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

REACHING PERFECTION
THROUGH QUALITY AND EXCELLENCE

ANNUAL REPORT 2016

HAIPAI[1] QUALITY SPLENDID CITIES

Shanghai Industrial Urban Development Group Limited ("SIUD") currently has 20 real estate projects in 11 major cities in China, mainly located at Shanghai, Kunshan, Wuxi, Beijing, Shenyang, Tianjin, Xi'an, Fuzhou, Chongqing, Changsha and Shenzhen. Most of the projects are mid- to high-end residential projects which are under construction at full steam, presenting the Group with approximately 4.36 million square meters saleable floor areas and building a marvelous foundation for our long term development.

Note 1: Haipai (海派; literally "Shanghai style") refers to the avant-garde but unique "East Meets West" culture from Shanghai in the 20th centuries.

TODTOWN Exhibition Hall

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ji Gang *(Chairman and President)*
Zhou Jun
Yang Jianwei
Yang Biao
Ye Weiqi
Huang Fei

Independent Non-Executive Directors

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

AUTHORIZED REPRESENTATIVES

Ji Gang
Chan Kin Chu, Harry

BOARD COMMITTEES

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Investment Appraisal Committee

Fan Ren Da, Anthony *(Committee Chairman)*
Yang Jianwei
Ye Weiqi

COMPANY SECRETARY

Chan Kin Chu, Harry

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

WEBSITE

http://www.siud.com

PRINCIPAL BANKERS

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

AUDITOR

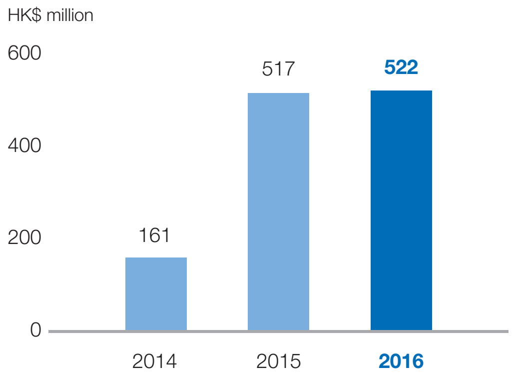
Deloitte Touche Tohmatsu
35/F., One Pacific Place,
88 Queensway, Hong Kong.

LISTING INFORMATION

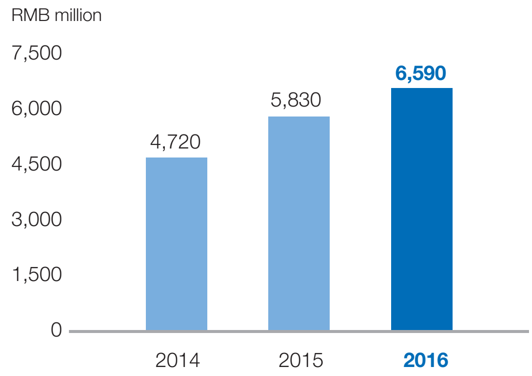
The Stock Exchange of Hong Kong Limited
Ordinary Shares
(Stock Code: 563)

