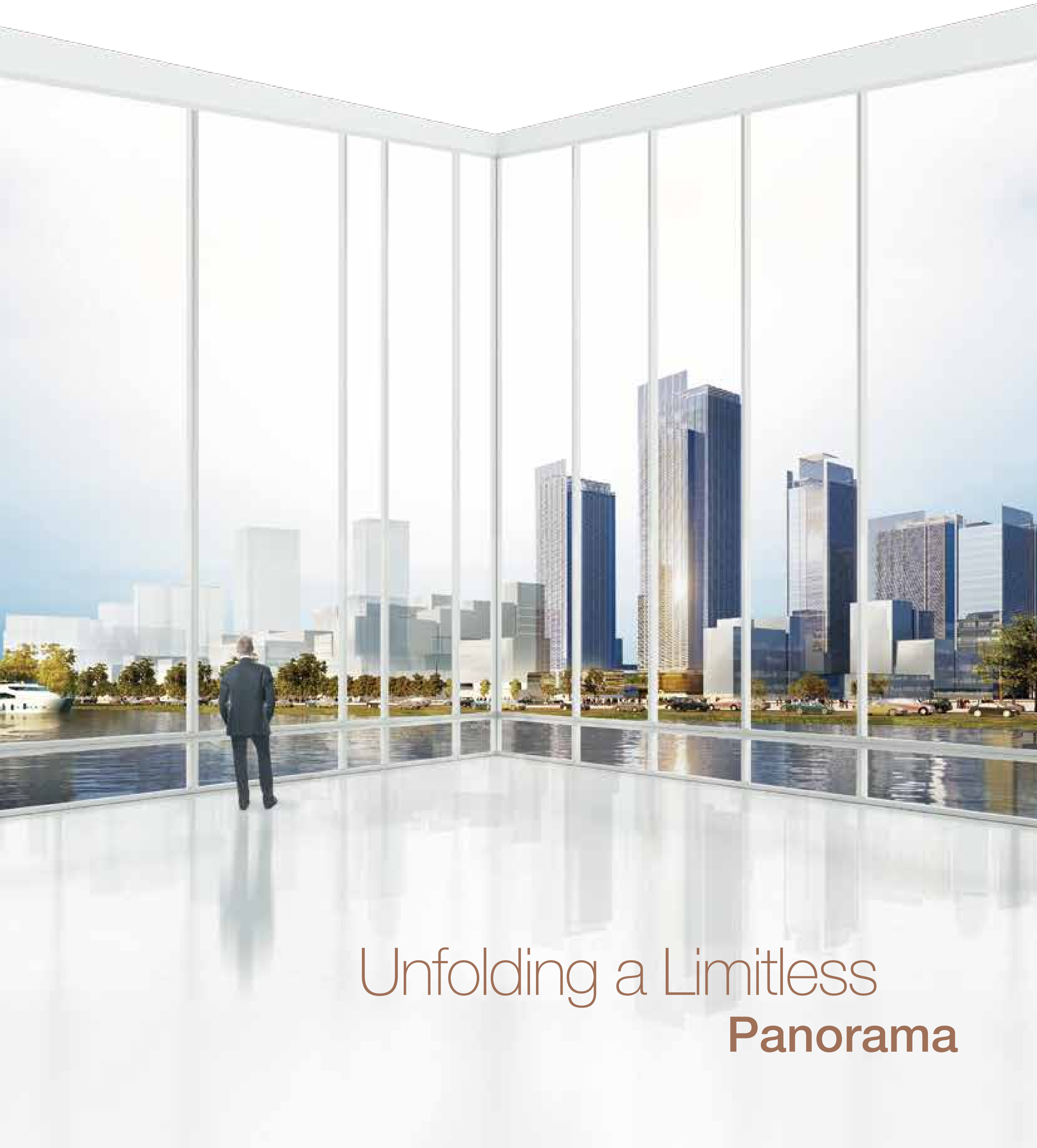
上海實業城市開發集團有限公司
SHANGHAI INDUSTRIAL URBAN DEVELOPMENT GROUP LIMITED

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

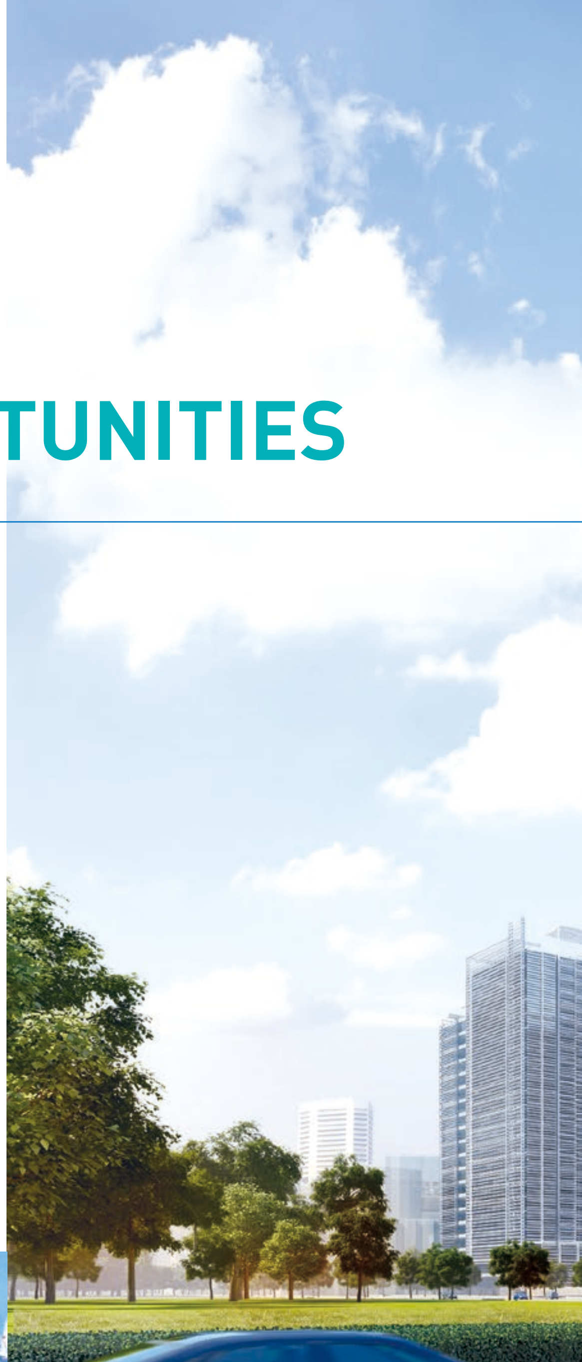
2014 Annual Report



Unfolding a Limitless Panorama

BOUNDLESS VISION
BOUNDLESS OPPORTUNITIES

Shanghai Industrial Urban Development Group Limited ("SIUD") currently has 22 real estate projects in 12 major cities in China, namely Shanghai, Kunshan, Wuxi, Beijing, Sanhe, Shenyang, Tianjin, Xi'an, Chongqing, Changsha, Shenzhen and Zhuhai. Most of the projects are mid- to high-end residential projects which are under construction at full steam, presenting the Group with an approximately 5.67 million-square-meter land bank and excellent foundation for long term development.



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ji Gang *(Chairman & President) (re-designated as Chairman on 2 February 2015)*
Zhou Jun
Yang Jianwei
Yang Biao
Huang Fei
Ye Weiqi

Independent Non-Executive Directors

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

AUTHORIZED REPRESENTATIVES

Ji Gang *(appointed on 2 February 2015)*
Chan Kin Chu, Harry

BOARD COMMITTEES

Audit Committee

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

Remuneration Committee

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

Nomination Committee

Wong Ying Ho, Kennedy, *BBS, J.P. (Committee Chairman)*
Fan Ren Da, Anthony
Ji Gang *(appointed on 2 February 2015)*

Investment Appraisal Committee

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

COMPANY SECRETARY

Chan Kin Chu, Harry

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

LEGAL ADVISERS

As to Hong Kong Law

Ashurst Hong Kong

As to Bermuda Law

Conyers Dill & Pearman

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

WEBSITE

http://www.siud.com

PRINCIPAL BANKERS

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

AUDITOR

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

LISTING INFORMATION

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

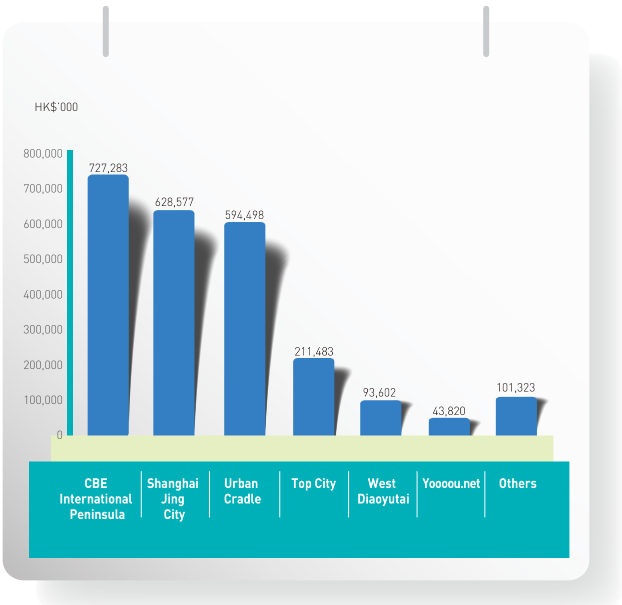
FINANCIAL HIGHLIGHTS

	For the year ended 31 December 2014	For the year ended 31 December 2013	Change
Financial Highlights (HK$'000)			
Revenue	**7,773,636**	9,773,547	(20.5)%
Gross profit margin	**38.0%**	15.5%	22.5 p.p.
Profit attributable to equity owners of the Company	**161,181**	143,471	12.3%
Financial Information per share (HK cents)			
Profit			
– Basic	**3.35**	2.98	12.4%
– Diluted	**3.35**	2.98	12.4%

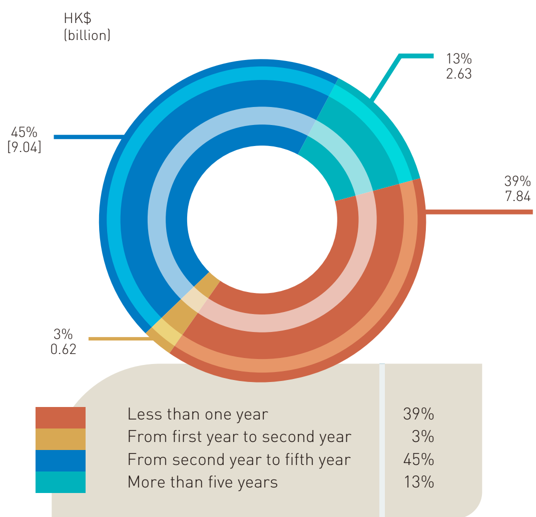
	As at 31 December 2014	As at 31 December 2013
Pre-sale proceeds received on sales of properties (HK$'000)	**2,400,586**	6,496,160
Financial Ratios		
Net debt to total equity (%) (note)	**65.6%**	41.3%
Current ratio	**1.90**	1.90

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

ANALYSIS ON ACCUMULATED PRE-SALE RECEIPTS FROM CUSTOMERS



DEBT MATURITY PROFILE



OPTIMIZE THE LAYOUT FOR THE BEST INVESTMENT EFFICIENCY

Frequent trading activities in first-tier cities, including Shanghai, and the establishment of Shanghai Free Trade Zone will continue to benefit the development of investment properties. With a number of commercial complex in Shanghai, SIUD will definitely benefit from this trend in the long run.

CHAIRMAN'S STATEMENT

In 2014, the Group outperformed its sales target initially set at the beginning of the year by posting contract sales of RMB4.7 billion, albeit the considerable adjustments in China's real estate industry. The Group's focus on large-scale high-quality projects with higher margins and its adherence to a steady pace in raising selling prices of its flagship projects contributed to the encouraging results of operations, with a growth in gross profit margin by more than 22 percentage points to 38.0%. Maintaining a strategy of focused development in the Yangtze River Delta region and coastal cities, and backed by a strong portfolio of residential projects of supreme quality and investment properties at prime locations, the Group made timely moves in consolidating and disposing of assets to maximize profit, and stood out from its peers amidst the fierce competition in the real estate market. Whilst dividend distribution to shareholders of SIUD this year is the first time ever, the management looks forward to sharing more fruitful results in future.

CHAIRMAN'S STATEMENT

China maintained stable economic growth in 2014 with its GDP growing at 7.4% year-on-year. In light of the new norms in China's economy, different challenges are encountering the real estate market nowadays. In the course of considerable adjustments in China's real estate industry in 2014, the cool-down in the first half of the year was followed by a series of favorable policies in the second half, including the lifting of home purchase restrictions, Shanghai's introduction of new mortgage policies, the policy adjustments in respect of the Housing Provident Fund and the interest rate cut by the central bank, all being intended to boost the property market.

In response to the new dynamics in the external environment, the Group optimized and adjusted the geographical distribution of its project portfolio. In 2014, in furtherance of its existing strategy, SIUD speeded up its strategic shifting towards first-tier cities and the Yangtze River Delta region where solid demand for housing products as well as economic development was better secured, and selectively withdrew from third-tier and fourth-tier cities, striving for profit maximization on the back of Shanghai's geographical advantage.

OPTIMIZED GEOGRAPHICAL DISTRIBUTION EXPEDITED DEVELOPMENT AND CONSTRUCTION OF KEY PROJECTS

Following restructuring and project consolidation in recent years, the Group enjoyed robust development in 2014. Construction commenced at Xinzhuang Metro Superstructure Project, which is one of our key office and commercial projects. Planning approval is expected to be granted and construction to commence shortly for Binjiang U Center, which is a large-scale city complex integrating office, commercial, cultural, recreational and other functional clusters and is expected to become a new city landmark in the Binjiang neighborhood in Xuhui District upon completion. The construction of U Center, a city complex in Minhang District with a saleable G.F.A. of about 240,000 sq.m., was progressing smoothly and the project is expected to be available for pre-sale in 2015. SIUD's successful acquisition of a parcel of land in

CHAIRMAN'S STATEMENT

Minhang District of Shanghai and of the ShanghaiMart project in 2014 marked a key step in consolidating the Group's strategic layout in Shanghai. The subsequent cooperation with Nan Fung Group, a renowned enterprise in Hong Kong, and the goal of raising the overall rental level of ShanghaiMart, testified the Group's determination in its expansion. The Group's disposal of Tianjin Beichen project, in which it held a non-controlled stake, at the end of the year contributed to the more sufficient cashflow of the Group which would help sharpening the Group's competitive edges in the Yangtze River Delta region.

In an era that calls for diversified financing channels for property developers, SIUD achieved the combination of business operations and financing options as it incorporated Shanghai Guochen Equity Investment Management Co., Ltd. in the Shanghai Free Trade Zone to raise funds for its projects from both onshore and offshore sources. Separately, apart from new tranches of shareholders' loans, the Group raised USD300 million through club loan deal to redeem the senior notes due July 2014. The club loan slashed the borrowing rate by more than half, thus further enhanced our financial position.

Going forward, the Group will maintain its focus on developing mid-end to high-end residential properties, and increase the proportion of rental income by raising the rental level of our investment properties, so as to improve our recurring income and supplement the operating income cycle of residential property development. In addition, the Group will keep consolidating and integrating its projects with a view to generating profit in timely manner and accelerating returns on assets. Regarding projects, the management will actively acquire land resources by means of, amongst others, engaging in urban renewal projects, land development for industrial upgrading, and superstructure projects atop metro stations. We shall meanwhile explore broader cooperation with financial and strategic partners to strengthen the tie between business operations and financing options.

RISING TO PROMINENCE AGAINST ALL ODDS

Following the corporate and asset restructurings in recent years, SIUD has embarked on the track of sound and healthy development. Years of steadfast efforts are starting to bear fruits. Notwithstanding the grave challenges for China's real estate industry in 2014, the Group still managed to meet the annual sales target, with the deluxe fitted-out mansions of Urban Cradle crowning the best sales volume in Shanghai in June. Just like the pine tree quietly gathering what it needs to grow tall and strong in a proverbial poem by the Chinese Poet Du Xunhe in Tang Dynasty, the Group's outstanding results were attributable to its efforts in conserving its assets and its prudence in applying them over the years. Based in Shanghai, SIUD will certainly strengthen its regional advantages to seize value investors' good graces by unleashing its potential asset value.

Taking over the chairmanship of SIUD in February 2015, I will carry on with the existing strategies of the Group and steer resources towards developing our businesses in the Yangtze River Delta region and the prosperous coastal cities. Building upon the solid foundation laid by the former Chairman Mr. Ni Jianda, I, with over three decades of experience in the real estate industry, look forward to capitalizing the large-scale residential projects and premium commercial assets of the Group, seeking more quality resources by seizing the opportunities arising from the innovation and development of Shanghai, and leading the Group to a new stage.

Finally, I would like to express my appreciation to all employees for their dedications in the past year which translated into the sound performance of SIUD. Meanwhile, I would also like to express my gratitude to all of our business partners, customers and shareholders for their long-term support.

Ji Gang
Chairman

27 March 2015

INVESTOR FAQ

Q HOW WERE THE OVERALL CONTRACT SALES OF THE GROUP IN 2014?

Although the Group recorded a 29% year-on-year decline of contract sales to RMB4.7 billion, the results are in line with, and even slightly exceeded the management's expectation, given the significant decrease in saleable housing units as most of the Group's projects under construction in 2014 were investment properties. Nevertheless, with our high quality projects, the average selling price of our new projects still maintained a steadily rising trend in general amidst market downturn, as manifested by the solid 38.0% gross profit margin in our financial statements.

Q WHAT ARE THE GROUP'S KEY PROJECTS IN 2015? HOW IS THE PERFORMANCE OF YOUR INVESTMENT PROPERTIES?

In 2015, the Group will launch a new batch of properties in Shanghai Urban Cradle and Xi'an CBE International Peninsula and two brand new projects for sale, namely Phase V of Shanghai Jing City (commodity housing) and Shenyang • U Center. The overall annual contract sales are expected to reach RMB4–4.5 billion.

On the other hand, the commercial area of Phase V of Urban Cradle, Urban Development International Center in Wuxi and Yoooou.net in Kunshan will be available for lease in 2015. Together with the stable tenant base comprising of multinational corporations of the newly acquired ShanghaiMart, the management is confident that the Group's overall rental income will grow significantly in the coming year.

Q NOW THAT THE GROUP'S NEW CHAIRMAN HAS ASSUMED OFFICE SINCE FEBRUARY 2015, WHAT WILL BE THE FUTURE DEVELOPMENT PLAN OF THE GROUP?

The fundamental strategies of the Group will remain unchanged, while market adjustments will be made in light of the "new normal" economic conditions of China.

1. Stay focused on the Yangtze River Delta and prosperous coastal cities as the core development areas and continue to facilitate the corresponding deployment of new residential and commercial projects;

2. Complete the construction of a series of established, branded, efficient and large projects in a serious manner, including Binjiang U Center, Minhang U Center, Xinzhuang Metro Superstructure and Shenyang • U Center, so as to quicken and enhance the return on assets;

3. Fully utilize the unique characteristics of each of Shanghai and Hong Kong by further exerting the strengths of Hong Kong in financing and consider different financing channels for domestic projects to develop towards the model of an integration of industrial operations and financing avenues.

By remaining focused on mid- to high-end residential property development, supplemented by the maturing investment property portfolio, the Group aims to enhance its recurring income and cash flow. Looking forward, the Group will focus not only on scale, but also on the quality and rate of return of the development projects. In addition, the Group will continue to consolidate the projects and revitalize its assets in a timely manner.

The Group will enhance its operational standard and efficiency and consider combining strengths with complementary third parties in the development and operation of certain projects. By making use of third parties' strengths in financial resources, solid experience in operating large shopping malls and land resources, the Group hopes to bring out the best of both parties through cooperation. The Group may also try different kinds of financial or equity cooperation, which can benefit the capital utilization and return acceleration of the Group.

Q THE GROUP SOLD A NUMBER OF OLD PROJECTS IN RECENT YEARS. HAS THE GROUP'S LAND BANK SHRUNK DRASTICALLY? DOES THE GROUP HAVE ANY SOLUTIONS?

Those disposed by the Group in recent years are projects that do not fit the Group's long-term development strategy for their remoteness, being a non-controlling project or being too small to be economical. The Group concentrates mainly on developing in the Yangtze River Delta and prosperous coastal cities with a focus on Shanghai, which will be the priority of the Group in acquiring new land bank in the future. The land supply in Shanghai is very tight, but the Group will actively participate in the innovative development projects, industrial park upgrade and renovation projects and urban renewal projects in Shanghai by making use of the background advantages of the Group and the high reputation it earned by developing deluxe mansions and even high quality commodity housing in Shanghai over the years, rather than competing for extremely expensive land parcels, to avoid passing the high cost of land to customers or impairing the gross profit margin of the Group.

Q THE STRAINED CAPITAL CHAIN IN THE REAL ESTATE INDUSTRY DURING THE PAST YEAR LED MANY REAL ESTATE DEVELOPERS INTO FINANCIAL DIFFICULTY. SOME OF THEM WERE EVEN FORCED TO SELL THEIR COMPANIES. HOW DID SIUD POSITION ITSELF?

At the end of 2014, the Group's net gearing ratio was only approximately 65.6%, which was at a relatively low level in the industry, and the land premium of most of the projects was paid off. Therefore, the funding pressure was relatively small and we did not have to cut the price to attract buyers even when the demand for properties turned low. In addition, the Group redeemed the senior notes through a club loan last year, leading to a significant reduction in borrowing interest rate. With cash on hand amounting to HK$6.42 billion at present, the Group has sufficient fund for mergers and acquisitions.

During the year under review, the Group set up a real estate fund company by making use of the tax incentives of Shanghai Free Trade Zone to lower the finance costs of its projects and facilitate the integration of business operations and financing options. This will become another major strength of the Group.

Q CURRENTLY, APART FROM BEIJING, SHANGHAI, GUANGZHOU, SHENZHEN AND SANYA, MANY CITIES HAVE LIFTED THE PROPERTY PURCHASE RESTRICTIONS. DOES THE GROUP THINK THAT THE RESTRICTIONS ARE GOING TO BE FULLY WITHDRAWN IN 2015? WHAT IS THE GROUP'S OPINION ON THE PROSPECTS OF THE INDUSTRY?

Property price did not rebound rapidly after the cancellation of the property purchase restrictions. However, the fact that the government no longer intervenes in the policies as before is a clear sign that the government has left the real estate market to gradual market adjustment. Nonetheless, with the support of property price from more immigrants to first-tier cities and steady economic development, we believe that the property purchase restrictions will not be fully withdrawn in the near future. On the other hand, this is also a proof of the huge demand for housing in cities such as Shanghai. The Group will continue to capture market share while maintaining a reasonable gross profit margin.

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

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

In the long run, we will concentrate the Group's development in the Yangtze River Delta region and prosperous coastal cities. Since both the Group and SID are subsidiaries of SIHL, it is believed that the parent company will work out corresponding measures and solutions in consideration of the interests of SIUD's shareholders and the legal framework of both Shanghai and Hong Kong.

EXERT REGIONAL ADVANTAGES ACCELERATE ASSET TURNOVER

By improving its capital utilization through diversified financing channels and leveraging its regional advantages of accessing resources in the Yangtze River Delta, SIUD will achieve an integration of industry operations and financing avenues, thereby increasing its efficiency.

Xinzhuang Metro Superstructure

Binjiang U Center

ShanghaiMart

DETAILS OF PROPERTIES

The Group has 22 projects in 12 cities, comprising mid- to high-end residential units, serviced apartments, hotels, commercial and office buildings. As at 31 December 2014, the total G.F.A. of the saleable land bank of the Group was approximately 5.67 million sq.m. The Group has restructured its projects and will adopt prudent strategies in future land acquisition.

