLIDATED STATEMENT OF CASH FLOWS

	2018 HK$'000	2017 HK$'000 (restated)
FINANCING ACTIVITIES		
Proceeds from new bank and other borrowings	4,790,884	2,964,653
Repayments of bank and other borrowings	(5,644,216)	(2,012,940)
Repayments to related companies	(1,193,365)	(139,118)
Advances from related companies	151,588	681,590
Payments on repurchase of ordinary shares	—	(481)
Capital injection from a non-controlling shareholder	39,810	—
Transaction costs attributable to issue of medium term notes	(5,030)	—
Dividend paid to non-controlling shareholders	(311,611)	(312,571)
Dividend paid	(195,187)	(157,112)
Interest paid	(1,239,391)	(945,743)
Net cash (used in) from financing activities	(3,606,518)	78,278
Net decrease in cash and cash equivalents	(3,701,863)	(360,409)
Cash and cash equivalents at the beginning of the year	13,348,589	13,039,272
Effect of foreign exchange rate changes	(518,898)	669,726
Cash and cash equivalents represented by bank balances and cash at the end of the year	9,127,828	13,348,589
Analysis of cash and cash equivalents as at 31 December, represented by bank balances and cash held by		
— the Group	9,127,828	13,185,306
— the disposal group held-for-sale	—	163,283
	9,127,828	13,348,589

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. GENERAL

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

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

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

2. MERGER ACCOUNTING FOR BUSINESS COMBINATION INVOLVING ENTITIES UNDER COMMON CONTROL

In April 2018, the Group acquired an entity, namely 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"), from Shanghai Shangtou Assets Operations Company Limited 上海上投資產經營有限公司 ("Shangtou Assets") to which SIIC, being the ultimate parent of the Company, exercises the authority as a state-owned shareholder at a cash consideration of approximately RMB530,827,000. Shangtou Real Estate was established in the PRC and principally engaged in secondary land development.

The Group's acquisition of Shangtou Real Estate is considered to be a business combination under common control as the Group and Shangtou Real Estate Group are both controlled by SIIC. As such, this acquisition is accounted for by applying the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" ("AG 5") as if Shangtou Real Estate Group have always been operated by the Group.

In applying AG 5, the Company's consolidated statement of financial position as at 31 December 2017 and 1 January 2017 has been restated to include the assets and liabilities of Shangtou Real Estate Group as if they were within the Group on these respective dates (see below for the financial impacts). The Company's consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended 31 December 2017 have also been restated to include the financial performance, changes in equity and cash flows of Shangtou Real Estate Group as if they were within the Group since 1 January 2017.

Details of the acquisition of Shangtou Real Estate are set out in Note 36.

2. MERGER ACCOUNTING FOR BUSINESS COMBINATION INVOLVING ENTITIES UNDER COMMON CONTROL (CONTINUED)

The effects of adoption of merger accounting on the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017 are as follows:

	Year ended 31 December 2017		
	As originally stated HK$'000	Adjustments on merger accounting HK$'000 (note)	Restated HK$'000
Revenue			
Goods and services	8,721,866	—	8,721,866
Rental	634,999	16,038	651,037
Total revenue	9,356,865	16,038	9,372,903
Cost of sales	(4,971,065)	—	(4,971,065)
Gross profit	4,385,800	16,038	4,401,838
Other income	402,572	4,640	407,212
Other expenses, gains and losses, net	(11,879)	(16,970)	(28,849)
Fair value changes on investment properties, net	(39,496)	—	(39,496)
Impairment loss in respect of properties held-for-sale	(113,120)	—	(113,120)
Distribution and selling expenses	(235,033)	(222)	(235,255)
General and administrative expenses	(444,055)	(6,642)	(450,697)
Finance costs	(621,332)	(18,049)	(639,381)
Share of results of associates	4,129	—	4,129
Profit before tax	3,327,586	(21,205)	3,306,381
Income tax	(2,080,264)	(1,707)	(2,081,971)
Profit for the year	1,247,322	(22,912)	1,224,410
Other comprehensive income (expense) for the year			
Item that will not be reclassified to profit or loss:			
Exchange differences arising on translation into presentation currency	1,602,760	17,462	1,620,222
Item that may be reclassified subsequently to profit or loss:			
Fair value loss on available-for-sale investment, net of tax	(26,182)	—	(26,182)
Other comprehensive income for the year	1,576,578	17,462	1,594,040
Total comprehensive income for the year	2,823,900	(5,450)	2,818,450

2. MERGER ACCOUNTING FOR BUSINESS COMBINATION INVOLVING ENTITIES UNDER COMMON CONTROL (CONTINUED)

	Year ended 31 December 2017		
	As originally stated HK$'000	Adjustments on merger accounting HK$'000 (note)	Restated HK$'000
Profit for the year attributable to:			
— Owners of the Company	557,964	(21,855)	536,109
— Non-controlling interests	689,358	(1,057)	688,301
	1,247,322	(22,912)	1,224,410
Total comprehensive income attributable to:			
— Owners of the Company	1,403,468	(4,634)	1,398,834
— Non-controlling interests	1,420,432	(816)	1,419,616
	2,823,900	(5,450)	2,818,450
Earnings per share			
— Basic (HK cents)	11.60	(0.46)	11.14
— Diluted (HK cents)	11.60	(0.46)	11.14

Note: These adjustments are to include the financial performance of Shangtou Real Estate Group during the year ended 31 December 2017 into the Company's consolidated financial statements.

2. MERGER ACCOUNTING FOR BUSINESS COMBINATION INVOLVING ENTITIES UNDER COMMON CONTROL (CONTINUED)

The effects of the adoption of merger accounting on the consolidated statement of financial position as at 31 December 2017 are as follows:

	At 31 December 2017		
	As originally stated HK$'000	Adjustments on merger accounting HK$'000 (note)	Restated HK$'000
Non-current assets			
Investment properties	14,932,613	13,997	14,946,610
Property, plant and equipment	2,386,833	799	2,387,632
Prepaid lease payments	222,976	—	222,976
Intangible assets	61,261	—	61,261
Interests in associates	1,221,279	—	1,221,279
Interest in a joint venture	65,718	—	65,718
Available-for-sale investments	249,434	24,024	273,458
Pledged bank deposits	30,427	—	30,427
Other receivables	26,739	—	26,739
Deferred tax assets	226,179	11,854	238,033
	19,423,459	50,674	19,474,133
Current assets			
Inventories	27,546,284	949,124	28,495,408
Trade and other receivables	750,101	982,395	1,732,496
Amounts due from related companies	322,229	563,668	885,897
Prepaid lease payments	4,942	—	4,942
Prepaid income tax and land appreciation tax	428,506	6,595	435,101
Financial assets at fair value through profit or loss	3,506	—	3,506
Restricted and pledged bank deposits	80,586	—	80,586
Bank balances and cash	12,685,436	499,870	13,185,306
	41,821,590	3,001,652	44,823,242
Assets classified as held-for-sale	180,232	—	180,232
	42,001,822	3,001,652	45,003,474

2. MERGER ACCOUNTING FOR BUSINESS COMBINATION INVOLVING ENTITIES UNDER COMMON CONTROL (CONTINUED)

	At 31 December 2017		
	As originally stated HK$'000	Adjustments on merger accounting HK$'000 (note)	Restated HK$'000
Current liabilities			
Trade and other payables	5,325,245	65,417	5,390,662
Amounts due to related companies	735,404	828,829	1,564,233
Amounts due to associates	5,771	—	5,771
Consideration payables for acquisition of subsidiaries	98,619	637,630	736,249
Pre-sale proceeds received on sales of properties	6,387,497	581,838	6,969,335
Bank and other borrowings	3,954,956	113,932	4,068,888
Income tax and land appreciation tax payables	2,633,222	1,384	2,634,606
Dividend payable	10,044	—	10,044
Dividend payable to non-controlling shareholders	180,180	—	180,180
	19,330,938	2,229,030	21,559,968
Liabilities associated with assets classified as held-for-sale	154,804	—	154,804
	19,485,742	2,229,030	21,714,772
Net current assets	22,516,080	772,622	23,288,702
Total assets less current liabilities	41,939,539	823,296	42,762,835
Non-current liabilities			
Deferred revenue	201,892	—	201,892
Amounts due to related companies	115,315	300,300	415,615
Bank and other borrowings	12,734,079	288,288	13,022,367
Deferred tax liabilities	4,925,666	—	4,925,666
	17,976,952	588,588	18,565,540
	23,962,587	234,708	24,197,295
Capital and reserves			
Share capital	192,439	—	192,439
Reserves	13,342,599	232,581	13,575,180
Equity contributable to owners of the Company	13,535,038	232,581	13,767,619
Non-controlling interests	10,427,549	2,127	10,429,676
	23,962,587	234,708	24,197,295

Note: These adjustments are to include the assets and liabilities of Shangtou Real Estate Group as at 31 December 2017 into the Company's consolidated financial statements.

The adjustment to consideration payables for acquisition of subsidiaries also include an amount of approximately RMB530,827,000 (equivalent to approximately HK$637,630,000), being the cash consideration payable by the Group for acquisition of Shangtou Real Estate Group.

2. MERGER ACCOUNTING FOR BUSINESS COMBINATION INVOLVING ENTITIES UNDER COMMON CONTROL (CONTINUED)

The effects of the adoption of merger accounting on the consolidated statement of financial position as at 1 January 2017 are as follows:

	At 1 January 2017		
	As originally stated HK$'000	Adjustments on merger accounting HK$'000 (note)	Restated HK$'000
Non-current assets			
Investment properties	13,744,306	18,508	13,762,814
Property, plant and equipment	1,726,009	3,898	1,729,907
Prepaid lease payments	213,435	—	213,435
Intangible assets	56,945	—	56,945
Interests in associates	1,135,065	—	1,135,065
Interest in a joint venture	65,718	—	65,718
Available-for-sale investments	265,662	22,331	287,993
Pledged bank deposits	20,937	—	20,937
Other receivables	103,394	—	103,394
Deferred tax assets	409,786	10,124	419,910
	17,741,257	54,861	17,796,118
Current assets			
Inventories	25,483,600	688,639	26,172,239
Trade and other receivables	1,259,937	197,356	1,457,293
Amounts due from related companies	299,527	848,528	1,148,055
Prepaid lease payments	4,593	—	4,593
Prepaid income tax and land appreciation tax	375,240	533	375,773
Financial assets at fair value through profit or loss	5,193	—	5,193
Restricted and pledged bank deposits	137,672	—	137,672
Bank balances and cash	12,818,335	220,937	13,039,272
	40,384,097	1,955,993	42,340,090

2. MERGER ACCOUNTING FOR BUSINESS COMBINATION INVOLVING ENTITIES UNDER COMMON CONTROL (CONTINUED)

	At 1 January 2017		
	As originally stated HK$'000	Adjustments on merger accounting HK$'000 (note)	Restated HK$'000
Current liabilities			
Trade and other payables	5,173,828	95,222	5,269,050
Amounts due to related companies	609,801	434,180	1,043,981
Amounts due to associates	50,371	—	50,371
Consideration payables for acquisition of subsidiaries	342,585	592,706	935,291
Pre-sale proceeds received on sales of properties	7,996,881	70,919	8,067,800
Bank and other borrowings	854,595	—	854,595
Income tax and land appreciation tax payables	2,497,983	11,830	2,509,813
Dividend payable	8,384	—	8,384
Dividend payable to non-controlling shareholders	61,344	—	61,344
	17,595,772	1,204,857	18,800,629
Net current assets	22,788,325	751,136	23,539,461
Total assets less current liabilities	40,529,582	805,997	41,335,579
Non-current liabilities			
Deferred revenue	195,776	—	195,776
Amounts due to related companies	—	279,142	279,142
Bank and other borrowings	13,891,575	267,977	14,159,552
Deferred tax liabilities	4,722,103	—	4,722,103
	18,809,454	547,119	19,356,573
	21,720,128	258,878	21,979,006
Capital and reserves			
Share capital	192,451	—	192,451
Reserves	12,098,372	254,070	12,352,442
Equity contributable to owners of the Company	12,290,823	254,070	12,544,893
Non-controlling interests	9,429,305	4,808	9,434,113
	21,720,128	258,878	21,979,006

Note: These adjustments are to include the assets and liabilities of Shangtou Real Estate Group as at 1 January 2017 into the Company's consolidated financial statements.

The adjustment to consideration payables for acquisition of subsidiaries also include an amount of approximately RMB530,827,000 (equivalent to approximately HK$592,706,000), being the cash consideration payable by the Group for acquisition of Shangtou Real Estate Group.

2. MERGER ACCOUNTING FOR BUSINESS COMBINATION INVOLVING ENTITIES UNDER COMMON CONTROL (CONTINUED)

The effects of adoption of merger accounting on the consolidated statement of cash flows for the year ended 31 December 2017 are as follows:

	Year ended 31 December 2017		
	As originally stated HK$'000	Adjustments on merger accounting HK$'000	Restated HK$'000
OPERATING ACTIVITIES			
Profit before tax	3,327,586	(21,205)	3,306,381
Adjustments for:			
Fair value changes on investment properties, net	39,496	—	39,496
Depreciation on property, plant and equipment	106,914	675	107,589
Amortisation of prepaid lease payments	6,370	—	6,370
Gains on disposal of property, plant and equipment	(7,534)	(1,002)	(8,536)
Finance costs	621,332	18,049	639,381
Interest income	(297,509)	(3,442)	(300,951)
Dividend income from available-for-sale investments	(363)	—	(363)
Changes in fair value of financial assets at fair value through profit or loss, net	1,997	—	1,997
Impairment loss in respect of properties held-for-sale	113,120	—	113,120
Share of results of associates	(4,129)	—	(4,129)
Unrealised foreign exchange loss	8,447	—	8,447
Operating cash flows before movements in working capital	3,915,727	(6,925)	3,908,802
Increase in inventories	(250,770)	(202,123)	(452,893)
Decrease (increase) in trade and other receivables	315,970	(740,319)	(424,349)
Increase (decrease) in trade and other payables	10,439	(50,152)	(39,713)
Decrease in amounts due to associates	(46,481)	—	(46,481)
(Decrease) increase in pre-sale proceeds received on sales of properties	(2,126,863)	485,315	(1,641,548)
Cash from (used in) operations	1,818,022	(514,204)	1,303,818
Income tax paid	(2,085,987)	(19,215)	(2,105,202)
Net cash used in operating activities	(267,965)	(533,419)	(801,384)

2. MERGER ACCOUNTING FOR BUSINESS COMBINATION INVOLVING ENTITIES UNDER COMMON CONTROL (CONTINUED)

	Year ended 31 December 2017		
	As originally stated HK$'000	Adjustments on merger accounting HK$'000	Restated HK$'000
INVESTING ACTIVITIES			
Receipt of consideration receivable in respect of disposal of assets through disposal of a subsidiary	339,290	—	339,290
Repayment of consideration payables for acquisition of subsidiaries	(259,132)	—	(259,132)
Purchases of property, plant and equipment	(271,201)	(465)	(271,666)
Proceeds from disposal of property, plant and equipment	33,918	3,087	37,005
Proceeds from disposal of investment properties	—	5,676	5,676
Development costs paid for investment properties	(180,179)	—	(180,179)
Decrease in restricted and pledged bank deposits	57,232	—	57,232
Repayment from a related company	—	335,203	335,203
Dividend received from available-for-sale investments	363	—	363
Dividend received from an associate	3,955	—	3,955
Interest received	291,509	3,441	294,950
Net cash from investing activities	15,755	346,942	362,697
FINANCING ACTIVITIES			
Proceeds from new bank and other borrowings	2,850,721	113,932	2,964,653
Repayments of bank and other borrowings	(2,012,940)	—	(2,012,940)
Repayments to related companies	(139,118)	—	(139,118)
Advances from related companies	326,024	355,566	681,590
Payments on repurchase of shares	(481)	—	(481)
Dividend paid to non-controlling interests	(312,571)	—	(312,571)
Dividend paid	(157,112)	—	(157,112)
Interest paid	(927,694)	(18,049)	(945,743)
Net cash (used in) from financing activities	(373,171)	451,449	78,278
Net (decrease) increase in cash and cash equivalents	(625,381)	264,972	(360,409)
Cash and cash equivalents at the beginning of the year	12,818,335	220,937	13,039,272
Effect of foreign exchange rate changes	655,765	13,961	669,726
Cash and cash equivalents represented by bank balances and cash at the end of the year	12,848,719	499,870	13,348,589
Analysis of cash and cash equivalents as at 31 December, represented by bank balances and cash held by			
— the Group	12,685,436	499,870	13,185,306
— the disposal group held-for-sale	163,283	—	163,283
	12,848,719	499,870	13,348,589

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

New and revised HKFRSs that are mandatorily effective for the current year

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

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) — Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014—2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

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

3.1 HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening accumulated losses (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 and HKAS 11 and the related interpretations.

The Group recognises revenue from the following operations in the People's Republic of China (the "PRC"):

- Residential and commercial properties development, including sales of properties;
- Property investment, including rental income from leasing of properties and service income from property management; and
- Hotel operations, including revenue from hotel operations.