FINANCIAL HIGHLIGHTS

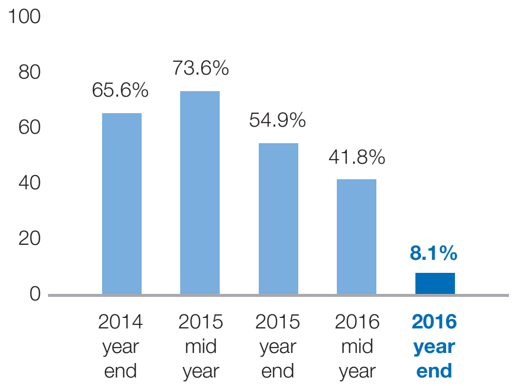
ATTRIBUTABLE PROFIT



CONTRACT SALES AMOUNT

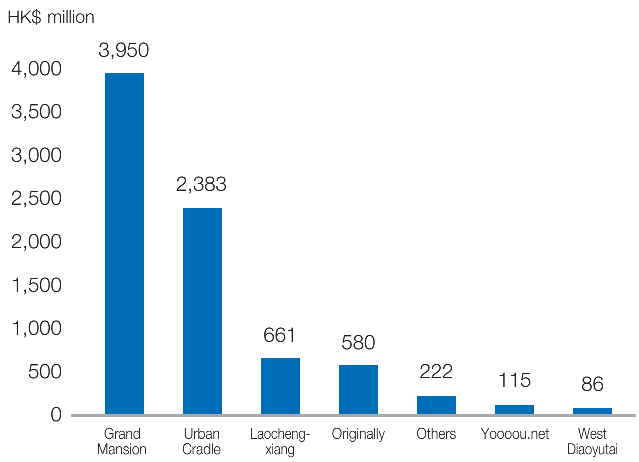


NET DEBT TO TOTAL EQUITY (%) (Note)

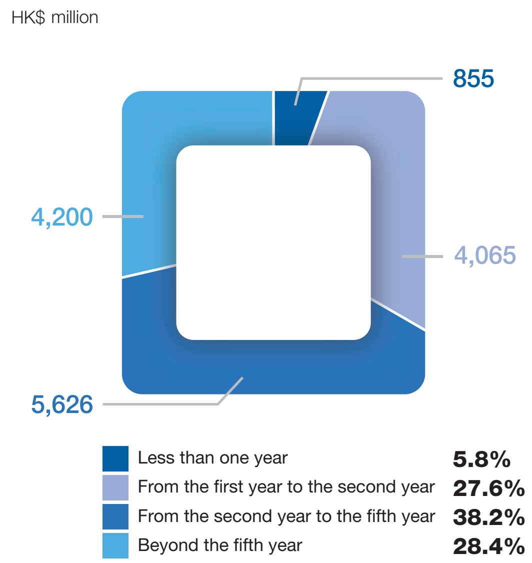


Note: Net debt = total borrowings (including bank borrowings, other borrowings, bonds and bank borrowings included in liabilities classified as held for sale) less cash and cash equivalents and pledged bank deposits (including bank balance and cash included in assets classified as held-for-sale).

ANALYSIS ON PRE-SALE PROCEEDS RECEIVED ON SALES OF PROPERTIES



DEBT MATURITY PROFILE



Artist Impression – TODTOWN

VISION OF FUTURE

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

CHAIRMAN'S STATEMENT

2016 was an extraordinary year for China's real estate market. The domestic new housing transaction prices, land prices, overall contract sales amount of commodity housing and policy adjustments were subject to different degrees of concern from the industry. During the period, the Group achieved the annual sales amount of RMB6.6 billion, exceeding the sales target of RMB5.3 billion by approximately 24.4% set at the beginning of the year and achieving continuous sales growth. The Group continued to optimize the debt structure and further expanded the scale of investment properties last year. During the first year of the strategy development of SIUD, the Group acquired high-quality projects in core cities in Shanghai and Fuzhou, and release the existing project value through continuous optimization of the investment portfolio, which enhanced the overall quality of land bank; the profit attributable to shareholders during the period went up steadily to HK$522 million, while the annual dividend increased steadily to 33 HK cents per share to express gratitude to shareholders for many years of trusts and supports.

In 2016, the growth rate of real estate development investment went back on track, playing an important role in the GDP growth of 6.7%[1]. Throughout the year, domestic sales of commodity housing amounted to RMB 11.8 trillion[1]. In the first three quarters of 2016, the domestic property market continued to heat up, including first–tier cities in Beijing, Shanghai, Guangzhou, Shenzhen "rise in quantity and price" while second-tier cities were "heated in supply and demand". The prices in Shenzhen, Shanghai, Nanjing and Hefei increased rapidly in the second quarter, and in the third quarter house prices rose further. In the second quarter, as the financial environment continued to loose and the developers held expectations on property market with a long-term development, "land king" emerged in some cities affected consumer's expectation of property market and indirectly boosted the real estate market. Up to the end of September, domestic policies largely re-tightened controlling measures to limit purchase, loans, pricing, and capital resources continued to be introduced, upgraded and spread in major hot cities. The transaction volume at domestic real estate market were adjusted gradually in the fourth quarter. The overall real estate industry policy showed "loose first and tight afterwards" trend.