As at 31 December 2014

Project	City	Site Area (sq.m.)	Planned G.F.A. (sq.m.)	Saleable G.F.A. (sq.m.)	FY2014 G.F.A. pre-sold (sq.m.)	Accumulated G.F.A. Sold (sq.m.)	Future saleable G.F.A. (sq.m.)	Saleable G.F.A. under development (sq.m.)	Saleable G.F.A. for future development (sq.m.)	Expected Completion Date	Ownership (%)
Urban Cradle	Shanghai	908,950	1,136,468	822,724	33,202	660,499	162,225	193,764	–	2007–2015, in phases	53.10%
Binjiang U Center	Shanghai	77,371	404,600	284,600	–	–	284,600	–	284,600	Planning	35.40%
Shanghai Youth City	Shanghai	57,944	212,130	164,688	328	137,478	27,210	–	–	Completed	100.00%
U Center	Shanghai	65,727	388,125	242,010	18,239	18,239	223,771	223,771	–	2014–2016, in phases	59.00%
Shanghai Jing City	Shanghai	301,908	772,885	610,514	98,963	422,198	188,316	106,815	–	2012–2017, in phases	59.00%
Jingjie Yuan	Shanghai	49,764	125,143	95,594	–	95,594	–	–		Completed	59.00%
Xinzhuang Metro Superstructure	Shanghai	117,825	605,000	378,300	–	–	378,300	272,300	106,000	2018–2022, in phases	20.70%
American Rock	Beijing	121,499	523,833	454,610	714	450,070	4,540			Completed	100.00%
Youngman Point	Beijing	112,700	348,664	295,114	6,112	246,993	48,121	13,693		2007–2016, in phases	100.00%
West Diaoyutai	Beijing	42,541	250,930	230,801	909	171,169	59,632		49,288	2007–2016, in phases	90.00%
Yanjiao	Sanhe	333,333	666,600	666,600		–	666,600		666,600	2015–2018, in phases	100.00%
Laochengxiang	Tianjin	244,252	752,883	613,357	7,960	546,476	66,881	12,800	50,000	2006–2017, in phases	100.00%
Yoooou.net	Kunshan	34,223	129,498	112,812	1,255	55,344	57,468	–		Completed	30.70%
Royal Villa	Kunshan	205,017	267,701	222,666	11,175	136,666	86,000	55,965	–	2007–2017, in phases	53.10%
Urban Development International Center	Wuxi	24,041	193,368	143,862	–	10,530	133,332	–	–	Completed	59.00%
CBE International Peninsula	Xi'an	2,101,967	3,899,867	3,202,324	53,648	1,763,691	1,438,633	261,101	1,102,228	2008–2017, in phases	71.50%
Shenyang•U Center	Shenyang	22,651	228,768	181,373	–	–	181,373	181,373		2015–2017, in phases	80.00%
Top City	Chongqing	120,014	786,233	599,664	29,120	347,784	251,880	44,716		2008–2016, in phases	100.00%
Toscana	Changsha	180,541	210,980	186,492	–	186,492	–	–	–	Completed	32.50%
Forrest Sea	Changsha	679,620	907,194	872,185	3,183	236,298	635,887		564,481	2007–2017, in phases	67.00%
Qi Ao Island	Zhuhai	2,215,516	1,090,000	770,000	–	–	770,000	–	770,000	Planning	100.00%
China Phoenix Tower	Shenzhen	11,038	106,190	79,391	–	78,343	1,048	–	–	Completed	91.00%
Total		**8,028,442**	**14,007,060**	**11,229,681**	**264,808**	**5,563,864**	**5,665,817**	**1,366,298**	**3,593,197**		

DETAILS OF PROPERTIES

MAJOR INVESTMENT PROPERTIES

Project	City	Type	Lease term	Planned G.F.A. (sq.m.)
Laochengxiang	Tianjin	Residential, commercial and office	Medium term	2,433[1]
Shanghai Youth City	Shanghai	Commercial	Medium term	16,349[1]
Top City	Chongqing	Commercial and car park	Medium term	251,847[1]
China Phoenix Tower	Shenzhen	Office	Medium term	1,048[1]
Youngman Point	Beijing	Commercial	Medium term	19,768[1]
ShanghaiMart[2]	Shanghai	Exhibition, trade market, office and car park	Medium term	284,651
Urban Development International Tower[3]	Shanghai	Office	Medium term	45,239
Huimin Commercial Tower[4]	Shanghai	Commercial	Medium term	13,839
Others	Shanghai	Commercial and office	Medium term	9,249
Total				644,423

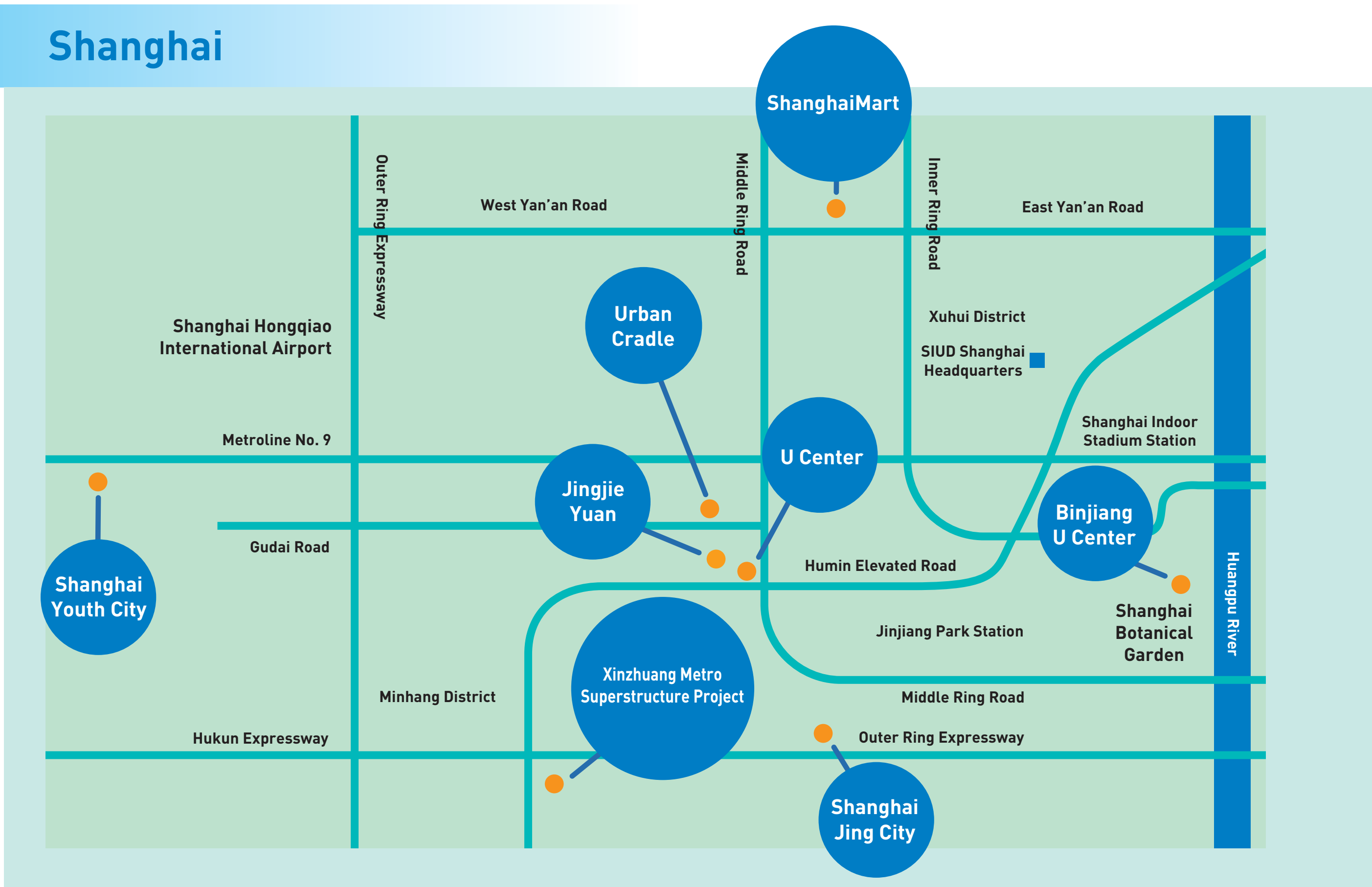
Notes:

1. Included on page 14 of this annual report
2. Address: No. 2299, Yanan Road West, Changning District, Shanghai
3. Address: No. 355, Hongqiao Road, Xuhui District, Shanghai
4. Address: No. 123, Tianyaoqiao Road, Xuhui District, Shanghai

KEY PROJECT INTRODUCTION

KEY PROJECT INTRODUCTION

Shanghai



Urban Cradle

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

Category:
Residence/
Commerce

Feature:
The project is located in Gumei, Minhang District, Shanghai, east of Lianhua Road, west of Hechuan Road, south of Gudai Road and north of Pingnan Road, less than 700 meters from the middle ring line. The area is a major focal point for large scale residential development in the "10th Five-Year Plan" of Shanghai. The project spans a total site area of about 908,950 sq.m. with a total construction area of about 1.12 million sq.m., including about 770,000 sq.m. of residences, close to nearly 220,000 sq.m. of underground space and more than 100,000 sq.m. for accommodating amenities for the estimated over 20,000 residents. Urban Cradle is an all-engulfing showcase of architectural forms and brilliant products including international-grade apartments, standalone villas, garden houses, deluxe mansions, modern commercial premises and green landscapes, bringing comfortable and stylish living together with commerce, entertainment, culture, education, and business and leisure pursuits.

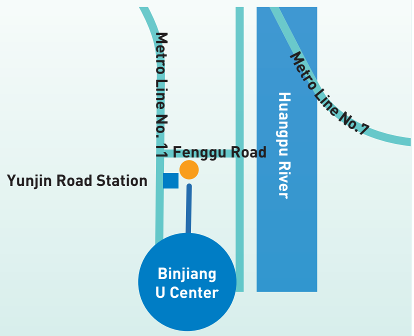
KEY PROJECT INTRODUCTION

Binjiang U Center

Artist's Impression

Address:
Xuhui Binjiang,
Shanghai

Category:
Commerce/
Office



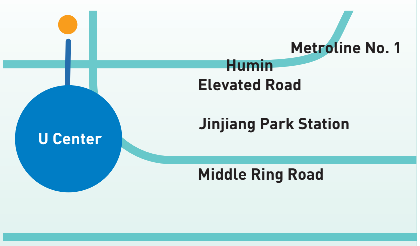
Feature:
Facing Huangpu River in Shanghai, Binjiang U Center are situated at the business hub of Binjiang, Xuhui District and is planned for composite commercial usage, which will be built as property partly for sales and held for rental respectively. The surrounding view of the project is glorious.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

U Center

Artist's Impression

Address:
Meilong Town,
Minhang District,
Shanghai

Category:
Commerce/
Hotel/Office



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

KEY PROJECT INTRODUCTION

Xinzhuang Metro Superstructure

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

Address:
Xinzhuang Town,
Minhang District,
Shanghai

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

ShanghaiMart

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 Middle 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, subway, airport and city buses.

With a total G.F.A. of 280,000 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.

Address:
2299 West
Yan'an Road,
Shanghai

Category:
Commerce/Office

KEY PROJECT INTRODUCTION

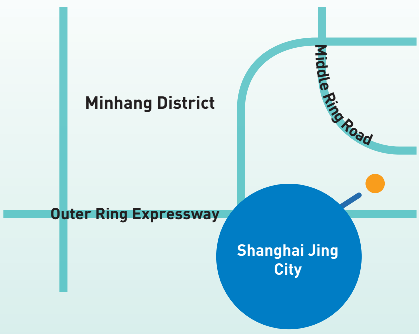
Shanghai Jing City

Feature:

The project is an affordable housing project approved by Shanghai Bureau of Housing Security and Housing Administration. It is a large scale indemnificatory housing project on the list of among major construction projects of Shanghai in 2009. In Meilong Town, Minhang District, the project is on an about 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.

Address:
Lane 266,
Zhumei Road,
Shanghai

Category:
Residence/
Commerce



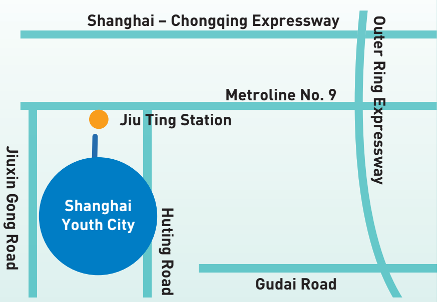
Shanghai Youth City

Feature:

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

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

Category:
Commerce/
Office



KEY PROJECT INTRODUCTION

Beijing

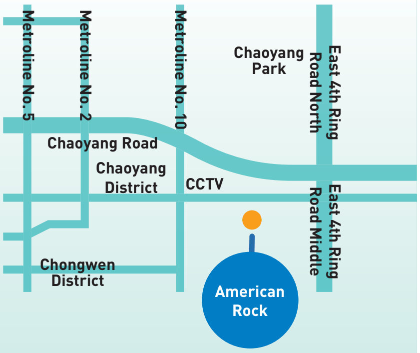
American Rock

Feature:

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

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

Category:
Residence/
Commerce



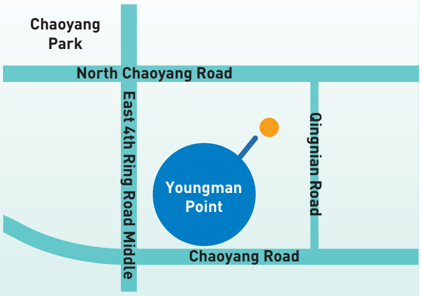
Youngman Point

Feature:

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

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

Category:
Residence/
Commerce



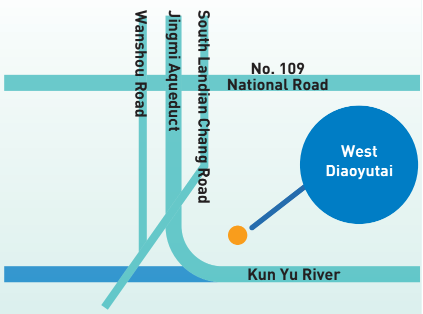
KEY PROJECT INTRODUCTION

West Diaoyutai

Feature:
In the west third ring, on the west and south banks of Kunyu River and east to the 137-hectare Yuyuantan Park, the project enjoys a 67-hectare expanse of magnificent aquatic scenes, the largest in Beijing where water is a scarce resource, giving it uniqueness and a touch of supremacy. The project has deluxe apartments with river views as its core products aiming to appeal to the affluent on the high-end. The project has three phases. Phase I and II had been completed and sold out and preparation work has begun for Phase III.

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

Category:
Residence



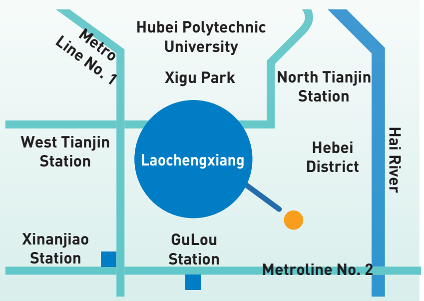
Tianjin

Laochengxiang

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

Address:
Laochengxiang,
Nankai District,
Tianjin

Category:
Residence/
Commerce/
Office



KEY PROJECT INTRODUCTION

Sanhe

Artist's Impression

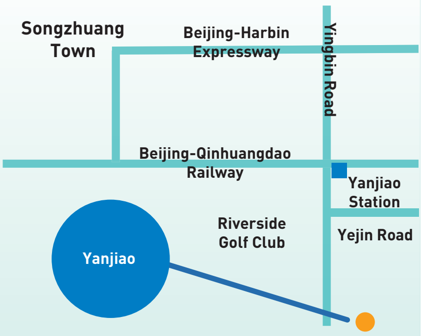
Yanjiao

Feature:

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

Address:
Yanjiao Economic and Technological Development Zone, Sanhe, Hebei

Category:
Commerce/ Residence/ Hotel/Office



Shenyang

Artist's Impression

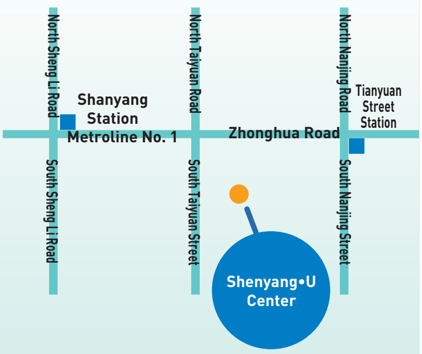
Shenyang•U Center

Feature:

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

Address:
South Taiyuan Street, Heping District, Shenyang

Category:
Commerce/Office/ Serviced Apartment

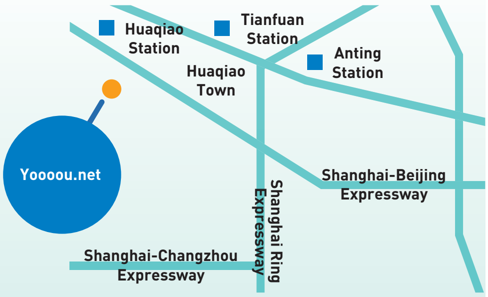


Kunshan

Yoooou.net

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

Category:
Commerce/Office

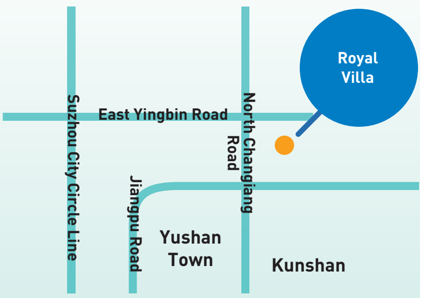


Feature:
Located in the centre of Huacheng International Commercial City and adjoining the west gate of Shanghai, the project is less than 25 kilometers from downtown Shanghai and can be reached directly riding the Huning high-speed railway. With four youthful components – commerce, SOHO, LOFT and MINIHOTEL,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

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.

KEY PROJECT INTRODUCTION

Wuxi

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

Category:
Commerce /Hotel/Office/ Serviced Apartment

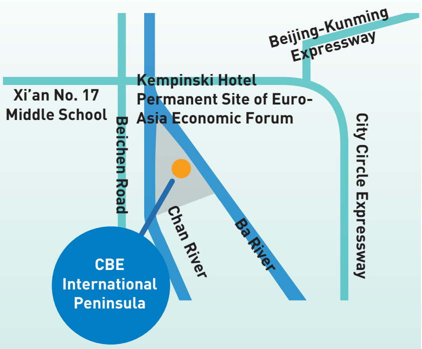
Urban Development International Center

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

Xi'an

Address:
200 meters east to Chanhe River, Chanba Avenue, Chanba Ecotope, Xi'an

Category:
Residence/ Commerce/Hotel



CBE International Peninsula

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 flawlessly planned and is developing rapidly, enjoying convenient access to road networks and public transports including Metro Line 3 which will soon commence operation.

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

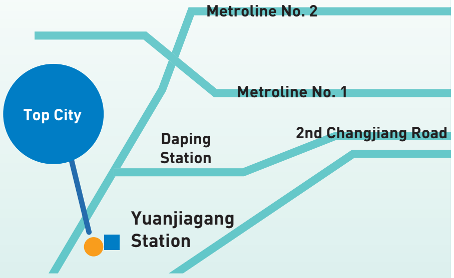
KEY PROJECT INTRODUCTION

Chongqing


Artist's Impression

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

Category:
Residence/
Commerce/
Office



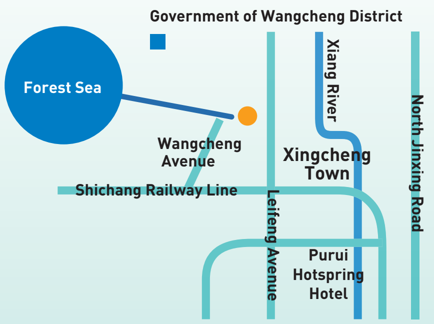
Top City

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

Changsha

Address:
Forest Sea Building 1,
West Gaoqiao Avenue,
Gaotangling Town,
Wangcheng District,
Changsha

Category:
Residence/
Commerce



Forest Sea

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

KEY PROJECT INTRODUCTION

Zhuhai

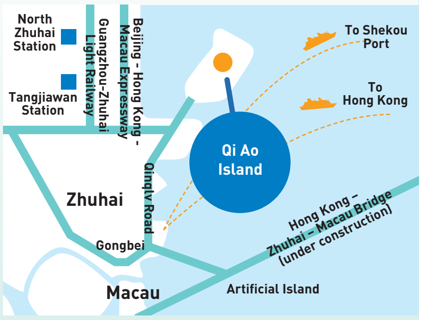

Artist's Impression

Qi'ao Island

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

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

Category:
Residence/Commerce/Hotel



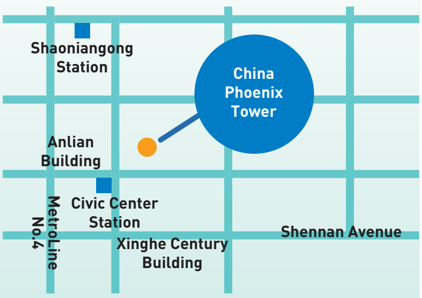
Shenzhen

China Phoenix Tower

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

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

Category:
Residence/Commerce/Office



MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

A RESILIENT PROPERTY MARKET

In 2014, China managed to post a GDP growth of 7.4% albeit the slowing pace of the nation's economy. For China's real estate market, the year was a mixed blessing. A series of austerity measures were followed by some steady development towards the end of the year. The first half of the year witnessed the continuation of strict enforcement of purchase restriction and tougher mortgage rules. During the second half of the year, easing enforcement of purchase restriction started in Hohhot and went on in most Chinese cities, before the central bank of the nation announced the Notice on Further Improving Residential Housing Financial Services (《關於進一步做好住房金融服務工作的通知》) in September to loosen the tough rules on mortgages.

According to China Index Academy, the real estate market demonstrated increasingly remarkable trend of cross-regional deviations of development since the adjustment of the last year. Year-on-year drop in property prices in December was a mere 0.61% for the top ten cities, which was a substantially slighter decline compared to the average decrease for the top hundred cities which include small- and medium-sized cities. This evidenced the greater resilience of property prices in first- and second-tier cities and underscored the stability of property prices in major cities of China where the rigid demand persisted.

BUSINESS REVIEW

With strong financial stance, premium brand equity and extensive experience, the Group continued to ride on its strengths in the Yangtze River Delta region to identify quality projects and land in the area in 2014. Well versed in abreast of the market trend and capturing market opportunities, the Group achieved notable results of operations via its timely acquisition, disposal and cooperation initiatives.

In April 2014, the Group entered into an agreement with the Government of Minhang District of Shanghai for the acquisition of a land parcel in Meilong Town with total G.F.A. of approximately 150,000 square meters at a total amount of RMB767,000,000 (relocation costs inclusive), to be developed into commodity housing under Phase V of Shanghai Jing City. In September of the same year, the Group joined hands with Nan Fung Group, a major international entity, to acquire 99% stakes in ShanghaiMart at a consideration of US$579,000,000. The acquired stakes, with a total floor area of over 280,000 square meters, was considered a good bargain by the management. The acquisition will also contribute to the significant increase in the Group's overall rental income. While its annual rental income is currently approximately RMB300,000,000, the project will be renovated, managed and operated by the Group and Nan Fung Group in joint efforts to become a new landmark in Changning District of Shanghai. The Group is confident that its rental income can be elevated in the future.

In December 2014, the Group disposed of Tianjin Beichen project, in which it holds a non-controlling stake, at RMB366,000,000 to line up with its long-term strategies of focusing on the development in the Yangtze River Delta region and prosperous coastal cities. The Group recorded a profit of approximately RMB108,000,000 before taxation and will receive a total cash inflow of RMB434,070,000.

In the same year, the construction of the Binjiang U Center project was about to begin. As the most eye-catching project after U Center (Minhang District core area), Xinzhuang Metro Superstructure and ShanghaiMart. Binjiang U Center is a large-scale city complex integrating office, commercial, cultural, recreational and other functional clusters. Boasting a panoramic view of Huangpu River, the project is set to become a new city landmark in the Binjiang neighborhood in Xuhui District.

Launch ceremony of Urban Cradle's Phase V

Property Development

During the year ended 31 December 2014, the Group had a total G.F.A of approximately 2,598,000 sq.m. under development, which primarily included the CBE International Peninsula in Xi'an, Shanghai Jing City and Xinzhuang Metro Superstructure, of which 759,000 sq.m. were new projects. The Group completed construction with G.F.A. of 484,000 sq.m., and delivered a total G.F.A. of 434,000 sq.m., comprising approximately 356,000 sq.m. of commodity housing and 78,000 sq.m. of affordable housing.

Contract Sales

During the year ended 31 December 2014, the Group recorded contract sales of RMB4,717,000,000 (2013: RMB6,609,000,000) from commodity housing and affordable housing, or approximately 9.7% above the sales target of RMB4,300,000,000 initially set at the beginning of the year. Contract sales from commodity housing reached RMB3,716,000,000 (2013: RMB4,942,000,000); with G.F.A. of approximately 166,000 sq.m. sold (2013: 255,000 sq.m.). Due to the diminished number of affordable housing units, contract sales from affordable housing decreased by 40.0% year-on-year to RMB1,001,000,000 (2013: RMB1,667,000,000). The full-year contract sales represented a decrease of 28.6% from 2013, which was attributable to the limited resources available for sale during the year in view of the vast proportion of investment properties among the overall project developments during the year, and to the sale of affordable housing being in its final phase. During the year, the flagship projects Urban Cradle, U Center and CBE International Peninsula were the principal projects for sale, accounting for approximately 43.7%, 26.9% and 14.1% of commodity housing sales in the year respectively. In 2014, total G.F.A. sold under contract sales amounted to 265,000 sq.m., or a decrease of 32.6% year-on-year, out of which 166,000 sq.m. and 99,000 sq.m. were accounted for by commodity housing and affordable housing, respectively.

The average selling price of overall contract sales, including those for lower-margin affordable housing, increased by 6.0% to approximately RMB17,800 per sq.m., compared with approximately RMB16,800 per sq.m. in 2013. Excluding affordable housing, the average selling price showed a year-on-year increase of 15.5% to RMB22,400 per sq.m. (2013: RMB19,400 per sq.m.). The sound growth was mainly driven by the change of product mix of Urban Cradle. It has always been a strategy of the Group to maintain a steady pace in raising selling prices of new projects, as evidenced by the launch of the large-sized deluxe fitted-out mansions of Phase V of Urban Cradle in late May, 2014, which ranked top in Shanghai property market in June in terms of sales volume.

FINANCIAL REVIEW

Revenue

During the year ended 31 December 2014, the Group's revenue decreased by 20.5% year-on-year to HK$7,774,000,000 (2013: HK$9,774,000,000), primarily due to the decreased delivery of completed property. During the year, property sales remained as the Group's main source of revenue and amounted to HK$7,107,000,000 (2013: HK$9,344,000,000), accounting for 91.4% (2013: 95.6%) of the Group's total revenue. The revenue contribution from Urban Cradle, CBE International Peninsula and Shanghai Jing City accounted for 51.9%, 23.0% and 12.0% of property sales respectively. Revenue from leasing, property management and services, and hotel operations contributed 6.1%, 1.2% and 1.3% (2013: 2.6%, 0.9% and 0.9%) to the Group's total revenue respectively. The rapid growth in the proportion of rental income was attributable to the acquisition of ShanghaiMart in late September.

Gross Profit and Gross Profit Margin

For the year ended 31 December 2014, the Group's gross profit was HK$2,950,151,000, up 94.3% compared with 2013. It was mainly due to the vast proportion of high-return projects completed and delivered by the Group during the year, the adherence to the strategy of maintaining a steady pace in raising selling prices as well as the effective control over costs. Gross profit margin was 38.0%, an increase of approximately 22.5 percentage points from 15.5% last year.

Investment Property Revaluation

For the year ended 31 December 2014, the Group recorded a net loss on revaluation of investment properties of approximately HK$43,573,000, which was mainly attributable to the Laochengxiang project in Tianjin.

Material Acquisition and Disposal

On 25 September 2014, the Group, through its wholly-owned subsidiary, Advantage World Investment Limited ("AWI"), acquired 99% stakes in ShanghaiMart with a total consideration of approximately US$579,000,000. On the same day, the Group announced the establishment of a joint venture with Nan Fung, pursuant to which SIUD and Nan Fung would indirectly hold 51% and 49% equity interests of AWI respectively. AWI indirectly holds 99% equity interests of ShanghaiMart, while the remaining 1% is held by Shanghai Hongqiao Economic & Technological Development Zone United Development Co., Ltd. As at 18 November 2014, the acquisition of the remaining 1% equity interest in ShanghaiMart was completed.

In December of the same year, the Group completed the disposal of all of its 40% equity interests in the commercial and residential development project located in Beichen, Tianjin to Sino-Ocean Land Holdings Limited at a consideration of RMB366,000,000, a move in line with the Group's long-term strategy of focusing on the development of Yangtze River Delta and coastal cities.

Distribution and Selling Expenses

For the year ended 31 December 2014, as a result of effective cost control and the decrease of saleable housing units, the Group's distribution and selling expenses fell by 15.6% year-on-year to HK$200,580,000 (2013: HK$237,518,000).

General and Administrative Expenses

During the year ended 31 December 2014, the Group recorded general and administrative expenses of approximately HK$460,265,000, a decrease of 7.2% year-on-year (2013: HK$495,796,000). This was mainly attributable to the Group's continual efforts in its stringent implementation of cost control measures, which proved to be effective.

Profit

During the year ended 31 December 2014, the Group's profit for the year increased significantly by 90.0% to approximately HK$579,964,000 (2013: HK$305,717,000), which was mainly attributable to the greater contribution from the high-margin project Urban Cradle and the one-off gain arising from the disposal of the interests in Tianjin Beichen project. Profit attributable to owners of the Company was HK$161,181,000 (2013: HK$143,471,000), up 12.3% compared with last year. Both basic and diluted earnings per share for the year were 3.35 HK cents (2013: 2.98 HK cents).

Liquidity and Capital Resources

Further details of the Group's bank and other borrowings are set out in note 33 to the consolidated financial statements.

During the year, the Group entered a club loan facility of HK$1,826,000,000 and US$65,000,000, and raised new shareholder loans of approximately HK$372,000,000 and US$252,000,000. Together with the collection of outstanding amount in respect of the disposal of U Center's partial interests in 2013, the Group achieved an even stronger financial position. As at 31 December 2014, bank balances and cash of the Group increased by 10.2% to HK$6,424,058,000 (31 December 2013: HK$5,827,825,000).

The net debt to total equity of the Group (as calculated in the section headed "Financial Highlights" in this annual report) rose from 41.3% as at 31 December 2013 to 65.6% at the end of 2014, principally due to the new club loan and shareholder loans secured during the year for redeeming the senior notes due in July 2014 and acquiring new projects. Current ratio maintained at 1.9 (31 December 2013: 1.9).

The Group achieved strong cash inflow 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.

Distribution of dividends

In view of shareholders' unwavering support over the years, the Board resolved through discussion to propose a dividend of 1.1 HK cents per share, which is the first time ever since the acquisition of Neo-China Land.

FOREIGN EXCHANGE EXPOSURE

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

CONTINGENT LIABILITIES

Details of contingent liabilities are set out in note 45 to the consolidated financial statements.

CHARGE ON GROUP'S ASSETS

As at 31 December 2014, certain bank deposits of approximately HK$72,105,000 (31 December 2013: HK$60,471,000) were pledged to banks to secure mortgage loans granted by banks to the purchasers who received properties in advance. These pledged deposits may be released upon the transfer of the property title certificates to respective purchasers.

As at 31 December 2014, certain inventories, certain hotel properties and their land use rights, certain investment properties and bank deposits of the Group located in the PRC, with total carrying amounts of approximately HK$8,573,255,000 (31 December 2013: HK$10,763,475,000), HK$1,509,560,000 (31 December 2013: HK$798,539,000), HK$10,552,458,000 (31 December 2013: HK$3,376,629,000) and HK$429,083,000 (31 December 2013: HK$342,037,000) respectively, were pledged as collateral for the Group's bank borrowings, details of which are set out in note 33 to the consolidated financial statements.