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in Notes 6 and 4 respectively.

In the opinion of the directors of the Company, the application of HKFRS 15 in the current year has had no material impact on the Group's financial performance and positions for current and prior years but results in more extensive disclosures in these consolidated financial statements.

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

3.2 HKFRS 9 "Financial Instruments"

In the current year, the Group has applied HKFRS 9 "Financial Instruments" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and financial guarantee contracts and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening accumulated losses and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

Accounting policies resulting from application of HKFRS 9 are disclosed in Note 4.

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification of financial assets under HKFRS 9 and HKAS 39 at the date of initial application, i.e. 1 January 2018.

	Note	Available-for-sale investments HK$'000	Equity instruments at fair value through other comprehensive income ("FVTOCI") HK$'000
Closing balance at 31 December 2017 (restated in Note 2) — HKAS 39		273,458	—
Effect arising from initial application of HKFRS 9:			
Reclassification			
From available-for-sale ("AFS") investments	(a)	(273,458)	273,458
Opening balance at 1 January 2018		—	273,458

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

3.2 HKFRS 9 "Financial Instruments" (continued)

Summary of effects arising from initial application of HKFRS 9 (continued)

(a) *AFS investments*

From AFS equity investments to FVTOCI

The Group elected to present in other comprehensive income ("OCI") for the fair value changes of all its equity investments previously classified as AFS, of which HK$118,800,000 related to unquoted equity investments previously measured at cost less impairment under HKAS 39. These investments are not held-for-trading and not expected to be sold in the foreseeable future. At the date of initial application of HKFRS 9, HK$273,458,000 were reclassified from AFS investments to equity instruments at FVTOCI, of which HK$118,800,000 related to unquoted equity investments previously measured at cost less impairment under HKAS 39. After performing assessment of fair value relating to the unquoted equity investments previously carried at cost less impairment that were adjusted to equity instruments at FVTOCI, no fair value change was recognised by the Group as at 1 January 2018 as the amount is immaterial. The fair value losses of HK$24,987,000 relating to the AFS investments previously carried at fair value, net of deferred tax of HK$6,247,000, continued to accumulate in investment revaluation reserve.

New and revised HKFRSs issued but not yet effective

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

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[2]
HK(IFRIC) — Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015—2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019.
2 Effective for annual periods beginning on or after 1 January 2021.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
5 Effective for annual periods beginning on or after 1 January 2020.

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

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

HKFRS 16 "Leases"

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

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

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

Other than certain requirement which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of approximately HK$340,467,000 as disclosed in Note 42. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

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

HKFRS 16 "Leases" (continued)

In addition, the Group currently considers refundable rental deposits paid of approximately HK$6,827,000 and refundable rental deposits received of approximately HK$169,009,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

Upon application of HKFRS 16, the Group will apply the requirements of HKFRS 15 to assess whether sales and leaseback transaction constitutes a sale. For a transfer that does not satisfy the requirements as a sale, the Group will account for the transfer proceeds as financial liabilities within the scope of HKFRS 9. In accordance with the transition provisions of HKFRS 16, sale and leaseback transactions entered into before the date of initial application will not be reassessed but the new requirements may impact the Group's future sale and leaseback transactions.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) — Int 4 "Determining whether an Arrangement Contains a Lease". Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained profits without restating comparative information.

4. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

The principal accounting policies are set out below.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation

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

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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

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

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

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

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

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

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

Changes in the Group's interests in existing subsidiaries (continued)

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/HKAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

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

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date (see the accounting policy below); and
- assets (or disposal groups) that are classified as held-for-sale in accordance with HKFRS 5 "Non-current Assets Held-for-Sale and Discontinued Operations" are measured in accordance with that standard.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations (continued)

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

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

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

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

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9/HKAS 39 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations (continued)

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

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 end of previous reporting period or when they first came under common control, whichever is shorter.

Acquisition of a subsidiary not constituting a business

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates and joint ventures (continued)

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

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

Non-current assets held-for-sale

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

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held-for-sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in the relevant subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held-for-sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held-for-sale from the time when the investment (or a portion of the investment) is classified as held-for-sale.

Non-current assets (and disposal groups) classified as held-for-sale are measured at the lower of their previous carrying amount and fair value less costs to sell which continue to be measured in accordance with the accounting policies as set out in respective sections.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in Note 3)

HKFRS 15 introduces a 5-step approach when recognising revenue:

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

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

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

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

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in Note 3) (continued)

Revenue recognition for each revenue stream of the Group is as follows:

Revenue from sales of properties

Revenue from sales of properties is 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. Deposits received from customers prior to meeting the aforementioned revenue recognition criteria are the contract liabilities and included in current liabilities as pre-sale proceeds received on sales of properties in the consolidated statement of financial position.

Service income from property management

Revenue from provision of property management service is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation as the customers simultaneously receive and consume the benefits provided by the Group when the Group renders the service.

Revenue from hotel operations

Revenue from hotel operations includes room rental, food and beverage sales and other ancillary services. The Group's performance obligations in relation to the hotel operations are considered to be granting customers a right to access hotel's facilities, products and services. The customers simultaneously receive and consume the benefits provided by the Group in running the hotels. Accordingly, the revenue from hotel operations is recognised over time.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

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. Upon the application of HKFRS 15, only pre-sale proceeds received on sales of properties of the Group are regarded as the contract liabilities.

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in Note 3) (continued)

Existence of significant financing component

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

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

Incremental costs of obtaining a contract

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

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

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.

Revenue recognition (prior to 1 January 2018)

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

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

Sales of properties

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed. Specifically, revenue from sale of properties in the ordinary course of business is recognised when the respective properties have been completed and delivered to the buyers. Deposits received from customers prior to meeting the above criteria for revenue recognition are included under current liabilities as pre-sale proceeds received on sales of properties in the consolidated statement of financial position.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (prior to 1 January 2018) (continued)

Rendering of services

Property management service income is recognised when services are provided.

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

Interest and dividend income

Interest income is accrued on a time apportionment basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the rights to receive payment have been established.

Leasing

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

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

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct cost incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset.

The Group as lessee

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties

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

Investment properties are initially measured at cost, including any direct attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair values. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period for which they arise.

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

Property, plant and equipment

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets acquired in a business combination

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

Subsequent to initial recognition, intangible assets 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 of tangible and intangible assets

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

The recoverable amount of tangible and intangible assets are estimated individually, when it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of tangible and intangible assets (continued)

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

Inventories

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

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

Others

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

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

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value except for trade receivable arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 January 2018. 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Effective interest method

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

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in Note 3)

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 FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; 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 FVTPL, except that at the date of initial application/ initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an investment in equity instrument in OCI if that investment in equity instrument is neither held-for-trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 “Business Combinations” applies.

A financial asset is classified as held-for-trading if:

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in Note 3) (continued)

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.

(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 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with Note 3)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, amounts due from related companies, bank balances, restricted and pledged bank deposits and financial guarantee contracts). 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. The ECL on these assets are assessed individually for debtors with significant balances.

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

(i) Significant increase in credit risk

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with Note 3) (continued)

(i) Significant increase in credit risk (continued)

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

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for 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 of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit impaired includes observable data about the following events:

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with Note 3) (continued)

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, whichever occurs sooner. 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 financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the expected losses is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 January 2018)

The Group's financial assets are classified into the following specified categories: financial assets at FVTPL, loans and receivables and AFS financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

(i) Financial assets at FVTPL

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

A financial asset is classified as held-for-trading if:

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

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

(ii) AFS financial assets

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

Equity securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period except for unquoted equity investments whose fair value cannot be reliably measured. Changes in the carrying amount of AFS equity instruments are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 January 2018) (continued)

(iii) Loans and receivables

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

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

Impairment of financial assets (before application of HKFRS 9 on 1 January 2018)

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

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

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

- significant financial difficulty of the issuer or counterparty; or

- breach of contract, such as default or delinquency in interest or principal payments; or

- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (before application of HKFRS 9 on 1 January 2018) (continued)

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

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

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

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

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

Derecognition of financial assets

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

On derecognition of a financial asset in its entirety, 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 upon application of HKFRS 9, 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.

On derecognition of an AFS financial asset, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

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

Financial liabilities

Financial liabilities including trade and other payables, amounts due to related companies and associates, dividend payable, dividend payable to non-controlling shareholders, consideration payables for acquisition of subsidiaries 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 (since 1 January 2018)/ HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" (before application of HKFRS 9 on 1 January 2018); and

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Derecognition/non-substantial modification 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.

The Group accounts for an exchange with a lender of a financial liability with substantially different terms as an extinguishment of the original financial liability and the recognition of a new financial liability. A substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the Group) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

Non-substantial modifications of financial liabilities (under HKFRS 9 since 1 January 2018)

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

Non-substantial modifications of financial liabilities (before application of HKFRS 9 on 1 January 2018)

For non-substantial modifications of financial liabilities that do not result in derecognition, at the point of modification, the carrying amount of the relevant financial liabilities is revised for directly attributable transaction costs and any consideration paid to or received from the counterparty. The effective interest rate is then adjusted to amortise the difference between the revised carrying amount and the expected cash flows over the life of the modified instrument.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Retirement benefit costs

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

Short-term benefits

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

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

Share-based payment arrangements

Equity-settled share-based payment transactions

Share options granted to employees

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation

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

Current tax

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

Deferred tax

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

Deferred tax (continued)

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties is measured in accordance with the above general principles set out in HKAS 12 "Income Taxes" (i.e. based on the expected manner as to how the properties will be recovered).

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 by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the year

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

Government grants

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

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

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

Borrowing costs

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

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

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

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

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

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).

5. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATES

In the application of the Group's accounting policies, which are described in Note 4, 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.

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

Critical judgment in applying accounting policies

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

Deferred taxation on investment properties

For the purpose of measuring deferred taxation arising from investment properties that are measured using the fair value model, the management of the Group has reviewed the Group's investment property portfolio 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 2018, the carrying amount of these properties is approximately HK$7,209,293,000 (2017: HK$7,553,393,000). For the investment properties on which the 'sale' presumption is not rebutted, the Group has further recognised deferred taxes on changes in their fair values in relation to the PRC's land appreciation tax, which is the additional tax to be charged if a property in the PRC is recovered through sale. As at 31 December 2018, the carrying amount of these investment properties is approximately HK$4,793,213,000 (2017: HK$7,393,217,000).

Details about the Group's investment properties and deferred taxation in relation to changes in fair value of investment properties are set out in Notes 15 and 33 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 are more sensitive to change in economic conditions and local government policy in the PRC. As at 31 December 2018, the carrying amount of properties held-for-sale is approximately HK$8,860,695,000 (2017: HK$8,735,513,000) of which an amount of approximately HK$1,943,274,000 related to PHFS which are not located in first-tier cities in the PRC and have no pre-sale agreements entered into by the Group during the year. Details about the Group's properties held-for-sale are set out in Note 23. During the year ended 31 December 2018, no impairment loss in respect of properties held-for-sale not located in first-tier cities in the PRC is recognised in profit or loss.

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

Key sources of estimation uncertainty (continued)

Estimation of fair value of investment properties

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

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

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

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

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

The carrying amount of investment properties as at 31 December 2018 is approximately HK$12,002,506,000 (2017: HK$14,946,610,000). Notwithstanding that the management of the Group engages independent professional qualified valuers not connected to the Group to perform fair value assessments based on these assumptions, the fair value of these investment properties may be higher or lower depending on the future market conditions.

Details about the Group's investment properties are set out in Note 15.

6A. REVENUE FROM GOODS AND SERVICES

(i) Disaggregation of revenue from contracts with customers:

	2018 HK$'000	2017 HK$'000
Types of goods or services		
Sales of properties	**5,966,198**	8,375,839
Property management	**12,163**	152,923
Hotel operations	**295,653**	193,104
Total	**6,274,014**	8,721,866
Timing of revenue recognition		
A point in time	**5,966,198**	8,375,839*
Over time	**307,816**	346,027*
	6,274,014	8,721,866

* The timing of revenue recognition for the Group's revenue streams is the same under HKFRS 15 and HKAS 18. The presentation for the timing of revenue recognition for the year ended 31 December 2017 is for the illustrative purpose only.

All the revenue of the Group generated from goods and services in respect of contracts with customers are originated in the PRC.

(ii) Performance obligations for contracts with customers

Revenue from sales of properties

For contracts entered into with customers on sales of properties, the relevant properties specified in the contracts are based on customer's specifications with no alternative use. Based on the opinion from the management of the Group, taking into consideration of the relevant contract terms, the legal environment and relevant legal precedent, the management of the Group concluded that the Group does not have an enforceable right to payment prior to transfer of the relevant properties to customers. Revenue from sales of properties is therefore recognised when the respective properties have been completed and delivered to the customers which is a point in time when customers have the ability to direct the use of the properties and obtain substantially all of the remaining benefits of the properties and, at this point of time, the Group has present right to payment and collection of the consideration is probable.

Deposits received from customers, which represent certain percentage of the contract value when they sign the sale and purchase agreement, prior to meeting the revenue recognition criteria under HKFRS 15 are the contract liabilities and included under current liabilities as pre-sale proceeds received on sales of properties in the consolidated statement of financial position.

Sales-related warranties associated with properties held-for-sale cannot be purchased separately and they serve as an assurance that the properties sold comply with agreed-upon specifications. Accordingly, the Group accounts for warranties in accordance with HKAS 37 which is consistent with its previous accounting treatment and the management of the Group considers that the impact of the after sale warranties is insignificant with reference to the historical record.

6A. REVENUE FROM GOODS AND SERVICES (CONTINUED)

(ii) Performance obligations for contracts with customers (continued)

Service income from property management

Revenue from provision of property management service is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation as the customers simultaneously receive and consume the benefits provided by the Group when the Group renders the service.

Revenue from hotel operations

Revenue from hotel operations includes room rental, food and beverage sales and other ancillary services. The Group's performance obligations in relation to the hotel operations are considered to be granting customers a right to access hotel's facilities, products and services. The customers simultaneously receive and consume the benefits provided by the Group in running the hotels. Accordingly, the revenue from hotel operations is recognised over time.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers:

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2018 and the expected timing of recognising revenue are as follows:

	Sales of properties HK$'000
Within one year	**5,024,018**
More than one year but not more than two years	**889,233**
More than two years	**624,017**
	6,537,268

6B. SEGMENT INFORMATION

Information reported to the directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and performance assessment focuses on revenue analysis. No other discrete financial information is provided other than the Group's result and financial position as a whole. Accordingly, only entity-wide disclosures, major customers and geographic information are presented.

The Group's operations are located in the PRC. All revenue and non-current assets, except for certain property and equipment, of the Group are generated from and located in the PRC. No revenue from a single customer contributed 10% or more of the Group's revenue for the years ended 31 December 2018 and 2017.

7A. OTHER INCOME

	2018 HK$'000	2017 HK$'000 (restated)
Gains on land resumption (note)	**538,579**	—
Interest income on bank deposits	**249,889**	287,345
Other interest income	**2,897**	13,606
Rental income from property, plant and equipment	**3,524**	8,639
Dividend income from available-for-sale investments	**—**	363
Dividend income from financial instruments at FVTOCI	**653**	—
Income from marketing and exhibition activities	**1,504**	2,746
Government grants	**14,256**	66,120
Others	**31,583**	28,393
	842,885	407,212

Note: During the year ended 31 December 2018, two parcels of land with an aggregate carrying amount of approximately RMB86,423,000 (equivalent to approximately HK$102,398,000) held by the Group are resumed by the relevant government departments of Shanghai in the PRC for an aggregate compensation of approximately RMB540,985,000 (equivalent to approximately HK$640,977,000).

7B. OTHER EXPENSES, GAINS AND LOSSES, NET

	2018 HK$'000	2017 HK$'000 (restated)
Net exchange gain (loss) (note)	**5,252**	(18,675)
Fair value of financial assets at FVTPL, net	**(541)**	(1,997)
Gains on disposal of property, plant and equipment	**664**	8,536
Others	**(19,042)**	(16,713)
	(13,667)	(28,849)

Note: Net exchange gain (loss) mainly comprises realised and unrealised exchange gain (loss) arising on remeasurement of foreign currency denominated monetary assets.

8. FINANCE COSTS

	2018 **HK$'000**	2017 HK$'000 (restated)
Interests on bank and other borrowings	**1,207,106**	950,329
Less: Amount capitalised into properties under development for sale	**(463,805)**	(310,948)
	743,301	639,381

Borrowing costs capitalised during the year arising on the general borrowing pool are calculated by applying a capitalisation rate of 4.74% (2017: 4.13%) per annum to expenditure on qualifying assets.