Note 1: The data is from reports published by several authorities, such as the National Statistics and Ministry of Housing and Urban-Rural Development, only for reference.

SALES AND FINANCIAL CONDITIONS CONSISTENTLY IMPROVED AND PREMIUM VILLA PROJECTS IN SHANGHAI WERE SUCCESSFULLY ACQUIRED

The Group early deployed sales strategy in our core market Shanghai in the first three quarters, and increased efforts in launching of new phases of existing projects. During the period, Shanghai flagship projects of Urban Cradle and Grand Mansion continued to see robust sales while Laochengxiang in Tianjin, Originally in Xi'an and Royal Villa in Kunshan recorded ideal sales. During the Period under Review, the Group achieved annual sales amount of RMB6.6 billion for the whole year, exceeding the sales target of RMB5.3 billion by approximately 24.4% set at the beginning of the year and achieved continuous sales growth.

In 2016, the domestic land market was highly competitive, while a wave of "land kings" emerged. During the period, the Group still replenished by acquiring land reserve at a reasonable cost high-quality lands in Shanghai and Fuzhou, which further reflected its strategy of expanding the market in Shanghai and focusing on the first and the second tier cities. In the future, the Group will continue to implement multi-pipeline strategy of acquiring land resources, exert the influence of the enterprise brand in Shanghai and the development experience, and show the advantages of the urban renewal projects through three kinds of ways, namely bid invitation, auction and listing of market, equity acquisition, city and old town renovation to research and judge the possibility of new projects. In last April, the Group entered into a cooperation framework agreement with Shanghai Electric Power Construction and Power China Real Estate to actively explore the renovation of old city projects and jointly seek high-quality real estate investment opportunities.

During the Period under review, the Group's financial condition was in better condition. The Group successfully completed the disposal of the U Center at Minhang District and further optimized the existing investment portfolio of the Group to bring considerable and stable cash inflows. The Group also issued the corporate bonds of RMB1.7 billion at low financial cost of 3.9% and 3.8% in China in last September and November respectively, and achieved RMB3 billion loan from the bank of Free Trade Zone for a term of three years, to constantly optimize the capital structure and costs. Last year, the Group had paid off all debts denominated in foreign currencies and managed to avoid the influences caused by the fluctuation of RMB in the future. As at the end of the year, the net debt ratio of the Group declined to 8.1% to lay a solid foundation for acquiring the quality projects.

2016 witnessed the first strategic year of the Group. During the period, the long term strategic planning such as "residential property development + investment property management + urban value-added services + financing capital cooperation" was implemented. In the future, the Group will continue to expand the markets in Shanghai as well as the first-tier and second-tier core cities. Shanghai Industrial Urban Development commercial property platform was formally established in last September, and investment property development has become one of the core focuses of the Group's future development.

FIRST STRATEGIC YEAR OFFICIALLY SET SAIL AND HIGH-QUALITY NEW BUILDINGS TO BE LAUNCHED INTO THE MARKET

At the end of 2016, the domestic government put forward the policy of "steady progress step by step" at the Central Economic Work Conference. Early this year, certain cities such as Shenzhen and Chongqing continued to introduce relevant control policies. As the domestic economy still faces pressure, real estate control policies are expected to be implemented within the controllable range. Currently, inventory digestion capacity of Shanghai, Hefei, Nanjing and other cities is better. At the same time, in recent years, growth of land supply in first-tier cities of China gradually declined. It is expected that price adjustment in relevant cities will be limited in the future. Therefore, the Group is still full of confidence in the persistent and healthy development of real estate market in Shanghai and other cities. This year, the Group will intensify its efforts to acquire new projects, explore opportunities for extending to state-owned enterprises, and constantly adhere to the strategy of joint development and complementary advantages to improve the core competitiveness and ensure the implementation of future corporate strategies.