HUMAN RESOURCES AND REMUNERATION POLICIES

As at 31 December 2014, the Group employed 1,113 employees (including Hong Kong and PRC offices). The remuneration policies for the employees of the Group are determined according to the performance, qualification and experience, and competence of the employee. The emolument of the directors of the Company is determined by the remuneration committee 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 directors and eligible employees. During the year ended 31 December 2014, 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.

LAND BANK

As at 31 December 2014, the Group's saleable land bank totaled approximately 5,666,000 sq.m. in G.F.A., which are developed into 22 property projects located in 12 cities. During the year, the Group acquired land parcels and projects of approximately 430,000 sq.m. in G.F.A. in total, including a land parcel in Meilong Town, Minhang District, Shanghai and ShanghaiMart in Changning District, Shanghai. Going forward, the Group will continue to maintain its sustainable development strategy and further consolidate its resources in order to sharpen and utilize its competitive edge in Shanghai and coastal areas.

OUTLOOK

In the second half of 2014, the Chinese government released a number of composite documents targeting at boosting the real estate market in China via land supply, mortgage loan, provident fund, tax relief, policies for household registration through purchase of housing, market regulation and other aspects. The Group is of the view that the real estate market is still in solid demand which will stimulate relevant industries and supply in China. In 2015, the Group will take a cautiously optimistic attitude towards the market.

In the coming year, the Group will maintain a similar level of construction works as in 2014, with approximately 13 projects covering a total G.F.A. of approximately 2,713,000 sq.m. (2013: approximately 2,598,000 sq.m.) and 8 new projects totaling approximately 574,000 sq.m. (2013: approximately 759,000 sq.m.) are scheduled to commence.

Looking forward, the Group remains confident in the real estate market of the first-tier cities in China. Despite the slowdown in China's economic growth, the pace is still much faster than other developed countries. Frequent trading activities, together with the establishment of free trade zones, helped stabilize and bolster the office and commercial property market in Shanghai and other first-tier cities. Over the past two years, the Group revitalized its inventory assets and optimized its layout structure for the best investment returns. With its foothold in first-tier cities, the Group fully capitalized on the unique competitive edge of large cities. All of the Group's investment projects in Shanghai including Binjiang U Center, Minhang U Center and Xinzhuang Metro Superstructure that had already entered or were about to enter the construction stage are expected to benefit from the overall economic growth of Shanghai in the future.

The acquisition of ShanghaiMart in September 2014 marked an important milestone in the Group's development. In the upcoming years, the Group will be committed to renovating this project, striving for improvements on management and operations, and in turn higher level of rental income. Upon completion of all the Group's investment projects, the leasable G.F.A. is expected to aggregate to no less than 1,000,000 sq.m. This will result in significant changes in the Group's income structure and in turn substantial increase in recurring income.

Lowered finance costs as a result of interest rate cut by China's central bank provide increasingly diversified financing channels to real estate companies. Backed by its controlling shareholder SIHL, which possesses tremendous financial resources, and having set up Shanghai Guochen Equity Investment Management Co., Ltd. in the Shanghai Free Trade Zone to raise funds for its projects, the Group is more flexible in allocating financial resources to enhance the profitability of its projects. Such combination of business operations and financing options is aimed at maximizing the effectiveness of various financing platforms.

Going forward, the Group will further consolidate its resources, optimize its land bank, improve its capital utilization by diversifying financing channels and accelerate returns. Riding on SIHL's regional advantages, the Group will continue to obtain land resources through merger and acquisition or by seizing the opportunities of redeveloping government land, participating in redevelopment projects and secondary development.

In a nutshell, the Group will carry on with its strategic deployment in three aspects: (1) to ensure decent profit by maintaining existing development progress and scale of quality projects; (2) to develop more investment properties so as to raise the recurring income level and ensure stable cash flow; and (3) to timely adjust its land bank portfolio and expedite its assets turnover in a bid to maximize overall return and generate greater interests for the shareholders.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT


教师节
快乐
9·10
Teachers' Day

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. THE GROUP'S VISION

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

In 2014, the Group continued to actively promote and engage in different types of corporate social responsibility activities, including provision of good working environment for employees, establishment of a standardized system for the Group's product lines to ensure the product quality, active participation in public welfare, promotion of energy-saving and setting a good example of energy-saving and consumption reduction. The brand value of SIUD increased from RMB2,684 million in 2013 to RMB4,860 million in 2014.

In 2015, the Group will continue to facilitate long-term and systematic brand building and enhance the uniqueness and humanitarian image of the brand. The Group will also effectively incorporate the concept of social responsibility into its corporate culture and branding. In addition, the Group will pay attention to unifying corporate efficiency and social responsibility with a view to maximizing the integrated value of the economy, society and environment, and promoting the harmonious and sustainable development of both the enterprise and society.

2. QUALITY OF WORKING ENVIRONMENT

Upholding its "people-oriented" development concept, SIUD puts the development of human resources at its first priority and considers talents as the fundamental element and biggest asset for the development of the enterprise. It strives to create a fair competition environment, sufficient development spaces and pleasant working environment for employees. It respects people, trains people and cultivate successful people with the sustainable development concept. In 2014, SIUD was among the top 20 in the "Exhibition and Assessment of Innovative Brands in Corporate Culture in Shanghai (上海市企業文化創新品牌展示展評)" organized by the Shanghai Society of Ideological and Political Work and the Shanghai Corporate Culture Promotion Society and was recognized as the "Excellent Innovative Brand in Corporate Culture in Shanghai (上海市企業文化創新優秀品牌)". Moreover, SIUD was also awarded the "Best Effect in Corporate Culture Building in Shanghai 2013-2014 (2013-2014上海企業文化建設最佳成果)" by the Shanghai Enterprise Confederation and Shanghai Entrepreneur Association.

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 adhered to the requirements of the "Employees Manual" and entered into labour contracts with all the employees. The working hours, calculation of overtime pay and the administration measures for holidays were clearly specified to protect the interests of the employees. Employees were enrolled in the social insurance program, which included pension funds, medical insurance, work-related injury insurance, maternity insurance and unemployment insurance, and full contributions were made in a timely manner. The Group cared about the occupational health and safety of its employees. All of the employees received body check-up on an annual basis. A paid leave system was implemented for the employees to allow them to arrange their own work, relax themselves and achieve a work-life balance. More competitive remuneration packages were provided to gradually uplift the living standard of the employees. The Company established a remuneration system driven by the value of job positions and individuals. By persisting in the equality in rights and obligations and allocation of income linked to performance and contribution, the Company set up a more harmonious remuneration allocation system. A long-term incentive system in response to both corporate development and employees' needs was refined, and the remuneration level of the Group's first-tier staff continued to increase.

Meanwhile, the Group took greater effort in organizing staff caring activities. The "SIUD Spring Lantern Festival Charity Auction (城開元宵節慈善義拍)" was held and over RMB230,000 was raised for the SIUD Poverty Relief Fund. During 2014, a total of 64 employees in difficulty were relieved and a token of solidarity amounting to RMB81,800 was distributed.

Health and Safety:

Safety protection is an important premise for an enterprise to engage in production operation activities and a major social responsibility. In 2014, the Group continued to perfect the safe production management and control system and detailed each system of safe production management, laying a solid foundation for the safety standardization management of the enterprise. The Group organized the senior departments and each functional department and subsidiary of the Group to sign the 2014 Safety Responsibility Contract and 100% of them signed the contract. The Group also recognized and rewarded nine subsidiaries and two departments for their outstanding performance in safe production during the year. To further enhance the awareness of the staff in safe production, on the one hand, the Group strengthened the education and training on safe production. 59 employees received the training and the training rate reached 100%. 186 employees completed the training for peasant workers. For the first time, a three-tier safety education and training program was provided to 14 new staff members to develop a safety awareness culture with the characteristics of the Group. On the other hand, the Group attached great importance to onsite safety inspection and irregular random checks. During the 24 safety inspections conducted on 15 units, 115 safety threats were identified, 15 rectification notices were issued and 115 threats were rectified. This ensured the safe operation of the Group. During 2014, the overall safety condition of the Group was stable and controllable without any material safety-related accidents.

The Group pays high attention to the occupational health and life safety of its employees. It provides its employees with a safe and comfortable working environment, safe hygienic conditions and necessary protective equipment which meet the national requirements. Besides, in line with the corporate culture of "Healthy Life, Happy Work", the Group established the "CTP SIUD Staff Tennis Club", held various sports events, such as the 5th staff sports day, and organized several activities, including a salon activity on the art of tea, staff health talks and consultation activities, to further enrich the leisure life of its employees.

Development and Training:

The Group pays high attention to the needs for personal growth and career development of its employees and actively facilitates the value adding of human resources. During 2014, the Group mainly focused on refining the training system by classifying training into three main categories, namely collective training, departmental training and professional incentive training, to fully develop the guidance, enhancement and encouragement effect of training. During the year, nearly 600 people received the training organized by the Group and the satisfaction rate was 95%. The training activities mainly included the all staff activity day (development training), orientation training for newcomers, manager training and training for management trainees and new staff, etc.. Relevant training was also provided at each business line of the Group through different channels, such as regular meetings. These trainings, which were closely related to the daily operation of the enterprise, further cohered the staff and created a harmonious, healthy and progressive cultural atmosphere. The Group's investment in staff training reaped fruitful results. Two of the Group's employees were recognized as "Young Talents in Xuhui District (徐匯區青年崗位能手)", and one employee was accredited as a "New Long March Pioneer in Xuhui District (徐匯區新長征突擊手)". The Shanghai Jing City project team was also recognized as the "Pioneer Worker in Shanghai (上海市工人先鋒號)".

Recruitment and Promotion:

The Group has more than a thousand of employees in Hong Kong and 10 cities in the Mainland China. It also recruits a great number of professional technical personnel and fresh graduates from universities. It provides a platform for career development and creates abundant promotion opportunities for employees while at the same time it brings about job opportunities for the society. SIUD establishes a rational and reasonable job grading system which makes reference to the types, responsibilities, levels of contributions and terms of reference of the post. The job gradings are as follows: Assistant/Officer – Vice Supervisor – Supervisor – Vice Manager – Manager – Senior Vice Manager – Senior Manager – Assistant to General Manager – Vice General Manager – General Manager – Assistant to President – Vice President – President. The post ranks of employees are determined according to their responsibilities, performance and capability. In such fair and just promotion environment, a group of post-80s youth would be promoted to managers, providing endless back-up talents for the development of the Company.

In 2014, the Group put a great effort in recruitment. On the one hand, it intensified the recruitment of experienced staff in areas covering financial, audit, business management and technology, which effectively supplemented and even strengthened the expertise of the Group. On the other hand, we continued to expand the recruitment of university students and nurture them to be the back-up talents who have higher loyalty to the enterprise and greater influence on enterprise development. In the meantime, the Group also introduced the trainee system in order to select outstanding students to form its talent pool.

3. ENVIRONMENTAL PROTECTION

The problems of relatively insufficient resources and deteriorating ecological environment have posed serious restriction on the economic development of China. Increasing efforts in energy-saving and environmental protection are inevitable for the harmonious development between human beings and the nature and also a critical part for the Group to perform social responsibilities. The Group applies the concept of environmental protection to real estate development, property operation planning, procurement, construction and property management.

In the course of development of construction projects, the Group encourages its employees to carry out technical modification, technical optimization, energy-saving measures, management innovation and recycling activities. Through proactive promotion and active participation of the employees, the idea of building energy-saving green projects and establishing an energy-saving enterprise has taken root in all the employees. On this basis, the Group seriously fulfills its responsibility of energy-saving and emission reduction to implement clean production by improving technological process and reducing pollutant discharge. It also increases its engagement in environmental protection and seeks to minimize the impact of production on the environment to pursue harmonious and sustainable development of the enterprise, the society and the environment.

With respect to property management, the Group improved its techniques and took effort in energy-saving and emission reduction, while focusing on environmental protection and creating a beautiful environment. The central air-conditioning renovation project of the podium of Cross Region Plaza (飛洲國際廣場) under the commercial property management arm of the Group has become an excellent example of energy-saving buildings in Xuhui District. Through energy performance contracting, the lighting system in the underground garage on B1 and B2 floors of the Urban Development International Tower was replaced with more energy-saving LED lighting products, without the need for any capital investment. After renovation, each set of 18-watt LED lighting consumes 15 watts of electricity in seven days. More than 30% electricity has been saved, contributing to savings on electricity bills amounting to approximately RMB60,000 per year. In 2014, totally eight projects, namely Fu Yuan Ju (福源匯居), Jia Xuan Yuan (嘉萱苑), Yi Shi Yi Jia (宜仕怡家), Kang Jian Stars (康健星辰), Cato building (凱托大廈), Jing Fuyuan (景福苑), Ruijia apartment (瑞嘉公寓) and Chang Qiao San Cun (長橋三村), managed by Shenda Property under the Group were listed as the assessment communities for civilized communities in Xuhui District, Shanghai, and many of the projects were accredited as "Beautiful Community (美麗樓道)".

During its operation, the Group strove to create a comprehensive energy-saving environment by promoting saving even "one drop of water, one piece of paper and one watt of electricity". Employees are encouraged to turn off taps after washing, use both sides of paper, switch off lights after use and recycle scrap paper, print cartridges, waste battery and old computer hardware. The Group believes that even a small step can help save resources.

In addition, to further promote environmental protection, SIUD cooperated with charitable organizations, including Helin Art In Community and WWF, in launching the "Natural Art Festival" series large-scale thematic charitable activity. By showcasing the beauty of the "plant map", "fireflies" and "the picture of a hundred birds", the activity aimed at reminding the public to protect the environment and widely disseminating the message of environmental protection.

4. OPERATING PRACTICE

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

Management of Supply Chain:

The Group focuses on building a close partnership with its upstream and downstream customers to facilitate mutual growth of the Group and its customers. In 2014, the Group took the initiative to refine the qualified supplier database and set up an evaluation system in order to weed out the weak. During the course of bid and tender management, the Group strictly followed the relevant administration measures and systems and seriously carried out inspection by carefully reviewing the tender documents and examining and analyzing the bidding documents to avoid any unreasonable quotes, while ensuring that the information and procedures were complete and the procedures were lawful. Meanwhile, the Group reviewed and filed the procurement tenders of each intercity company, regulated the procedures for screened-in units, tender documents and approval of tender award, participated in reviewing the contracts and reviewed the internal tendering and bidding processes of the intercity companies so as to create an honest and fair business environment to achieve win-win cooperation.

Product Liability:

The Group believes that products are the core competitiveness of an enterprise. To enhance product quality and protect the interests of the customers, the Group organized the "Quality Month" activity in September 2014 to carry out all-round and multi-dimensional project quality management in the areas of water leakage prevention, temperature control and energy saving, structural works, decoration and renovation. Meanwhile, the Group established the on-site label standardization administration measures to display the name and trademark of the Group in a unified, standardized and reasonable manner in order to build up its brand image. In 2014, the Group also focused on conducting post-assessment on certain projects. The post-assessment reports for the 晶實一標段, Xi'an A-4 and Urban Cradle Block F (萬源F街坊) projects were completed. The Group required that a summary and analysis of the entire project implementation process should be carried out on completed projects, including advance project positioning, marketing planning, project planning, project management, economic benefits of the project and qualified suppliers, etc..

Anti-corruption:

Anti-corruption work is necessary to control and prevent the risks of an enterprise and uphold equitableness and justice of the society. It is also the fundamental work for the enterprise to realize sustainable development. The Group strengthens the employees' education on anti-corruption in order to strengthen the self-discipline of employees in upholding honesty and adhering to the law. Apart from requiring the employees to comply with professional ethics in the "Employees Manual", the Group also organized a talk on "Deep thoughts on anti-corruption under the new era (新形勢下反腐敗的深度思考)" for all directors and senior management of over 100 in total and arranged them to watch an educational film called "Persisting in fighting corruption with zero tolerance (堅持以零容忍態度懲治腐敗)". The Group prevents corruption and encourages anti-corruption behaviour from its system and mechanism. Its partner suppliers are also required to join efforts in anti-corruption.

5. INVOLVEMENT IN COMMUNITY

SIUD has always considered promotion of justice and contribution to the society as the responsibilities and obligations of a corporate citizen, and plays an active role in helping people in need and public welfare. Meanwhile, staff are encouraged to participate in voluntary activities in order to demonstrate social values.

In 2014, SIUD planned and launched a charitable activity known as "Warm Winter 100 (暖冬100)" to donate about 6,100 three-piece warm clothing sets to the schools in need in more than ten areas, including Shanghai, Anhui and Guizhou. SIUD held an activity called "18 years of cooperation with love and dream along (攜手18年，愛與夢想同行)" for the Liuan SIUD Hope Primary School to review the 18 years of sponsorship history and look forward to the beautiful prospects in the future. The Group's efforts in supporting the poor during the last two years have yielded fruitful results. On this basis, the Group offered help to five more poverty-stricken students. The Group also joined hands with the teachers and students of Sunshine Home and Mei Yuan Secondary School in Xujiahui Subdistrict to organize the "Love-spreading Christmas card hand making event (「溫暖情誼•巧手傳遞」聖誕賀卡手工製作活動)" in order to encourage young people to show their love and care to the disadvantaged.

In addition, SIUD encourages staff to perform their own social responsibilities. To demonstrate the social responsibilities of the SIUD, staff members took the initiative to organize voluntary activities, such as Walk of Civilization (文明行路), voluntary service at transport stations for the Conference on Interaction and Confidence-Building Measures in Asia and blood donation. During the year, more than 100 staff members in total participated in various types of voluntary activities.

DIRECTORS' REPORT

The Board presents its annual report and the audited financial statements of the Group for the year ended 31 December 2014.

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 18 to the consolidated financial statements respectively.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2014 are set out in the consolidated statement of profit or loss and other comprehensive income on page 83.

The Board recommends the payment of a final dividend of HK 1.1 cents per share in cash for the year ended 31 December 2014 (for the year ended 31 December 2013: Nil) to Shareholders whose names appear on the register of members of the Company on Thursday, 4 June 2015, subject to approval by the Shareholders at the 2015 AGM.

As the Company had no reserves available for distribution to the Shareholders as at 31 December 2014, the final dividend is intended to be funded through cancellation of certain amount standing to the credit of the share premium account of the Company as at 31 December 2014 and crediting of such amount to the contributed surplus account of the Company in accordance with the provisions of the applicable law of Bermuda (the "**Share Premium Reduction**"). A special resolution will be proposed at the 2015 AGM to approve the Share Premium Reduction for the purpose of distribution of the proposed final dividend. The details of the Share Premium Reduction are disclosed in the Company's announcement dated 13 April 2015.

Conditional upon the approval of the proposed distribution of final dividend as well as the proposed Share Premium Reduction by the Shareholders at the 2015 AGM, it is expected that the final dividend warrants will be dispatched to those entitled Shareholders on or around 30 June 2015.

CLOSURE OF REGISTER OF MEMBERS

Entitlement to attend and vote at the 2015 AGM

The 2015 AGM is scheduled to be held on Wednesday, 27 May 2015. For determining the entitlement to attend and vote at the 2015 AGM, the register of members of the Company will be closed from Friday, 22 May 2015 to Wednesday, 27 May 2015, 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 2015 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 with the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30p.m. on Thursday, 21 May 2015.

Entitlement to receive the proposed final dividend

For determining the entitlement of the Shareholders to receive the proposed final dividend, the Company's register of members will be closed from Wednesday, 3 June 2015 to Thursday, 4 June 2015, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend, all duly completed transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30p.m. on Tuesday, 2 June 2015.

INVESTMENT PROPERTIES

Details of movements during the year ended 31 December 2014 in investment properties of the Group are set out in note 14 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year ended 31 December 2014 in other property, plant and equipment of the Group are set out in note 15 to the consolidated financial statements.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years, is set out on page 166 of this annual report.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 December 2014 are set out in note 36 to the consolidated financial statements.

FACILITIES AGREEMENT WITH SPECIFIC PERFORMANCE COVENANT ON THE CONTROLLING SHAREHOLDER

As disclosed in the Company's announcement dated 10 July 2014, the Company (as the borrower) entered into a facilities agreement (the "**Facilities Agreement**") with certain banks (as the lenders) on 10 July 2014 for dual currency term loan facilities of HK$1,826,000,000 and US$65,000,000 (the "**Facilities**") for a term of 36 months to finance repayment of the 2014 due US$400,000,000 senior notes, payment of financing charges and general corporate purposes of the Company. Pursuant to the terms of the Facilities Agreement, if, among others, SIHL, the controlling shareholder of the Company, ceases to own at least 51% of the beneficial shareholding interest in the issued share capital of, and carrying 51% of the voting rights in, the Company or ceases to have management control over the Company, all loans together with accrued interest and any other amounts accrued under the Facilities may become immediately due and payable. As at the date of this annual report, SIHL is interested in approximately 70.99% of the voting share capital of the Company.

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

MATERIAL ACQUISITIONS AND DISPOSALS

Details of material acquisitions and disposals of the Company are set out in note 42, 41 and 34 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year ended 31 December 2014 are set out in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

The Company had no reserves available for distribution to the Shareholders as at 31 December 2014.

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$10,325,453,000 as at 31 December 2014 (as at 31 December 2013: HK$10,325,453,000) may be distributed in the form of fully paid bonus shares.

DIRECTORS

The directors of the Company during the year ended 31 December 2014 and up to the date of this annual report have been:

Executive Directors

Ni Jianda	*(Chairman)*	*(resigned on 2 February 2015)*
Ji Gang	*(Chairman and President)*	*(re-designated as Chairman on 2 February 2015)*
Zhou Jun		
Yang Jianwei		
Yang Biao		
Huang Fei		
Ye Weiqi		

Independent Non-executive Directors

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

In accordance with Bye-law 87 of the Company's Bye-laws, Mr. Ji Gang, Mr. Zhou Jun, Mr. Yang Jianwei, and Ms. Huang Fei 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 2015 AGM to re-elect Mr. Ji Gang, Mr. Zhou Jun, Mr. Yang Jianwei, and Ms. Huang Fei as executive Directors.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming annual general meeting has entered into any service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

All Directors have entered into service contracts with the Company, all with a term of three years.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in note 46 to the consolidated financial statements, no contract of significance, to which the Company, its holding company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at 31 December 2014 or at any time during the year ended 31 December 2014.

MANAGEMENT CONTRACT

During the year ended 31 December 2014, no contract concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed.

CONTRACT OF SIGNIFICANCE

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

(i) No contracts of significance in relation to the business of the Group, to which the Company or any of its subsidiaries of was a party and in which a controlling shareholder of the Company or any of its subsidiaries had a material interest, whether directly or indirectly, subsisted at the year ended 31 December 2014 or at any time during the year ended 31 December 2014; 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 2014 or at any time during the year ended 31 December 2014.

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 57 to 65 of this annual report.

DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

A summary of the Company's directors' and senior management's remuneration is set out in notes 10 and 46(a) to the consolidated financial statements respectively.

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

As at 31 December 2014, 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:

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

Name of Director	Capacity	Number of issued ordinary shares held	Number of underlying shares subject to options granted[1]	Approximate percentage of the issued share capital of the Company
Ni Jianda[2]	Beneficial owner	–	8,000,000	0.17%
Ji Gang[3]	Beneficial owner	150,000	–	0.00%
Zhou Jun	Beneficial owner	–	7,000,000	0.15%
Yang Biao	Beneficial owner	–	7,000,000	0.15%
Huang Fei	Beneficial owner	–	6,000,000	0.12%
Ye Weiqi	Beneficial owner	–	6,000,000	0.12%
Doo Wai-Hoi, William	Beneficial owner	–	1,000,000	0.02%
Wong Ying Ho, Kennedy	Beneficial owner	–	1,000,000	0.02%
Fan Ren Da, Anthony	Beneficial owner	–	1,000,000	0.02%
Li Ka Fai, David	Beneficial owner	–	1,000,000	0.02%

Notes:

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

2. Mr. Ni Jianda resigned as the Chairman of the Board and an executive Director with effect from 2 February 2015.

3. Mr. Ji Gang was re-designated as the Chairman of the Board with effect from 2 February 2015. Mr. Ji remains as the President and an executive Director.

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

SIHL

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

Notes:

1. These interests represent the interests in the underlying shares of SIHL in respect of the share options (which are unlisted and physically settled equity derivatives) granted by SIHL under its share option scheme. Particulars of such share options and their movements during the year ended 31 December 2014 were as follows:

Name of Director	Date of grant	Exercise price per share HK$	Outstanding as at 1.1.2014	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year	Outstanding as at 31.12.2014
Ji Gang	2 November 2010	36.60	550,000	–	–	–	550,000
	20 September 2011	22.71	350,000	–	–	–	350,000
Zhou Jun	2 November 2010	36.60	750,000	–	–	–	750,000
	20 September 2011	22.71	600,000	–	–	–	600,000
Yang Jianwei	2 November 2010	36.60	450,000	–	–	–	450,000
	20 September 2011	22.71	280,000	–	–	–	280,000

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

– 3 November 2010 to 2 November 2011 (up to 40% of the share options granted are exercisable)

– 3 November 2011 to 2 November 2012 (up to 70% of the share options granted are exercisable)

– 3 November 2012 to 2 November 2015 (all share options granted are exercisable)

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

– 21 September 2011 to 20 September 2012 (up to 40% of the share options granted are exercisable)

– 21 September 2012 to 20 September 2013 (up to 70% of the share options granted are exercisable)

– 21 September 2013 to 20 September 2016 (all share options granted are exercisable)

2. Mr. Ji Gang was re-designated as the Chairman of the Board with effect from 2 February 2015. Mr. Ji remains as the President and an executive Director.

Save as the disclosed herein, as at 31 December 2014, none of the directors or chief executives of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) and which were required to be entered into the register required to be kept under section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

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

As at 31 December 2014, the Company granted 57,750,000 shares options to subscribe for up to total of 57,750,000 ordinary shares of nominal value of HK$0.04 each in the capital of the Company under the Share Option Scheme, representing approximately 1.20% of the issued share capital of the Company as at 31 December 2014. 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 2014 were as follows:

Name of category	Date of grant	Exercise price per share HK$	Exercise period[1]	Outstanding as at 1.1.2014	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Outstanding as at 31.12.2014
Directors								
Ni Jianda[2]	24 September 2010	2.98	24 September 2010 to 23 September 2020	8,000,000	–	–	–	8,000,000
Zhou Jun	24 September 2010	2.98	24 September 2010 to 23 September 2020	7,000,000	–	–	–	7,000,000
Yang Biao	24 September 2010	2.98	24 September 2010 to 23 September 2020	7,000,000	–	–	–	7,000,000
Huang Fei	24 September 2010	2.98	24 September 2010 to 23 September 2020	6,000,000	–	–	–	6,000,000
Ye Weiqi	24 September 2010	2.98	24 September 2010 to 23 September 2020	6,000,000	–	–	–	6,000,000
Doo Wai-Hoi, William	24 September 2010	2.98	24 September 2010 to 23 September 2020	1,000,000	–	–	–	1,000,000
Wong Ying Ho, Kennedy	24 September 2010	2.98	24 September 2010 to 23 September 2020	1,000,000	–	–	–	1,000,000
Fan Ren Da, Anthony	24 September 2010	2.98	24 September 2010 to 23 September 2020	1,000,000	–	–	–	1,000,000
Li Ka Fai, David	24 September 2010	2.98	24 September 2010 to 23 September 2020	1,000,000	–	–	–	1,000,000
Senior management and employees	24 September 2010	2.98	24 September 2010 to 23 September 2020	19,750,000	–	–	–	19,750,000
Total				**57,750,000**	**-**	**-**	**-**	**57,750,000**

Notes:

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

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

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

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

2. Mr. Ni Jianda resigned as the Chairman of the Board and an executive Director with effect from 2 February 2015.

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 2014.