9. INCOME TAX

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

	2018 **HK$'000**	2017 HK$'000 (restated)
Current tax:		
PRC Enterprise Income Tax ("EIT") (note (i))	**809,528**	592,905
PRC Land Appreciation Tax ("LAT")	**939,611**	1,329,647
PRC withholding tax on dividend income	**27,251**	18,450
Capital gains tax on disposal of PRC entities by a non-resident company (note (ii))	**14,218**	—
	1,790,608	1,941,002
Under(over)provision in prior years:		
PRC EIT (note (iii))	**9,157**	(6,321)
PRC LAT (note (iii))	**—**	79,750
	9,157	73,429
Deferred tax (Note 33)	**(245,125)**	67,540
Income tax for the year	**1,554,640**	2,081,971

9. INCOME TAX (CONTINUED)

Notes:

(i) During the year ended 31 December 2018, EIT of approximately HK$23,274,000 is provided for the gains on disposals of the Group's entire equity interests in two subsidiaries, namely Shanghai Shenda and Shanghai Commercial (both are defined in Note 46), incorporated in the PRC, by a resident company. The EIT provided for the gains on disposals of these subsidiaries is calculated at 25% on the difference between the consideration received and the investment costs of the two subsidiaries disposed. Details of these disposals are set out in Note 34(a).

(ii) During the year ended 31 December 2018, capital gains tax of approximately HK$14,218,000 is provided for the gain on disposal of the Group's entire equity interest in Fine Mark (as defined in Note 34(b)), which is a non-resident company and jointly owns Fuzhou Chengkai (as defined in Note 34(b)) through a joint venture, namely Initial Point (as defined in Note 20). The capital gains tax provided for the gain on this disposal is calculated at 10% on the difference between the consideration received for the disposal of the equity interest in Fuzhou Chengkai and the respective portion of its contributed capital. Details of this disposal are set out in Note 34(b).

(iii) During the year ended 31 December 2018, the Group recognised an underprovision of the PRC EIT (2017: a write-back for overprovision of the PRC EIT and underprovision of the PRC LAT) upon completion of tax clearance procedures by certain PRC subsidiaries with their respective tax authorities.

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

Pursuant to Circular 698 issued by China's State Administration of Taxation, the tax rate applicable to the capital gains from disposal of PRC entities through transfer of shares in non-resident companies is 10%.

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

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

Pursuant to the rules and regulations of Bermuda and the British Virgin Islands ("BVI"), the Group is not subject to any income tax in Bermuda and the BVI in respect of both years.

9. INCOME TAX (CONTINUED)

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:

	2018 **HK$'000**	2017 HK$'000 (restated)
Profit before tax	**2,824,387**	3,306,381
Tax at PRC EIT rate of 25% (2017: 25%)	**706,097**	826,595
Tax effect of share of results of associates	**(1,715)**	(1,032)
Tax effect of expenses not deductible for tax purposes	**40,387**	44,025
Tax effect of income not taxable for tax purposes	**(1,233)**	(9,333)
Tax effect of tax losses not recognised	**145,636**	193,261
Utilisation of tax losses previously not recognised	**(11,842)**	(33,642)
Provision for LAT for the year	**939,611**	1,329,647
Underprovision of LAT in prior years	**—**	79,750
Tax effect of LAT deductible for PRC EIT	**(234,903)**	(352,349)
Under(over)provision of EIT in prior years	**9,157**	(6,321)
Effect of different tax rates of subsidiaries operating in Hong Kong	**(29,559)**	18,083
Deferred tax on LAT in respect of investment properties	**(34,247)**	(29,826)
PRC withholding tax on dividend income	**27,251**	18,450
Others	**—**	4,663
Income tax for the year	**1,554,640**	2,081,971

10. PROFIT FOR THE YEAR

	2018 HK$'000	2017 HK$'000 (restated)
Profit for the year has been arrived at after charging (crediting):		
Depreciation for property, plant and equipment	130,029	110,330
Less: Depreciation capitalised into properties under development for sale	(3,156)	(2,741)
	126,873	107,589
Amortisation of prepaid lease payments	6,559	6,370
Total depreciation and amortisation	133,432	113,959
Gross rental income from investment properties	(703,669)	(651,037)
Less: Direct operating expenses incurred for investment properties that generated rental income during the year	122,930	140,530
	(580,739)	(510,507)
Directors' remuneration (Note 11)	10,601	11,733
Other staff costs		
Salaries, wages and other benefits	241,580	248,564
Retirement benefit scheme contributions	42,881	37,381
Total staff costs	295,062	297,678
Less: Staff costs capitalised into properties under development for sale	(47,371)	(48,385)
	247,691	249,293
Auditors' remuneration	6,398	5,729
Cost of properties held-for-sale recognised as an expense	3,472,008	4,540,034
Cost of inventories for hotel operations recognised as an expense	22,566	184,032
Share of tax of associates (included in share of results of associates)	2,295	679

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the thirteen (2017: thirteen) directors of the Company, including the chief executive, are as follows:

For the year ended 31 December 2018

		Other emoluments			
	Fees HK$'000	Salaries and other allowances HK$'000	Retirement benefit scheme contributions HK$'000	Equity-settled share-based payments HK$'000 (note (i))	Total emoluments HK$'000
Executive directors:					
Mr. Zeng Ming (note (viii) and note (ix))	–	–	34	–	34
Mr. Zhou Xiong (note (viii) and note (ix))	–	–	51	–	51
Mr. Ji Gang (note (vii))	–	2,264	41	–	2,305
Mr. Lou Jun (note (vi))	–	–	–	–	–
Mr. Yang Jianwei (note (vi) and note (vii))	–	–	–	–	–
Mr. Fei Zuoxiang	–	1,676	–	–	1,676
Ms. Huang Fei	–	1,615	–	–	1,615
Mr. Ye Weiqi	–	1,645	–	–	1,645
Mr. Zhong Tao	–	1,555	–	–	1,555
Independent non-executive directors:					
Mr. Doo Wai Hoi, William	430	–	–	–	430
Mr. Fan Ren Da, Anthony	430	–	–	–	430
Mr. Li Kai Fai, David	430	–	–	–	430
Mr. Qiao Zhigang	430	–	–	–	430
Total	1,720	8,755	126	–	10,601

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

For the year ended 31 December 2017

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

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

Notes:

i. Equity-settled share-based payments represent the fair value of share options granted to directors of the Company under a share option scheme adopted by the Company in year 2011. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions.

Details of share options granted to directors of the Company and other employees, including the principal terms and number of options granted, are set out in Note 37.

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

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

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

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

vi. The emoluments for Mr. Lou Jun and Mr. Yang Jianwei for the years ended 31 December 2018 and 2017 are borne by SIHL.

vii. Mr. Ji Gang and Mr. Yang Jianwei retire as the Company's executive directors on 23 May 2018.

viii. Mr. Zeng Ming and Mr. Zhou Xiong are appointed as the Company's executive directors on 23 May 2018.

ix. The emoluments for Mr. Zeng Ming and Mr. Zhou Xiong for the year ended 31 December 2018 are borne by SIHL.

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

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

Mr. Zeng Ming (2017: Mr. Ji Gang) is also the chief executive of the Company. His emoluments disclosed above include those for services rendered by him as the chief executive.

During the years ended 31 December 2018 and 2017, no emoluments have been paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company has waived any emoluments during the year.

12. EMPLOYEES' EMOLUMENTS

For the year ended 31 December 2018, of the five individuals with the highest emoluments in the Group, four (2017: four) are directors of the Company whose emoluments are included in the disclosures in Note 11. The emoluments of the remaining one (2017: one) individual are as follows:

	2018 **HK$'000**	2017 HK$'000
Salaries and other allowances	**1,592**	2,040

The emoluments of that individual are within the following band:

	2018	2017
HK$1,500,001 to HK$2,000,000	**1**	—
HK$2,000,001 to HK$2,500,000	**—**	1

During the years ended 31 December 2018 and 2017, 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.

13. 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.

14. EARNINGS PER SHARE

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

Earnings

	2018 HK$'000	2017 HK$'000 (restated)
Earnings for the purposes of calculating basic and diluted earnings per share:		
Profit for the year attributable to owners of the Company	**573,074**	536,109

Number of shares

	2018 '000	2017 '000
Weighted average number of ordinary shares for the purposes of calculating basic and diluted earnings per share	**4,810,973**	4,811,114

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

15. INVESTMENT PROPERTIES

	2018 HK$'000	2017 HK$'000 (restated)
FAIR VALUE		
At 1 January	**14,946,610**	13,762,814
Subsequent expenditure	**223,944**	180,179
Fair value changes on investment properties, net	**(176,447)**	(39,496)
Disposals	**—**	(5,676)
Carved-out (Note 36)	**(14,253)**	—
Transfer to inventories (note)	**(2,290,284)**	—
Exchange realignment	**(687,064)**	1,048,789
At 31 December	**12,002,506**	14,946,610
Unrealised losses on revaluation of investment properties included in profit or loss for the year	**(176,447)**	(39,496)

Note: In July 2018, the management of the Group decided to terminate the operating leases in relation to the villa located in Shanghai, which the Group used to earn rental income and commences the renovation on the villa with a view to sale. Therefore, the villa with fair value of approximately HK$2,290,284,000 is transferred from investment properties to inventories.

15. INVESTMENT PROPERTIES (CONTINUED)

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

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

The fair values of the Group's investment properties as at 31 December 2018 and 2017 have been arrived at on the basis of valuations carried out on the respective dates by Cushman & Wakefield Limited ("CWL"), an independent qualified professional valuer not connected to the Group. CWL has appropriate qualification and recent experience in the valuation of similar properties in the relevant locations. The address of CWL is 16/F, 1063 Kings Road, Quarry Bay, Hong Kong. The Group's investment properties are valued individually on market value basis, which conforms to HKIS Valuation Standards 2017 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 upon the application of HKFRS 13 "Fair Value Measurement".

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

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

At the end of the reporting period, the management of the Group works closely with CWL to establish and determine the appropriate valuation techniques and inputs for Level 3 fair value measurements. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to the directors of the Company.

15. 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 2018 HK$'000	31 December 2017 HK$'000 (restated)	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Offices and related car park units in various locations	**3,575,610**	3,788,171	Investment approach	For offices: Reversionary rate derived from market rent and transaction price of comparable properties in the same location	2018: 4.75% – 6.75% 2017: 5.0% – 7.0%	The higher the reversionary rate, the lower the fair value
			Direct comparison approach	For car park units: Price per unit	2018: RMB200,000 per unit 2017: RMB200,000 per unit	The higher the price per unit, the higher the fair value
Commercial – shopping malls, stores, mart and the related car park units in various locations	**8,127,989**	8,521,321	Investment approach	For shopping malls, stores and mart: Reversionary rate derived from market rent and transaction price of comparable properties in the same location	2018: 3.5% – 5.5% 2017: 3.75% – 4.5%	The higher the reversionary rate, the lower the fair value
			Direct comparison approach	For car park units: Price per unit	2018: RMB110,000 to RMB140,000 per unit 2017: RMB110,000 to RMB140,000 per unit	The higher the price per unit, the higher the fair value
Commercial – exhibition hall in Shanghai	**264,177**	278,679	Investment approach	Reversionary rate derived from market rent and transaction price of comparable properties in the same location	2018: 5.5% 2017: 5.5%	The higher the reversionary rate, the lower the fair value
Residential – service apartments	**34,730**	36,517	Investment approach	Reversionary rate derived from market rent and transaction price of comparable properties in the same location	2018: 3.5% 2017: 3.5%	The higher the reversionary rate, the lower the fair value
Residential – villa	**–**	2,321,922	Investment approach	Reversionary rate derived from market rent and transaction price of comparable properties in the same location	2018: 1.5% 2017: 1.5%	The higher the reversionary rate, the lower the fair value
	12,002,506	14,946,610				

As at 31 December 2018, certain of the investment properties of the Group with carrying amount of approximately HK$8,128,213,000 (2017: HK$8,543,940,000) are pledged as securities for bank borrowings.

16. PROPERTY, PLANT AND EQUIPMENT

	Hotel buildings and improvements HK$'000	Hotel furniture and equipment HK$'000	Leasehold land and other buildings HK$'000	Plant and machinery HK$'000	Leasehold improvements HK$'000	Other furniture and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
COST									
At 1 January 2017 (restated)	1,352,593	102,333	546,794	6,729	50,465	54,887	70,642	109,486	2,293,929
Additions	108	563	13,441	–	–	17,155	2,420	611,768	645,455
Disposals	(474)	–	(25,527)	–	–	(16,339)	(10,893)	–	(53,233)
Reclassified as held-for-sale	–	–	–	–	–	(3,344)	(2,761)	–	(6,105)
Transfer	463,566	45,475	–	–	–	–	–	(509,041)	–
Exchange realignment	125,550	9,675	40,937	502	2,636	5,184	5,555	9,235	199,274
At 31 December 2017 (restated)	1,941,343	158,046	575,645	7,231	53,101	57,543	64,963	221,448	3,079,320
Additions	3,128	615	6,888	–	–	14,788	772	35,700	61,891
Disposals	(941)	(9,718)	(30,906)	(7,029)	–	(6,331)	(12,838)	–	(67,763)
Transfer	159,735	17,759	–	–	–	–	–	(177,494)	–
Exchange realignment	(109,895)	(8,562)	(29,018)	(202)	(1,947)	(4,391)	(3,039)	(3,704)	(160,758)
At 31 December 2018	1,993,370	158,140	522,609	–	51,154	61,609	49,858	75,950	2,912,690
ACCUMULATED DEPRECIATION									
At 1 January 2017 (restated)	318,466	61,990	38,035	3,969	44,816	48,718	48,028	–	564,022
Provided for the year	73,108	8,387	14,198	229	1,607	6,975	5,826	–	110,330
Eliminated on disposals	(290)	–	(1,336)	–	–	(14,093)	(8,087)	–	(23,806)
Reclassified as held-for-sale	–	–	–	–	–	(2,978)	(2,576)	–	(5,554)
Exchange realignment	28,776	5,029	3,332	263	2,294	1,795	5,207	–	46,696
At 31 December 2017 (restated)	420,060	75,406	54,229	4,461	48,717	40,417	48,398	–	691,688
Provided for the year	85,698	7,997	17,106	196	1,562	12,695	4,775	–	130,029
Eliminated on disposals	(881)	(6,651)	(984)	(3,974)	–	(5,383)	(10,991)	–	(28,864)
Exchange realignment	(26,262)	(3,963)	(3,390)	(683)	(1,782)	(2,361)	(2,372)	–	(40,813)
At 31 December 2018	478,615	72,789	66,961	–	48,497	45,368	39,810	–	752,040
CARRYING VALUES									
At 31 December 2018	1,514,755	85,351	455,648	–	2,657	16,241	10,048	75,950	2,160,650
At 31 December 2017 (restated)	1,521,283	82,640	521,416	2,770	4,384	17,126	16,565	221,448	2,387,632
At 1 January 2017 (restated)	1,034,127	40,343	508,759	2,760	5,649	6,169	22,614	109,486	1,729,907

16. 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
Leasehold land and other buildings	Over the lease term
Plant and machinery	5—20 years
Leasehold improvements	5 years
Other furniture and equipment	3—10 years
Motor vehicles	5—10 years

17. PREPAID LEASE PAYMENTS

	2018 **HK$'000**	2017 HK$'000
Leasehold land in the PRC analysed for reporting purposes as:		
— Current asset	**4,684**	4,942
— Non-current asset	**198,926**	222,976
	203,610	227,918

18. INTANGIBLE ASSETS

	Trademark HK$'000
COST	
At 1 January 2017	56,945
Exchange realignment	4,316
At 31 December 2017	61,261
Exchange realignment	(3,281)
At 31 December 2018	57,980

18. INTANGIBLE ASSETS (CONTINUED)

Intangible assets of the Group represent trademarks acquired, which have legal life of 10 years from September 2001 to September 2011 but are renewable upon expiry. During the year ended 31 December 2011, the trademarks were renewed for 10 years to September 2021. The directors of the Company are of the opinion that the Group would renew the trademark continuously and has the ability to do so at minimal cost. Various studies including product life cycle studies, market, competitive and environment trends, and brand extension opportunities have been performed by the management of the Group, which supports that the trademarks have no foreseeable limit to the period over which the trademarked products are expected to generate net cash flows for the Group. As a result, the trademarks are considered by the management of the Group as having an indefinite useful life because they are expected to contribute to net cash inflows indefinitely. The trademarks will not be amortised until their useful lives are determined to be finite. Instead, they will be tested for impairment annually and whenever there is an indication that it may be impaired.

For the purpose of impairment testing, trademarks with indefinite useful life set out above have been allocated to the individual cash-generating unit ("CGU") which refers to SUD. During the year ended 31 December 2018, the management of the Group determines that there is no impairment (2017: nil) of the CGU containing trademarks by reference to the recoverable amount of CGU, which has been determined based on a value in use calculation.