Save as disclosed herein, the Company had not granted during the year ended 31 December 2014 any share options to any persons as required to be disclosed under Rule 17.07 of the Listing Rules.

ARRANGEMENTS FOR DIRECTORS TO PURCHASE SHARES OR DEBENTURES

Other than the Share Option Scheme detailed in note 37 to the consolidated financial statements, at no time during the year ended 31 December 2014 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 four independent non-executive Directors, namely Mr. Li Ka Fai, David (Committee Chairman), Mr. Doo Wai-Hoi, William, Dr. Wong Ying Ho, Kennedy and Mr. Fan Ren Da, Anthony.

During the year ended 31 December 2014, 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 2014, the audited final financial statements of the Group for the year ended 31 December 2014 and discussed with the management and the auditor of the Company on the accounting principles and practices adopted by the Group, internal controls matter and the terms of reference for the Audit Committee.

CONNECTED AND CONTINUING CONNECTED TRANSACTIONS

Certain related party transactions as set out in notes 45(a) and 46 to the consolidated financial statements are continuing connected transactions and/or connected transactions under the Listing Rules. Details of the continuing connected transaction of the Company, which is also related party transaction as disclosed in note 45(a) to the consolidated financial statements, required to be disclosed under Chapter 14A of the Listing Rules are set out below.

CONTINUING CONNECTED TRANSACTIONS

Cross Guarantee

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

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

On 9 February 2015, SUD and State-owned Management Company entered into the Third Supplemental Agreement amending the terms of the Cross Guarantee Agreement. Pursuant to the Third Supplemental Agreement, the parties have agreed to (i) extend the term of the Cross Guarantee Agreement for further two years so that it ends on 31 December 2017; and (ii) to reduce the guarantee limit from RMB400,000,000 (equivalent to approximately HK$512,000,000) to RMB332,000,000 (equivalent to approximately HK$419,800,000). For the avoidance of doubt, the guarantee limit in the amount of RMB400,000,000 (equivalent to approximately HK$512,000,000) remains unchanged and be applicable to the year ending 31 December 2015.

As at 31 December 2014, (i) the total amount of loans and credit facilities obtained by SUD in respect of which guarantees were provided by State-owned Management Company was approximately RMB332,000,000 (equivalent to approximately HK$415,000,000) (2013: RMB302,000,000 (equivalent to approximately HK$387,000,000)); and (ii) the total amount of loans and credit facilities obtained by State-owned Management Company in respect of which guarantees were provided by SUD was approximately RMB216,000,000 (equivalent to approximately HK$270,000,000) (2013: RMB266,000,000 (equivalent to approximately HK$341,000,000)).

No security over the assets of SUD or the Company is or will be granted in respect of guarantees provided by State-owned Management Company pursuant to the Cross Guarantee Agreement as amended by the First Supplemental Agreement, Second Supplemental Agreement and Third Supplemental Agreement. The Directors (including all the independent non-executive Directors) are of the view that the guarantees provided by State-owned Management Company are on normal commercial terms.

The aggregate amount of loans and credit facilities obtained by State-owned Management Company in respect of which SUD would provide guarantees pursuant to the Second Supplemental Agreement for the year ending 31 December 2015 and for each of the two years ending 31 December 2017 is subject to an annual cap of RMB400,000,000 (equivalent to approximately HK$512,000,000) and RMB332,000,000 (equivalent to approximately HK$419,800,000) respectively.

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

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

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

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

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

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

As at 31 December 2014, substantial shareholders and other persons (other than the directors and chief executives of the Company) who had interests or short positions in the shares and underlying shares of the Company which were notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO and entered in the register required to be kept by the Company pursuant to Section 336 of the SFO, or otherwise notified to the Company were as follows:

Ordinary shares of HK$0.04 each of the Company

Name of substantial shareholder	Long/short positions	Capacity	Number of shares of the Company interested	Approximate percentage of the issued share capital of the Company
SIHL	Long	Held by controlled corporation	3,415,883,000 [1,2]	70.99%
SIIC	Long	Held by controlled corporation/ Beneficial owner	3,435,037,000 [1,2,3]	71.39%

Notes:

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

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

3. SIIC through its subsidiaries, namely Shanghai Investment Holdings Limited, SIIC Capital (B.V.I.) Limited, SIIC Treasury (B.V.I.) Limited, Shanghai Industrial Financial (Holdings) Company Limited, South Pacific International Trading Limited, SIIC Trading Company Limited, The Tien Chu Ve Tsin (Hong Kong) Company Limited, Billion More Investments Limited, South Pacific Hotel Limited and SIIC CM Development Limited held approximately 57.67% of the shares of SIHL. Therefore, SIIC is deemed or taken to be interested in the 3,415,883,000 shares held by SIHL for the purpose of the SFO.

Save as disclosed herein, as at 31 December 2014, the Company had not been notified by any persons (other than the directors and chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of SFO.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's five largest customers comprised approximately 1.5% of the Group's total revenue for the year ended 31 December 2014 and the sales attributable to the Group's largest customer were approximately 0.8% of the Group's total revenue for the year ended 31 December 2014.

The aggregate purchases attributable to the Group's five largest suppliers comprised approximately 14.3% of the Group's total purchases and the purchases of the year ended 31 December 2014 attributable to the Group's largest supplier were approximately 3.2% of the Group's total purchases for the year ended 31 December 2014.

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

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this 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 SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2014.

NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

Details of non-adjusting event after the reporting period are set out in note 52 of this annual report.

AUDITOR

The financial statements for the year ended 31 December 2014 of the Group have been audited by Deloitte Touche Tohmatsu who will retire and being eligible, offering itself for re-appointment. A resolution for the re-appointment of Deloitte Touche Tohmatsu as the auditor of the Company will be proposed at the 2015 AGM.

NON-COMPETE UNDERTAKING

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

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

CHANGES IN INFORMATION OF DIRECTORS

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

(a) Dr. Wong Ying Ho, Kennedy ("**Dr. Wong**"), an independent non-executive Director, was appointed as an independent non-executive director, the chairman of the remuneration committee and a member of the audit committee of Sinopec Yizheng Chemical Fibre Company Limited, a company listed on the Stock Exchange with stock code of 1033, with effect from 9 February 2015.

 Dr. Wong was appointed as an independent non-executive director, a member of each of the audit committee, the remuneration committee and the nomination committee of Credit China Holdings Limited, a company listed on the Stock Exchange with stock code of 8207, with effect from 16 February 2015.

(b) Mr. Fan Ren Da, Anthony, an independent non-executive Director, was appointed as an independent non-executive director, a member of each of the audit committee, the remmueration committee and the nomination committee of the Company of CGN Meiya Power Holdings Co., Ltd., a company listed on the Stock Exchange with stock code of 1811, with effect from 2 September 2014.

(c) Mr. Li Ka Fai, David, an independent non-executive Director, was appointed as an independent non-executive director and the chairman of the audit committee of Wai Yuen Tong Medicine Holdings Limited, a company listed on the Stock Exchange with stock code of 897, with effect from 17 March 2015.

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

DONATIONS

During the year ended 31 December 2014, the Group made charitable donations of RMB1,500,000 (equivalent to approximately HK$1,888,000).

APPRECIATION

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

By order of the Board
Shanghai Industrial Urban Development Group Limited

Ji Gang
Chairman

Hong Kong, 27 March 2015

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Ji Gang
Chairman, President, Executive Director and Member of the Nomination Committee *(re-designated as Chairman on 2 February 2015)*

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

Mr. Yang Jianwei
Executive Director

Mr. Yang Biao
Executive Director

Ms. Huang Fei
Executive Director and Vice President

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

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

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

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

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Ji Gang, Chairman, President, Executive Director and Member of the Nomination Committee *(re-designated as Chairman on 2 February 2015)*

Mr. Ji, aged 57, has been re-designated as the Chairman of the Board and has been appointed as a member of the Nomination Committee with effect from 2 February 2015. Mr. Ji remains as the President and an Executive Director of the Company.

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

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

Mr. Zhou, aged 46, was appointed as an executive Director on 5 July 2010. He is a member of the Investment Appraisal Committee. Mr. Zhou is an executive director and a deputy chief executive officer of SIHL. He has been a director of SUD since 9 July 2007. He is also an executive director and vice president of SIIC and the chairman of S.I. Infrastructure Holdings Ltd., Shanghai Galaxy Investment Co., Ltd., Shanghai Hu-Ning Expressway (Shanghai Section) Co., Ltd., Shanghai Luqiao Development Co., Ltd., Shanghai Industrial Management (Shanghai) Limited and Shanghai Shen-Yu Development Co., Ltd., the chairman and an executive director of SIIC Environment Holdings Ltd. (a company listed on the Singapore Stock Exchange with stock code of 5GB). He also acts as the chairman of Shanghai Shengtai Investment and Management Limited under Shanghai Charity Foundation on a voluntary basis. He is an independent non-executive director of Zhejiang Expressway Co., Ltd. (stock code: 0576). He graduated from Nanjing University with a bachelor's degree in 1991 and from Fudan University with a master's degree in economics (international finance) in 1994. He worked for Guotai Securities Co., Ltd. (now Guotai Junan Securities Co.) before joining SIIC in April 1996. He held the positions of a deputy general manager of SIIC Real Estate Holdings (Shanghai) Co., Ltd., deputy general manager of Shanghai United Industrial Co., Ltd. (now Shanghai Pharmaceutical Co., Ltd.) and general manager of the strategic department of SIIC. Mr. Zhou has 20 years of professional experience in securities, finance, real estate and project planning.

Mr. Yang Jianwei, Executive Director

Mr. Yang, aged 43, was appointed as an executive Director on 22 March 2013. He was appointed as a deputy general manager of SIIC Management (Shanghai) Limited in June 2013. He was appointed as a director of Shanghai Industrial Development Co., Ltd. on 16 November 2012. He graduated from Huazhong University of Science and Technology and Shanghai Jiaotong University with a bachelor's degree of engineering, master's degree of management engineering and doctor's degree in management. He worked for China National Nonferrous Materials Co., Ltd. and Hong Yuan Securities Co., Ltd.. Mr. Yang joined SIIC in June 2004 and was assistant general manager of Shanghai Galaxy Investment Co., Ltd., assistant general manager of the board of directors' office and secretary to chairman of SIIC and assistant CEO of SIHL. He has more than 10 years' experience of financial investment, securities research, investment banking and project planning.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Yang Biao, Executive Director

Mr. Yang, aged 51, was appointed as an executive Director on 5 July 2010. He is based in the Group's office in Shanghai. Mr. Yang is responsible for overseeing various property development projects of the Group. He takes part in the management's project selection process, project positioning and planning and setting sales and marketing strategies for individual projects. Furthermore, Mr. Yang oversees the execution of the Group's projects and ensures that the development progress of the projects is carried out in accordance with the approved plans. He is also responsible for public relations (including maintaining relationship with various government authorities) in his day-to-day management of the Group. He is the legal representative of 重慶中華企業房地產發展有限公司 (Chongqing Chinese Enterprises Real Estate Development Co., Ltd.) and a director of 湖南淺水灣湘雅溫泉花園有限公司 (Hunan Qianshuiwan Xiangya Garden Co., Ltd.). Mr. Yang has been a director of SUD since 18 July 2007. He is also the vice chairman of SUD. Since he joined SUD, he has participated in the development of various projects such as Urban Cradle, Ivy Aroma Town and Toscana. He was also a director of SUD Chongqing Depu and Changsha Chengpu in 2008. Mr. Yang taught at Shanghai Normal University from July 1986 to March 2000. He was a deputy director of the Audit Bureau of Xuhui District in Shanghai from March 2000 to September 2005 and a director of the Xuhui District State-owned Assets Administrative Committee with primary responsibilities in the decision making and operation of its property investment from September 2005 to June 2010. He also participated in the decision making and operation of other property development project companies under the Xuhui District State-owned Assets Administrative Committee including 上海匯城集團 (Shanghai Huicheng Group) and 上海徐房(集團)有限公司 (Shanghai Xufang (Group) Co., Ltd.) in 2006. He was the deputy municipal secretary of the Xinjiang Aksu from July 2002 to July 2005. He has over five years of experience in real estate and he also has extensive experience in general management, finance and accounting. He is a qualified auditor.

Ms. Huang Fei, Executive Director and Vice President

Ms. Huang, aged 50, was appointed as an executive Director on 22 March 2013. She is also the vice president of the Company. She was awarded a master's degree in business administration and European integration by Technische Universität Dresden in 2003. She was the league secretary of the Third Tramway Company of the Public Transport Corporation in Shanghai, the chairman of the labour union of Xuhui Urban Construction Corporation, the manager of sales division of SUD, the general manager of Shanghai Urban Development (Group) Real Property Agent Company prior to her employment with the Group. She is currently a vice president of SUD and (routine) deputy general manager of Shanghai Wan Yuan.

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

Mr. Ye, aged 51, was appointed as an executive Director on 22 March 2013. He is also vice president, members of the Remuneration Committee and the Investment Appraisal Committee. Mr. Ye has a master's degree in business administration from EIPOS Europäisches Institut für postgraduate Bildung an der Technischen Universität Dresden in 2002. He was the finance manager of finance department of Shanghai Far East Aviation Technology Import and Export Company, the manager of budget finance department of Shanghai Great World Plaza Company Limited, the deputy manager of budget finance department 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 vice president of SUD and general manager of Shanghai Huanyu Investment Co., Ltd. He is a director of Ningbo Fubang Precision Industry Group Stock Co., Ltd. (a company listed on the Shanghai Stock Exchange with stock code of 600768).

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

Mr. Doo, aged 70, was appointed as an independent non-executive Director on 5 July 2010. He is the Chairman of the Remuneration Committee and a member of the Audit Committee. Mr. Doo is the chairman and director of Fung Seng Enterprises Holdings Limited. In addition, he was appointed as a National Committee Member of the 12th Chinese People's Political Consultative Conference in February 2013. Mr. Doo is also the Honorary Consul General of the Kingdom of Morocco in Hong Kong and Macau. Since 1995 he has been serving as a Governor of the Canadian Chamber of Commerce in Hong Kong. In 2008, he was awarded the Chevalier de la Légion d'Honneur by the French Government. Mr. Doo was the vice chairman and non-executive director of New World China Land Limited (stock code: 917) and the deputy chairman and non-executive director of NWS Holdings Limited (stock code: 659) until 1 July 2013. He is a director of the following listed companies:

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

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

Dr. Wong, aged 52, was appointed as an independent non-executive Director on 5 July 2010. He is the Chairman of the Nomination Committee and a member of the Audit Committee.

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

(AIM: PAX) until 31 December 2011. Dr. Wong has over seven years of experience in the property industry. He is a director of the following listed companies:

Listed Company	Role
Hong Kong listed companies	
• Hong Kong Resources Holdings Company Limited (stock code: 2882)	Chairman, executive director, members of the remuneration committee and the nomination committee
• Asia Cement (China) Holdings Corporation (stock code: 743)	Independent non-executive director, chairman of the remuneration committee, members of the audit committee, the nomination committee and the independence committee
• China Overseas Land & Investment Limited (stock code: 688)	Independent non-executive director, chairman of the remuneration committee, members of the audit committee and the nomination committee
• Goldlion Holdings Limited (stock code: 533)	Non-executive director and a member of the audit committee
• Times Property Holdings Limited (stock code: 1233)	Independent non-executive director, members of the audit committee and nomination committee
• Sinopec Yizheng Chemical Fibre Company Limited (stock code: 1033)	Independent non-executive director, the chairman of the remuneration committee and a member of the audit committee
• Credit China Holdings Limited (stock code: 8207)	Independent non-executive director, members of the audit committee, the remuneration 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. Fan, aged 54, was appointed as an independent non-executive Director on 5 July 2010. He is also the Chairman of the Investment Appraisal Committee, the members of the Audit Committee, Remuneration Committee and Nomination Committee. He has over three years of experience in the property industry. Mr. Fan holds a Master's Degree in Business Administration from the United States of America. He is the chairman and managing director of AsiaLink Capital Limited. Mr. Fan was an independent non-executive director of Chinney Alliance Group Limited (stock code: 385) and an independent director of 深圳世聯地產顧問股份有限公司 (a company listed on the Shenzhen Stock Exchange with stock code of 002285). He is a director of the following listed companies:

Listed Company	Role
Hong Kong listed companies	
• Technovator International Limited (stock code: 1206)	Independent non-executive director, chairman of the remuneration committee, the members of the audit committee and the nomination committee
• Raymond Industrial Limited (stock code: 229)	Independent non-executive director, members of the remuneration committee, the audit committee and the nomination committee
• Uni-President China Holdings Ltd. (stock code: 220)	Independent non-executive director, chairmen of the nomination committee and the audit committee

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Listed Company	Role
Hong Kong listed companies	
• Renhe Commercial Holdings Company Limited (stock code: 1387)	Independent non-executive director and chairman of the audit committee
• Tenfu (Cayman) Holdings Company Limited (stock code: 6868)	Independent non-executive director, chairman of the remuneration committee, members of the audit committee and the nomination committee
• CITIC Resources Holdings Limited (stock code: 1205)	Independent non-executive director, chairman of the audit committee, members of the remuneration committee and the nomination committee
• Guodian Technology & Environment Group Corporation Limited (stock code: 1296)	Independent non-executive director and chairman of the audit committee
• Hong Kong Resources Holdings Company Limited (stock code: 2882)	Independent non-executive director, chairman of the remuneration committee, members of the audit committee, the nomination committee and the special committee

Listed Company	Role
Hong Kong listed companies	
• 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
• LT Commercial Real Estate Limited (stock code: 112)	Independent non-executive director, chairmen of the remuneration committee and the nomination committee and a member of the audit committee
• Neo-Neon Holdings Limited (stock code: 1868)	Independent non-executive director, chairman of the regulatory compliance committee, members of the audit committee, the remuneration committee and the nomination committee
• CGN Meiya Power Holdings Co., Ltd. (stock code: 1811)	Independent non-executive director, members of the audit committee, the remuneration committee and the nomination committee

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

Mr. Li, aged 60, was appointed as an independent non-executive Director on 5 July 2010. He is the Chairman of the Audit Committee. He is currently the deputy managing partner of Li, Tang, Chen & Co. CPA (Practising). He is also a fellow of the Hong Kong Institute of Certified Public Accountants, a fellow of The Association of Chartered Certified Accountants, United Kingdom, a fellow of The Institute of Chartered Secretaries and Administrators, United Kingdom as well as a fellow of The Institute of Chartered Accountants in England and Wales. Mr. Li has over eight 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
• Cosmopolitan International Holdings Limited (stock code: 120)	Independent non-executive director, chairman of the audit committee, members of the nomination committee and the remuneration committee
• AVIC International Holding (HK) Limited (stock code: 232)	Independent non-executive director, members of the audit committee and the remuneration committee
• China Merchants Holdings (International) Company Limited (stock code: 144)	Independent non-executive director, chairman of the remuneration committee, members of the audit committee and the nomination committee
• Wai Yuen Tong Medicine Holdings Limited (stock code: 897)	Independent non-executive director and chairman of the audit committee

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Zhong Tao
Vice President

Mr. Zhong, aged 42, is the vice president of the Company. Mr. Zhong obtained a master's degree in business management from Shanghai Fudan University in 1998. He was a project manager of Shanghai Industrial Real Property Group (Shanghai) Company Limited, an assistant to the general manager of Shanghai Xinghe Digital Investment Company Limited, and the chief planning officer of Shanghai Industrial Management (Shanghai) Company Limited prior to his employment with the Group. He is also currently the vice president of SUD.

Ms. Zhou Yan
Vice President

Ms. Zhou, aged 47, is a vice president of the Company. She was an executive director of Shanghai Zendai Property Limited (stock code: 755). She received a bachelor's degree in arts from the School of Literature of Shanghai University (a branch of the Fudan University) and a master's degree in business studies from Massey University of New Zealand in 2000. Ms. Zhou has more than 20 years of experience in the real estate industry in the PRC.

Mr. Li Bin
Vice President

Mr. Li, aged 41, is a vice president of the Company. He was a director of company secretary and information office in Shanghai Xujiahui Commercial Company Limited and the chief of secretary department in Shanghai Xuhui District Committee Office. Mr. Li received a master's degree in Economics from Shanghai University of Finance and Economics in 2002.

Mr. Chan Kin Chu, Harry
Company Secretary

Mr. Chan, aged 45, has been the Company Secretary of the Company since 1 June 2011. He was appointed as Board Secretary and Deputy General Counsel in February 2013. Mr. Chan graduated from The University of Hong Kong with a bachelor of laws degree. He also obtained a master of laws degree from The University of London, U.K. and a bachelor of laws degree from Tsinghua University, the PRC. He was admitted to the High Court of Hong Kong Special Administrative Region as a solicitor. Mr. Chan has over sixteen years of working experience in legal, compliance and corporate governance matters. Before joining the Group, Mr. Chan worked for a sizable property developer as in-house counsel.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRINCIPLES AND PRACTICES

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

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

During the year ended 31 December 2014, 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 also gives clear directions as to the powers delegated to the senior management for the day-to-day operation and administrative functions of the Group.

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

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

As at 31 December 2014, the Board comprised eleven members*, including seven executive Directors and four independent non-executive Directors. At least one of the independent non-executive directors has relevant financial management expertise required by the Listing Rules. The biographical details of each Director are set out in the section headed "BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT" on pages 57 to 65 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.

* Mr. Ni Jianda resigned as the Chairman of the Board and an executive Director with effect from 2 February 2015.

INDEPENDENCE CONFIRMATION

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

APPOINTMENT AND RE-ELECTION

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

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

DIRECTORS' AND OFFICERS' LIABILITIES INSURANCE

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

THE CHAIRMAN AND THE PRESIDENT

Following the re-designation of Mr. Ji Gang as the Chairman of the Board with effect from 2 February 2015, there is 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 also performs the role of chief executive of the Group. The Board is aware of the said deviation but considers that this arrangement is appropriate and in the best interests of the Group as it helps to maintain the continuity of the Group's policies and strategies and the stability of the operations of the Group. The Board also considers that such arrangement would not impair the balance of power and authority between the Board and the management of the Company as the Board does meet regularly on a quarterly basis to review the operations of the Group and to consider other major matters affecting the business development and operations of the Group. Going forward, the Board will periodically review the effectiveness of this arrangement.

MEETING BETWEEN THE CHAIRMAN AND INDEPENDENT NON-EXECUTIVE DIRECTORS

Under code provision A.2.7 of the Code, the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present. There was one meeting held between the chairman of the Company and independent non-executive Directors, without the presence of the executive Directors for the year ended 31 December 2014.

BOARD DIVERSITY

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

RESPONSIBILITIES OF DIRECTORS

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

TRAINING AND SUPPORT FOR DIRECTORS

(A) Training

Pursuant to the Code, all Directors shall participate in the continuous professional development programme to develop and update their knowledge and skills so that they can contribute to the Board. During the year ended 31 December 2014, the Company offered several appropriate training sessions for Directors. The training sessions were related to the internal controls, anti-fraud policies, inside information and site visiting. The Company has received from each of the Directors the individual training record of Directors pursuant to A.6.5 of the Code and time involved in public companies or organizations and description of other significant commitments pursuant to A.6.6 of the Code.

During the year ended 31 December 2014, the Directors participated in the following trainings:

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

Notes:

1. Trainings may include

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

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

   (c) Company's site visiting.

2. Mr. Ni Jianda resigned as the Chairman of the Board and an executive Director with effect from 2 February 2015.

3. Mr. Ji Gang was re-designated as the Chairman of the Board with effect from 2 February 2015. Mr. Ji remains as the President and an executive Director.

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 chief financial officer or the Company Secretary will attend regular Company's board meetings and when necessary, other board and committee meetings to advise on business developments, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Company.

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

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

THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its own code of conduct regarding dealings in the securities of the Company by the directors and the relevant employees (who are likely to be in possession of 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. Having made specific enquiry with the Directors, all Directors confirmed that they have complied with the required standards set out in the Model Code and its code of conduct regarding directors' securities transactions for the year ended 31 December 2014.

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 2014.

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 2014 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**	**2014 AGM[1]**
Executive Directors						
Ni Jianda[2]	4/4			1/1		1/1
Ji Gang[3]	4/4					1/1
Zhou Jun	4/4				5/5	1/1
Yang Jianwei	4/4					1/1
Yang Biao	4/4					1/1
Huang Fei	4/4					1/1
Ye Weiqi	4/4		1/1		5/5	1/1
Independent Non-Executive Directors						
Doo Wai-Hoi, William	4/4	2/2	1/1			1/1
Wong Ying Ho, Kennedy	3/4	2/2		1/1		0/1
Fan Ren Da, Anthony	4/4	1/2	1/1	1/1	5/5	1/1
Li Ka Fai, David	4/4	2/2				1/1

Notes:

1. The 2014 annual general meeting of the Company was held on Tuesday, 27 May 2014.

2. Mr. Ni Jianda resigned as the Chairman of the Board and an executive Director with effect from 2 February 2015.

3. Mr. Ji Gang was re-designated as the Chairman of the Board with effect from 2 February 2015. Mr. Ji remains as the President and an executive Director.

BOARD COMMITTEES

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

A. Audit Committee

The Audit Committee currently consists of four independent non-executive Directors, namely Mr. Li Ka Fai, David (as chairman), Mr. Doo Wai–Hoi, William, Dr. Wong Ying Ho, Kennedy and Mr. Fan Ren Da, Anthony.

The main responsibilities of the Audit Committee are:

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

2. to review the financial reporting process and internal 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 2014. 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 2014, the Audit Committee reviewed the independence and objectivity of the external auditor, the scope of audit services and related audit fees payable to the external auditor for the Board's approval. The Audit Committee has reviewed the audited financial statements of the Company and discussed with the management and the auditor of the Company on the accounting principles and practices adopted by the Group, internal controls matter, interim results and financial statements and the terms of reference for Audit Committee.

B. Remuneration Committee

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

The major responsibilities of the Remuneration Committee are:

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

2. to have the delegated responsibility to determine the specific remuneration packages of all executive directors and 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 2014, one Remuneration Committee meeting was held to review the remuneration packages of all directors and senior management of the Company, directors' services contracts and the terms of reference for Remuneration Committee.

C. Nomination Committee

The Nomination Committee currently consists of two independent non-executive Directors, namely Dr. Wong Ying Ho, Kennedy (as chairman), Mr. Fan Ren Da, Anthony and one executive Director, namely Mr. Ji Gang (appointed with effect from 2 February 2015). The primary function of the Nomination Committee is to make recommendations to the Board on potential candidates to fill vacancies or additional appointment on the Board and senior management. All appointments of Directors were nominated by the Nomination Committee based on the considerations including vacancy available, competence and experience, possession of requisite skills and qualifications, independence and integrity.

The Board adopted a Board's diversity policy setting out the approach to diversity of members of the Board. The Company recognizes and embraces the benefits of diversity of its Board members. It endeavors to ensure that the Board has a balance of skills, knowledge, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the board members. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge and length of service. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board.

During the year ended 31 December 2014, 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. recommended to the Board on the re-designation of Mr. Ji Gang as the Chairman of the Board;

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

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

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

D. Investment Appraisal Committee

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

The main responsibilities of the Investment Appraisal Committee are:

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

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

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

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

5. makes subsequent assessment on investment projects; and

6. reviews on the above matters.

During the year ended 31 December 2014, five Investment Appraisal Committee meetings were held to discuss and consider the following matters:

1. proposed transactions;

2. a discloseable transaction in regard to the disposal of the entire interest in Well Kingdom Investment Limited. (Details can be found in the announcements of the Company dated 6 August 2014 and 12 December 2014.); and

3. major transactions in regard to the acquisition of the entire issued share capital of Continental Land Development Limited and formation of joint venture with Nan Fung Group and deemed disposal of 49% interest in Advantage World Investment Limited. (Details can be found in the announcements of the Company dated 25 September 2014 and the circular of the Company dated 12 November 2014.)