19. INTERESTS IN ASSOCIATES

	2018 **HK$'000**	2017 HK$'000
Unlisted shares, at cost	**1,253,175**	1,215,856
Share of post-acquisition result, net of dividends received	**7,605**	5,423
	1,260,780	1,221,279

19. INTERESTS IN ASSOCIATES (CONTINUED)

As at 31 December 2018 and 2017, the Group has interests in the following associates:

Name of associate	Form of entity	Place of incorporation/ registration and operation	Issued and fully paid share capital/ registration capital	Proportion of ownership interest: The Group's effective interest 2018	The Group's effective interest 2017	Held by a subsidiary 2018	Held by a subsidiary 2017	Principal activity
上海城開房地產經紀有限公司	Sino-foreign joint venture	The PRC	RMB20,000,000	**28.9%**	28.9%	**49%**	49%	Provision of property agency services
上海莘天置業有限公司 ("Shanghai Shentian")	Sino-foreign joint venture	The PRC	RMB2,850,000,000	**20.7%**	20.7%	**35%**	35%	Property development
上海地產北部投資發展有限公司 (note)	Limited liability company	The PRC	RMB250,000,000	**20.7%**	–	**35%**	–	Property development

Note: On 31 January 2018, the Group enters into an asset and equity transfer agreement with Shangtou Assets. Pursuant to the agreement, the Group agrees to acquire a 35% equity interest in Shanghai Real Estate Northern Region Investment Development Company Limited 上海地產北部投資發展有限公司 ("NR Investment") at a cash consideration of approximately RMB88,338,000 (equivalent to approximately HK$104,666,000). NR Investment is a company incorporated in the PRC and principally engaged in primary land development. The consideration is fully settled on 9 April 2018 and the acquisition is completed in April 2018. After the acquisition, the Group has the power to appoint two out of seven directors in the board of NR Investment. The remaining five directors are appointed by the other investors. According to the articles of association of NR Investment, all board resolutions require approval from over two-thirds of the board members. Accordingly, the Group exercises significant influence over NR Investment and it is regarded as an associate of the Group. As SIIC exercises the authority as a state-owned shareholder of Shangtou Assets, this transaction is regarded as a connected transaction and a related party transaction.

Summarised financial information of material associates

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

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

	2018 HK$'000	2017 HK$'000
Shanghai Shentian		
Current assets (note)	**7,741,987**	4,685,722
Non-current assets	**1,369**	2,357
Current liabilities	**(3,106,257)**	(146,938)
Non-current liabilities	**(1,391,824)**	(1,117,718)
Net assets	**3,245,275**	3,423,423
Revenue	**–**	–
Profit and total comprehensive income for the year	**–**	–

Note: The balance mainly comprises land and construction costs relating to properties under development for sale and properties held-for-sale. The development plan was approved by the respective government departments in the PRC and the construction commenced during the year ended 31 December 2014. The construction will be completed by phases from early of year 2019 onwards and pre-sale activities for certain phases are carried out in year 2018.

19. INTERESTS IN ASSOCIATES (CONTINUED)

Summarised financial information of material associates (continued)

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

Shanghai Shentian

	2018 HK$'000	2017 HK$'000
Net assets of Shanghai Shentian	3,245,275	3,423,423
Proportion of the Group's ownership interest in Shanghai Shentian	35%	35%
Carrying amount of the Group's interest in Shanghai Shentian	1,135,846	1,198,198

Aggregate information of associates that are not individually material

	2018 HK$'000	2017 HK$'000
The Group's share of profit	6,859	4,129
Dividends received from an associate during the year	4,296	3,955
Aggregate carrying amount of the Group's interests in these associates	124,934	23,081

20. INTEREST IN A JOINT VENTURE

	2018 HK$'000	2017 HK$'000
Unlisted shares, at cost	626,281	65,718
Share of post-acquisition results	—	—
	626,281	65,718

20. INTEREST IN A JOINT VENTURE (CONTINUED)

Details of the Group's joint venture at the end of the reporting period are as follows:

Name of joint venture	Form of entity	Place of incorporation/ registration and operation	Issued and fully paid share capital/ registration capital	Proportion of ownership interest Group's interest		Held by a subsidiary		Principal activity
				2018	2017	2018	2017	
Initial Point Investment Limited ("Initial Point") (note (i))	Limited company	Hong Kong	HK$10,000	–	51%	–	51%	Investment holding of a joint venture engaged in property development
上海莘至城置業有限公司 ("Shenzhicheng") (note (ii))	Limited liability company	The PRC	RMB1,100,000,000	29.5%	–	50%	–	Property development, property investment an property management

Notes:

(i) Initial Point was established during the year ended 31 December 2013. The Group has the power to appoint two out of five directors in the board of Initial Point. The remaining three directors are appointed by another two investors. According to the shareholders agreement of Initial Point, all board resolutions require approval from over two-thirds of the board members. Therefore, Initial Point was classified as a joint venture of the Group. During the year ended 31 December 2018, the Group disposes of the entire interest in a subsidiary holding the interest in Initial Point. Details of the disposal are set out in Note 34(b).

(ii) Shenzhicheng is established during the year ended 31 December 2018. The Group has the power to appoint three out of five directors in the board of Shenzhicheng. The remaining two directors are appointed by the other investor. According to the articles of association of Shenzhicheng, all board resolutions require approval from over two-thirds of the board members. Therefore, Shenzhicheng is classified as a joint venture of the Group.

Financial information of the joint venture

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

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

Shenzhicheng

	2018 HK$'000
Current assets (note)	1,252,120
Non-current assets	447
Current liabilities	(5)
Net assets	1,252,562

Note: The balance mainly comprises land costs relating to properties under development for sale.

20. INTEREST IN A JOINT VENTURE (CONTINUED)

Financial information of the joint venture (continued)

Shenzhicheng (continued)

	2018 HK$'000
The above amounts of assets and liabilities include the following:	
Cash and cash equivalents	85,101

	2018 HK$'000
Revenue	–
Profit and other comprehensive income for the year	–

Initial Point

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

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

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

	2017 HK$'000
Revenue	–
Loss and other comprehensive expense for the year	(4)

20. INTEREST IN A JOINT VENTURE (CONTINUED)

Financial information of the joint venture (continued)

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

Shenzhicheng

	2018 **HK$'000**
Net assets of Shenzhicheng	**1,252,562**
Proportion of the Group's ownership interest in Shenzhicheng	**50%**
Carrying amount of the Group's interest in Shenzhicheng	**626,281**

Initial Point

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

21A. AVAILABLE-FOR-SALE INVESTMENTS

	31 December 2018 HK$'000	31 December 2017 HK$'000 (restated)	1 January 2017 HK$'000 (restated)
Equity securities:			
— Listed in the PRC, at fair value	**–**	154,658	177,563
— Unlisted, at cost (note)	**–**	118,800	110,430
	–	273,458	287,993

Note: These unlisted equity investments represented investments in unlisted equity securities and a trust fund issued by private entities established in the PRC. The principal activities of these private entities include property development, investment management and interior design for properties. They were measured at cost as at 31 December 2017 because the range of reasonable fair value estimates was so significant that the management of the Group was of the opinion that their fair values could not be measured reliably. The Group had neither control nor significant influence on any of these private entities.

21B. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2018 HK$'000
Equity securities:	
— Listed in the PRC (note (i))	91,407
— Unlisted (note (ii))	78,192
	169,599

Notes:

(i) The above listed equity investments represent the Group's equity interest in an entity listed in the PRC. These investments are not held-for-trading. Instead, they are held for long-term strategic purpose. The management of the Group has 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 will not be 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 has 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 engages GW Financial Advisory Services Limited, an independent qualified professional valuer not connected to the Group, to determine the fair values of certain of the Group's unlisted equity investments. The carrying amount of the Group's unlisted equity investments which are subject to fair value review by the valuer is approximately HK$75,635,000. Details of the valuation for these investments are set out in Note 40.

22. RESTRICTED AND PLEDGED BANK DEPOSITS

The Group has entered into agreements with certain banks with respect to mortgage loans provided for buyers of the Group's property units and has made deposits as security to and given guarantees on mortgage loans provided for the buyers by these banks under the agreements. Pursuant to the terms of agreements, upon default in payments of mortgage instalments by these buyers, the Group is responsible to repay to the banks the remaining outstanding mortgage principals together with accrued interest and penalty owed by the defaulted buyers, after netting off the pledged bank deposits and the Group is entitled to take over the legal title and possession of the related properties. These pledged bank deposits of approximately HK$27,831,000 (2017: HK$47,324,000), 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 2018, deposits of approximately HK$12,771,000 (2017: HK$18,481,000), which are expected to be released within twelve months, are classified as current assets. The remaining balances of approximately HK$15,060,000 (2017: HK$28,843,000), which are expected to be released more than one year after the property title deeds are passed to the buyers, are classified as non-current assets. These pledged bank deposits carry variable interest rate of 0.4% (2017: 0.4%) per annum as at 31 December 2018. Details of the mortgage guarantees are set out in Note 43.

22. RESTRICTED AND PLEDGED BANK DEPOSITS (CONTINUED)

Pledged bank deposits also include deposits pledged to banks to secure general banking facilities granted to the Group. As at 31 December 2018, deposits of approximately HK$4,096,000 (2017: HK$4,286,000) with maturity of less than twelve months, are classified as current assets. As at 31 December 2018, deposits of approximately HK$1,506,000 (2017: HK$1,584,000) with maturity of more than one year, are classified as non-current assets. These pledged bank deposits carry interest at fixed interest rates ranging from 1.8% to 3.0% (2017: 1.8% to 3.0%) per annum as at 31 December 2018 and they will be released upon the settlement of relevant bank borrowings.

As at 31 December 2018, bank deposits of approximately HK$66,575,000 (2017: HK$57,819,000) are restricted for use by the Group as a result of demolishment and relocation process undergoing for a property development project located at Beijing in the PRC. These restricted bank deposits carry variable interest at a rate of 0.4% (2017: 0.4%) per annum. As the management of the Group expects the completion of demolishment and relocation process of this property development project to be within one year from the end of the reporting period, these restricted bank deposits are classified as current assets.

23. INVENTORIES

Inventories in the consolidated statement of financial position comprise:

	31 December 2018 HK$'000	31 December 2017 HK$'000 (restated)	1 January 2017 HK$'000 (restated)
Property development			
Properties under development for sale	**22,211,298**	19,756,224	19,740,159
Properties held-for-sale	**8,860,695**	8,735,513	6,428,423
	31,071,993	28,491,737	26,168,582
Hotel operations			
Food and beverage and others	**3,385**	3,671	3,657
	31,075,378	28,495,408	26,172,239

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

23. INVENTORIES (CONTINUED)

Included in the properties held-for-sale as at 31 December 2018, there is an amount of approximately HK$5,975,930,000 (2017: HK$5,480,030,000) which are located in first-tier cities, such as Beijing and Shanghai, in the PRC and an amount of approximately HK$2,884,765,000 (2017: HK$3,255,483,000) which are located in other cities in the PRC, of which an amount of approximately HK$1,943,274,000 (2017: HK$1,824,132,000) has no pre-sale agreements entered into by the Group during the year.

The net realisable value of the Group's properties held-for-sale, which are not located in first-tier cities in the PRC and have no pre-sale agreements entered into by the Group during the year, as at 31 December 2018 has been arrived at on the basis of a valuation carried out by CWL. CWL has appropriate qualification and recent experience in the valuation of similar properties in the relevant locations. The Group's properties held-for-sale are valued individually on market value basis, which conforms to HKIS Valuation Standards 2017 published by Hong Kong Institute of Surveyors. The net realisable value of the Group's properties held-for-sale is arrived at by reference to comparable sales transactions available in the relevant markets with adjustments according to nature of each property, its location and the prevailing selling price.

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

As at 31 December 2018, properties held-for-sale of approximately HK$862,813,000 (2017: HK$925,524,000) are carried at net realisable value.

As at 31 December 2018, properties under development for sale of approximately HK$18,464,169,000 (2017: HK$14,829,974,000) are not expected to be realised within one year.

Included in the inventories as at 31 December 2018, there are properties under development for sale of approximately HK$1,115,987,000 (2017: HK$396,029,000) and properties held-for-sale of approximately HK$736,551,000 (2017: HK$338,443,000) which are pledged as securities for bank borrowings.

24. TRADE AND OTHER RECEIVABLES

	31 December 2018 HK$'000	31 December 2017 HK$'000 (restated)	1 January 2017 HK$'000 (restated)
Trade and other receivables recognised as current assets			
Trade receivables			
— Goods and services	**7,150**	7,257	4,633
— Operating lease	**12,496**	18,745	21,970
	19,646	26,002	26,603
Less: Loss allowance	**(737)**	(777)	(722)
	18,909	25,225	25,881
Other receivables (note (i))	**207,938**	499,876	597,691
Advance payments to contractors	**70,467**	48,934	203,296
Prepaid other taxes	**180,939**	186,676	276,558
Deposits and prepayments	**11,763**	9,623	18,896
Consideration receivables (note (ii))	**—**	—	334,971
Prepayment for acquisition of land parcels (note (iv))	**—**	962,162	—
	490,016	1,732,496	1,457,293
Other receivables recognised as non-current assets			
Loan receivables (note (iii))	**18,515**	26,739	103,394
Prepayment for acquisition of land parcels (note (v))	**667,616**	—	—
	686,131	26,739	103,394

Notes:

(i) Other receivables mainly comprise various warranty deposits placed with the relevant government bodies in respect of properties being sold and receivables in respect of advances made to contractors for resumption of land. Included in current other receivables as at 31 December 2017, there was an amount of RMB40,000,000 (equivalent to approximately HK$48,048,000) which represented a loan advanced to a construction contractor of the Group's property development project through an entrusted loan agreement administrated by a bank with maturity date on 7 July 2018. This loan receivable carried a fixed interest at 7.5% per annum and it was secured by the borrower's receivables on the Group's property development project. During the year ended 31 December 2018, this loan receivable is repaid in full. Included in current other receivables as at 31 December 2018, there is an amount of RMB10,000,000 (equivalent to approximately HK$11,387,000) (2017: RMB30,340,000 (equivalent to approximately HK$36,444,000)) which represents current portion of loans advanced to a subsidiary of a former tenant of one of the Group's investment properties (the "Borrower") through an entrusted loan agreement administrated by a trust company, and the amount is repayable on 31 December 2019 (2017: 31 December 2018).

24. TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes: (continued)

(ii) As at 1 January 2017, the consideration receivables represented remaining consideration to be received from a purchaser in relation to the disposal of a subsidiary of the Group during the year ended 31 December 2016. Details of the disposal were set out in Note 34(b) in the consolidated financial statements included in the Company's annual report 2017.

(iii) As at 31 December 2018, included in non-current other receivables, there are loan receivables of RMB16,260,000 (equivalent to approximately HK$18,515,000) (2017: RMB22,260,000 (equivalent to approximately HK$26,739,000)) which represent non-current portion of loans advanced to the Borrower. RMB8,000,000 and RMB8,260,000 of the loan receivables are repayable on 31 December 2020 and 31 December 2021 respectively. The loan receivables carry fixed interest at 5% per annum. The loan receivables are secured by the registered share capital of the immediate and intermediate holding companies of the Borrower and are also guaranteed by the entity controlled by the beneficial owner of the Borrower for a maximum amount of RMB25,000,000. These companies are principally engaged in commercial properties management.

(iv) During the year ended 31 December 2017, Shangtou Real Estate Group entered into a land use rights transfer contract with Shanghai Minhang Land Bureau to acquire a parcel of land for the development of commercial and residential properties for sale at a consideration of RMB801,000,000 (equivalent to approximately HK$962,162,000). Shangtou Real Estate Group made a full amount prepayment for this acquisition as at 31 December 2017. The acquisition of this parcel of land is completed during the year ended 31 December 2018.

(v) During the year ended 31 December 2018, the Group enters into two land use rights transfer contracts with Shanghai Minhang Land Bureau and Shanghai Xuhui Land Bureau respectively to acquire two parcels of land for the development of residential properties held for earning rentals at a total consideration of RMB1,105,580,000. As at 31 December 2018, the Group paid a sum of RMB586,300,000 (equivalent to approximately HK$667,616,000) as prepayments for these acquisitions.

As at 31 December 2018 and 1 January 2018, trade receivables from contracts with customers amounted to HK$7,150,000 and HK$7,257,000 respectively.

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

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

	2018 **HK$'000**	2017 HK$'000
Within 90 days	**18,552**	19,217
Within 91—180 days	**357**	1,156
Over 180 days	**—**	4,852
	18,909	25,225

24. TRADE AND OTHER RECEIVABLES (CONTINUED)

Ageing of trade receivables which are past due

	2018 HK$'000
Within 91 — 180 days	**357**

The management of the Group considers that the impact of ECL for this past due trade receivables is insignificant.

Ageing of trade receivables which are past due but not impaired

	2017 HK$'000
Within 91 — 180 days	1,156
Over 180 days	4,852
	6,008

As at 31 December 2017, majority of the trade receivables that were neither past due nor impaired and had no default payment history. These trade receivables related to a number of independent customers. Based on past experience, the management of the Group believed that no loss allowance was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable.

Movement in the loss allowance for trade receivables

	2017 HK$'000
At 1 January	722
Exchange realignment	55
At 31 December	777

Included in trade and other receivables, there is an amount of approximately HK$2,908,000 (2017: HK$2,908,000) denominated in HK$ which is the foreign currency of respective companies of the Group.