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 2014, the Company Secretary has duly complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules. According to the Rule 3.29 of the Listing Rules, the Company Secretary has taken no less than 15 hours of relevant professional training. The biographical details of the Company Secretary are set out on in the section of "BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT" in this annual report.

ACCOUNTABILITY

The Directors are responsible for overseeing the preparation of accounts of each financial period, which give a true and fair view of the state of affairs of the Company and the Group and of the Group's results and cash flow for the period. In preparing the financial statements for the year ended 31 December 2014, appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants which are pertinent to its operations and relevant to the financial statements on the going concern basis were adopted. The Company has received acknowledgements from all Directors of their responsibilities for preparing the financial statements. It is the responsibility of the auditors to form an independent opinion, based on their audit, of these financial statements and to report their opinion to the members of the Company, as a body, and for no other purpose. The auditors do not assume responsibilities toward or accept liability to any other person for the contents of their report.

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

INTERNAL CONTROLS

Anti-fraud policies and procedures

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

The Board has reviewed the effectiveness of the internal controls system of the Group. The Company is always committed to maintaining a high standard of corporate governance and to continue strengthening the control systems of the Group in the interests of Shareholders. To monitor the effectiveness of the internal controls systems, in addition to the internal audit function of the Group, if necessary, the Board will appoint an independent professional firm to conduct internal controls reviews of selected areas of the Group.

EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company about their reporting responsibilities on the financial statements is set out in the "INDEPENDENT AUDITOR'S REPORT" on pages 81 and 82.

During the year ended 31 December 2014, the remuneration paid to the Company's auditor, Deloitte Touche Tohmatsu, is set out below:

	HK$'000
For audit services	
– audit fee paid for the year ended 31 December 2014	4,172
– other audit-related services	1,691
Total:	5,863

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 2014, there is no significant change in the Company's constitutional documents.

INVESTOR RELATIONS REPORT

SIUD is owned by shareholders, who trust and have confidence in the Board, the management and staff. Therefore, we have the mission to proactively create value for our shareholders. Maintaining and developing investor relations are SIUD's responsibilities as a listed company. The Company places great importance on providing accurate and timely information to investors, and seeks to build effective channels in order to maintain two-way communication and enhance the transparency of the Company. The "Shareholders Communication Policy" formulated by the Board forms the basis of SIUD's extensive and close communication with shareholders and potential investors and is available on our website.

To maintain the relations with shareholders, the Company needs to earn continuous trust and confidence from them. For this purpose, we must fulfil the three basic requirements below:

- Create value for shareholders;
- Operate the Company's business in a way that meets the values and expectation of shareholders; and
- Review each business decision in a manner responsible to shareholders, and maintain close and effective communication with shareholders with sincerity.

In 2014, the Company disseminated information to the market in a timely manner through multiple channels. The 2013 Annual Report, 2014 Interim Report, announcements, circulars and press releases published during the year are available on the website of the Company in due course. The Company also shared its announcements and press releases with investors at first hand via email. In addition, dedicated management members were assigned to proactively communicate with investors, analysts and credit rating agencies to keep them abreast of the Company's strategies and latest development and share our views on the outlook of mainland property and financial markets through regular meetings and conference calls. The Company continued to participate in the investment conferences and non-deal roadshows organized by investment banks in 2014. In addition to Hong Kong, the Group also reached out to overseas equity and bond investors through trips to Singapore, Beijing and Shanghai. Moreover, the Company also

arranged investors to conduct site visits to its projects, including Urban Cradle and Binjiang U Center in Shanghai, and CBE International Peninsula in Xian. The quality of the projects was widely recognized by the shareholders and investors.

Besides, the Company also attaches great importance to the communication with retail investors. During the year, the management held press conferences to announce the major acquisition and cooperation projects of the Company. Our Chairman was also interviewed by various mainstream media agencies, including Hong Kong Economic Journal, Oriental Daily News and Sing Tao Daily, to talk about the development blueprint of the Company. The Company hopes to announce its latest development to shareholders and potential investors through the mass media in a timely manner.

With respect to institutional investors, during the year, the Company attended 6 major investment seminars and non-deal roadshows, arranged 30 conference calls and 4 site visits, and conducted meetings with 73 individual investors, reaching out to more than 219 investors and allowing them to better understand the investment potential of the Group.

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

COMMUNICATION CHANNELS WITH INVESTORS

Meetings, conference calls and business luncheons	21%
Non-deal roadshows and investor summits	30%
Overseas roadshows	21%
One-on-one investor conferences	26%
Site visits	2%

INVESTOR RELATIONS REPORT

Major investor relations events in 2014:

Time	Name of Event	Organizer	Location
January 2014	BNP Paribas Financial & Property Conference	BNP Paribas	Hong Kong
March 2014	Post-annual results non-deal roadshow	Jefferies	Hong Kong
April 2014	Post-annual results non-deal roadshow	J.P. Morgan	Hong Kong
April 2014	Post-annual results non-deal roadshow	Morgan Stanley	Singapore
April 2014	HSBC 5th Investor Summit	HSBC	Hong Kong
September 2014	Post-interim results non-deal roadshow	CCB International	Beijing

FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

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

We have audited the consolidated financial statements of Shanghai Industrial Urban Development Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 83 to 165, which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

27 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	NOTES	2014 HK$'000	2013 HK$'000
Revenue	5	**7,773,636**	9,773,547
Cost of sales		**(4,823,485)**	(8,254,997)
Gross profit		**2,950,151**	1,518,550
Other income	6(a)	**193,594**	88,239
Other expenses, gains and losses	6(b)	**(20,260)**	(58,829)
Fair value changes on investment properties	14	**(43,573)**	(122,835)
Impairment loss in respect of inventories		**(66,204)**	(36,374)
Distribution and selling expenses		**(200,580)**	(237,518)
General and administrative expenses		**(460,265)**	(495,796)
Gain on disposal of subsidiaries		**–**	15,276
Gain on disposal of assets through disposal of subsidiaries	34	**–**	819,125
Gain on disposal of an associate	18	**136,125**	–
Finance costs	7	**(757,327)**	(698,583)
Share of losses of associates	18	**(617)**	(9,161)
Profit before tax		**1,731,044**	782,094
Income tax	9	**(1,151,080)**	(476,377)
Profit for the year	8	**579,964**	305,717
Other comprehensive income for the year			
Item that will not be reclassified to profit or loss:			
Exchange differences arising on translation into presentation currency		**(441,181)**	544,190
Item that may be reclassified subsequently to profit or loss:			
Reclassification adjustment for realisation of revaluation gains transferred to profit or loss upon sale of completed properties held-for-sale		**–**	(1,602)
Other comprehensive (expense) income for the year		**(441,181)**	542,588
Total comprehensive income for the year		**138,783**	848,305
Profit for the year attributable to:			
Owners of the Company		**161,181**	143,471
Non-controlling interests		**418,783**	162,246
		579,964	305,717
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(86,864)**	456,777
Non-controlling interests		**225,647**	391,528
		138,783	848,305
Earnings per share			
Basic (HK cents)	13	**3.35**	2.98
Diluted (HK cents)	13	**3.35**	2.98

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	NOTES	31.12.2014 HK$'000	31.12.2013 HK$'000
Non-current assets			
Investment properties	14	**12,320,845**	5,736,299
Property, plant and equipment	15	**2,197,490**	1,511,007
Prepaid lease payments	16	**252,445**	92,178
Intangible assets	17	**63,734**	65,301
Interests in associates	18	**1,291,941**	1,647,749
Interest in a joint venture	19	**65,718**	65,718
Amount due from an associate	20	**–**	87,160
Available-for-sale investments	21	**128,288**	102,633
Restricted and pledged bank deposits	22	**58,904**	100,800
Deferred tax assets	32	**289,580**	217,379
		16,668,945	9,626,224
Current assets			
Inventories	23	**32,150,353**	34,431,317
Trade and other receivables	24	**940,271**	2,505,237
Amounts due from related companies	29	**98,089**	83,612
Amount due from an associate	20	**–**	19,270
Prepaid lease payments	16	**5,381**	2,709
Prepaid income tax and land appreciation tax		**187,462**	420,467
Financial assets at fair value through profit or loss	25	**3,294**	2,074
Pledged bank deposits	22	**442,284**	385,766
Bank balances and cash	26	**6,424,058**	5,827,825
		40,251,192	43,678,277
Assets classified as held-for-sale	27	**646,566**	132,458
		40,897,758	43,810,735
Current liabilities			
Trade and other payables	28	**5,897,521**	6,438,474
Amounts due to related companies	29	**2,008,960**	460,737
Amounts due to associates	20	**71,978**	94,264
Consideration payables for acquisition of subsidiaries	30	**763,940**	325,348
Pre-sale proceeds received on sales of properties	31	**2,400,586**	6,496,160
Bank and other borrowings	33	**7,838,393**	3,858,292
Senior notes	35	**–**	3,093,059
Income tax and land appreciation tax payables		**2,109,169**	1,988,568
Dividend payable		**6,423**	6,423
Dividend payable to non-controlling shareholders		**268,658**	339,309
		21,365,628	23,100,634
Liabilities classified as held-for-sale	27	**28**	–
		21,365,656	23,100,634
Net current assets		**19,532,102**	20,710,101
Total assets less current liabilities		**36,201,047**	30,336,325

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	31.12.2014 HK$'000	31.12.2013 HK$'000
Non-current liabilities			
Bank and other borrowings	33	**12,289,532**	7,535,109
Deferred tax liabilities	32	**3,796,683**	3,017,939
		16,086,215	10,553,048
		20,114,832	19,783,277
Capital and reserves			
Share capital	36	**192,461**	192,461
Reserves		**12,292,328**	12,426,509
Equity contributable to owners of the Company		**12,484,789**	12,618,970
Non-controlling interests		**7,630,043**	7,164,307
		20,114,832	19,783,277

The consolidated financial statements on pages 83 to 165 were approved and authorised for issue by the Board of Directors on 27 March 2015 and are signed on its behalf by:

Ji Gang
DIRECTOR

Ye Weiqi
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Attributable to owners of the Company											
	Share capital HK$'000	Share premium HK$'000	Share options reserve HK$'000	Other revaluation reserve HK$'000 (note (i))	Statutory reserve HK$'000	Shareholder's contribution/ merger reserve HK$'000 (note (ii))	Other reserve HK$'000 (note (iii))	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2013	192,461	10,325,453	70,337	54,128	158,622	2,214,569	–	1,356,745	(2,210,122)	12,162,193	6,929,403	19,091,596
Profit for the year	–	–	–	–	–	–	–	–	143,471	143,471	162,246	305,717
Exchange differences arising on translation into presentation currency	–	–	–	–	–	–	–	314,908	–	314,908	229,282	544,190
Reclassification adjustment for realisation of fair value gains transferred to profit or loss upon sales of completed properties held-for-sale	–	–	–	(1,602)	–	–	–	–	–	(1,602)	–	(1,602)
Total comprehensive income for the year	–	–	–	(1,602)	–	–	–	314,908	143,471	456,777	391,528	848,305
Disposal of a subsidiary	–	–	–	–	(5,878)	–	–	–	5,878	–	(136,755)	(136,755)
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(19,869)	(19,869)
Transfer	–	–	–	–	8,384	–	–	–	(8,384)	–	–	–
Transfer to accumulated losses upon forfeiture of share options	–	–	(3,495)	–	–	–	–	–	3,495	–	–	–
At 31 December 2013	192,461	10,325,453	66,842	52,526	161,128	2,214,569	–	1,671,653	(2,065,662)	12,618,970	7,164,307	19,783,277

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company											
	Share capital HK$'000	Share premium HK$'000	Share options reserve HK$'000	Other revaluation reserve HK$'000 (note (i))	Statutory reserve HK$'000	Shareholder's contribution/ merger reserve HK$'000 (note (ii))	Other reserve HK$'000 (note (iii))	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Profit for the year	–	–	–	–	–	–	–	–	161,181	161,181	418,783	579,964
Exchange differences arising on translation into presentation currency	–	–	–	–	–	–	–	(248,045)	–	(248,045)	(193,136)	(441,181)
Total comprehensive income for the year	–	–	–	–	–	–	–	(248,045)	161,181	(86,864)	225,647	138,783
Acquired from the acquisition of subsidiaries (note 42)	–	–	–	–	–	–	–	–	–	–	44,481	44,481
Contribution from non-controlling interests upon establishment of subsidiaries	–	–	–	–	–	–	–	–	–	–	240,565	240,565
Transfer	–	–	–	–	3,558	–	–	–	(3,558)	–	–	–
Acquisition of additional interest in a subsidiary (note 42)	–	–	–	–	–	–	(47,317)	–	–	(47,317)	(44,957)	(92,274)
At 31 December 2014	192,461	10,325,453	66,842	52,526	164,686	2,214,569	(47,317)	1,423,608	(1,908,039)	12,484,789	7,630,043	20,114,832

Notes:

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

(ii) Merger reserve represents the difference in the fair value of the consideration paid to parent company, Shanghai Industrial Holdings Limited ("SIHL") for the acquisition of subsidiaries controlled by SIHL and the acquired carrying amount of the subsidiaries at the date of the Group and the subsidiaries acquired became under common control. Shareholder's contribution represents capital contribution from parent company and non-controlling interests (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.

(iii) Other reserve results from acquisition of additional interest in a subsidiary. Details of the acquisition are set out in note 42.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	2014 HK$'000	2013 HK$'000
OPERATING ACTIVITIES		
Profit before tax	1,731,044	782,094
Adjustments for:		
Fair value changes on investment properties	43,573	122,835
Depreciation on property, plant and equipment	86,481	71,801
Amortisation of prepaid lease payments	4,632	2,669
Gain on disposal of property, plant and equipment	(156)	(572)
Finance costs	757,327	698,583
Interest income	(123,766)	(50,899)
Dividend income from available-for-sale investments	(6,343)	–
Changes in fair values of financial assets at fair value through profit or loss	(1,279)	(326)
Impairment loss in respect of inventories	66,204	36,374
Waiver of trade payables as compensation for late delivery of properties	(134,658)	–
Impairment loss recognised on other receivables	–	1,957
Gain on disposal of subsidiaries	–	(15,276)
Gain on disposal of assets through disposal of subsidiaries	–	(819,125)
Share of losses of associates	617	9,161
Gain on disposal of an associate	(136,125)	(25)
Transfer from equity on sales of completed properties held-for-sale	–	(1,602)
Unrealised foreign exchange loss (gain)	33,013	(89,290)
Operating cash flows before movements in working capital	2,320,564	748,359
(Increase) decrease in inventories	(99,989)	1,669,845
Decrease (increase) in trade and other receivables	277,161	(569,698)
Decrease in securities held-for-trading	–	11,353
(Decrease) increase in trade and other payables	(597,592)	1,677,639
(Decrease) increase in amount due to an associate	(20,165)	5,963
Decrease in proceeds received on sales of properties	(3,967,470)	(1,537,465)
Cash (used in) from operations	(2,087,491)	2,005,996
The People's Republic of China (the "PRC") income tax paid	(1,014,216)	(1,026,945)
Net cash (used in) from operating activities	(3,101,707)	979,051

CONSOLIDATED STATEMENT OF CASH FLOWS

	NOTES	2014 HK$'000	2013 HK$'000
INVESTING ACTIVITIES			
Net proceeds from disposal of subsidiaries	41	**172,535**	(14,866)
Net proceeds from disposal of assets through disposal of subsidiaries	34	**1,006,902**	726,750
Net proceeds from disposal of an associate	18	**462,528**	340
Net payments for acquisition of subsidiaries	42	**(3,945,628)**	–
Repayment from a former subsidiary		**184,566**	626,584
Capital contribution to a joint venture		**–**	(65,718)
Purchases of property, plant and equipment		**(12,328)**	(29,811)
Purchases of investment properties		**–**	(6,102)
Proceeds from disposal of investment properties		**159,762**	328,596
Deposits received from the disposal of investment properties		**–**	66,249
Proceeds from disposal of property, plant and equipment		**2,247**	71,827
Increase in restricted and pledged bank deposits		**(26,482)**	(190,346)
Dividend from available-for-sale investments		**6,343**	–
Interest received		**123,766**	50,899
Repayment from related companies		**89,359**	130,934
Advance to related companies		**(16,599)**	(15,139)
Advance to an associate		**–**	(19,040)
Repayment from associates		**18,940**	–
Purchase of available-for-sale investments		**(28,316)**	(66,230)
Deposit received for disposal of the Disposal Group	27	**99,975**	–
Net cash (used in) from investing activities		**(1,702,430)**	1,594,927
FINANCING ACTIVITIES			
Proceeds from new bank and other borrowings		**12,395,812**	4,834,225
Repayments of bank and other borrowings		**(4,214,211)**	(5,688,405)
Repayment to related companies		**(1,718,782)**	(177,670)
Advance from related companies		**3,289,049**	16,660
Payment for redemption of senior notes		**(3,120,000)**	–
Payment for acquisition of additional interest in a subsidiary	42	**(92,274)**	–
Capital injection from other shareholders upon establishment of subsidiaries		**240,565**	–
Dividend paid to non-controlling interests		**(62,950)**	(107,796)
Interest paid		**(1,276,863)**	(1,031,311)
Net cash from (used in) financing activities		**5,440,346**	(2,154,297)
Net increase in cash and cash equivalents		**636,209**	419,681
Cash and cash equivalents at the beginning of the year		**5,827,825**	5,249,524
Effect of foreign exchange rate changes		**(39,870)**	158,620
Cash and cash equivalents represented by bank balances and cash at the end of the year		**6,424,164**	5,827,825
Analysis of cash and cash equivalents represented by bank balances and cash held by			
– the Group		**6,424,058**	5,827,825
– the Disposal Group		**106**	–
		6,424,164	5,827,825

1. GENERAL

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

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

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

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

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities
Amendments to HKAS 32	Offsetting financial assets and financial liabilities
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting
HK(IFRIC) – INT21	Levies

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

New and revised HKFRSs issued but not yet effective

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

HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle[5]
Amendments to HKAS 1	Disclosure Initiative[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[5]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[5]
Amendments to HKAS 16 and HKAS 38	Classification of Acceptable Methods of Depreciation and Amortisation[5]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[5]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[5]

1 Effective for annual periods beginning on or after 1 July 2014.
2 Effective for annual periods beginning on or 1 January 2018.
3 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.
4 Effective for annual periods beginning on or 1 January 2017.
5 Effective for annual periods beginning on or 1 January 2016.

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

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

HKFRS 9 Financial instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described as follows:

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

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

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

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

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

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

HKFRS 9 Financial instruments (continued)

The directors of the Company anticipate that the adoption of HKFRS 9 in the future may have impacts on the Group's financial assets. However, in the opinion of the directors, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 Revenue from contracts with customers

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

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

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

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

The directors of the Company anticipate that the adoption of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, in the opinion of the directors, it is not practicable to provide a reasonable estimate of the effect for the application of HKFRS 15 until a detailed review has been completed.

The directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance (Cap. 32).

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments that are measured at fair values as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

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.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the carrying amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

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

Merger Accounting for business combination involving entities under common control

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

Business combinations

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations (continued)

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. 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 or, when applicable, on the basis specified in another HKFRS.

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 at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 "Provisions, contingent liabilities and contingent assets", as appropriate, with the corresponding gain or loss being recognised in profit or loss.

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

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

Goodwill

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

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill (continued)

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Investments in associates and joint ventures

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

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

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates and joint ventures (continued)

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

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

Non-current assets held-for-sale

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

Non-current assets 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.

Investment properties

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

Investment properties are initially measured at cost, including transactions costs. Subsequent to initial recognition, investment properties are measured at fair value. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment

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

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

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

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

Buildings under development for future owner-occupied purpose

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

Intangible assets acquired in a business combination

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

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

Impairment of tangible and intangible assets other than goodwill

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of tangible and intangible assets other than goodwill (continued)

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

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

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. Cost is calculated using the weighted average method.

Others

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

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

Transfer from inventories to investment properties carried at fair value

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

Leasing

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

The Group as lessor

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leasing (continued)

The Group as lessee

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

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

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss ("FVTPL") are recognised immediately in profit or loss.

Financial assets

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

Effective interest method

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

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

Financial assets at FVTPL

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Financial assets at FVTPL (continued)

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the 'other expenses, gains and losses' line item. Fair value is determined in the manner described in note 39.

Loans and receivables

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

AFS financial assets

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

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

Impairment of financial assets

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

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

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

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

For certain categories of financial assets, such as trade receivables, assets 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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

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

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

Financial liabilities and equity instruments

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.

Other financial liabilities

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Derecognition

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

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

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

Retirement benefit costs

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

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

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

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to eventually vest. 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 share options reserve.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation

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

Current tax

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

Deferred tax

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

Deferred tax (continued)

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

Current and deferred tax for the year

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

Revenue recognition

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

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

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

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

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

Property management service income is recognised when services are provided.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

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

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

Government grants

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

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

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

Borrowing costs

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Foreign currencies

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

Exchange differences arising on the settlement and retranslation of monetary items and on the retranslation of non-monetary items carried at fair value are recognised in profit or loss in the period in which they arise.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions

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

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

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

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATES

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

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

Critical judgment in applying accounting policies

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

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that certain of the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over the time rather than through sales. Therefore, in measuring the Group's deferred taxation on investment properties, the directors of the Company have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is rebutted for such properties. As at 31 December 2014, the carrying amount of these properties is HK$7,423,320,000 (2013: HK$452,880,000). For the properties on which the 'sale' presumption is not rebutted, the Group has further recognised deferred taxes on changes in fair value of investment properties in relation to the PRC's land appreciation tax, which is the additional tax to be charged if a property in the PRC is recovered through sale. As at 31 December 2014, the carrying amount of these properties is HK$4,897,525,000 (2013: HK$5,283,419,000).

Key sources of estimation uncertainty

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

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

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

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

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

In addition, given the volatility of the PRC property market and the unique nature of individual properties, the actual outcomes in terms of costs and revenue may be higher or lower than estimated at the end of the reporting period. Any increase or decrease in the write-down of properties would affect profit or loss in future years. As at 31 December 2014, the carrying amount of properties under development for sale and properties held-for-sale are HK$25,847,591,000 (2013: HK$24,926,441,000) and HK$6,296,949,000 (2013: HK$9,499,440,000) respectively. During the year ended 31 December 2014, an impairment loss in respect of inventories of HK$66,204,000 (2013: HK$36,374,000) was recognised in profit or loss.

Estimation of fair value of investment properties

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

For investment properties that fair value is assessed by reference to comparable sales transaction, which mainly being those investment properties held for capital appreciation or currently without an existing lease contract, the fair value is determined based on the current prices in an active market for similar properties. If the current prices in an active market for similar properties are not available for the purpose of estimation of fair value of investment properties, the Group considers information from a variety of sources, including:

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

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

For investment properties that the fair value is assessed by adopting investment approach, which mainly being those investment properties 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 rents 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 at 31 December 2014 was approximately HK$12,320,845,000 (2013: HK$5,736,299,000). Notwithstanding that the management employs independent professionally qualified valuers to perform fair value assessments based on these assumptions, the fair value of these investment properties may be higher or lower depending on the future market conditions.

5. REVENUE AND SEGMENT INFORMATION

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

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

Entity-wide disclosures

Revenue from major business services

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

	2014	2013
	HK$'000	HK$'000
Revenue from sale of properties	**7,107,449**	9,344,198
Rental income from leasing of properties	**472,474**	253,037
Property management service income	**95,762**	91,670
Revenue from hotel operations	**97,951**	84,642
	7,773,636	9,773,547

Geographical information

The Group's operations are located in the PRC. All revenue and non-current assets excluding financial instruments and deferred tax assets of the Group are generated from and located in the PRC. No revenue from a single customer or a group of customers under common control contributed 10% or more of the Group's revenue for the year ended 31 December 2014 and 2013.

6a. OTHER INCOME

	2014	2013
	HK$'000	HK$'000
Interest income on bank deposits	**104,958**	43,238
Other interest income	**18,808**	7,661
Rental income from property, plant and equipment	**6,917**	5,654
Dividend income from available-for-sale investments	**6,343**	–
Income from marketing and exhibition activities	**17,222**	–
Others	**39,346**	31,686
	193,594	88,239

6b. OTHER EXPENSES, GAINS AND LOSSES

	2014 HK$'000	2013 HK$'000
Exchange (loss) gain on senior notes	(76,383)	89,789
Exchange (loss) gain on other borrowing from SIHL Finance Limited	(22,825)	29,449
Other net exchange loss	(53,487)	(29,948)
Change in fair value of financial assets at FVTPL	1,279	326
Reversal (provision) of compensation to customers in respect of late delivery of properties, net	24,685	(79,704)
Waiver of trade payables as compensation for late delivery of properties	134,658	–
Impairment loss recognised on other receivables	–	(1,957)
Gain on disposal of property, plant and equipment	156	572
Others	(28,343)	(67,356)
	(20,260)	(58,829)

7. FINANCE COSTS

	2014 HK$'000	2013 HK$'000
Interest on:		
Bank and other borrowings wholly repayable within five years	916,908	818,637
Bank and other borrowings not wholly repayable within five years	49,534	36,113
Senior notes	196,126	348,697
Total borrowing costs	1,162,568	1,203,447
Less: Amount capitalised under properties under development for sale	(405,241)	(504,864)
	757,327	698,583

Borrowing costs capitalised during the year arising on the general borrowing pool are calculated by applying a capitalisation rate of 8.18% (2013: 9.14%) per annum to expenditure on qualifying assets.

8. PROFIT FOR THE YEAR

	2014 HK$'000	2013 HK$'000
Profit for the year has been arrived at after charging (crediting):		
Depreciation for property, plant and equipment	**86,481**	75,661
Less: depreciation capitalised into properties under development for sale	**(2,204)**	(3,860)
	84,277	71,801
Amortisation of prepaid lease payments	**4,632**	2,669
Auditors' remuneration	**5,863**	6,683
Gross rental income from investment properties	**(472,474)**	(253,037)
Less: operating expenses	**86,684**	19,142
	(385,790)	(233,895)
Directors' remuneration (note 10)	**13,780**	10,751
Other staff costs		
Salaries, wages and other benefits	**253,557**	216,939
Retirement benefit scheme contributions	**31,546**	23,069
Total staff costs	**298,883**	250,759
Less: staff costs capitalised into properties under development for sale	**(63,270)**	(53,985)
	235,613	196,774
Impairment loss in respect of inventories	**66,204**	36,374
Cost of properties held-for-sale recognised as an expense	**4,052,870**	7,810,494
Cost of inventories for hotel operations recognised as an expense	**23,805**	21,919
Share of tax of associates (included in share of results of associates)	**607**	1,291

9. INCOME TAX

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

	2014 HK$'000	2013 HK$'000
Current tax:		
PRC enterprise income tax ("EIT")	**534,632**	301,372
PRC land appreciation tax ("LAT")	**881,579**	391,795
Capital gain tax on gain derived from disposal of a PRC entity by non-resident companies	**–**	81,913
	1,416,211	775,080
Under(over)provision in prior years:		
PRC EIT	**30,026**	271
PRC LAT (note)	**(48,076)**	16,335
	(18,050)	16,606
Deferred tax (note 32)	**(247,081)**	(315,309)
	1,151,080	476,377

Note: The Group recognised a write-back of overprovision of PRC LAT during the year ended 31 December 2014 upon completion of tax clearance procedures by certain PRC subsidiaries with their respective tax authorities.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Pursuant to Circular 698 issued by the State Administration of Taxation, the PRC, the tax rate applicable to the capital gain from disposal of the 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.