As at 31 December 2018, certain trade receivables with carrying amount of approximately HK$6,502,000 (2017: HK$7,535,000) derived from operations of investment properties located in the PRC are pledged by the Group to secure general banking facilities granted to the Group.

Details of impairment assessment of trade and other receivables for the year ended 31 December 2018 are set out in Note 39.

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 HK$'000	2017 HK$'000
Listed securities held-for-trading		
— Equity securities listed in the PRC	**2,805**	3,506

26. BANK BALANCES AND CASH

Bank balances which comprise saving deposits and fixed deposits with maturity less than three months carry interest at market rates ranging from 0.35% to 3.0% (2017: 0.35% to 3.0%) per annum.

Included in the bank balances, there are amounts of approximately HK$7,175,000 (2017: HK$106,460,000) and HK$26,604,000 (2017: HK$51,063,000) that are denominated in United States Dollars ("US$") and HK$ respectively which are foreign currency of respective companies of the Group.

27. TRADE AND OTHER PAYABLES AND DEFERRED REVENUE

	31 December 2018 HK$'000	31 December 2017 HK$'000 (restated)	1 January 2017 HK$'000 (restated)
Trade and other payables recognised as current liabilities			
Trade payables	**729,566**	826,771	469,809
Accrued expenditure on properties under development for sale	**2,464,448**	2,458,988	2,862,065
Amounts due to former shareholders of the Company's former subsidiaries (note (i))	**160,831**	167,878	158,120
Receipts from customers for payment of expenses on their behalf	**—**	42,537	56,952
Rental deposits and receipt in advance from tenants	**202,945**	209,770	193,160
Interest payable	**54,499**	86,786	82,200
Payables to the Shanghai government department (note (ii))	**543,055**	537,540	450,618
Provision for compensation expense in relation to settlement of a legal case (note (iii))	**117,879**	124,350	115,589
Deposit received for disposal of a subsidiary (note (iv))	**217,604**	—	—
Deferred revenue (note (v))	**41,977**	44,281	38,402
Accrued charges and other payables	**567,554**	785,803	709,718
Other taxes payables (note (vi))	**140,446**	105,958	132,417
	5,240,804	5,390,662	5,269,050
Deferred revenue recognised as non-current liabilities			
Deferred revenue (note (v))	**159,751**	201,892	195,776

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

Notes:

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

(ii) The amount represents the receipts of approximately HK$1,717,013,000 (2017: HK$1,708,498,000) from the purchasers of affordable housings which are collected on behalf of the Shanghai government department but are not repaid to it at the end of the reporting period, net of receivables of approximately HK$1,173,958,000 (2017: HK$1,170,958,000) for the construction and other related costs and the agreed profit margin for the affordable housings. The amount is repayable on demand. During the year ended 31 December 2018, none (2017: HK$41,171,000) is repaid to Shanghai government department.

(iii) In prior years, the Group was in a legal proceeding with a purchaser of its subsidiary regarding the fulfilment of terms and actual performance of the disposal transaction that happened in year 2009. Pursuant to the commitment letter issued by a subsidiary of the Group (the "Seller") to the purchaser, after receiving consideration from the purchaser, the Seller assumed certain liabilities of the subsidiary being disposed of and agreed to settle these liabilities, which would in turn discharge the purchaser's obligation to pay these liabilities. However, the Seller did not settle the liabilities in full in previous years. A court in Beijing of the PRC had made a judgment and ruled that the Seller was required to settle the liabilities of approximately RMB90,333,000 and pay damages of approximately RMB13,188,000 to the purchaser. As at 31 December 2018 and 2017, these amounts were not yet settled but were fully provided for.

(iv) The amount represents deposit of RMB191,100,000 (equivalent to approximately HK$217,604,000 received about disposal of Hunan Qianshuiwan Xiangya Garden Co., Ltd 湖南淺水灣湘雅溫泉花園有限公司 ("Hunan Qianshuiwan"), a partially-owned subsidiary of the Group. On 8 April 2018, the Group enters into an equity transfer agreement (the "Agreement") with Hengda Real Estate Group Changsha Zhiye Company Limited 恒大地產集團長沙置業有限公司 ("Hengda Changsha"), being a non-controlling shareholder of Hunan Qianshuiwan, in relation to the disposal of the Group's entire equity interest in Hunan Qianshuiwan, at a cash consideration of RMB637,000,000 (equivalent to approximately HK$755,008,000) which comprises RMB191,100,000 (the "Initial Payment") for disposal of the equity interest in Hunan Qianshuiwan and RMB445,900,000 for settlement of intercompany balances. According to the terms set out in the Agreement, completion would take place when the consideration was fully settled. Following the completion of this transaction, the Group will cease to have control in Hunan Qianshuiwan. Hengda Changsha is a non-controlling shareholder of Hunan Qianshuiwan and this transaction is a related party transaction. The Company is exempted from obtaining approval from its independent shareholders pursuant to the Listing Rules.

As at 31 December 2018, the transaction is not completed and a consideration of RMB445,900,000 remains outstanding. As disclosed in the Company's announcement on 2 November 2018, the Group receives a summons issued by a court in the PRC that Hengda Changsha has pleaded with the court to grant orders to rescind the Agreement and enforce the Group to return the Initial Payment and the earnest money of RMB10,000,000 to Hengda Changsha due to the potential substantial loss that Hengda Changsha will suffer in relation to potential compensation as result of a decision handed down by a court in the PRC against Hunan Qianshuiwan. Details of the legal case involving Hunan Qianshuiwan are set out in Note 43(b). The management of the Group obtains a legal advice and takes respective legal actions against Hengda Changsha as of the date of these consolidated financial statements are authorised for issue and considers that it is a pre-mature stage to estimate the outcome of the legal actions taken by the Group.

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

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

27. 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:

	2018 HK$'000	2017 HK$'000 (restated)
Within 30 days	–	17,107
Within 31 — 180 days	315,839	299,016
Within 181 — 365 days	21,752	248,465
Over 365 days	391,975	262,183
	729,566	826,771

Included in trade and other payables, there is an amount of approximately HK$18,282,000 (2017: HK$15,051,000) denominated HK$ which is the foreign currency of respective companies of the Group.

28. AMOUNTS DUE FROM (TO) RELATED COMPANIES

The Group had the following balances with related parties:

	Notes	31 December 2018 HK$'000	31 December 2017 HK$'000 (restated)	1 January 2017 HK$'000 (restated)
Amount due from a related company recognised in current assets:				
— Non-controlling shareholders	(ii)(a)	305,472	885,897	1,148,055
Amounts due to related companies recognised in current liabilities:				
— Xuhui SASAC and entities controlled by Xuhui SASAC	(i)	452,242	1,305,595	786,895
— Non-controlling shareholders	(ii)(b)	406,689	230,175	230,630
— SIHL	(iii)	27,405	28,463	26,456
		886,336	1,564,233	1,043,981
Amount due to related companies recognised in non-current liabilities:				
— A non-controlling shareholder	(ii)(b)	–	115,315	–
— An entity controlled by Xuhui SASAC	(i)	–	300,300	279,142
		–	415,615	279,142

28. AMOUNTS DUE FROM (TO) RELATED COMPANIES (CONTINUED)

Notes:

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

Included in the amounts due to Xuhui SASAC and entities controlled by Xuhui SASAC as at 31 December 2018, there is an aggregated amount of RMB200,000,000 (equivalent to approximately HK$227,738,000) (2017: RMB200,000,000 (equivalent to approximately HK$230,256,000)), which represents loans advanced from entities controlled by Xuhui SASAC through entrusted loan agreements administrated by banks, carrying fixed interest at 9% (2017: 9%) per annum and are repayable in June 2019 (2017: in June 2018).

Included in the amounts due to an entity controlled by Xuhui SASAC as at 31 December 2017, there was an aggregate amount of RMB690,000,000 (equivalent to approximately HK$828,829,000) in current liabilities and an amount of RMB250,000,000 (equivalent to approximately HK$300,300,000) in non-current liabilities which represented loans advanced from an entity controlled by Xuhui SASAC through entrusted loan agreements administrated by another entity controlled by Xuhui SASAC. The amounts recorded in current liabilities carried fixed interest at 5.22% per annum and were repayable in December 2018. The amount recorded in non-current liabilities carried fixed interest at 6.18% per annum and would be repayable in October 2020. During the year ended 31 December 2018, these amounts are repaid in full.

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

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

The amounts due from non-controlling shareholders as at 31 December 2018 and 2017 are non-trade in nature and unsecured.

Included in the amounts due from non-controlling shareholders as at 31 December 2018, there is an amount of RMB268,256,000 (equivalent to approximately HK$305,472,000) (2017: RMB268,256,000 (equivalent to approximately HK$322,229,000)) which represents an interest bearing loan to a non-controlling shareholder for resumption of a parcel of land in relation to a potential property development project in Shanghai in the PRC. The amount and its accrued interest are repayable upon completion of the land resumption and land auction procedures regardless of whether the land auction are successful or not. The amount carries variable interest at 90% of People's Bank of China Benchmark Lending Rate (the "PBOC Rate") per annum. During the year ended 31 December 2017, the land resumption was completed. During the year ended 31 December 2018, the Group acquires the land and the management of the Group expects the amount to be refunded to the Group within a year upon completion of relevant administrative procedures by the non-controlling shareholder with the relevant government departments.

Included in the amounts due from non-controlling shareholders as at 31 December 2017, there was an amount of RMB469,253,000 (equivalent to approximately HK$563,668,000) which represented an interest bearing loan to a non-controlling shareholder for resumption of a parcel of land in relation to another potential property project in Shanghai in the PRC. The amount carried variable interest at 5-year PBOC Rate per annum. The amount and its the accrued interest would be repayable upon the non-controlling shareholder received reimbursement from the relevant government department about the land resumption. During the year ended 31 December 2018, the amount is settled in full.

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

The entire amounts due to non-controlling shareholders are non-trade in nature and unsecured. Included in the amounts due to non-controlling shareholders as at 31 December 2018, there is an aggregate amount of RMB116,486,000 (equivalent to approximately HK$132,642,000) (2017: RMB163,200,000 (equivalent to approximately HK$196,036,000)), which represents loans advanced from a non-controlling shareholder, carrying variable interest at 120% (2017: 120%) of PBOC Rate per annum. These loans are repayable on various dates in year 2019, with last repayment in December 2019 (2017: HK$80,721,000 and HK$115,315,000 are repayable on various dates in year 2018 and 2019 respectively, with last repayment in June 2019).

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

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

29. AMOUNTS DUE TO ASSOCIATES

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

30. CONSIDERATION PAYABLES FOR ACQUISITION OF SUBSIDIARIES

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

On 30 June 2008, the Group acquired 12% equity interest in Jun He Bai Nian, a company established in the PRC and engaged in property development in Beijing of the PRC, for a cash consideration of RMB82,090,000 (equivalent to approximately HK$93,369,000). Prior to the acquisition, the Group held 43.95% interest in Jun He Bai Nian and this was accounted for as interest in an associate. Jun He Bai Nian then became a 55.95% owned subsidiary of the Group subsequent to the acquisition. The Group disposed of Jun He Bai Nian in year 2009. As at 31 December 2018, a consideration payable of approximately HK$68,322,000 (2017: HK$72,072,000) was not settled yet as the amount of consideration as interpreted by the sale and purchase agreement was still in dispute. Legal proceeding was carried out in previous year regarding the consideration payable. The previous court decision was in favour of the seller and the Group accrued the full amount of the consideration payable in previous year which represented the maximum amount that the Group would be obliged to pay. The Group is taking legal action appealing against previous court decision and is awaiting for the court's decision.

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

During the year ended 31 December 2016, the Group acquired entire equity interest in Shanghai Qiyao, a company established in the PRC, for a cash consideration of RMB2,350,000,000 (equivalent to approximately HK$2,703,605,000). The acquisition was completed in late October 2016. Pursuant to the share transfer agreement entered into between the Group and the seller, the consideration comprises the net purchase price (the "Net Purchase Price") and the EIT arising from this acquisition payable by the seller and withheld by the Group to the relevant PRC tax authority (the "EIT Payment"). The Net Purchase Price less the retention amount of RMB22,100,000 (the "Retention Amount"), amounting to approximately RMB2,103,181,000, was paid in late October 2016. The Retention Amount and the EIT Payment would be paid after the acquisition. As at 31 December 2017, the Retention Amount, equivalent to approximately HK$26,547,000, was outstanding. During the year ended 31 December 2018, this outstanding consideration payable is waived.

Acquisition of Shangtou Real Estate

As at 31 December 2017, the Group had an outstanding cash consideration of RMB530,827,000 (equivalent to approximately HK$637,630,000) in relation to acquisition of Shangtou Real Estate. Details of this acquisition are set out in Note 36.

31. PRE-SALE PROCEEDS RECEIVED ON SALES OF PROPERTIES

Pre-sale proceeds received on sales of properties are liabilities in relation to contracts with property buyers. These proceeds are advance payments received on sales of property units and recognised as liabilities throughout the property construction period. These proceeds are recognised as revenue when the property buyers obtain control of the completed properties. As at 31 December 2017, an amount of approximately HK$58,170,000 was expected to be recognised as revenue after one year. As at 31 December 2018, the amounts which are expected to be recognised as revenue in the following years are set out in Note 6A.

32. BANK AND OTHER BORROWINGS

	31 December 2018 HK$'000	31 December 2017 HK$'000 (restated)	1 January 2017 HK$'000 (restated)
Bank borrowings	**10,059,617**	10,865,970	9,235,396
Other borrowings (note (ii))	**5,335,903**	6,225,285	5,778,751
	15,395,520	17,091,255	15,014,147
Analysed as:			
Secured bank borrowings (note (i))	**5,698,082**	6,271,346	4,270,831
Unsecured bank and other borrowings	**9,697,438**	10,819,909	10,743,316
	15,395,520	17,091,255	15,014,147
Carrying amount repayable:			
Within one year	**2,820,495**	4,068,888	854,595
More than one year, but not exceeding two years	**1,023,647**	498,738	4,065,096
More than two years, but not exceeding five years	**10,473,038**	11,386,091	5,894,257
Over five years	**1,078,340**	1,137,538	4,200,199
	15,395,520	17,091,255	15,014,147
Less: Amount due within one year shown under current liabilities	**(2,820,495)**	(4,068,888)	(854,595)
Amount due after one year (note (iii))	**12,575,025**	13,022,367	14,159,552
Floating rate			
— expiring within one year	**2,649,690**	2,219,037	345,439
— expiring beyond one year	**5,991,115**	7,461,346	7,274,700
Fixed rate			
— expiring within one year	**170,805**	1,849,851	509,156
— expiring beyond one year	**6,583,910**	5,561,021	6,884,852
	15,395,520	17,091,255	15,014,147

32. BANK AND OTHER BORROWINGS (CONTINUED)

Notes:

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

	31 December 2018 HK$'000	31 December 2017 HK$'000 (restated)	1 January 2017 HK$'000 (restated)
Properties under developments for sale	**1,115,987**	396,029	1,861,894
Properties held-for-sale	**736,551**	338,443	16,233
Hotel buildings and improvements	**—**	—	759,680
Investment properties	**8,128,213**	8,543,940	8,395,002
Pledged bank deposits	**5,602**	5,870	12,356
Trade receivables	**6,502**	7,535	4,361
	9,992,855	9,291,817	11,049,526

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

	2018 HK$'000	2017 HK$'000
Advanced bonds — 2012 (note (a))	**—**	1,801,802
Advanced bonds — 2015 (note (b))	**2,041,026**	2,148,432
Advanced bonds — 2016 (note (c))	**1,932,968**	2,034,811
Medium term notes — 2018 (note (d))	**1,134,170**	—
Others (note (e))	**227,739**	240,240
	5,335,903	6,225,285

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

32. BANK AND OTHER BORROWINGS (CONTINUED)

Notes: (continued)

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

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

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

(d) The medium term notes — 2018 represent notes issued during the year ended 31 December 2018 by SUD, the subsidiary of the Company, which are listed on the Shanghai Stock Exchange. The notes are unsecured and have maturity of three years falling due on 18 October 2021. The notes have principal amount of RMB1,000,000,000 and they carry fixed interest rate at 4.60% per annum. Transaction costs of approximately RMB4,245,000 (equivalent to approximately HK$5,030,000) were directly deducted from the carrying amount of the medium term note — 2018. The medium term notes — 2018, net of transaction costs, carry effective interest at 4.75% per annum.

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

(iii) As at 31 December 2018, included in the Group's other borrowings are amounts of approximately HK$5,335,903,000 (2017: HK$4,423,483,000) due after one year.

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

	31 December 2018 HK$'000	31 December 2017 HK$'000 (restated)	1 January 2017 HK$'000 (restated)
Effective interest rate:			
Fixed-rate borrowings	**4.35% — 7.50%**	4.35% — 7.50%	4.35% — 9.00%
Variable-rate borrowings	**3.80% — 6.50%**	2.23% — 7.48%	2.23% — 7.07%

33. DEFERRED TAXATION

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

	Fair value adjustment on inventories HK$'000	Revaluation of investment properties HK$'000	Fair value adjustment on hotel properties HK$'000	Accrued expenses HK$'000	LAT deferred tax HK$'000	Undistributed earnings of the PRC entities HK$'000	Others HK$'000	Total HK$'000
At 1 January 2017 (restated)	(770,851)	(3,749,588)	(18,024)	363,654	(81,953)	(64,276)	18,845	(4,302,193)
Credit (charge) to profit or loss for the year	80,532	45,861	208	(200,593)	11,697	–	(5,245)	(67,540)
Credit to OCI upon fair value changes of AFS investment	–	–	–	–	–	–	8,727	8,727
Exchange realignment	(54,894)	(280,554)	(1,357)	19,202	(5,724)	(4,872)	1,572	(326,627)
At 31 December 2017 (restated)	(745,213)	(3,984,281)	(19,173)	182,263	(75,980)	(69,148)	23,899	(4,687,633)
Credit to profit or loss for the year	76,761	93,071	205	52,203	15,938	–	6,947	245,125
Credit to OCI upon fair value changes of equity instruments at FVTOCI	–	–	–	–	–	–	14,361	14,361
Carved-out (Note 36)	–	–	–	–	–	–	(441)	(441)
Transfer (note)	(1,355,053)	1,355,053	–	–	–	–	–	–
Exchange realignment	35,668	202,594	990	(11,518)	3,333	3,598	(2,039)	232,626
At 31 December 2018	(1,987,837)	(2,333,563)	(17,978)	222,948	(56,709)	(65,550)	42,727	(4,195,962)

Note: As disclosed in Note 15, certain of the Group's investment properties are transferred to inventories at fair value and the deferred tax liabilities in relation to these investment properties are transferred from the category of "revaluation of investment properties" to "fair value adjustment on inventories" within the deferred taxation.

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	31 December 2018 HK$'000	31 December 2017 HK$'000 (restated)	1 January 2017 HK$'000 (restated)
Deferred tax assets	**282,089**	238,033	419,910
Deferred tax liabilities	**(4,478,051)**	(4,925,666)	(4,722,103)
	(4,195,962)	(4,687,633)	(4,302,193)

33. DEFERRED TAXATION (CONTINUED)

As at 31 December 2018, the Group has unused tax losses of approximately HK$3,388,497,000 (2017: HK$3,195,833,000) available for offset against future profits, which are subject to the confirmation from Hong Kong Inland Revenue Department and the respective PRC tax authorities. No deferred tax asset was recognised in respect of such losses due to the unpredictability of future profit streams. During the year ended 31 December 2018, tax losses of approximately HK$342,512,000 (2017: HK$336,035,000) were expired. Included in unrecognised tax losses, there are losses of approximately HK$3,058,786,000 (2017: HK$2,866,111,000) that will expire in various dates in the next five years. Other losses may be carried forward indefinitely.

Under the EIT law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. No deferred taxation was provided in the consolidated financial statements in respect of temporary differences of approximately HK$7,525,804,000 (2017: HK$9,100,290,000) 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.

34. GAINS ON DISPOSAL OF SUBSIDIARIES

(a) Disposals of Shanghai Shenda and Shanghai Commercial (both are defined in Note 46)

As disclosed in Note 46, the disposals of Shanghai Shenda and Shanghai Commercial are completed in February 2018.

The net assets of Shanghai Shenda at the disposal date are as follows:

	HK$'000
Consideration:	
Cash received	86,881
Analysis of assets and liabilities over which control was lost:	
Plant and equipment	140
Trade and other receivables	4,266
Bank balances and cash	138,642
Trade and other payables	(124,502)
Income tax payable	(697)
Net assets disposed of	17,849
Gain on disposal of Shanghai Shenda:	
Total cash consideration	86,881
Net assets disposed of	(17,849)
Gain on disposal	69,032
Net cash outflow arising on the disposal:	
Cash received	86,881
Less: bank balances and cash disposed of	(138,642)
	(51,761)

34. GAINS ON DISPOSAL OF SUBSIDIARIES (CONTINUED)

(a) Disposals of Shanghai Shenda and Shanghai Commercial (both are defined in Note 46) (continued)

The net assets of Shanghai Commercial at the disposal date are as follows:

	HK$'000
Consideration:	
Cash received	21,100
Analysis of assets and liabilities over which control was lost:	
Plant and equipment	409
Inventories	41
Other receivables	4,309
Bank balances and cash	30,129
Other payables	(23,800)
Income tax payable	(528)
Net assets disposed of	10,560
Gain on disposal of Shanghai Commercial:	
Total cash consideration	21,100
Net assets disposed of	(10,560)
Gain on disposal	10,540
Net cash outflow arising on the disposal:	
Cash received	21,100
Less: bank balances and cash disposed of	(30,129)
	(9,029)

(b) Disposal of Fine Mark (as defined below)

On 17 April 2018, the Group enters into a share transfer agreement with Hong Kong Ruimin Investment Co., Limited 香港瑞閩投資有限公司 ("HK Ruimin") in relation to disposal of the Group's entire equity interest in Fine Mark Investment Limited ("Fine Mark"), a wholly-owned subsidiary of the Group, at a cash consideration of RMB176,750,000 (equivalent to approximately HK$220,858,000), which comprises RMB120,750,000 for the acquisition of equity interest in Fine Mark (the "Sale Share Consideration") and RMB56,000,000 for repayment of assigned debts due to the Company (the "Loan Assignment Consideration").

The principal asset of Fine Mark is interest in Initial Point, a joint venture of the Group, with a carrying amount of HK$65,718,000. Initial Point jointly owned with other investors an entity incorporated in the PRC, namely Fuzhou Chengkai Shiye Company Limited 福州城開實業有限公司 ("Fuzhou Chengkai"), and its subsidiary (collectively referred to as "Fuzhou Chengkai Group"). Fuzhou Chengkai Group has a property development project in Fuzhou in the PRC.

34. GAINS ON DISPOSAL OF SUBSIDIARIES (CONTINUED)

(b) Disposal of Fine Mark (as defined below) (continued)

During the year ended 31 December 2018, the Sale Share Consideration and the Loan Assignment Consideration are settled in full and the disposal is completed.

The asset of Fine Mark at the disposal date is as follows:

	HK$'000
Consideration:	
Cash received	220,858
Analysis of the asset over which control was lost:	
Interest in a joint venture	65,718
Gain on disposal of Fine Mark:	
Total consideration	220,858
The asset disposed of	(65,718)
Gain on disposal	155,140
Net cash inflow arising on the disposal:	
Cash received	220,858
Less: bank balances and cash disposed of	—
	220,858

Fine Mark does not have any significant contribution to the results and cash flows of the Group during the year ended 31 December 2018 prior to the disposal.

34. GAINS ON DISPOSAL OF SUBSIDIARIES (CONTINUED)

(c)(i) Summary of gains on disposal of subsidiaries

	HK$'000
Gains on disposal of subsidiaries:	
— Shanghai Shenda	69,032
— Shanghai Commercial	10,540
— Fine Mark	155,140
	234,712

(c)(ii) Summary of net proceeds from disposal of subsidiaries

	HK$'000
Cash inflow (outflow) from disposal of subsidiaries	
— Shanghai Shenda	(51,761)
— Shanghai Commercial	(9,029)
— Fine Mark	220,858
	160,068

35. SHARE CAPITAL

	Number of shares '000	Amount HK$'000
Ordinary shares of HK$0.04 each		
Authorised:		
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	10,000,000	400,000
Issued and fully paid:		
At 1 January 2017	4,811,273	192,451
Shares repurchased and cancelled	(300)	(12)
At 31 December 2017, 1 January 2018 and 31 December 2018	4,810,973	192,439

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

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

The above ordinary shares were cancelled on 20 June 2017.

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

36. ACQUISITION OF SUBSIDIARIES

On 28 February 2018, the Group enters into an asset and equity transfer agreement and a supplemental agreement (collectively referred to "Acquisition Agreement") with Shangtou Assets. Pursuant to the Acquisition Agreement, the Group agrees to acquire the entire equity interest in Shangtou Real Estate, at a cash consideration of approximately RMB530,827,000 (equivalent to approximately HK$657,086,000). Certain assets including other receivables, inventories, equity instruments at FVTOCI, investment properties, amount due from a related company and deferred tax assets ("Carved-out Assets") and certain liabilities including other payables and income tax payable ("Carved-out Liabilities") of Shangtou Real Estate Group would not form part of the acquisition and would be transferred to an entity controlled by Shangtou Assets at nil consideration prior to completion of the acquisition. Shangtou Real Estate is a company established in the PRC and is principally engaged in secondary land development. Shangtou Real Estate holds two secondary land development projects in the PRC. The acquisition is completed in April 2018. The Carved-out Assets and the Carved-out Liabilities with carrying amounts of approximately HK$332,516,000 and approximately HK$10,324,000 respectively are treated as distributions by Shangtou Real Estate Group to Shangtou Assets. As disclosed in Note 2, the Group and Shangtou Real Estate Group are under common control of SIIC. This acquisition is accounted for by applying the principles of merger accounting.

Details of the Carved-out assets and the Carved-out liabilities recognised as distributions are set out below:

	HK$'000
Other receivables	173,363
Inventories	89,971
Equity instruments at FVTOCI	24,757
Investment properties	14,253
Amount due from a related company	29,731
Deferred tax assets	441
Other payables	(10,192)
Income tax payable	(132)
	322,192

37. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme of the Company

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

As at 31 December 2018, the number of shares of the Company in respect of which options had been granted and remained outstanding under the Scheme of the Company was 27,750,000 (2017: 27,750,000), representing 0.58% (2017: 0.58%) of the shares of the Company in issue at that date.

37. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

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

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

Grantees	Date of grant	Outstanding at 1 January 2018	Transfer during the year	Forfeited during the year	Outstanding at 31 December 2018	Exercisable period	Exercised price per share (subject to anti-dilutive adjustment)
Directors	24 September 2010	21,000,000	–	–	21,000,000	24 September 2010– 23 September 2020	2.98
Employees	24 September 2010	6,750,000	–	–	6,750,000	24 September 2010– 23 September 2020	2.98
Exercisable at the end of the year					27,750,000		
Weighted average exercise price		2.98	–	–	2.98		

Grantees	Date of grant	Outstanding at 1 January 2017	Transfer during the year (note)	Forfeited during the year	Outstanding at 31 December 2017	Exercisable period	Exercised price per share (subject to anti-dilutive adjustment)
Directors	24 September 2010	29,000,000	6,000,000	(14,000,000)	21,000,000	24 September 2010– 23 September 2020	2.98
Employees	24 September 2010	12,750,000	(6,000,000)	–	6,750,000	24 September 2010– 23 September 2020	2.98
Exercisable at the end of the year					27,750,000		
Weighted average exercise price		2.98	–	–	2.98		

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

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

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

38. CAPITAL RISK MANAGEMENT

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

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

The management of the Group actively and regularly reviews the capital structure. As part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital. The Group has a target gearing ratio of not more than 100% determined as the proportion net debt, which includes and bank and other borrowings less bank balances and cash and restricted and pledged bank deposits to equity. As at 31 December 2018, the gearing ratio of the Group was 26.4% (2017: 15.7%). 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.

39. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	31 December 2018 HK$'000	31 December 2017 HK$'000 (restated)
Financial assets		
AFS investments	**–**	273,458
Financial assets at FVTPL	**2,805**	3,506
Equity instruments at FVTOCI	**169,599**	–
Financial assets at amortised cost	**9,778,670**	–
Loans and receivables (including cash and cash equivalents)	**–**	14,734,056
Financial liabilities		
Amortised cost	**18,149,369**	21,789,209

39. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies

The Group's major financial instruments include AFS investments, equity instruments at FVTOCI, financial assets at FVTPL, restricted and pledged bank deposits, bank balances and cash, trade and other receivables, amounts due from related companies, trade and other payables, amounts due to associates, amounts due to related companies, consideration payables for acquisition of subsidiaries, dividend payable, dividend payable to non-controlling shareholders and bank and other borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

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

Market risk

(i) Currency risk

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

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

	Assets		Liabilities	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
US$	**7,175**	106,460	**–**	–
HK$	**29,512**	53,971	**18,282**	15,051

39. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (continued)

Market risk (continued)

(i) Currency risk (continued)

Sensitivity analysis

The Group is mainly exposed to the currency of US$ and HK$ against RMB, the functional currency of relevant group entities.

The following table details the Group's sensitivity to a 5% (2017: 5%) increase and decrease in RMB against the relevant foreign currencies. 5% (2017: 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% (2017: 5%) against US$ and HK$ respectively. For a 5% (2017: 5%) weakening of RMB against US$ and HK$ respectively, there would be an equal and opposite impact on the result.

	US$ (i)		HK$ (ii)	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
Impact for post-tax profit for the year	**(359)**	(5,323)	**(562)**	(1,946)

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

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

39. 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 32), amounts due from/to non-controlling shareholders (see Note 28), restricted and pledged bank deposits and bank balances. It is the Group's policy to keep its bank borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

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

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

Sensitivity analysis

The Group does not anticipate there is any significant impact on its interest-bearing assets resulting from the changes in interest rates as the interest rate of bank deposits are not expected to change significantly.

The sensitivity analyses below have been determined based on the exposure to interest rates for bank and other borrowings at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 (2017: 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 (2017: 100) basis point higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2018 would have decreased/increased by approximately HK$38,717,000 (2017: HK$46,830,000) assuming interest of approximately HK$35,325,000 (2017: HK$36,553,000) are capitalised into qualifying assets.

39. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (continued)

Market risk (continued)

(iii) Other price risk

The Group is exposed to equity price risk arising from changes in the fair value of its financial assets at FVTPL and equity instruments at FVTOCI (2017: fair value of financial assets at FVTPL and AFS investment carried at fair value).

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 consider 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.

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 (2017: AFS investment carried at fair value) at that date.

A 10% (2017: 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 2018, if the price of the listed equity instruments at FVTOCI had been 10% higher/lower and all other variables were held constant, the Group's investment revaluation reserve, net of tax, would have increased/decreased by approximately HK$4,045,000 (2017: HK$11,599,000) as a result of the changes in fair value of listed equity instruments at FVTOCI (2017: AFS investment carried at fair value).

Credit risk and impairment assessment

As at 31 December 2018, other than those financial assets whose carrying amounts best represent the maximum exposure to credit risk, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from the amount of contingent liabilities in relation to financial guarantees provided by the Group as disclosed in Note 43(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.

39. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

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 provisions for impairment losses are made for irrecoverable amounts on trade and other receivables and amounts due from related companies. In this regard, the management of the Group considers that the credit risk on trade and other receivables and amounts due from related companies are significantly reduced. Under HKAS 39, provisions for impairment losses are made for irrecoverable amounts. Upon the application of HKFRS 9 on 1 January 2018, the Group applies simplified approach on trade receivables and 12m ECL on other receivables and amounts due from related companies to provide for ECL prescribed by HKFRS 9. To measure the ECL on trade and other receivables and amounts due from related companies, they are assessed individually on the recoverability based on historical settlement records, past experience, and also the available and supportive forward-looking information starting from 1 January 2018. 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 and amounts due from related companies.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which account for 100% (2017: 100%) of the total trade and other receivables and amounts due from related companies as at 31 December 2018. The management of the Group closely monitors the subsequent settlement of trade and other receivables and financial positions of related companies and debtors which the Group made advancements. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

In relation to the guarantees provided by the Group to secure obligations of the buyers of the property units for the repayment of their mortgage loans, if there is a default in repayment by these buyers, the Group is responsible for repaying the outstanding mortgage loans together with any accrued interests and penalties owed by the defaulted buyers to banks. Under such circumstances, the Group is able to retain the customer's deposits, take over the ownership of the relevant properties and sell the properties to recover any amounts paid by the Group to banks. In this regard, the management of the Group considers that the Group's credit risk on such guarantees is significantly reduced. Details of these guarantees are set out in Note 43(a).

39. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

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

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

Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2018, the Group had available unutilised overdraft and bank borrowings facilities of approximately HK$1,476,308,000 (2017: HK$1,679,580,000).

39. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	Weighted average interest rate %	On demand or less than 1 year HK$'000	1–2 years HK$'000	2–5 years HK$'000	More than 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 2018 HK$'000
2018							
Non-derivative financial liabilities							
Trade and other payables	N/A	1,605,830	–	–	–	1,605,830	1,605,830
Amounts due to related companies	3.14	898,210	–	–	–	898,210	886,336
Amounts due to associates	N/A	10,451	–	–	–	10,451	10,451
Consideration payables for acquisition of subsidiaries	N/A	68,322	–	–	–	68,322	68,322
Dividend payable	N/A	12,107	–	–	–	12,107	12,107
Dividend payable to non-controlling shareholders	N/A	170,803	–	–	–	170,803	170,803
Bank and other borrowings	4.55	3,504,043	1,817,406	11,028,383	1,430,600	17,780,432	15,395,520
Financial guarantee contracts issued Maximum amount guaranteed (Note 43(a))	N/A	2,790,731	–	–	–	2,790,731	–
		9,060,497	1,817,406	11,028,383	1,430,600	23,336,886	18,149,369

	Weighted average interest rate %	On demand or less than 1 year HK$'000	1–2 years HK$'000	2–5 years HK$'000	More than 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 2017 HK$'000
2017							
Non-derivative financial liabilities							
Trade and other payables	N/A	1,785,862	–	–	–	1,785,862	1,785,862
Amounts due to related companies	4.73	1,619,828	477,893	–	–	2,097,721	1,979,848
Amounts due to associates	N/A	5,771	–	–	–	5,771	5,771
Consideration payables for acquisition of subsidiaries	N/A	736,249	–	–	–	736,249	736,249
Dividend payable	N/A	10,044	–	–	–	10,044	10,044
Dividend payable to non-controlling shareholders	N/A	180,180	–	–	–	180,180	180,180
Bank and other borrowings	4.62	4,784,862	1,035,401	14,017,786	1,563,789	21,401,838	17,091,255
Financial guarantee contracts issued Maximum amount guaranteed (Note 43(a))	N/A	2,974,664	–	–	–	2,974,664	–
		12,097,460	1,513,294	14,017,786	1,563,789	29,192,329	21,789,209

39. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the financial guarantee arrangement if the counterparty to the guarantee claims the amount. Based on expectations made by the management of the Group at the end of the reporting period, certain amount may be payable under the financial guarantee arrangement. However, this estimate is subject to change depending on the probability of the counterparty to guarantee who exercises the right to claim. It is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

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

40. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

Some of the Group's financial instruments are measured at fair value for financial reporting purposes. In estimating the fair value, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages 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 (2017: financial assets at FVTPL and AFS investments) 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 2018	Fair value 2017	Fair value hierarchy	Valuation techniques and inputs	Significant unobservable inputs
Financial assets at FVTPL	**Listed equity securities in the PRC – HK$2,805,000**	Listed equity securities in the PRC – HK$3,506,000	Level 1	Quoted bid prices in active market	N/A
AFS investments	**N/A**	Listed equity securities in the PRC – HK$154,658,000	Level 1	Quoted bid prices in active market	N/A
Equity instruments at FVTOCI	**Listed equity securities in the PRC – HK$91,407,000**	N/A	Level 1	Quoted bid prices in an active market	N/A
	Unlisted equity securities in the PRC – HK$78,192,000	N/A	Level 3	Adjusted net asset value method under cost approach	Discount factor of 0% to 20%

40. 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
Opening balance	—
Reclassification from unlisted AFS investments upon implementation of HKFRS 9 (Note 3)	118,800
Carved-out (Note 36)	(24,757)
Disposal	(12,125)
Exchange realignment	(3,726)
Closing balance	78,192

In the opinion of the management of the Group, there is no material change in fair value of unlisted equity instruments at FVTOCI during the year ended 31 December 2018 and there is no material impact on the fair value of these instruments given 5% increase or decrease of the discount factor. Therefore, no sensitivity analysis for these level 3 instruments are presented.

There were no transfer between instruments in Level 1, 2 and 3 in both years.

(iii) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

The fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cashflow analysis.

The management of the Group considers that the carrying amounts of other financial assets and financial liabilities carried at amortised cost approximate their respective fair values.

41. CAPITAL COMMITMENTS

	The Group	
	2018	2017
	HK$'000	HK$'000
Expenditure contracted for but not provided for in the consolidated financial statements		
— additions in properties under development for sale	**8,084,176**	2,175,315
— acquisition of a parcel of land	**591,300**	—
	8,675,476	2,175,315

42. OPERATING LEASES

The Group as lessee

Minimum lease payments paid under operating leases during the year in respect of office premises and apartment units are approximately HK$29,177,000 (2017: HK$76,172,000).

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

	2018	2017
	HK$'000	HK$'000
Within one year	**67,476**	70,880
In the second to fifth year inclusive	**204,936**	193,156
Over five years	**68,055**	70,292
	340,467	334,328

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

The Group as lessor

Property rental income earned during the year is approximately HK$703,669,000 (2017: HK$651,037,000). Certain of the Group's investment properties have committed tenants for the next two to ten years with an option to renew the lease after that date at which time all terms are renegotiated.

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

	2018	2017
	HK$'000	HK$'000
Within one year	**614,756**	497,316
In the second to fifth year inclusive	**1,002,718**	905,763
Over five years	**476,185**	403,882
	2,093,659	1,806,961

43. CONTINGENT LIABILITIES

(a) Corporate guarantees

	2018 HK$'000	2017 HK$'000
Guarantees given to banks in respect of banking facilities utilised by:		
— property buyers	2,790,731	2,178,268
— Fuzhou Chengkai Group	—	796,396
	2,790,731	2,974,664

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 interest and penalty. Accordingly, no ECL under HKFRS 9 (2017: no provision under HKAS 37) has been made in the consolidated financial statements for these guarantees.

Guarantees given to banks in respect of banking facilities utilised by Fuzhou Chengkai Group

The Group entered into agreements with a bank to provide corporate guarantees with respect to bank loans granted to Fuzhou Chengkai Group. As at 31 December 2017, the maximum liability of the Company under such guarantees was the outstanding amount of the bank loans granted to Fuzhou Chengkai Group of approximately HK$796,396,000. During the year ended 31 December 2018, the guarantee provided by the Group in respect of the bank loans obtained by Fuzhou Chengkai Group is released after the Group's disposal of Fine Mark as disclosed in Note 34(b).

In determining whether financial liabilities should be recognised in respect of the Group's financial guarantee contracts, the management of the Group exercised judgment in evaluation of the probability of resources outflow that would be required and the assessment of whether a reliable estimate could be made on the amount on the obligation. The management of the Group considered that the possibility of default by these parties was remote given their financial background and the quality of assets. Accordingly, no provision had been made in the consolidated financial statements for these guarantees.

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.

43. CONTINGENT LIABILITIES (CONTINUED)

(b) Legal proceedings initiated by the Group against a third party (the "Defendants")

As set out in the Company's announcement dated 1 October 2018, Hunan Qianshuiwan, being a non-wholly owned subsidiary of the Group, commenced legal proceedings against the Defendants (the "Litigation") in previous years claiming, among others, the return of the surety money to the Group and damages and to seek a ruling from the court to release the parties from a series of agreements entered into between the Group and the Defendants in relation to a proposed residential real estate development on a parcel of land (the "Land") located in Changsha. In the course of proceedings, the Group received counterclaims from the Defendants. The Litigation was conducted at different levels of court in the PRC during the year 2010 to 2017 and the judgment rulings were generally in favour of the Group. However, the judgment handed down by the court on 25 September 2018 after the Defendant's appeal is unfavourable to the Group and the Group is required, among others, to make a compensation of RMB402.8 million to the Defendants, of which RMB22.8 million relating to the developed part of the Land and RMB380 million relating to the undeveloped part of the Land. The Group, after taking legal advice, is of the opinion that it has a good ground to make an application for retrial. Accordingly, no provision for the compensation has been made at the end of the reporting period. Details of this legal case are set out in the Company's announcement dated 1 October 2018.

44. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Dividend payable HK$'000	Interest payable (Note 27) HK$'000	Bank and other borrowings (Note 32) HK$'000	Amounts due to related companies (Note 28) HK$'000	Total HK$'000
At 1 January 2017 (restated)	69,728	82,200	15,014,147	1,323,123	16,489,198
Financing cash flows (note)	(469,683)	(945,743)	951,713	542,472	78,759
Finance costs recognised (Note 8)	–	950,329	–	–	950,329
Dividend declared	580,960	–	–	–	580,960
Foreign exchange translation	9,219	–	1,125,395	114,253	1,248,867
At 31 December 2017 (restated)	190,224	86,786	17,091,255	1,979,848	19,348,113
Financing cash flows (note)	(506,798)	(1,239,393)	(858,362)	(1,041,777)	(3,646,330)
Finance costs recognised (Note 8)	–	1,207,106	–	–	1,207,106
Dividend declared	508,861	–	–	–	508,861
Foreign exchange translation	(9,377)	–	(837,373)	(51,735)	(898,485)
At 31 December 2018 (restated)	182,910	54,499	15,395,520	886,336	16,519,265

Note: The financing cash flows represented the net amount of proceeds from bank and other borrowings, advances from related companies, payments of finance costs, repayments of bank and other borrowings, repayments to related companies and payments of dividend.

45. 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 11, is as follows:

	2018 HK$'000	2017 HK$'000
Short-term employee benefits	10,475	11,658
Post-employment benefits	126	75
	10,601	11,733

Total remuneration is included in "total staff costs" (Note 10).

(b) Balances with related parties

Details of the balances with related parties as at 31 December 2018 and 2017 are set out in Notes 28 and 29.

(c) Transactions with related parties

Saved as disclosed in elsewhere in these consolidated financial statements, the Group also entered into the following significant transactions with related parties during the year:

Name of related company	Nature of transactions	2018 HK$'000	2017 HK$'000 (restated)
Associates	Property agency fees	(20,034)	(17,142)
	Rental income	1,255	1,278
	Royalty fee	–	(3,264)
	Management fee	(3,713)	(281)
Non-controlling shareholder of a subsidiary	Interest expenses	(9,023)	(7,415)
	Management fee	(4,037)	(3,477)
An entity controlled by Xuhui SASAC	Interest expenses	20,399	53,727

45. RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Government-related entities

The Group itself is part of a larger group of companies under SIIC (SIIC and its subsidiaries are referred to as the "SIIC Group") which is controlled by the PRC government. The management of the Group consider that the Company is ultimately controlled by the PRC government and the Group operates in an economic environment currently predominated by entities controlled, jointly controlled or significantly influenced by the PRC government ("PRC Government Related Entities"). Apart from the transactions with the SIIC Group and Xuhui SASAC which have been disclosed above and in other notes to the consolidated financial statements, the Group also conducts businesses with other PRC Government Related Entities in the ordinary course of business. The Group's saving deposits, borrowings and other general banking facilities are placed or entered into with certain banks which are PRC Government Related Entities in its ordinary course of business. In view of the nature of those banking transactions, the management of the Group are of the opinion that separate disclosures would not be meaningful.

In addition, the Group entered into various transactions, including sales, purchases and other operating expenses with other PRC Government Related Entities. In the opinion of the management of the Group, these transactions are considered as individually and collectively insignificant to the operation of the Group during the years ended 31 December 2018 and 2017.

46. ASSETS/LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD-FOR-SALE

On 17 November 2017, the Group entered into equity transfer agreements (the "ET Agreements") with Shanghai Shangshi Property Management Company Limited 上海上實物業管理有限公司 and Shanghai New Century Real Estate Services Company Limited 上海新世紀房產服務有限公司, both of which are non-wholly owned indirect subsidiaries of SIHL, in relation to disposal of Shanghai Shenda Property Company Limited 上海申大物業有限公司 ("Shanghai Shenda") at a cash consideration of RMB70,000,000 and Shanghai Urban Development Commercial Property Development Company Limited 上海城開商用物業發展有限公司 ("Shanghai Commercial") at a cash consideration of RMB17,000,000, respectively. According to the terms set out in the ET Agreements, completion of such disposals would take place within 10 business days following settlement in full of the purchase price of each disposal by the purchasers (the "Completion"). Following the Completion, the Group would cease to have controls on Shanghai Shenda and Shanghai Commercial.

The Company was exempted from obtaining approval from its independent shareholders pursuant to the Listing Rules. Given the disposals were not completed as at 31 December 2017, the assets and liabilities in relation to Shanghai Shenda and Shanghai Commercial were reclassified to assets and liabilities classified as held-for-sale respectively in the consolidated statement of financial position. These disposals are completed in February 2018 and the consideration is fully settled during the year ended 31 December 2018. As Shanghai Shenda and Shanghai Commercial are disposed to entities under common control of SIHL, the transactions are connected transaction and related party transactions. Details of gains on these disposals are set out in Note 34(a).

46. ASSETS/LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD-FOR-SALE (CONTINUED)

(i) The major classes of assets and liabilities of Shanghai Shenda classified as held-for-sale as at 31 December 2017 are as follows:

	HK$'000
Plant and equipment	136
Trade and other receivables	12,637
Bank balances and cash	132,413
Total assets classified as held-for-sale	145,186
Trade and other payables	128,489
Income tax payable	1,132
Total liabilities associated with assets classified as held-for-sale	129,621

(ii) The major classes of assets and liabilities of Shanghai Commercial classified as held-for-sale as at 31 December 2017 are as follows:

	HK$'000
Plant and equipment	415
Inventories	40
Other receivables	3,721
Bank balances and cash	30,870
Total assets classified as held-for-sale	35,046
Other payables	24,739
Income tax payable	444
Total liabilities associated with assets classified as held-for-sale	25,183

46. ASSETS/LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD-FOR-SALE (CONTINUED)

(iii) Summary of assets and liabilities of Shanghai Shenda and Shanghai Commercial classified as held-for-sale as at 31 December 2017 is as follows:

	HK$'000
Total assets classified as held-for-sale	
— Shanghai Shenda	145,186
— Shanghai Commercial	35,046
	180,232
Total liabilities associated with assets classified as held-for-sale	
— Shanghai Shenda	129,621
— Shanghai Commercial	25,183
	154,804

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Name of subsidiary	Place of incorporation/ registration and operation	Particulars of issued and paid-up share capital/ registered capital	Percentage of issued share capital/ and paid-up registered capital held				Principal activity
			2018		2017		
			Directly	Indirectly	Directly	Indirectly	
Shenzhen Phoenix Real Estates Company Limited 深圳鳳凰置業有限公司 (note (i))	The PRC	US$10,000,000	–	82%	–	82%	Property investment
中置(北京)企業管理有限公司 (note (ii))	The PRC	HK$200,000,000	–	100%	–	100%	Investment holding
北京金馬文華園房地產開發有限公司 (note (i))	The PRC	US$12,000,000	–	85%	–	85%	Property development
北京新松房地產開發有限公司 (note (i))	The PRC	RMB190,000,000	–	51.6%	–	51.6%	Property development and property investment
北京市御水苑房地產開發有限責任公司 (note (iii))	The PRC	RMB20,000,000	–	90%	–	90%	Property development
北京新松置地投資顧問有限公司 (note (iii))	The PRC	RMB30,000,000	–	100%	–	100%	Investment holding
西安中新滻灞歐亞酒店發展 (note (iii))	The PRC	RMB50,000,000	–	71.5%	–	71.5%	Hotel operations
西安中新永佳房地產開發有限公司 (note (iii))	The PRC	RMB10,000,000	–	71.5%	–	71.5%	Property development
西安中新沁園房地產開發有限公司 (note (iii))	The PRC	RMB10,000,000	–	71.5%	–	71.5%	Property development
西安中新華勝房地產開發有限公司 (note (iii))	The PRC	RMB10,000,000	–	71.5%	–	71.5%	Property development
西安中新榮景房地產開發有限公司 (note (iii))	The PRC	RMB10,000,000	–	71.5%	–	71.5%	Property development
西安中新永景房地產開發有限公司 (note (iii))	The PRC	RMB10,000,000	–	71.5%	–	71.5%	Property development
湖南淺水灣湘雅溫泉花園有限公司 (note (iii))	The PRC	RMB30,000,000	–	67%	–	67%	Property development
重慶中華企業房地產發展有限公司 (note (iii))	The PRC	RMB200,000,000	–	100%	–	100%	Property development and property investment
天津中新濱海房地產開發有限公司 (note (ii))	The PRC	HK$100,000,000	–	100%	–	100%	Property development
天津中新華安房地產開發有限公司 (note (ii))	The PRC	RMB240,000,000	–	100%	–	100%	Property development
天津中新華城房地產開發有限公司 (note (ii))	The PRC	RMB80,000,000	–	100%	–	100%	Property investment
天津中新嘉業房地產開發有限公司 (note (ii))	The PRC	RMB120,000,000	–	100%	–	100%	Property development
天津中新信捷房地產開發有限公司 (note (ii))	The PRC	RMB240,000,000	–	100%	–	100%	Property development
天津凱津房地產開發有限公司 (note (iii))	The PRC	RMB210,000,000	–	100%	–	100%	Property development
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
Shanghai Qiyao Property Development Co., Ltd 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
Shanghai Haihui Real Estate Co., Ltd 上海海輝房地產有限公司 (note (iii))	The PRC	RMB12,000,000	–	100%	–	100%	Property development

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

Name of subsidiary	Place of incorporation/ registration and operation	Particulars of issued and paid-up share capital/ registered capital	Percentage of issued share capital/ and paid-up registered capital held				Principal activity
			2018		2017		
			Directly	Indirectly	Directly	Indirectly	
Shanghai Haihui Property Management Co., Ltd 上海海輝物業管理有限公司 (note (iii))	The PRC	RMB500,000	–	100%	–	100%	Property management
瀋陽向明長益置業有限公司 (note (i))	The PRC	US$63,750,000	–	80%	–	80%	Property development
北京盈通房地產開發有限公司 (note (i))	The PRC	US$6,000,000	–	67.5%	–	67.5%	Property development
上海城開(集團)有限公司 (note (i))	The PRC	RMB3,200,000,000	–	59%	–	59%	Investment holding and property development
上海城開商用物業發展有限公司 (note (iii) and (iv))	The PRC	RMB5,000,000	–	–	–	59%	Property management
上海申大物業有限公司 (note (iii) and (iv))	The PRC	RMB5,000,000	–	–	–	59%	Property management
上海萬源房地產開發有限公司 (note (iii))	The PRC	RMB300,000,000	–	53%	–	53%	Property development
上海石龍工業區聯合發展有限公司 (note (iii))	The PRC	RMB20,000,000	–	59%	–	59%	Property development
上海城開(集團)無錫置業有限公司 (note (iii))	The PRC	RMB500,000,000	–	59%	–	59%	Property development
上海城開集團晶實置業有限公司 (note (iii))	The PRC	RMB300,000,000	–	59%	–	59%	Property development
昆山城開房地產開發有限公司 (note (iii))	The PRC	RMB167,000,000	–	53%	–	53%	Property development
Advantage World Investment Limited (note (v))	BVI	US$100	–	51%	–	51%	Investment holding
上海世界貿易商城有限公司 (note (iii))	The PRC	US$100,000,000	–	51%	–	51%	Property investment
上海城寰企業管理諮詢有限公司 (note (iii))	The PRC	RMB100,000	–	100%	–	100%	Investment holding
上海上投寶旭置業有限公司 (note (iii))	The PRC	RMB100,000,000	–	100%	–	100%	Property development
上海上投新虹投資有限公司 (note (iii))	The PRC	RMB50,000,000	–	90%	–	90%	Property development
上海市上投房地產投資有限公司 (note (iii))	The PRC	RMB770,000,000	–	100%	–	100%	Investment holding

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

Notes:

(i) These companies were established in the PRC in the form of sino-foreign equity joint ventures.