9. INCOME TAX (CONTINUED)

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

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

The tax charge for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2014 HK$'000	2013 HK$'000
Profit before tax	**1,731,044**	782,094
Tax at PRC EIT rate of 25%	**432,761**	195,524
Tax effect of share of losses of associates	**154**	2,290
Tax effect of expenses not deductible for tax purposes	**133,344**	141,798
Tax effect of income not taxable for tax purposes	**(68,150)**	(22,094)
Tax effect of tax losses not recognised	**74,704**	83,175
Utilisation of tax losses previously not recognised	**(62,087)**	(12,374)
Provision for LAT for the year	**881,579**	391,795
(Over)underprovision of LAT in prior years	**(48,076)**	16,335
Tax effect of LAT deductible for PRC EIT	**(208,376)**	(102,033)
Underprovision of EIT in prior years	**30,026**	271
Effect of different tax rates of subsidiaries operating in Hong Kong	**32,432**	(85,214)
Deferred tax on LAT in respect of investment properties	**(43,154)**	(129,523)
Others	**(4,077)**	(3,573)
Tax charge for the year	**1,151,080**	476,377

10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the eleven (2013: twelves) directors including (the chief executive) were as follows:

For the year ended 31 December 2014

		Other emoluments				
	Fees HK$'000	Salaries and other benefits HK$'000	Performance related incentive payments HK$'000 (note ii)	Retirement benefit scheme contributions HK$'000	Equity-settled share-based payments HK$'000 (note i)	Total emoluments HK$'000
Executive director:						
Mr. Ji Gang	–	2,615	–	52	–	2,667
Mr. Zhou Jun	–	–	–	–	–	–
Mr. Yang Jianwei (note iv)	–	–	–	–	–	–
Mr. Yang Biao	–	2,500	–	–	–	2,500
Ms. Huang Fei (note iv)	–	2,000	29	–	–	2,029
Mr. Ye Weiqi (note iv)	–	2,000	29	–	–	2,029
Mr. Ni Jianda (note v)	–	2,943	35	57	–	3,035
Independent non-executive director:						
Mr. Doo Wai Hoi, William	380	–	–	–	–	380
Dr. Wong Ying Ho, Kennedy	380	–	–	–	–	380
Mr. Fan Ren Da, Anthony	380	–	–	–	–	380
Mr. Li Kai Fai, David	380	–	–	–	–	380
Total	1,520	12,058	93	109	–	13,780

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

For the year ended 31 December 2013

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

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 performance related incentive payments are determined by reference to the individual performance of the directors and the chief executive.

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

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

v. Mr. Ni Jianda resigned on 2 February 2015.

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

During the years ended 31 December 2014 and 2013, no emoluments have been paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the year (2013: nil).

11. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, for the year ended 31 December 2014, four (2013: four) were directors of the Company whose emoluments are included in the disclosures in note 10. The emoluments of the remaining one (2013: one) individual is as follows:

	2014	2013
	HK$'000	HK$'000
Salaries and other benefits	**2,529**	1,875
	2,529	1,875

Their emoluments were both within the following bands:

	2014	2013
	HK$'000	HK$'000
HK$1,500,001 to HK$2,000,000	**–**	1
HK$2,500,001 to HK$3,000,000	**1**	–

During the year ended 31 December 2014 and 2013, no emoluments have been paid by the Group to the five employees with the highest emoluments as an inducement to join or upon joining the Group or as compensation for loss of office.

12. EMPLOYEE RETIREMENT BENEFITS

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for those employees who are eligible to participate in the MPF Scheme in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of the employee's relevant income to the MPF Scheme subject to a cap to monthly relevant income of HK$30,000 since 1 June 2014 (previously HK$25,000), which contribution is matched by employees.

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

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

13. EARNINGS PER SHARE

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

	2014 HK$'000	2013 HK$'000
Earnings		
Earnings for the purpose of basic and diluted earnings per share: Profit for the year attributable to owners of the Company	**161,181**	143,471

	2014 '000	2013 '000
Number of shares		
Number of ordinary shares for the purposes of basic and diluted earnings per share	**4,811,523**	4,811,523

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

14. INVESTMENT PROPERTIES

	2014 HK$'000	2013 HK$'000
FAIR VALUE		
At 1 January	**5,736,299**	6,028,842
Subsequent expenditures	**–**	6,102
Acquired from acquisition of subsidiaries (note 42)	**6,583,206**	–
Transfer from inventories	**384,333**	–
Fair value loss on investment properties	**(43,573)**	(122,835)
Reclassified as assets classified as held-for-sale (note 27)	**–**	(132,458)
Disposals	**(120,309)**	(215,915)
Exchange realignment	**(219,111)**	172,563
At 31 December	**12,320,845**	5,736,299
Unrealised losses on properties revaluation included in profit or loss	**(97,391)**	(125,419)

14. INVESTMENT PROPERTIES (CONTINUED)

The carrying value of investment properties shown above comprises properties situated on:

	2014	2013
	HK$'000	HK$'000
Land in PRC		
Medium-term lease	**12,320,845**	5,736,299

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

During the year ended 31 December 2014, inventories with carrying amount of approximately HK$384,333,000 are transferred to investment properties as the management had changed the use of the properties upon entering into various operating leases with tenants.

The fair value of the Group's investment properties as at 31 December 2014 and 2013 as well as the date of acquisition of subsidiaries (see note 42) have been arrived at on the basis of a valuation carried out on the respective dates by DTZ Debenham Tie Leung Limited ("DTZ"), an independent qualified professional valuer not connected with the Group. DTZ has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The Group's investment properties were valued individually, on market value basis, which conforms to Hong Kong Institute of Surveyors Valuation Standards. The fair value was arrived at by reference to comparable sales transactions available in the relevant market and where appropriate, investment approach by capitalising the net rental income derived from the existing tenancies with due allowance for the reversionary potential of the properties.

In estimating the fair value of the investment properties, the directors of the Company has considered that the highest and best use of the properties is their current use upon the application of HKFRS 13 "Fair value measurement". There has been no change of the valuation technique during the year.

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 the year.

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

14. INVESTMENT PROPERTIES (CONTINUED)

Information about fair value measurements using key unobservable inputs (Level 3)

The following table shows the valuation techniques used in the determination of fair values for investment properties and the key unobservable inputs used in the valuation models.

Description	Fair value as at 31 December 2014 HK$'000	31 December 2013 HK$'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Offices in various locations	**3,755,568**	2,405,569	Investment approach	Reversionary rate derived from existing contracts rent and market rent	2014: 6.0% – 7.0% 2013: 6.0% – 7.0%	(i) The higher the reversionary rate, the lower the fair value (ii) The higher the market rent, the higher the fair value
Car park	**154,879**	48,656	Investment approach	Reversionary rate derived from market rent	2014: 5.5% 2013: 5.5%	(i) The higher the reversionary rate, the lower the fair value (ii) The higher the market rent, the higher the fair value
Commercial – shopping mall in various locations	**8,096,726**	3,257,746	Investment approach	Reversionary rate derived from existing contracts rent and market rent	2014: 4.0% – 4.5% 2013: 4.5% – 5.5%	(i) The higher the reversionary rate, the lower the fair value (ii) The higher the market rent, the higher the fair value
Commercial – exhibition hall in Shanghai	**289,928**	–	Investment approach	Reversionary rate derived from existing contracts rent and market rent	2014: 5.5% 2013: nil	(i) The higher the reversionary rate, the lower the fair value (ii) The higher the market rent, the higher the fair value
Residential – service apartments	**23,744**	24,328	Comparison approach	Adjustment to transaction price to reflect direction and height	2014: 10.0% – 14.2% 2013: 10.0% – 10.6%	The higher the adjusted transaction price, the higher the fair value
	12,320,845	5,736,299				

As at 31 December 2013, the fair value of the investment properties amounting to HK$132,458,000 reclassified as assets classified as held-for-sale was arrived at by reference to the selling price as stated in the sales and purchases agreements entered into with independent third parties.

During the year ended 31 December 2014, the Group disposed of certain investment properties as well as those reclassified as assets held-for-sale as at 31 December 2013, for total cash consideration of approximately HK$252,767,000 (2013: HK$328,596,000), of which a deposit of approximately HK$66,249,000 (2013: nil) was received in prior year and an amount of approximately HK$26,756,000 (2013: nil) was included in other receivable in current year.

15. PROPERTY, PLANT AND EQUIPMENT

	Hotel buildings and improvements HK$'000	Hotel furniture and equipment HK$'000	Leasehold land and other buildings HK$'000	Plant and machinery HK$'000	Leasehold improvements HK$'000	Other furniture and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
COST									
At 1 January 2013	639,160	87,209	484,097	7,736	37,665	77,672	93,635	352,923	1,780,097
Additions	4,737	106	34	–	9,510	9,820	2,792	2,812	29,811
Disposals	(119)	(315)	(62,445)	–	(408)	(19,639)	(12,465)	–	(95,391)
Disposal of a subsidiary	–	–	–	–	–	(1,089)	(1,452)	–	(2,541)
Transfer from inventories	–	–	134,276	–	–	–	–	–	134,276
Transfer	216,062	27,750	–	–	–	–	–	(243,812)	–
Exchange realignment	22,127	2,980	15,332	227	1,169	2,003	2,424	6,781	53,043
At 31 December 2013	881,967	117,730	571,294	7,963	47,936	68,767	84,934	118,704	1,899,295
Additions	553	427	19	–	13	5,026	6,290	–	12,328
Acquired from the acquisition of subsidiaries	–	–	–	–	–	2,536	848	–	3,384
Disposals	(103)	(242)	–	–	–	(4,412)	(6,688)	–	(11,445)
Reclassified as held-for-sale	–	–	–	–	–	(169)	–	–	(169)
Transfer from inventories	665,312	–	139,037	–	–	–	–	–	804,349
Exchange realignment	(30,086)	(2,827)	(13,512)	(445)	(1,946)	(1,246)	(2,759)	(1,785)	(54,606)
At 31 December 2014	1,517,643	115,088	696,838	7,518	46,003	70,502	82,625	116,919	2,653,136
DEPRECIATION									
At 1 January 2013	130,457	27,439	9,084	3,343	32,856	59,481	65,628	–	328,288
Provided for the year	36,648	10,308	7,551	250	11,095	1,800	8,009	–	75,661
Eliminated on disposals	(90)	(205)	(390)	–	(299)	(11,887)	(11,265)	–	(24,136)
Disposal of a subsidiary	–	–	–	–	–	(568)	(1,078)	–	(1,646)
Exchange realignment	4,391	959	375	104	1,080	1,468	1,744	–	10,121
At 31 December 2013	171,406	38,501	16,620	3,697	44,732	50,294	63,038	–	388,288
Provided for the year	50,975	11,036	7,927	250	1,035	9,444	5,814	–	86,481
Eliminated on disposals	(72)	(175)	–	–	–	(3,690)	(5,417)	–	(9,354)
Reclassified as held-for-sale	–	–	–	–	–	(38)	–	–	(38)
Exchange realignment	(4,979)	(743)	(410)	(77)	(756)	(1,271)	(1,495)	–	(9,731)
At 31 December 2014	217,330	48,619	24,137	3,870	45,011	54,739	61,940	–	455,646
CARRYING VALUES									
At 31 December 2014	1,300,313	66,469	672,701	3,648	992	15,763	20,685	116,919	2,197,490
At 31 December 2013	710,561	79,229	554,674	4,266	3,204	18,473	21,896	118,704	1,511,007

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

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

During the year ended 31 December 2014, an amount of approximately HK$665,312,000 (2013: nil) and HK$139,037,000 (2013: HK$134,276,000) was transferred from inventories to hotel buildings and improvements and leasehold land and other buildings respectively. Details of the transfer are set out in note 23.

As at 31 December 2014, the Group has pledged the interest in hotel buildings and improvements with carrying amounts of HK$1,300,313,000 (2013: HK$710,561,000) to secure general banking facilities granted to the Group.

Except for the building of HK$350,559,000 (2013: HK$220,354,000) are erected on land in the PRC under long lease, the Group's remaining buildings are erected on land held under medium-term land use rights in the PRC.

16. PREPAID LEASE PAYMENTS

	2014 HK$'000	2013 HK$'000
Medium-term leasehold land in the PRC analysed for reporting purposes as:		
Current asset	5,381	2,709
Non-current asset	252,445	92,178
	257,826	94,887

During the year ended 31 December 2014, an amount of approximately HK$170,732,000 (2013: nil) was transferred from inventories to prepaid lease payments. Details of the transfer are set out in note 23.

As at 31 December 2014, the Group has pledged the interest in land use rights for operating the hotel buildings with carrying amount of HK$255,325,000 (2013: HK$87,978,000) to secure general banking facilities granted to the Group.

17. INTANGIBLE ASSETS

	Trademark HK$'000
COST	
At 1 January 2013	63,433
Exchange realignment	1,868
At 31 December 2013	65,301
Exchange realignment	(1,567)
At 31 December 2014	63,734

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

For the purpose of impairment testing, trademarks with indefinite useful life set out above has been allocated to the individual cash-generating unit ("CGU"). During the year ended 31 December 2014, management of the Group determines that there is no impairment (2013: nil) of the CGU containing trademarks by reference to the recoverable amount of CGU, which has been determined based on a value in use calculation.

18. INTERESTS IN ASSOCIATES

	2014 HK$'000	2013 HK$'000
Unlisted shares, at cost less impairment loss recognised	**1,277,431**	1,666,959
Share of post-acquisition profits and other comprehensive income, net of dividends received	**14,510**	(19,210)
	1,291,941	1,647,749

18. INTERESTS IN ASSOCIATES (CONTINUED)

As at 31 December 2014 and 2013, the Group had interests in the following associates:

Name of associate	Form of entity	Place of incorporation/ registration and operation	Issued and fully paid share capital/ registration capital	Proportion of ownership interest Group's effective interest 2014	2013	Held by subsidiary 2014	2013	Principal activity
天津市億嘉合置業有限公司 ("Tianjin Yijiahe") (note (a) & (b))	Limited company	The PRC	RMB38,000,000	-	40%	-	40%	Property development
上海城開房地產經紀有限公司	Sino-foreign joint venture	The PRC	RMB20,000,000	28.9%	28.9%	49%	49%	Provision of property agency services
上海莘天置業有限公司 ("Shanghai Shentian")	Sino-foreign joint venture	The PRC	RMB2,850,000,000	20.7%	20.7%	35%	35%	Property development
上海東方低碳系統集成有限公司 ("Shanghai Assembly")	Limited company	The PRC	RMB40,000,000	14.8%	14.8%	25%	25%	Trading of energy-saving products

Notes:

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

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

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

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

(b) During the year ended 31 December 2014, the Group disposed the entire interest in Tianjin Yijiahe at a cash consideration of RMB366,000,000 (equivalent to HK$462,553,000). This transaction resulted in gain on disposal of HK$136,125,000 recognised in profit or loss.

18. INTERESTS IN ASSOCIATES (CONTINUED)

Summarised financial information of material associates

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

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

	2014 HK$'000	2013 HK$'000
Shanghai Shentian		
Current assets (note)	**3,859,140**	3,698,626
Non-current assets	**3,443**	6,522
Current liabilities	**(51,035)**	(55,980)
Non-current liabilities	**(249,938)**	–
Net assets	**3,561,610**	3,649,168
Revenue	**–**	–
Profit and total comprehensive expense for the year	**–**	–

Note: The balance mainly comprises land cost relating to properties held-for-sale which are under development for sale. The development plan was approved by the respective government departments in the PRC and the construction was commenced during the year end 31 December 2014.

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

	2014 HK$'000	2013 HK$'000
Net assets of Shanghai Shentian	**3,561,610**	3,649,168
Proportion of the Group's ownership interest in Shanghai Shentian	**35%**	35%
Carrying amount of the Group's interest in Shanghai Shentian reflected in the Group's consolidated statement of financial position	**1,246,564**	1,277,209

	2014 HK$'000	2013 HK$'000
Aggregate information of associates that are not individually material		
The Group's share of losses (note)	**(617)**	(9,161)
Aggregate carrying amount of the Group's interests in these associates	**45,377**	370,540

Note: The amount included the Group's share of loss of Tianjin Yijiahe of approximately HK$3,705,000 (2013: HK$13,860,000) during the year ended 31 December 2014 before it was disposed.

18. INTERESTS IN ASSOCIATES (CONTINUED)

Gain on disposal of an associate

During the year ended 31 December 2014, the Group disposed of an associate, Tianjin Yijiahe, at which the Group held 40% interest, through disposal of its wholly owned subsidiaries, Well Kingdom Investment Ltd and Shanghai Yage Lixing Zhuangshi Co., Ltd., 上海雅閣麗星裝飾有限公司 to an independent third party at a consideration of RMB366,000,000 (equivalent to HK$462,553,000). The disposal was completed on 12 December 2014.

The net assets of subsidiaries and assets at the date of disposal are as follows:

	HK$'000
Consideration:	
Cash received	462,553
Analysis of assets and liabilities disposed of:	
Other receivables	861
Bank balances and cash	25
Interest in an associate	325,542
	326,428
Gain on disposal	136,125
Net cash inflow arising on disposal:	
Cash received	462,553
Less: Bank balances and cash disposal of	(25)
	462,528

The subsidiaries disposed of during the year ended 31 December 2014 did not have any significant contribution to the results and cash flows of the Group during the period prior to the disposal.

During the year ended 31 December 2013, Shanghai Water Sewage 上海城大水處理科技有限公司 was disposed of at a consideration of RMB250,000 (equivalent to HK$340,000) and resulted in a gain of HK$25,000 which was recognised in profit or loss.

19. INTEREST IN A JOINT VENTURE

	2014 HK$'000	2013 HK$'000
Unlisted shares, at cost	**65,718**	65,718
Share of post-acquisition loss and other comprehensive expense	**–**	–
	65,718	65,718

19. 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 effective interest 2014	Group's effective interest 2013	Held by subsidiary 2014	Held by subsidiary 2013	Principal activities
Initial Point Investment Limited ("Initial Point") (Note)	Limited company	Hong Kong	HK$10,000	**51%**	51%	**51%**	51%	Investment holding of a joint venture engaged in property development

Note: Initial Point was established during the year ended 31 December 2013. The Group has the power to appoint two out of five directors in the board of Initial Point. The remaining three directors are appointed by another two investors. According to the shareholders agreement of Initial Point, all board resolutions require approval from over two-thirds of the board members. Therefore, Initial Point is classified as a joint venture of the Group.

Financial information of the joint venture

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

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

Initial Point

	2014 HK$'000	2013 HK$'000
Current assets	**115**	116
Non-current assets (note)	**128,866**	128,866
Current liabilities	**(146)**	(143)
Net assets	**128,835**	128,839

Note: The balance mainly comprises interest in a joint venture whose principal activity is engaged in property development in Fuzhou of the PRC. This joint venture is in the preliminary stage of operation with insignificant expenses incurred in current year. Therefore, no sharing of result is made accordingly by Initial Point.

19. INTEREST IN A JOINT VENTURE (CONTINUED)

Initial Point (continued)

	2014 HK$'000	2013 HK$'000
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**115**	116

	2014 HK$'000	2013 HK$'000
Revenue	**–**	–
Loss and other comprehensive expense for the year (2013: period from date of establishment)	**(4)**	(20)

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

	2014 HK$'000	2013 HK$'000
Net assets of Initial Point	**128,835**	128,839
Proportion of the Group's ownership interest in Initial Point	**51%**	51%
	65,706	65,708
Add: Accumulated unadjusted share of total comprehensive expense of the joint venture	**12**	10
Carrying amount of the Group's interest in the joint venture	**65,718**	65,718

20. AMOUNTS DUE FROM (TO) ASSOCIATES

The amounts due from associates were non-trade in nature, unsecured, interest-free and repayable on demand. As at 31 December 2013, the directors of the Company consider that the amount due from an associate amounting to HK$87,160,000 would not be repaid within twelve months. Accordingly, it was classified as non-current assets. During the year ended 31 December 2014, the entire amount due from associate of HK$85,068,000 (2013: HK$87,160,000) included in non-current assets was reclassified to "trade and other receivables" in the consolidated financial statement upon disposal of the entire interest in an associate by the Group. The balance has been fully settled subsequent to the year ended 31 December 2014. Details of the disposal of an associate are set out in note 18.

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

21. AVAILABLE-FOR-SALE INVESTMENTS

	2014 **HK$'000**	2013 HK$'000
Unlisted equity securities	**128,288**	102,633

The above unlisted equity investments represent investments in unlisted equity securities issued by private entities established in the PRC. The principal activities of these private entities include property investment management and interior design for properties and the Group holds less than 10% of equity interest in each of these private entities. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably. During the year ended 31 December 2014, the Group acquired additional interest in one of these private entities with a cash proceed of RMB22,500,000 (equivalent to HK$28,316,000) (2013: RMB52,500,000 (equivalent to HK$66,230,000)).

22. RESTRICTED AND PLEDGED BANK DEPOSITS

As at 31 December 2013, an amount of approximately HK$84,058,000 included in restricted bank deposits represented deposits under restriction for use as a result of a commercial court case of a non-controlling shareholder of a subsidiary of the Group and the bank deposits were frozen accordingly. The restricted bank deposits carried fixed interest at a rate of 0.5% per annum. As the deposits are frozen and are not expected to be released within one year, the restricted deposits were classified as non-current assets. During the year ended 31 December 2014, the entire restricted bank deposits were unfrozen under the court's order and transferred to settle the disputed amounts due to a non-controlling shareholder of a subsidiary of the Group which is included in the "amount due to related Companies" of the consolidated statement of financial position. Details about the repayment one set out in note 29.

The Group has entered into agreements with certain banks with respect to mortgage loans provided to the buyers of the Group's property units. The Group made deposits as security for the settlement of the mortgage instalments by the mortgagors under these agreements. Should the mortgagors fail to pay the mortgage instalments, the banks can draw down the security deposits up to the amount of outstanding mortgage instalments and demand the Group to pay the outstanding balance to the extent that the deposit balance is insufficient. These pledged bank deposits, amounting to HK$72,105,000 (2013: HK$60,471,000), 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 2014, deposits which are expected by the directors of the Company to be released within twelve months, amounting to HK$37,202,000 (2013: HK$43,729,000), are classified as current assets. The remaining balances which are expected to be released more than one year after the property title deeds are passed to the buyers, amounting to HK$34,903,000 (2013: HK$16,742,000) are classified as non-current assets. These pledged bank deposits carry variable interest rate of 0.4% (2013: 0.4%) per annum as at 31 December 2014.

22. RESTRICTED AND PLEDGED BANK DEPOSITS (CONTINUED)

Pledged bank deposits represent deposits pledged to banks to secure general banking facilities granted to the Group. Deposits with maturity of less than twelve months amounting to HK$405,082,000 (2013: HK$342,037,000) are classified as current assets. As at 31 December 2014, deposits with maturity of more than one year, amounting to HK$24,001,000 (2013: nil) are classified as non-current assets. The pledged bank deposits carry interest at fixed interest rates ranging from 2.0% to 2.6% (2013: 2.0% to 2.6%) per annum. The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

23. INVENTORIES

Inventories in the consolidated statement of financial position comprise:

	2014 **HK$'000**	2013 HK$'000
Property development		
Properties under development for sale	**25,847,691**	24,926,441
Properties held-for-sale	**6,296,949**	9,499,440
	32,144,640	34,425,881
Hotel operations		
Food and beverage and others	**5,713**	5,436
	32,150,353	34,431,317

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

During the year ended 31 December 2014, the management changed the intention from selling the service apartments and the shopping malls included in the inventories to carrying out the hotel operation as well as leasing the shopping malls for rentals by the Group itself. Accordingly, inventories with carrying amount of approximately HK$665,312,000, HK$170,732,000 and HK$384,333,000 were transferred to hotel buildings and improvements included in property, plant and equipment, prepaid lease payments and investment properties respectively. The hotel and the shopping malls commenced operation in June and July 2014 respectively.

During the year ended 31 December 2014, car parks with carrying amount of approximately HK$139,037,000 (2013: HK$134,276,000) included in inventories were transferred to leasehold land and other buildings for the Group's own use.

As at 31 December 2014, properties under development for sale of HK$2,809,186,000 (2013: HK$2,854,078,000) and properties held-for-sale of HK$289,903,000 (2013: HK$257,195,000) were carried at net realisable value.

As at 31 December 2014, property under development for sale of HK$23,369,198,000 (2013: HK$21,103,891,000) are not expected to be realised within one year.

24. TRADE AND OTHER RECEIVABLES

	2014 HK$'000	2013 HK$'000
Trade receivables	16,121	258,568
Less: Allowance for doubtful debts	(808)	(854)
	15,313	257,714
Other receivables	632,922	312,832
Advance payments to contractors	17,136	38,355
Amounts due from former subsidiaries (note i)	2,083	186,649
Amounts due from former associate (note iv)	85,068	–
Receivable in respect of the disposal of investment properties	26,756	–
Sales commission deposits	–	11,754
Prepaid other taxes	130,835	248,555
Deposits and prepayments	30,158	269,941
Consideration receivable for disposal of a subsidiary (note ii)	–	172,535
Consideration receivables for disposal of assets through disposal of subsidiaries (note iii)	–	1,006,902
	940,271	2,505,237

Notes:

(i) As at 31 December 2013, the amounts were composed of the amount due from 成都中新錦泰房地產開發有限公司 ("Chengdu Zhongxin"), the subsidiary disposed of in year 2012, amounting to HK$2,142,000 and the amount due from 上海城開集團重慶德普置業有限公司 ("Chongqing Depu"), the subsidiary disposed of in year 2013, amounting to HK$184,507,000. Details of disposal of Chongqing Depu were set out in note 41. The amount due from Chengdu Zhongxin was interest-free, repayable on demand and secured by the shares of Leadway Pacific Limited which held 70% shareholding in Chengdu Zhongxin. The amount due from Chongqing Depu was unsecured, interest bearing at People's Bank of China's interest rate plus a premium and was repayable within nine months from the date of disposal on 27 December 2013. The amount due from Chongqing Depu was fully settled during the year ended 31 December 2014.

(ii) The balance represented the consideration receivable for disposal of Chongqing Depu in year 2013. Details of the disposal were set out in note 41. The balance was interest bearing at People's Bank of China's interest rate, unsecured and repayable in installments, with RMB40,425,000 (equivalent to HK$51,761,000) to be payable within three days after the transaction certificate dated 30 December 2013 issued by the relevant government authority, with RMB26,950,000 (equivalent to HK$34,507,000) to be repaid on or before 10 January 2014 and the remaining balances to be repaid on or before 31 March 2014. The balance was fully settled during the year ended 31 December 2014.

(iii) The balance represents the consideration receivables for disposal of its wholly owned subsidiaries, Earn Harvest Limited and Power Tact Investment Limited in year 2013. Details of the disposal were set out in note 34. The amount is interest-free, secured by ordinary shares of Earn Harvest Limited and Power Tact Investment Limited and repayable in installments, with RMB300,000,000 (equivalent to HK$384,123,000) to be repaid on or before 31 March 2014 and the remaining balances to be repaid on 30 June 2014.

(iv) The balance represents an interest-free and unsecured loan made by the Group to Tianjin Yijiahe before year 2013. Upon the disposal of Tianjin Yijiahe in current year, the outstanding balance was reclassified from "amount due from an associate" included in non-current assets of the consolidated financial statements. The balance has been fully settled subsequently to the year ended 31 December 2014.

24. TRADE AND OTHER RECEIVABLES (CONTINUED)

The Group allows an average credit period of 90 days to its corporate hotel customers and generally grants no credit period to property buyers and tenants. Trade receivables as at 31 December 2013 mainly included the retention receivables of HK$201,792,000 (2014: nil) for affordable housing sold to the Shanghai government department for which a retention period of few months to one year was granted. These balances have not been due at the end of the reporting period. The following is an aged analysis of trade receivables, net of allowance for doubtful debts, presented based on the date of billing at the end of the reporting period.

Included in trade and other receivable an amount of HK$1,577,000 (2013: HK$565,000) is denominated in HK$ which is the foreign currency of respective companies of the Group.

	2014 HK$'000	2013 HK$'000
Within 90 days	**14,447**	130,101
Within 91-180 days	**277**	53,780
Over 180 days	**589**	73,833
	15,313	257,714

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

Ageing of trade receivables which are past due but not impaired

	2014 HK$'000	2013 HK$'000
Within 91-180 days	**222**	1,997
Over 180 days	**530**	962
	752	2,959

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

Movement in the allowance of doubtful debts

	2014 HK$'000	2013 HK$'000
At 1 January	**854**	829
Exchange realignment	**(46)**	25
At 31 December	**808**	854

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2014 HK$'000	2013 HK$'000
Held-for-trading investment		
Equity securities listed outside Hong Kong	**3,294**	2,074

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

26. BANK BALANCES AND CASH

Bank balances which include saving deposits and fixed deposits with maturity less than three months carry interest at market rates which range from 0.01% to 3.30% (2013: 0.01% to 3.25%) per annum.

Included in the bank balances amounts to HK$566,867,000 (2013: HK$14,000) and HK$104,460,000 (2013: HK$61,727,000) are denominated in US$ and HK$ which are foreign currency of respective companies of the Group.

27. ASSETS/LIABILITIES CLASSIFIED AS HELD-FOR-SALE

Investment properties held-for-sale

The investment properties amounted to approximately HK$132,458,000 which were classified as assets held-for-sale as at 31 December 2013 were fully disposed of during the current year.

Disposal group held-for-sale

On 26 August 2014, the directors of the Company resolved to dispose the entire interest in Bold Eagle Investment Limited ("Bold Eagle"), a wholly owned subsidiary of the Group, and its wholly owned subsidiaries including All Win Investment Limited and Zhong Ou Cheng Kai Co., Ltd. 中歐城開有限公司 ("Zhong Ou Cheng Kai") (collectively the "Disposal Group"), On 10 February 2015, the Group has entered into a share transfer agreement with an independent third party in pursuant to which the Group has agreed to dispose of its entire interest in Bold Eagle. The disposal will be completed on second half of year 2015. During the year ended 31 December 2014, a deposit of HK$99,975,000 regarding the disposal was received by the Group. Details of the disposal are set out in note 52.

The major classes of assets and liabilities of the Disposal Group classified as held-for-sale as at 31 December 2014 are as follows:

	2014 HK$'000
Bank balances and cash	**106**
Property, plant and equipment	**131**
Properties under development for sale	**646,329**
Total assets classified as held-for-sale	**646,566**
Other tax payables	**(28)**
Total liabilities classified as held-for-sale	**(28)**

28. TRADE AND OTHER PAYABLES

	2014 HK$'000	2013 HK$'000
Trade payables	**1,380,426**	892,941
Accrued expenditure on properties under development for sale	**2,842,269**	3,822,551
Amounts due to former shareholders of the Company's former subsidiaries (note i)	**174,363**	178,112
Compensation payables to customers in respect of late delivery of properties	**69,737**	136,801
Deposits received for the disposal of investment properties	**–**	66,249
Deposit received for the disposal of the Disposal Group (as defined on note 27)	**99,975**	–
Receipts from customers for payment of expenses on their behalf	**69,455**	61,537
Rental deposits and receipt in advance from tenants	**212,496**	76,018
Interest payable	**77,361**	190,187
Payables to the Shanghai government department (note ii)	**318,537**	366,528
Accrued charges and other payables	**605,568**	570,375
Other taxes payables (note iii)	**47,334**	77,175
	5,897,521	6,438,474

Notes:

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

(ii) The amount represents the receipts of HK$1,250,399,000 (2013: HK$1,438,785,000) from the purchasers of affordable housings which were collected on behalf of the Shanghai government department, net of receivable of HK$931,862,000 (2013: HK$1,072,257,000) for the construction and other related costs and the agreed profit margin of the affordable housing. The amount is repayable on demand. An amount of HK$47,991,000 (2013: nil) was settled during the year ended 31 December 2014.

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

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

	2014 HK$'000	2013 HK$'000
Within 30 days	**82,419**	4,707
Within 31–180 days	**20,601**	41,583
Within 181–365 days	**573,250**	671,971
Over 365 days	**704,156**	174,680
	1,380,426	892,941

Included in trade and other payables amounts of HK$2,015,000 (2013: HK$2,015,000) and HK$12,535,000 (2013: HK$150,787,000) are denominated in US$ and HK$ which are the foreign currency of respective companies of the Group.

29. AMOUNTS DUE FROM (TO) RELATED COMPANIES

The Group had the following balances with related parties:

	NOTES	2014 HK$'000	2013 HK$'000
Amounts due from related companies:			
– Non-controlling shareholders	note (ii)	**98,089**	83,612
		98,089	83,612
Amounts due to related companies:			
– Xuhui SASAC and entities controlled by Xuhui SASAC	note (iii)	**386,268**	310,088
– An entity controlled by a former controlling shareholder	note (i)	**2,466**	2,466
– Non-controlling shareholders	note (ii)	**406,626**	117,843
– Nan Fung Group	note (v)	**1,183,988**	–
– SIHL	note (iv)	**29,612**	30,340
		2,008,960	460,737

Notes:

(i) The entity is controlled by Mr. Li Song Xiao, the former controlling shareholder of the Company. The amount is unsecured, interest-free and repayable on demand.

(ii) The amounts are due from (to) non-controlling shareholders of the Group's subsidiaries. The amounts due from non-controlling shareholders as at 31 December 2014 is non-trade in nature, unsecured, interest-free and repayable on demand (2013: repayable on 7 July 2014). Included in the amounts due to non-controlling shareholders as at 31 December 2014 is an amount of HK$15,971,000 (2013: HK$16,364,000) representing a loan advanced from non-controlling shareholder through an entrusted loan agreement administrated by a bank, which carries variable interest rate at 5% (2013: 5%) above People's Bank of China Benchmark Lending Rate per annum and repayable within one year. Included in the amounts due to non-controlling shareholders as at 31 December 2013 is an amount of HK$84,570,366 representing a balance which was in dispute with a non-controlling shareholder of a subsidiary of the group and the balance was settled partially during the year ended 31 December 2014 when restricted deposit of HK$84,058,000 was unfrozen under the court order. The remaining amounts are non-trade in nature, unsecured, interest-free and repayable on demand.

(iii) The amounts due to Xuhui SASAC and entities controlled by Xuhui SASAC are unsecured. An amount of HK$82,479,000 (2013: nil) included in the balances as at 31 December 2014 represents loan advanced from an entity controlled by Xuhui SASAC through an entrusted loan agreement administrated by a bank, which carries fixed interest at 12.5% (2013: nil) per annum and is repayable within one year. The remaining balances are unsecured, interest-free and repayable on demand.

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

(v) The amount is denominated in US$, which is the foreign currency of the respective company of the Group, representing a loan advanced from Nan Fung Group solely for the purpose of acquisition of subsidiaries as disclosed in note 42. This loan is unsecured, interest-free and repayable on demand.

30. CONSIDERATION PAYABLES FOR ACQUISITION OF SUBSIDIARIES

In November 2007, the Group entered into purchase agreements with independent third parties to acquire a 100% equity interest in 珠海市淇州島影視城有限公司 ("Qizhou Island Movie Town"), a company established in the PRC to carry out a property development project in Zhuhai, the PRC, for a total cash consideration of HK$3,076,232,000. As at 31 December 2014, a consideration payable of HK$160,081,000 (2013: HK$164,016,000) has not been settled yet. The seller has taken legal action against the Group for the non-payment of the consideration. Details are set out in note 45(c).

In December 2007, the Group entered into purchase agreements with independent third parties to acquire a 90% equity interest in Zhong Ou Cheng Kai, a company established in the PRC to carry out a property development project in Hebei Province, the PRC, for a total cash consideration of HK$547,260,000. Zhong Ou Cheng Kai became a wholly-owned subsidiary of the Group in 2009. As at 31 December 2014, a consideration payable of HK$82,479,000 (2013: HK$84,507,000) has not been settled yet.

On 30 June 2008, the Group acquired 12% equity interest in 北京君合百年房地產開發有限公司 ("Jun He Bai Nian"), a company established in the PRC and engaged in property development in Beijing, the PRC, for a total consideration of RMB82,090,000 (equivalent to HK$93,369,000). Prior to the acquisition, the Group held 43.95% interest in Jun He Bai Nian and this has been accounted for as interest in an associate. Jun He Bai Nian then became a 55.95% owned subsidiary of the Group subsequent to the acquisition. The Group has disposed of Jun He Bai Nian in 2009. As at 31 December 2014, a consideration payable of HK$74,982,000 (2013: HK$76,825,000) has not been settled yet as the amount of consideration as interpreted by the sales and purchase agreement is still in dispute. Legal proceeding was carried out in previous year regarding the consideration payable. The previous court decision was in favour of the seller and the Group accrued the full amount of the consideration payable in prior year which represents the maximum amount that the Group has an obligation to pay in previous years. The Group is taking legal action appealing against previous court decision and is awaiting for the court's decision.

During the year ended 31 December 2014, the Group acquired entire equity interest in Continental Land (as defined in note 42) and withheld a portion of the consideration amounting to US$57,933,000 (equivalent to HK$446,398,000) (2013: Nil) for the purpose of settling by the Group on the sellers behalf for tax and other obligations arising from the disposal of the Continental Land. Details of this arrangement are set out in note 42.

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

31. PRE-SALE PROCEEDS RECEIVED ON SALES OF PROPERTIES

Pre-sale proceeds received on sales of properties represent proceeds received on property unit sales that have not been recognised as revenue in accordance with the Group's revenue recognition policy. An amount of HK$56,963,000 (2013: HK$457,864,000) is expected to be recognised as revenue after one year.

32. DEFERRED TAXATION

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

	Fair value adjustment on 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 2013	(1,033,574)	(1,945,978)	(20,971)	212,488	(173,546)	(68,214)	(345)	(3,030,140)
Credit (charge) for the year	60,446	233,352	227	(1,346)	22,710	–	(80)	315,309
Exchange realignment	(29,579)	(54,980)	(614)	6,237	(4,771)	(2,009)	(13)	(85,729)
At 31 December 2013	(1,002,707)	(1,767,606)	(21,358)	217,379	(155,607)	(70,223)	(438)	(2,800,560)
Acquired from acquisition of subsidiaries (note 42)	–	(1,030,851)	–	–	–	–	–	(1,030,851)
Credit (charge) for the year	54,028	80,608	227	77,962	34,576	–	(320)	247,081
Exchange realignment	26,639	54,049	509	(5,761)	3,492	(1,716)	15	77,227
At 31 December 2014	(922,040)	(2,663,800)	(20,622)	289,580	(117,539)	(71,939)	(743)	(3,507,103)

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	31.12.2014 HK$'000	31.12.2013 HK$'000
Deferred tax assets	**289,580**	217,379
Deferred tax liabilities	**(3,796,683)**	(3,017,939)
	(3,507,103)	(2,800,560)

At the end of the reporting period, the Group has unused tax losses of HK$3,473,070,000 (As at 31 December 2013: HK$3,422,602,000) available for offset against future profits, which are subject to the confirmation from Hong Kong Inland Revenue Department and the PRC Tax Bureau. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK$3,380,293,000 (2013: HK$3,329,825,000) 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 has been provided for in the consolidated financial statements in respect of temporary differences relating to the undistributed profits of certain PRC subsidiaries amounting to approximately HK$4,403,463,000 (2013: HK$3,731,610,000) as the Company controls the dividend policy of these subsidiaries and it is probable that the profits will not be distributed in the foreseeable future.

33. BANK AND OTHER BORROWINGS

	2014 HK$'000	2013 HK$'000
Bank borrowings	**13,674,275**	7,212,461
Other borrowings (Note (ii))	**6,453,650**	4,180,940
	20,127,925	11,393,401
Analysed as:		
Secured bank borrowings (Note (i))	**10,725,483**	6,193,255
Unsecured bank and other borrowings	**9,402,442**	5,200,146
	20,127,925	11,393,401
Carrying amount repayable:		
Within one year	**7,838,393**	3,858,292
More than one year, but not exceeding two years	**619,861**	2,748,335
More than two years, but not exceeding five years	**9,043,978**	4,019,929
Over five years	**2,625,693**	766,845
	20,127,925	11,393,401
Less: Amount due within one year shown under current liabilities	**(7,838,393)**	(3,858,292)
Amount due after one year (Note (iii))	**12,289,532**	7,535,109

	2014 HK$'000	2013 HK$'000
Floating rate		
– expiring within one year	**6,467,485**	1,453,683
– expiring beyond one year	**12,289,532**	7,535,109
Fixed rate		
– expiring within one year	**1,370,908**	2,404,609
– expiring beyond one year	**–**	–
	20,127,925	11,393,401

33. BANK AND OTHER BORROWINGS (CONTINUED)

Notes:

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

	2014 HK$'000	2013 HK$'000
Properties under developments for sale	8,443,487	10,630,517
Properties held-for-sale	129,768	132,958
Hotel buildings and improvements	1,254,235	710,561
Land use right	255,325	87,978
Investment properties	10,552,458	3,376,629
Pledged bank deposits	429,083	342,037
	21,064,356	15,280,680

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

	2014 HK$'000	2013 HK$'000
Borrowings from SIHL Finance Limited (note (a))	3,337,600	1,000,000
Borrowings from SIIC (note (b))	1,249,688	1,280,410
Advanced bonds (note (c))	1,866,362	1,900,530
	6,453,650	4,180,940

(a) In January 2013, the Company and SIHL Finance Limited, a wholly-owned subsidiary of SIHL, entered into a renewed loan agreement. Pursuant to which SIHL Finance Limited agreed to extend the repayment of the loan of HK$1,000,000,000. The balance was unsecured and bearing fixed interest at 5.85% per annum and repayable on 30 June 2014. In June 2014, the repayment of the loan was further extended to 30 June 2015 with revised variable interest rate at three-months Hong Kong Interbank Offered Rate ("HIBOR") plus 4.48% per annum.

In July 2014, the Company entered into a dual currency loan agreement with SIHL Finance Limited. Pursuant to which SIHL Financial Limited made an US$ denominated loan of approximately HK$1,965,600,000, which carries variable interest rate at three-months London Interbank Offered Rate plus 4.77% per annum and a HK$ denominated loan of approximately HK$372,000,000, which carries variable interest rate at three-months HIBOR plus 4.77% per annum. The balances were unsecured and repayable on 15 July 2017 in the original currency of the Group borrowed.

(b) The balance represents unsecured loans of approximately HK$1,249,688,000 in aggregate (2013: HK$1,280,410,000) which were advanced from SIIC through entrusted loan agreements administered by banks. Such loans carried fixed interest at 6.52% (2013: 6.52%) per annum and was repayable within one year.

(c) The advanced bonds represented bond issued during the year ended 31 December 2012 by SUD, the subsidiary of the Company, which the bonds are listed on Shanghai Stock Exchange. The bonds are unsecured and has maturity of six years falling due on 20 August 2018. The bonds carried 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 right to request SUD to redeem the bonds from the fourth year onwards at their principal amount of RMB1,500,000,000. Transaction costs of approximately HK$33,194,000 were directly deducted from carrying amount of advance bonds and the advance bonds carried effective interest at 7.19% (2013: 7.19%) per annum.

33. BANK AND OTHER BORROWINGS (CONTINUED)

Notes: (continued)

(iii) As at 31 December 2014, included in the Group's balance are other borrowings of approximately HK$4,203,962,000 (2013: HK$1,900,530,000) 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:

	2014	2013
Effective interest rate:		
Fixed-rate borrowings	5.85% – 7.02%	5.85% – 6.60%
Variable-rate borrowings	2.68% – 7.87%	1.98% – 7.48%

The Group's bank and other borrowings denominated in foreign currency are analysed as follows:

	2014 HK$'000	2013 HK$'000
Bank borrowings		
– US$	3,110,359	120,744
– HK$	2,034,654	–
	5,145,013	120,744
Other borrowings		
– US$	1,965,600	–
– HK$	1,372,000	1,000,000
	3,337,600	1,000,000

34. GAIN ON DISPOSAL OF ASSETS THROUGH DISPOSAL OF SUBSIDIARIES

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

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

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

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

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

As at 31 December 2013

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

Pursuant to the agreement, the deferred consideration will be settled by instalments in cash by the acquirer. The detail terms on the settlement of the remaining deferred cash consideration are set out in note 24(iii). As at 31 December 2014, deferred cash consideration of RMB800,000,000 (equivalent to HK$1,006,902,000) (2013: RMB400,000,000 (equivalent to HK$482,501,000)) and were received.

35. SENIOR NOTES/WARRANTS

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

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

35. SENIOR NOTES/WARRANTS (CONTINUED)

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

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

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

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

During the year ended 31 December 2014, the Group redeemed the Senior Notes 2014 in full upon the maturity date.

36. SHARE CAPITAL

	Number of shares '000	Amount HK$'000
Ordinary shares of HK$0.04 each		
Authorised:		
At 1 January 2013, 31 December 2013 and 31 December 2014	10,000,000	400,000
Issued and fully paid:		
At 1 January 2013, 31 December 2013 and 2014	4,811,523	192,461

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

37. SHARE OPTIONS

Pursuant to a special general meeting of the Company held on 12 December 2002, the Company adopted a share option scheme (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 2014, the number of shares of the Company in respect of which options had been granted and remained outstanding under the Scheme of the Company was 57,750,000 (2013: 57,750,000), representing 1.2% (2013: 1.2%) of the shares of the Company in issue at that date.

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

Grantees	Date of grant	Outstanding at 1.1.2014	Transfer during year	Forfeited during year	Outstanding at 31.12.2014	Exercisable period	Exercised price per share (subject to anti-dilutive adjustment)
Directors	24 September 2010	38,000,000	–	–	38,000,000	24 September 2010 – 23 September 2020	2.98
Employees	24 September 2010	12,750,000	–	–	12,750,000	24 September 2010 – 23 September 2020	2.98
Others	24 September 2010	7,000,000	–	–	7,000,000	24 September 2010 – 23 September 2020	2.98
Exercisable at the end of the year					57,750,000		
Weighted average exercise price		2.98	–	–	2.98		

37. SHARE OPTIONS (CONTINUED)

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

Notes:

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

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

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

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, senior notes, cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company actively and regularly review the capital structure. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. The Group has a target gearing ratio of not more than 100% determined as the proportion net debt, which includes bank and other borrowings less bank balances and cash and pledged bank deposits (2013: senior notes and bank and other borrowings less bank balances and cash and restricted and pledged bank deposits) to equity. As at 31 December 2014, the gearing ratio of the Group was 65.6% (2013: 41.3%). Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through new shares issue, and share buy-backs as well as the issue of new debt or the redemption of existing debts.

39. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2014 HK$'000	2013 HK$'000
Financial assets		
Available-for-sale investments	**128,288**	102,633
Financial assets at FVTPL	**3,294**	2,074
Loans and receivables (including cash and cash equivalents)	**7,785,478**	8,452,819
Financial liabilities		
Other financial liabilities	**25,337,764**	17,538,647

b. Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investments, financial assets at FVTPL, restricted and pledged bank deposits, bank balances and cash, trade and other receivables, trade and other payables, amounts due from an associate and related companies, amounts due to associates and related companies, consideration payables for acquisition of subsidiaries, bank and other borrowings and senior notes. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

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

Market risk

(i) Currency risk

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

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

	Assets		Liabilities	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
United States dollar ("US$")	**566,867**	109	**6,708,360**	3,348,821
HK$	**106,637**	62,272	**3,419,189**	1,015,173

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% (2013: 5%) increase and decrease in RMB against the relevant foreign currencies. 5% (2013: 5%) are the sensitivity rate used when reporting foreign currency risk internally and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items. A positive/negative number below indicates an increase/decrease in post-tax profit (2013: increase/decrease in post-tax profit) where RMB strengthen 5% (2013: 5%) against US$ and HK$ respectively. For a 5% (2013: 5%) weakening of RMB against US$ and HK$ respectively, there would be an equal and opposite impact on the result.

	US$ (i)		HK$ (ii)	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Increase in post-tax profit for the year	**307,075**	167,436	**165,658**	47,645

(i) This is mainly attributable to the exposure to outstanding bank borrowings, other borrowings due to SIHL Finance Limited and Nan Fung Group, and consideration payable for acquisition of subsidiaries (2013: senior notes and bank borrowings) denominated in US$ at the year end.

(ii) This is mainly attributable to the exposure to outstanding other borrowings due to SIHL Finance Limited, bank balances and amounts due to a non-controlling shareholder denominated in HK$ at the year end.

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank and other borrowings (see note 33 for details), amounts due from non-controlling shareholders (see note 29(ii) for details) and pledged bank deposits and bank balances in both years. It is the Group's policy to keep its bank borrowings at floating rate of interests so as to minimise the fair value interest rate risks.

The Group is also exposed to fair value interest rate risk in relation to fixed-rate bank and other borrowings, amounts due to Xuhui SASAC and entities controlled by Xuhui SASAC, senior notes and restricted and pledged bank deposits (2013: bank and other borrowings, senior notes and restricted and pledged bank deposits). The Group currently does not enter into any hedging instrument for fair value interest rate risks.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group cash flow interest rate risk is mainly concentrated on the fluctuation of the People's Bank of China Benchmark Lending Rate arising from the Group's RMB and HK$ denominated borrowings.

39. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (continued)

Market risk (continued)

(ii) Interest rate risk (continued)

Sensitivity analysis

The Group does not anticipate there is any significant impact on its interest-bearing assets resulting from the changes in interest rates as the interest rate of bank deposits are not expected to change significantly.

The sensitivity analyses below have been determined based on the exposure to interest rates for bank and other borrowings at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis point (2013: 100 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points (2013: 100 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2014 would decrease/increase by HK$117,475,000 (2013: post-tax profit decrease/increase by HK$44,338,000) assuming HK$32,495,000 (2013: HK$24,891,000) interest are capitalised into qualifying assets.

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

(iii) Other price risk

The Group is exposed to equity price risk arising from changes in the fair value of its financial assets at FVTPL.

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

Credit risk

As at 31 December 2014, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from:

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

- the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in note 45(a).

39. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (continued)

Credit risk (continued)

The Group's credit risk is primarily attributable to its trade and other receivables and amounts due from related companies (2013: trade and other receivables, amounts due from related companies and an associate). An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

With respect to the credit risk of the Group's treasury operations, management has established internal procedures to monitor the Group's bank balances and cash, securities investments to be placed and entered into with financial institution of good reputation. These internal procedures also impose limitation on the amount outstanding and to manage the credit ratings on equity investments to be held, so as to minimise the Group's credit risk exposure.

The credit risk on bank balances and restricted and pledged bank deposits is limited because the counterparties are banks with good reputation.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 100% (2013: 100%) of the total trade receivable as at 31 December 2014.

In relation to the Group providing guarantees to secure obligations of the buyers of the property units for the repayment of their mortgage loans, if there is a default in repayment by these purchasers, the Group is responsible for repaying the outstanding mortgage loans together with any accrued interests and penalties owed by the defaulted purchasers to banks. Under such circumstances, the Group is able to retain the customer's deposits, take over the ownership of the relevant properties and sell the properties to recover any amounts paid by the Group to banks. In this regard, the directors of the Company consider that the Group's credit risk on such guarantees is significantly reduced. Detailed disclosure of these guarantees has been made in note 45(a).

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

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

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

39. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (continued)

Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2014, the Group has available unutilised overdraft and short-term bank loan facilities of HK$1,258,666,000 (2013: HK$1,032,969,000).

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	Weighted average interest rate %	Less than 1 year HK$'000	1–2 years HK$'000	2–5 years HK$'000	More than 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2014 HK$'000
2014							
Non-derivative financial liabilities							
Trade and other payables	N/A	2,089,880	-	-	-	2,089,880	2,089,880
Amount due to related companies	N/A	2,008,960	-	-	-	2,008,960	2,008,960
Amounts due to associates	N/A	71,978	-	-	-	71,978	71,978
Consideration payables for acquisition of subsidiaries	N/A	763,940	-	-	-	763,940	763,940
Dividend payable	N/A	6,423	-	-	-	6,423	6,423
Dividend payable to non-controlling shareholders	N/A	268,658	-	-	-	268,658	268,658
Bank and other borrowings	1.5–7.2	10,063,544	1,927,035	8,064,657	2,809,368	22,864,604	20,127,925
Senior notes	N/A	-	-	-	-	-	-
Financial guarantee contracts issued							
Maximum amount guaranteed (Note 45(a))	N/A	1,513,143	-	-	-	1,513,143	-
		16,786,526	1,927,035	8,064,657	2,809,368	29,587,586	25,337,764

39. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

	Weighted average interest rate %	Less than 1 year HK$'000	1–2 years HK$'000	2–5 years HK$'000	More than 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2013 HK$'000
2013							
Non-derivative financial liabilities							
Trade and other payables	N/A	1,826,106	–	–	–	1,826,106	1,826,106
Amount due to related companies	N/A	460,737	–	–	–	460,737	460,737
Amounts due to associates	N/A	94,264	–	–	–	94,264	94,264
Consideration payables for acquisition of subsidiaries	N/A	325,348	–	–	–	325,348	325,348
Dividend payable	N/A	6,423	–	–	–	6,423	6,423
Dividend payable to non-controlling shareholders	N/A	339,309	–	–	–	339,309	339,309
Bank and other borrowings	2.0–7.9	5,325,029	3,600,853	3,991,556	654,688	13,572,126	11,393,401
Senior notes	11.4	3,424,200	–	–	–	3,424,200	3,093,059
Financial guarantee contracts issued							
Maximum amount guaranteed (Note 45(a))	N/A	2,775,799	–	–	–	2,775,799	–
		14,577,215	3,600,853	3,991,556	654,688	22,824,312	17,538,647

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

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

40. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis

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

Financial assets	Fair value 2014	2013	Fair value hierarchy
Held-for-trading investment	**Listed equity securities in the PRC – HK$3,294,000**	Listed equity securities in the PRC – HK$2,074,000	Level 1

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

40. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

(ii) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

The fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cashflow analysis.

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

41. DISPOSAL OF SUBSIDIARIES

For the year ended 31 December 2013

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

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

The deferred cash consideration would be settled in cash by instalments and would be settled in full on or before 31 March 2014. Details of the settlement schedule are set out in note 24(ii). The deferred cash consideration of RMB134,750,000 (equivalent to HK$172,535,000) was settled in full during the year ended 31 December 2014.

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

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

42. ACQUISITION OF SUBSIDIARIES

On 25 September 2014, Advantage World Investment Limited ("AWI"), a wholly owned subsidiary of the Group, acquired the entire issue share capital of Continental Land Development Limited ("Continental Land") and the shareholders loans (the "Shareholders Loans") from independent third parties not connected to the Group at a total cash consideration of US$579,328,000 (equivalent to HK$4,518,760,000) (the "Acquisition"). Continental Land and its 99% interest in a PRC subsidiary, namely 上海世界貿易商城有限公司 ("Shanghai World Trade") (collectively referred to as "Continental Land Group"), is engaged in the development and operation of the international trade mart in the PRC. Continental Land Group was acquired so as to continue the expansion of the Group's property investment portfolio.

After completion of the Acquisition, a share subscription agreement was signed on the same date by AWI and Prestige Land Investments Limited ("Prestige Land"), a subsidiary of Nan Fung Group which is independent to the Group. Pursuant to which Prestige Land agreed to subscribe for, and AWI allot and issue the subscription shares, representing 49% of the enlarged issue share capital of AWI at the aggregated subscription price of US$49 (equivalent to approximately to HK$380) ("Share Subscription"). The Share Subscription was completed on 25 September 2014.

In connection with the Acquisition, Nan Fung Group provided a loan of approximately US$361,396,000 (equivalent to HK$2,818,888,000) to the Company to finance the initial payment for the Acquisition. After the Share Subscription, Nan Fung Group transferred the loan from the Company of approximately US$255,483,000 (equivalent to HK$1,992,767,000) to AWI to become a shareholder loan to AWI. The amount is unsecured, interest-free and repayable on demand. As at 31 December 2014, an amount of US$103,690,000 (equivalent to HK$808,779,000) of the non-controlling shareholder loan was repaid by the Group and the outstanding balance was US$151,793,000 (equivalent to HK$1,183,988,000) which is included in "amounts due to related companies" of the consolidated financial statements. For the remaining loan to the Company of approximately US$105,913,000 (equivalent to HK$826,121,000), it was secured by a pledged deposit of RMB660,000,000, interest bearing at LIBOR plus 3.72% per annum and fully repaid on 7 November 2014.