(ii) These companies were established in the PRC in the form of wholly-owned foreign enterprises.

(iii) These companies were established in the PRC in the form of limited liability company.

(iv) These companies were disposed of during the year ended 31 December 2018. Details of the disposals are set out in Note 34(a).

(v) This company was established in the BVI in the form of limited liability company.

The above table only includes those subsidiaries which, in the opinion of the directors of the Company, principally affected the results of the Group for the year or formed a substantial portion of the net assets of the Group. To give details of all subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year except SUD which issued RMB1,800,000,000 of advanced bonds — 2015 during the year ended 31 December 2015, RMB1,700,000,000 of advanced bonds — 2016 during the year ended 31 December 2016 and RMB1,000,000,000 of medium term notes — 2018 during the year ended 31 December 2018 (2017: RMB1,500,000,000 of advanced bonds — 2012 during the year ended 31 December 2012, RMB1,800,000,000 of advanced bonds — 2015 during the year ended 31 December 2015 and RMB1,700,000,000 of advanced bonds — 2016 during the year ended 31 December 2016), in which the Group has no interest. Details of advanced bonds — 2012, advanced bonds — 2015, advanced bonds — 2016 and medium term notes — 2018 are set out in Note 32(ii).

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 subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2018 HK$'000	2017 HK$'000	**2018 HK$'000**	2017 HK$'000 (restated)	**2018 HK$'000**	2017 HK$'000 (restated)
SUD and its subsidiaries	Incorporated and operating in the PRC – Shanghai	**41%**	41%	**644,938**	584,147	**7,695,191**	7,712,768
AWI and its subsidiaries	Incorporated in the BVI and the PRC and operating in the PRC – Shanghai	**49%**	49%	**100,203**	94,460	**2,261,289**	2,347,006
Individually immaterial subsidiaries with non-controlling interests				**(48,468)**	9,694	**358,634**	369,902
				696,673	688,301	**10,315,114**	10,429,676

Summarised financial information in respect of each of the Group's subsidiary that has material non-controlling interests is set out below.

The summarised financial information below represents amounts shown in SUD's consolidated financial statements prepared in accordance with HKFRSs and before intragroup eliminations.

SUD and its subsidiaries

	2018 HK$'000	2017 HK$'000
Current assets	**28,024,853**	31,650,881
Non-current assets	**6,024,816**	4,926,471
Current liabilities	**(8,215,030)**	(12,193,426)
Non-current liabilities	**(8,863,663)**	(7,353,726)
Equity attributable to owners of the Company	**9,275,785**	9,317,432
Non-controlling of SUD	**6,445,884**	6,474,826
Non-controlling interests of SUD's subsidiaries	**1,249,307**	1,237,942

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

SUD and its subsidiaries (continued)

	2018 HK$'000	2017 HK$'000
Revenue	**5,335,971**	7,260,563
Expenses	**(2,519,681)**	(4,123,494)
Profit before tax	**2,816,290**	3,137,069
Profit for the year	**1,505,752**	1,380,129
Profit attributable to owners of the Company	**860,814**	795,982
Profit attributable to the non-controlling interests of SUD	**600,703**	553,140
Profit attributable to the non-controlling interests of SUD's subsidiaries	**44,235**	31,007
Profit for the year	**1,505,752**	1,380,129
Other comprehensive (expense) income attributable to owners of the Company	**(539,687)**	573,699
Other comprehensive (expense) income attributable to the non-controlling interests of SUD	**(338,759)**	398,672
Other comprehensive expense attributable to the non-controlling interests of SUD's subsidiaries	**(118,943)**	—
Other comprehensive (expense) income for the year	**(997,389)**	972,371
Total comprehensive income attributable to owners of the Company	**321,127**	1,369,681
Total comprehensive income attributable to the non-controlling interests of SUD	**261,944**	951,812
Total comprehensive (expense) income attributable to the non-controlling interests of SUD's subsidiaries	**(74,708)**	31,007
Total comprehensive income for the year	**508,363**	2,352,500
Dividends paid to non-controlling interests of SUD	**126,138**	169,713
Net cash outflow from operating activities	**(9,252)**	(277,249)
Net cash outflow from investing activities	**(785,507)**	(70,478)
Net cash outflow from financing activities	**(1,082,557)**	(1,449,395)
Net cash outflow	**(1,877,316)**	(1,797,122)

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

	2018 **HK$'000**	2017 HK$'000
Current assets	**103,504**	169,547
Non-current assets	**6,317,894**	6,616,122
Current liabilities	**(335,120)**	(318,507)
Non-current liabilities	**(1,471,403)**	(1,677,354)
Equity attributable to owners of the Company	**2,353,586**	2,442,802
Non-controlling interests of AWI	**2,261,289**	2,347,006

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

AWI and its subsidiaries (continued)

	2018 HK$'000	2017 HK$'000
Revenue	480,265	497,382
Expenses	(207,059)	(233,765)
Profit before tax	273,206	263,617
Profit for the year	204,495	192,776
Profit attributable to owners of the Company	104,292	98,316
Profit attributable to the non-controlling interests of AWI	100,203	94,460
Profit for the year	204,495	192,776
Other comprehensive (expense) income attributable to owners of the Company	(124,761)	171,380
Other comprehensive (expense) income attributable to the non-controlling interests of AWI	(119,869)	164,660
Other comprehensive (expense) income for the year	(244,630)	336,040
Total comprehensive (expense) income attributable to owners of the Company	(20,469)	269,696
Total comprehensive (expense) income attributable to the non-controlling interests of AWI	(19,666)	259,120
Total comprehensive (expense) income for the year	(40,135)	528,816
Dividends paid to non-controlling interests of AWI	66,051	79,505
Net cash inflow from operating activities	210,020	177,829
Net cash inflow from investing activities	1,935	2,107
Net cash outflow from financing activities	(281,740)	(285,488)
Net cash outflow	(69,785)	(105,552)

49. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2018 HK$'000	2017 HK$'000
Non-current assets		
Property and equipment	**1,286**	1,650
Investments in subsidiaries	**2,405,964**	2,405,964
Amounts due from subsidiaries	**6,403,975**	6,809,940
	8,811,225	9,217,554
Current assets		
Amounts due from subsidiaries	**9,166,636**	8,235,791
Deposit and prepayment	**5,020**	2,908
Bank balances and cash	**21,359**	33,155
	9,193,015	8,271,854
Current liabilities		
Other payables and accruals	**10,447**	7,942
Amount due to immediate holding company	**103,185**	103,185
Amounts due to subsidiaries	**3,341,341**	3,360,350
Bank borrowings	**2,271,692**	180,180
Dividend payable	**12,107**	10,044
	5,738,772	3,661,701
Net current assets	**3,454,243**	4,610,153
Total assets less current liabilities	**12,265,468**	13,827,707
Non-current liability		
Bank borrowings	**1,024,824**	2,342,342
Total assets less total liabilities	**11,240,644**	11,485,365
Capital and reserves		
Share capital	**192,439**	192,439
Reserves	**11,048,205**	11,292,926
	11,240,644	11,485,365

50. STATEMENT OF CHANGES IN EQUITY OF THE COMPANY

	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Share options reserve HK$'000	Exchange reserve HK$'000	Shareholders' contribution HK$'000 (note)	Accumulated losses HK$'000	Total HK$'000
As at 1 January 2017	192,451	10,115,153	22,358	48,202	684,531	2,475,111	(2,859,133)	10,678,673
Profit for the year	–	–	–	–	–	–	629,934	629,934
Exchange difference arising on translation into presentation currency	–	–	–	–	336,011	–	–	336,011
Total comprehensive income for the year	–	–	–	–	336,011	–	629,934	965,945
Transfer to distributable reserve	–	(600,000)	600,000	–	–	–	–	–
Repurchase of ordinary shares (Note 35)	(12)	(469)	–	–	–	–	–	(481)
Dividends recognised as distributions (Note 51)	–	–	(158,772)	–	–	–	–	(158,772)
Forfeiture of share options	–	–	–	(16,310)	–	–	16,310	–
As at 31 December 2017	192,439	9,514,684	463,586	31,892	1,020,542	2,475,111	(2,212,889)	11,485,365
Profit for the year	–	–	–	–	–	–	583,017	583,017
Exchange difference arising on translation into presentation currency	–	–	–	–	(630,488)	–	–	(630,488)
Total comprehensive expense for the year	–	–	–	–	(630,488)	–	583,017	(47,471)
Dividends recognised as distributions (Note 51)	–	–	(197,250)	–	–	–	–	(197,250)
As at 31 December 2018	192,439	9,514,684	266,336	31,892	390,054	2,475,111	(1,629,872)	11,240,644

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	
	2018	2017
	HK$'000	HK$'000
2017 final dividend declared — HK1.6 cents (2017: HK1.4 cents for year 2016)	**76,976**	67,358
2017 special dividend declared — HK2.5 cents (2017: HK1.9 cents for year 2016)	**120,274**	91,414
	197,250	158,772

A final dividend and a special dividend of HK1.6 cents (2017: HK1.4 cents) per ordinary share and HK2.5 cents (2017: HK1.9 cents) per ordinary share respectively, in an aggregate amount of approximately HK$197,250,000 (2017: HK$158,772,000), in respect of the year ended 31 December 2017, were declared and an amount of approximately HK$195,187,000 (2017: HK$157,112,000) was paid during the year ended 31 December 2018.

Subsequent to the end of the reporting period, a final dividend and a special dividend of HK1.8 cents per ordinary share and HK2.3 cents per ordinary share respectively, in respect of the year ended 31 December 2018, has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

FINANCIAL SUMMARY

	Year ended 31 December				
	2014 HK$'000	2015 HK$'000	2016 HK$'000	2017 HK$'000 (restated)	**2018** **HK$'000**
Revenue	7,773,636	3,871,923	5,490,564	9,372,903	**6,977,683**
Profit before tax	1,731,044	1,009,274	2,585,589	3,306,381	**2,824,387**
Income tax	(1,151,080)	(469,288)	(1,259,024)	(2,081,971)	**(1,554,640)**
Profit for the year	579,964	539,986	1,326,565	1,224,410	**1,269,747**
Attributable to:					
Owners of the Company	161,181	517,385	521,888	536,109	**573,074**
non-controlling interests	418,783	22,601	804,677	688,301	**696,673**
	579,964	539,986	1,326,565	1,224,410	**1,269,747**

	As at 31 December				
	2014 HK$'000	2015 HK$'000	2016 HK$'000 (restated)	2017 HK$'000 (restated)	**2018** **HK$'000**
Assets and liabilities					
Total assets	57,566,703	63,780,450	60,136,208	64,477,607	**58,990,277**
Total liabilities	(37,451,871)	(44,266,699)	(38,157,202)	(40,280,312)	**(35,614,471)**
	20,114,832	19,513,751	21,979,006	24,197,295	**23,375,806**
Equity contributable to:					
Owners of the Company	12,484,789	12,535,906	12,544,893	13,767,619	**13,060,692**
Non-controlling interests	7,630,043	6,977,845	9,434,113	10,429,676	**10,315,114**
	20,114,832	19,513,751	21,979,006	24,197,295	**23,375,806**

Note: The results for the years ended 31 December 2017 and 31 December 2016 are extracted from the 2017's annual report of the Company and adjusted for the inclusion of Shangtou Real Estate Group on a merger basis (see Note 2 to the consolidated financial statements).

GLOSSARY OF TERMS

Term used	Brief description
"2019 AGM"	forthcoming annual general meeting of the Company is scheduled to be held on Wednesday, 22 May 2019
"Adoption Date"	16 May 2013, adoption date of the New Share Option Scheme
"Audit Committee"	audit committee of the Company
"Board"	board of Directors
"Circular"	reference was made to the circular of the Company dated 16 April 2013 in relation to the adoption of the New Share Option Scheme
"Code"	code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules
"Company" or "SIUD"	Shanghai Industrial Urban Development Group Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange
"Company Secretary"	company secretary of the Company
"Director(s)"	director(s) of the Company
"Group"	the Company and its subsidiaries
"Investment Appraisal Committee"	investment appraisal committee of the Company
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Member(s)"	duly registered holder(s) from time to time of the share(s) in the capital of the Company
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules of the Stock Exchange
"New Share Option Scheme"	pursuant to ordinary resolutions passed by Shareholders at its annual general meeting held on 16 May 2013, the Company adopted a new share option scheme
"Nomination Committee"	nomination committee of the Company
"NR Investment"	Shanghai Real Estate Northern Region Investment Development Company Limited (上海地產北部投資發展有限公司), a company established in the PRC with limited liability
"Remuneration Committee"	remuneration committee of the Company

GLOSSARY OF TERMS

Term used	Brief description
"RMB"	Renminbi
"SFO"	Securities and Futures Ordinance (Chapter 571) of the laws of Hong Kong
"Shanghai Shangtou"	Shanghai Shangtou Real Estate Investment Company Limited (上海市上投房地產投資有限公司), a company established in the PRC with limited liability
"Shanghai Shangtou Asset"	Shanghai Shangtou Asset Operations Company Limited (上海上投資產經營有限公司), a company established in the PRC with limited liability
"Shareholder(s)"	holder(s) of share(s) of the Company
"Share Option Scheme"	pursuant to ordinary resolutions passed by Shareholders at its special general meeting held on 12 December 2002, the Company adopted a share option scheme
"SIHL"	Shanghai Industrial Holdings Limited, a company listed on the Stock Exchange with stock code of 363
"SIIC"	Shanghai Industrial Investment (Holdings) Company Limited
"SSUD"	Shangshi Urban Development (Shanghai) City Construction and Development Company Limited (上實城開 (上海) 城市建設開發有限公司), a company established in the PRC with limited liability, a wholly-owned subsidiary of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"SUD"	Shanghai Urban Development (Holdings) Co., Ltd. (上海城開 (集團) 有限公司), a company incorporated in the PRC with limited liability and is indirectly owned by the Company as to 59% and by Xuhui SASAC as to 41%
"Xuhui SASAC"	State-owned Assets Supervision and Administration Commission of Shanghai Xuhui District (上海市徐匯區國有資產監督管理委員會), a government authority authorised by and established directly under Shanghai Xuhui District People's Government for supervising and managing state-owned assets in the possession of Xuhui District, including but not limited to, exercising state-owned shareholders' right over SUD and a shareholder holding 41% of the equity interest in SUD

www.siud.com

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上海實業城市開發集團有限公司

SHANGHAI INDUSTRIAL URBAN DEVELOPMENT GROUP LIMITED

Hong Kong Office

Address : Suites 3004-7, 30th Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong
Tel : +852 2544 8000
Fax : +852 2544 8004

General Enquiry : info@siud.com
Investor Enquiry : ir@siud.com

Shanghai Office

Address : 43F, Building 2. Grand Gateway, No.1 Hongqiao Road, Shanghai, China
General Line : +86 021 6447 2222
Fax : +86 021 6448 2699

Website : www.siud.com
Weibo : weibo.com/siud

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