This acquisition has been accounted for using the acquisition method.

Consideration transferred:

	HK$'000
Cash paid	2,623,886
Deferred cash consideration (note)	451,876
Consideration for acquisition of Continental Land	3,075,762
Cash paid for repayment of the Former Shareholder Loan	1,442,998
Total consideration	4,518,760

Note: Included in cash consideration of US$579,328,000 (equivalent to HK$4,518,760,000), an amount of US$57,933,000 (equivalent to HK$451,876,000) is withheld by the Group for (i) the payment of other obligations and any tax obligations of the sellers owed to the PRC tax bureau authorities arising from their disposal of the Continental Land and (ii) the payment of any potential claims by the Group against the sellers within one year from the date of the sale and purchase agreement.

42. ACQUISITION OF SUBSIDIARIES (CONTINUED)

Consideration transferred (continued)

Acquisition-related costs amounting to HK$34,275,000 has been excluded from the consideration transferred and have been recognised as an expense in the consolidated statement of profit or loss and other comprehensive income.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK$'000
Equipment	3,384
Investment properties	6,583,206
Amounts due from related company	89,359
Trade and other receivables	12,648
Bank balances and cash	121,256
Trade and other payables	(174,702)
Bank borrowings – due within one year	(99,515)
Income tax payables	(10,043)
Amount due to related companies	(1,442,998)
Bank borrowings – due with after year	(931,501)
Deferred tax liabilities	(1,030,851)
	3,120,243
Less: Non-controlling interest acquired	(44,481)
Total consideration	3,075,762

Net cash outflow arising on the acquisition:

	HK$'000
Total cash paid	4,066,884
Less: Bank balances and cash acquired	(121,256)
	3,945,628

The receivables (which principally comprised trade receivables) and amounts due from related company in this transaction had gross contractual amounts of HK$12,648,000 and HK$89,359,000 respectively which were same as their fair values.

The Group subsequently acquired the remaining 1.0% interests of Shanghai World Trade from a non-controlling shareholder for a cash consideration of approximately RMB72,419,000 (equivalent to HK$92,274,000). The acquisition was completed on 18 November 2014.

42. ACQUISITION OF SUBSIDIARIES (CONTINUED)

Consideration transferred (continued)

The acquisition, without changing the Group's control over Shanghai World Trade was accounted for as equity transaction. The difference between the fair value of cash consideration of HK$92,274,000 and 1.0% of share of net assets by the non-controlling shareholder of HK$44,957,000 amounting to HK$47,317,000 was recognised directly in equity as other reserve and attributable to owners of the Company.

Included in the profit for the year is loss of HK$1,257,000 attributable to the additional business generated by Continental Land Group. Revenue for the year includes HK$101,411,000 generated from Continental Land Group.

Had the acquisition been completed on 1 January 2014, total group revenue for the year would have been HK$8,072,000,000 on a pro-forma basis, and profit for the year would have been HK$1,132,771,000 on a pro-forma basis. Included in the pro-forma profit, an amount of HK$640,000,000 represented a pro-forma fair value change of investment properties from 1 January 2014 to the date of acquisition and it was netted with a pro-forma deferred tax charge of HK$160,000,000 The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2014, nor is it intended to be a projection of future results.

43. CAPITAL COMMITMENTS

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

	The Group	
	2014	2013
	HK$'000	HK$'000
Contracted for but not provided for in the consolidated financial statements – additions in properties under development for sale	**5,869,739**	5,636,786

The Group is responsible for payment of any excess amount of the actual amount of the demolishment and resettlement expenses over Minmetal's Contribution in respect of the project carried out by Tianjin Yijiahe (see note 18). As the demolishment and re-settlement of the property project is still in an early stage, in the opinion of the directors of the Company, the capital commitment cannot be quantified as at 31 December 2013.

As the Group disposed of the entire interest in Tianjin Yijiahe during the year, there was no capital commitment in respect of these expenses as at 31 December 2014.

44. OPERATING LEASES

The Group as lessee

Minimum lease payments paid under operating leases during the year in respect of office premises are HK$36,735,000 (2013: HK$42,141,000).

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

	2014	2013
	HK$'000	HK$'000
Within one year	**42,394**	33,584
In the second to fifth years inclusive	**40,823**	15,937
After five years	**3,019**	–
	86,236	49,521

44. OPERATING LEASES (CONTINUED)

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

The Group as lessor

Property rental income earned during the year was HK$472,474,000 (2013: HK$253,037,000). Certain of the Group's properties have committed tenants for the next 2 to 20 years with an option to renew the lease after that date at which time all terms are renegotiated.

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

	2014 HK$'000	2013 HK$'000
Within one year	358,117	211,331
In the second to fifth year inclusive	1,424,993	572,766
After five years	923,523	607,539
	2,706,633	1,391,636

45. CONTINGENT LIABILITIES

(a) Corporate guarantees

	2014 HK$'000	2013 HK$'000
Guarantee given to banks in respect of banking facilities utilised by:		
– property buyers	1,080,751	2,435,210
– an entity controlled by Xuhui SASAC	269,933	340,589
– a joint venture entity	162,459	–
	1,513,143	2,775,799

As at 31 December 2014, the total amount of loans and credit facilities obtained by the Group in respect of which guarantees were provided by Xuhui SASAC was approximately HK$414,896,000 (2013: HK$387,000,000).

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

(b) Warranty against defects of properties

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

45. CONTINGENT LIABILITIES (CONTINUED)

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

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

46. RELATED PARTY TRANSACTIONS

(a) Transactions with key management personnel

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

	2014 HK$'000	2013 HK$'000
Short-term employee benefits	**13,671**	10,650
Post-employment benefits	**109**	101
Equity – settled share-based payments	**–**	–
	13,780	10,751

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

(b) Balances with related parties

Details of the balances with related parties as at 31 December 2014 and 2013 are set out in the notes 20, 29 and 33.

(c) Transactions with related parties

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

Name of related company	Nature of transactions	**2014 HK$'000**	2013 HK$'000
Entities controlled by SIHL	Interest expenses	**108,860**	60,719
	Rental expenses	**81**	138
Ultimate holding company	Interest expenses	**–**	82,251
Entity controlled by an independent non-executive director of SIHL	Rental expense, rate and management fee	**6,275**	6,202
Associates	Property agency fees	**55,062**	58,591
	Rental income	**(1,436)**	(2,139)
	Interest income	**(2,888)**	(710)
Entities controlled by Xuhui SASAC	Interest income	**–**	(6,516)
	Interest expenses	**3,194**	647
Non-controlling shareholder of a subsidiary	Interest expenses	**1,013**	10,963

46. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Transactions with related parties (continued)

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

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

(ii) The Group also granted financial guarantees to an entity controlled by Xuhui SASAC. Details of which are set out in note 45(a).

(d) Government-related entities

The Group itself is part of a larger group of companies under SIIC (SIIC and its subsidiaries are referred to as the "SIIC Group") which is controlled by the PRC government. The directors of the Company consider that the Company is ultimately controlled by the PRC government and the Group operates in an economic environment currently predenominated by entities controlled, jointly controlled or significantly influenced by the PRC government ("PRC government-related entities"). Apart from the transactions with the SIIC Group and Xuhui SASAC which have been disclosed above and in other notes to the financial information, the Group also conducts businesses with other PRC government-related entities in the ordinary course of business. The Group's deposits placements, borrowings and other general banking facilities are entered into with certain banks which are PRC-government related entities in its ordinary course of business. In view of the nature of those banking transactions, the directors of the Company are of the opinion that separate disclosures would not be meaningful.

In addition, the Group has entered into various transactions, including sales, purchases and other operating expenses with other PRC government-related entities. In the opinion of the directors of the Company, these transactions are considered as individually and collectively insignificant to the operation of the Group during the years ended 31 December 2014 and 2013.

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 activities
			2014		2013		
			Directly	Indirectly	Directly	Indirectly	
Shenzhen Phoenix Real Estates Company Limited 深圳鳳凰置業有限公司 (note (i))	The PRC	US$10,000,000	-	82%	–	82%	Property investment
中置(北京)企業管理有限公司 (note (ii))	The PRC	HK$200,000,000	-	100%	–	100%	Investment holding
北京金馬文華園房地產開發有限公司 (note (i))	The PRC	US$12,000,000	-	100%	–	100%	Property development
北京新松房地產開發有限公司 (note (i))	The PRC	RMB190,000,000	-	100%	–	100%	Property development
北京市御水苑房地產開發有限責任公司 (note (iii))	The PRC	RMB20,000,000	-	90%	–	90%	Property development
北京新松置地投資顧問有限公司 (note (iii))	The PRC	RMB30,000,000	-	100%	–	100%	Investment holding
西安滻灞建設開發有限公司 (note (i))	The PRC	US$86,880,000	-	71.5%	–	71.5%	Property development
西安中新滻灞歐亞酒店發展有限公司 (note (iii))	The PRC	RMB50,000,000	-	71.5%	–	71.5%	Hotel operations
西安中新永榮房地產開發有限公司 (note (iii))	The PRC	RMB10,000,000	-	71.5%	–	71.5%	Property development
西安中新佳園房地產開發有限公司 (note (iii))	The PRC	RMB10,000,000	-	71.5%	–	71.5%	Property development
西安中新永佳房地產開發有限公司 (note (iii))	The PRC	RMB10,000,000	-	71.5%	–	71.5%	Property development
西安中新沁園房地產開發有限公司 (note (iii))	The PRC	RMB10,000,000	-	71.5%	–	71.5%	Property development

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 activities
			2014		2013		
			Directly	Indirectly	Directly	Indirectly	
西安中新柳域房地產開發有限公司 (note (iii))	The PRC	RMB10,000,000	-	71.5%	–	71.5%	Property development
西安中新華勝房地產開發有限公司 (note (iii))	The PRC	RMB10,000,000	-	71.5%	–	71.5%	Property development
西安中新榮景房地產開發有限公司 (note (iii))	The PRC	RMB10,000,000	-	71.5%	–	71.5%	Property development
西安中新濱河房地產開發有限公司 (note (iii))	The PRC	RMB10,000,000	-	71.5%	–	71.5%	Property development
西安中新永景房地產開發有限公司 (note (iii))	The PRC	RMB10,000,000	-	71.5%	–	71.5%	Property development
湖南淺水灣湘雅溫泉花園有限公司 (note (iii))	The PRC	RMB30,000,000	-	67%	–	67%	Property development
重慶中華企業房地產發展有限公司 (note (iii))	The PRC	RMB200,000,000	-	100%	–	100%	Property development
天津中新濱海房地產開發有限公司 (note (ii))	The PRC	HK$100,000,000	-	100%	–	100%	Property development
天津中新華安房地產開發有限公司 (note (ii))	The PRC	RMB240,000,000	-	100%	–	100%	Property development
天津中新華城房地產開發有限公司 (note (ii))	The PRC	RMB80,000,000	-	100%	–	100%	Property investment
天津中新嘉業房地產開發有限公司 (note (ii))	The PRC	RMB120,000,000	-	100%	–	100%	Property development
天津中新信捷房地產開發有限公司 (note (ii))	The PRC	RMB240,000,000	-	100%	–	100%	Property development

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 2014 Directly	2014 Indirectly	2013 Directly	2013 Indirectly	Principal activities
天津凱津房地產開發有限公司 (note (iii))	The PRC	RMB210,000,000	–	**100%**	–	100%	Property development
上海九久廣場投資開發有限公司 (note (iii))	The PRC	RMB226,160,000	–	**100%**	–	100%	Property development
瀋陽向明長益置業有限公司 (note (i))	The PRC	USD63,750,000	–	**80%**	–	80%	Property development
珠海市淇洲島影視城有限公司 (note (i))	The PRC	RMB90,000,000	–	**100%**	–	100%	Property development
中歐城開有限公司 (note (iii) and (v))	The PRC	RMB100,000,000	–	**100%**	–	100%	Property development
北京盈通房地產開發有限公司 (note (i))	The PRC	USD6,000,000	–	**67.5%**	–	67.5%	Primary land development
Shanghai Urban Development (Holdings) Co. Ltd. 上海城開 (集團) 有限公司 (note (i))	The PRC	RMB3,200,000,000	–	**59%**	–	59%	Investment holding and property development
上海城開商用物業發展有限公司 (note (iii))	The PRC	RMB5,000,000	–	**59%**	–	59%	Property management
上海申大物業有限公司 (note (iii))	The PRC	RMB5,000,000	–	**59%**	–	59%	Property management
上海萬源房地產開發有限公司 (note (iii))	The PRC	RMB300,000,000	–	**53%**	–	53%	Property development and sales
上海石龍工業區聯合發展有限公司 (note (iii))	The PRC	RMB20,000,000	–	**59%**	–	59%	Property development and sales
上海城開集團晶傑置業有限公司 (note (iii))	The PRC	RMB150,000,000	–	**59%**	–	59%	Property development and sales
上海城開 (集團) 無錫置業有限公司 (note (iii))	The PRC	RMB500,000,000	–	**59%**	–	59%	Property development and sales and hotel operation

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 activities
			2014		2013		
			Directly	Indirectly	Directly	Indirectly	
上海城開集團晶實置業有限公司 (note (iii))	The PRC	RMB300,000,000	–	59%	–	59%	Property development and sales
上海城開集團龍城置業有限公司 (“上海龍城”) (note (i))	The PRC	RMB2,100,000,000	–	69%	–	69%	Property development and sales
昆山城開房地產開發有限公司 (note (iii))	The PRC	RMB167,000,000	–	53%	–	53%	Property development and sales
城開綠碳 (天津) 股權投資基金合夥企業 ("SUDG JV") (note (vi))	The PRC	RMB1,135,900,000	–	59%	–	59%	Investment holding
上海世界貿易商城有限公司 (note (iii) and (iv))	The PRC	USD100	–	51%	–	–	Property investment

Notes:

(i) These companies were established in the PRC in the form of sino-foreign equity joint ventures.

(ii) These companies were established in the PRC in the form of wholly-owned foreign enterprises.

(iii) These companies were established in the PRC in the form of limited liability company.

(iv) This company was newly acquired during the year end 31 December 2014. Details of the acquisition are set out in note 42.

(v) The disposal of this company will be completed in the second half of year 2015. Details of this disposal are set out in note 52.

(vi) SUDG JV was established in the PRC in the form of joint venture enterprise. 64.7% of the paid-in capital of SUDG JV was contributed by the Group. Investor of SUDG JV, other than the Group, which contributed the remaining 35.3% of the paid-in capital of SUDG JV, are entitled to annual return of 9.55% per annum on their paid-in capital. One of the other investors that contributed 34.9% of the paid in capital of SUDG JV has an option to dispose of its equity interests in SUDG JV to the Group after 24 months from February 2011 (the "Option") at initial consideration. The Group has an obligation to acquire such equity interests in SUDG JV from that investor in February 2013 (if the Option has not been exercised) at an annual effective interest rate of 9.55% per annum net of any result previously distributed. This arrangement was accounted for as a financing activity and SUDG JV is thus accounted for as a wholly-owned subsidiary of the Group. The remaining 0.4% of paid-in capital of SUDG JV contributed by a fund management company was only entitled a fixed return of 9.55% per annum.

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

The above table only includes those subsidiaries which, in the opinion of the directors of the Company, principally affected the results of the Group for the year or formed a substantial portion of the net assets of the Group. To give details of all subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year except SUD which has issued RMB1,500,000,000 of advance bond during the year ended 31 December 2012, in which the Group has no interest. Details of advance bond are set out in note 33(iii).

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 (Loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2014	2013	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
SUD and its subsidiaries	PRC – Shanghai	41%	41%	402,656	245,067	7,122,110	6,900,311
Individually immaterial subsidiaries with non-controlling interests				16,127	(82,821)	507,933	263,996
				418,783	162,246	7,630,043	7,164,307

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts shown in SUD's consolidated financial statements prepared in accordance with HKFRSs and before intragroup eliminations.

SUD and its subsidiaries

	2014 HK$'000	2013 HK$'000
Current assets	26,794,435	28,764,421
Non-current assets	5,087,114	4,350,855
Current liabilities	(10,656,773)	(11,975,221)
Non-current liabilities	(6,884,378)	(7,272,850)
Equity attributable to owners of the Company	7,218,288	6,966,894
Non-controlling interests	7,122,110	6,900,311

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

SUD and its subsidiaries (continued)

	2014 HK$'000	2013 HK$'000
Revenue	5,582,387	6,916,593
Expenses	(4,755,165)	(6,377,084)
Profit for the year	827,222	539,509
Profit attributable to owners of the Company	424,566	294,442
Profit attributable to the non-controlling interests	402,656	245,067
Profit for the year	827,222	539,509
Other comprehensive (expense) income attributable to owners of the Company	(213,873)	243,048
Other comprehensive (expense) income attributable to the non-controlling interests	(148,623)	168,898
Other comprehensive (expense) income for the year	(362,496)	411,946
Total comprehensive income attributable to owners of the Company	210,693	537,490
Total comprehensive income attributable to the non-controlling interests	254,033	413,965
Total comprehensive income for the year	464,726	951,455
Dividends paid to non-controlling interests	–	19,869
Net cash (outflow) inflow from operating activities	(1,020,117)	2,359,267
Net cash inflow from investing activities	319,680	802,375
Net cash inflow (outflow) from financing activities	413,868	(3,219,346)
Net cash outflow	(286,569)	(57,704)

49. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2014 HK$'000	2013 HK$'000
Non-current assets		
Property, plant and equipment	**334**	952
Investments in subsidiaries	**2,516,990**	2,658,713
Amounts due from subsidiaries	**8,997,377**	15,240,579
	11,514,701	17,900,244
Current assets		
Amount due from subsidiaries	**8,049,095**	–
Deposit and prepayment	**7,667**	17,477
Dividend receivables	**469,589**	469,589
Bank balances and cash	**45,437**	54,098
	8,571,788	541,164
Current liabilities		
Other payables and accruals	**565,603**	691,095
Amount due to immediate holding company	**103,185**	103,185
Amounts due to subsidiaries	**2,150,003**	1,443,438
Amount due to a related company	**2,466**	2,466
Dividend payable	**6,423**	6,423
Other borrowings	**1,000,000**	1,000,000
Senior notes	**–**	3,093,059
	3,827,680	6,339,666
Net current assets (liabilities)	**4,744,108**	(5,798,502)
Total assets less current liabilities	**16,258,809**	12,101,742
Non-current liability		
Other borrowings	**4,627,807**	–
Total assets less total liabilities	**11,631,002**	12,101,742
Capital and reserves		
Share capital	**192,461**	192,461
Reserves	**11,438,541**	11,909,281
	11,631,002	12,101,742

50. STATEMENT OF CHANGES IN EQUITY OF THE COMPANY

	Share capital HK$'000	Share premium HK$'000	Share options reserve HK$'000	Exchange reserve HK$'000	Shareholders' contribution HK$'000	Accumulated losses HK$'000	Total HK$'000
As at 1 January 2013	192,461	10,325,453	70,337	1,553,110	2,475,111	(2,148,792)	12,467,680
Loss for the year	–	–	–	–	–	(722,284)	(722,284)
Exchange difference	–	–	–	356,346	–	–	356,346
Total comprehensive income (expense)	–	–	–	356,346	–	(722,284)	(365,938)
Transfer to accumulated losses upon forfeiture of share options	–	–	(3,495)	–	–	3,495	–
As at 31 December 2013	192,461	10,325,453	66,842	1,909,456	2,475,111	(2,867,581)	12,101,742
Loss for the year	–	–	–	–	–	(181,944)	(181,944)
Exchange difference	–	–	–	(288,796)	–	–	(288,796)
Total comprehensive expense	–	–	–	(288,796)	–	(181,944)	(470,740)
As at 31 December 2014	192,461	10,325,453	66,842	1,620,660	2,475,111	(3,049,525)	11,631,002

51. DIVIDENDS

Subsequent to the end of the reporting period, final dividend in respect of the year ended 31 December 2014 of HK1.1 cents (2013: nil in respect of the year ended 31 December 2013) has been proposed by the directors and is subject to approval by the shareholders at the forthcoming annual general meeting.

As the Company had no reserves available for distribution to the shareholders as at 31 December 2014, the final dividend is intended to be funded through cancellation of certain amount in respect of the share premium account and crediting such amount to a contributed surplus account in accordance with the provisions of the applicable law of Bermuda. A special resolution regarding this share premium reduction will be proposed at the forthcoming general meeting.

52. EVENT AFTER THE REPORTING PERIOD

Subsequent to 31 December 2014, the Group entered into a share transfer agreement with an independent third party on 10 February 2015 pursuant to which the Group agreed to dispose of its entire interest in Bold Eagle and the loans owed by Bold Eagle and its subsidiaries to the Group amounting to approximately RMB483,600,000 (equivalent to HK$604,349,000) at an aggregate consideration of RMB940,000,000 (equivalent to HK$1,174,706,000). The main asset of Bold Eagle is its indirectly wholly owned subsidiary, Zhong Ou Cheng Kai. Zhong Ou Cheng Kai was principally engaged in property development in Hubei Province and its main assets were properties under development for sale including the leasehold land in Hebei region. The disposal will be completed in the second half of year 2015.

FINANCIAL SUMMARY

	Year ended 31 December				
	2010 HK$'000 (restated)	2011 HK$'000	2012 HK$'000	2013 HK$'000	**2014** **HK$'000**
Revenue	4,881,135	4,433,476	8,782,561	9,773,547	**7,773,636**
Profit (loss) before taxation	(656,785)	166,442	421,612	782,094	**1,731,044**
Income tax expense	(161,374)	(731,953)	(388,301)	(476,377)	**(1,151,080)**
Profit (loss) for the year	(818,159)	(565,511)	33,311	305,717	**579,964**
Attributable to:					
Owners of the Company	(740,523)	(601,668)	(190,166)	143,471	**161,181**
Non-controlling interests	(77,636)	36,157	223,477	162,246	**418,783**
Profit (loss) for the year	(818,159)	(565,511)	33,311	305,717	**579,964**

	As at 31 December				
	2010 HK$'000	2011 HK$'000	2012 HK$'000	2013 HK$'000	**2014** **HK$'000**
Assets and liabilities					
Total assets	49,854,617	54,051,725	53,613,512	53,436,959	**57,566,703**
Total liabilities	(31,398,110)	(35,080,033)	(34,521,916)	(33,653,682)	**(37,451,871)**
	18,456,507	18,971,692	19,091,596	19,783,277	**20,114,832**
Owners to equity					
Owners of the Company	11,865,017	12,275,488	12,162,193	12,618,970	**12,484,789**
Non-controlling interests	6,591,490	6,696,204	6,929,403	7,164,307	**7,630,043**
	18,456,507	18,971,692	19,091,596	19,783,277	**20,114,832**

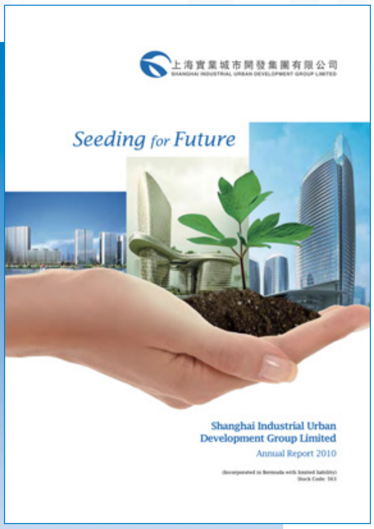
GLOSSARY OF TERMS

Term used	Brief description
"2015 AGM"	forthcoming annual general meeting of the Company is scheduled to be held on Wednesday, 27 May 2015
"Adoption Date"	16 May 2013, adoption date of the New Share Option Scheme
"Audit Committee"	audit committee of the Company
"Board"	board of directors of the Company
"Circular"	reference was made to the circular of the Company dated 16 April 2013 in relation to the adoption of the New Share Option Scheme
"Code"	code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules
"Company" or "SIUD"	Shanghai Industrial Urban Development Group Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange
"Company Secretary"	company secretary of the Company
"Cross Guarantee Agreement"	the cross guarantee agreement dated 26 December 2002 and entered into between SUD and State-owned Management Company
"Director(s)"	director(s) of the Company
"First Supplemental Agreement"	the first supplemental agreement to the Cross Guarantee Agreement dated 15 December 2009 and entered into between SUD and State-owned Management Company
"G.F.A."	Gross Floor Area
"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
"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
"p.p."	percentage point

GLOSSARY OF TERMS

Term used	Brief description
"Remuneration Committee"	remuneration committee of the Company
"RMB"	Renminbi
"Second Supplemental Agreement"	the second supplemental agreement to the Cross Guarantee Agreement dated 6 December 2012 and entered into between SUD and State-owned Management Company
"SFO"	Securities and Futures Ordinance (Chapter 571) of the laws of Hong Kong
"Shareholder(s)"	holder(s) of share(s) of the Company
"Shanghai Free Trade Zone"	China (Shanghai) Pilot Free Trade Zone
"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
"SID"	Shanghai Industrial Development Co., Ltd., a subsidiary of SIHL and listed on the Shanghai Stock Exchange
"SIHL"	Shanghai Industrial Holdings Limited, a company listed on the Stock Exchange with stock code of 363
"SIIC"	Shanghai Industrial Investment (Holdings) Company Limited
"State-owned Management Company"	上海徐滙國有資產投資經營有限公司 (Shanghai Xuhui State-owned Assets Management Co., Ltd.), a state-owned enterprise established under the laws of the PRC with Xuhui SASAC as the authorized representative exercising state-owned Shareholder's right over it
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"SUD"	上海城開（集團）有限公司 (Shanghai Urban Development (Holdings) Co., Ltd.), a sino-foreign equity joint venture company established in the PRC and is indirectly owned by the Company as to 59% and by Xuhui SASAC as to 41%
"Third Supplemental Agreement"	the third supplemental agreement to the Cross Guarantee Agreement dated 9 February 2015 and entered into between SUD and State-owned Management Company
"Xuhui SASAC"	上海市徐匯區國有資產監督管理委員會 (State-owned Assets Supervision and Administration Commission of Shanghai Xuhui District), a government authority authorised by and established directly under Shanghai Xuhui District People's Government for supervising and managing state-owned assets in the possession of Xuhui District, including but not limited to, exercising state-owned shareholders' right over SUD and a shareholder holding 41% of the equity interest in SUD

2010 ANNUAL REPORT



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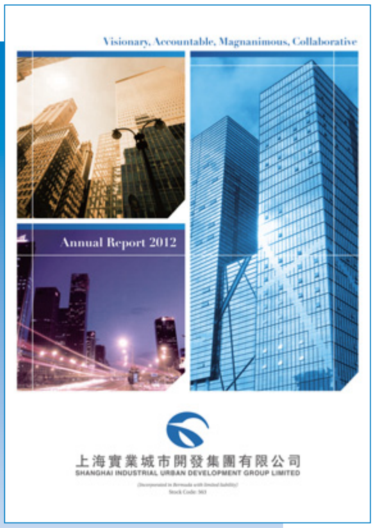

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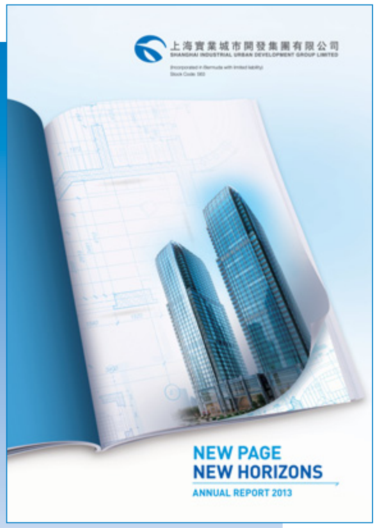

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