In 2017, the Group will have adequate sellable resources. The Group will also actively pay attention to the control policies in various regions as well as strive for breakthrough in sales through the strategy of "different plans for different cities". The Group's TODTOWN project, contemporary art villa project in Shanghai, Fuzhou Sweet Sea and other new projects will be launched into the market for sale successively. Meanwhile, existing projects such as urban Cradle in Shanghai, Originally in Xi'an and other high-quality projects will continue to be launched into the market. TODTOWN has become the role model for comprehensive development project built above the subway in the Mainland China, located in Shanghai's urban sub-center and close to the main railway line. The project was jointly developed by Shanghai Urban Development Group under the Group, Sun Hung Kai Properties and Minhang District Government in Shanghai, being one of the key projects of the Group this year.

In the future, as Binjiang U Center, the commercial part of TODTOWN and other landmark investment properties in Shanghai are completed one after another, together with ShanghaiMart, YOYO Tower (Previously "Huimin Commercial Tower"), Urban Development International Tower and several other mature rent-charging properties, which are undergoing adjustment and upgrading, the Group will consolidate and improve its investment property portfolio and generate stable rental income. Besides, the Group has also paid strenuous effort to explore different sectors, including property management, urban value-added service and financial real estate investment.

At the end of 2016, the Group was successfully included into the list of Southbound trading stocks under Shenzhen-Hong Kong Stock Connect and qualified investors from the Mainland China will have the opportunity to become a shareholder of the Group through Shenzhen-Hong Kong Stock Connect to further interconnect the capital markets between Shanghai and Hong Kong. With more than 20 years of experience in property development in Shanghai, market brand influence and state-owned enterprises background, the Group will continue to further explore the market and win the trust of more investors with solid operating performance and steady development pace in the future.

Finally, I would like to express my appreciation to all employees for their dedications and contributions to the continuous growth of SIUD over the past year. In the meantime, I would like to give my sincere gratitude to all of our business partners, customers and shareholders for their long-term supports.

Ji Gang
Chairman

28 March 2017

STRATEGICALLY DEEP EXPLORATION TO BUILD BOUTIQUE PROPERTIES

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

Kunshan Royal Villa

MANAGEMENT DISCUSSION AND ANALYSIS

DOMESTIC REAL ESTATE MARKET REVIEW

In recent years, the development of Chinese economy has entered into a "new normal". In 2016, the domestic year-on-year economic growth was up to 6.7%, in a reasonable range. Under the guidance of the policy to achieve stabilized economic growth, the real estate market in the PRC was still hot in 2016. Industry development and investment sentiment, floor of space newly started and sales amount increased significantly as compared to 2015. Meanwhile, the sales and land market in the second and third quarters continued to pick up. Up to the end of September, the government of PRC made differentiated adjustments to the policies for cities with rapid growth in house price and land price depending on their respective conditions. The policies on housing purchase, including buyer's qualification, requirement on percentage of down payment, approval of mortgage loan conditions, were further tightened.

In March of last year, the Shanghai government first introduced "Nine Rules of Shanghai", which brought the market to temporary rational state afterwards. Owing to a relatively accommodative monetary environment continuing in China, and under the expectation of developers toward and mid- and long-term housing price that will increase, the domestic capital gradually flowed into the land market of Shanghai in April, and the sales market sentiment began to recover. The market picked up mainly in the second and the third quarters. In October and November, Shanghai successively released the "Six Rules of Shanghai" and credit regulation measures, and controlled the issuance of pre-sales license to developers. As policies show positive effects, the market expectation on housing price stabilized, and the transaction volume started to adjust in the fourth quarter.

China Index Academy pointed out that in 2016, the prices of a hundred new-built commodity residential houses in China rose by 18.7%. Besides, cities continued to differentiate. Apart from the first-tier cities, the prices of residential houses in some of popular second-tier cities also began to rise, while the majority of the third-tier and fourth-tier cities are still facing unsold inventory problem. At this stage, the inventory cycle of Shanghai property sales market was in a healthier condition than a majority of other domestic cities. Based on the premise that the circumstances of lower supply of incremental land area may continue and real estate demand for local property will persist, the Group expects that the prices of Shanghai commodity houses this year will gradually stabilize, and is confident about healthy and mid- and long-term development of local real estate market. The Group has a number of high-quality projects in Shanghai, which is located in the core areas, and its sellable resources of property sales business in the future is sufficient. Furthermore, the Group will raise the proportion of investment properties in the business development stably.

BUSINESS REVIEW

Overview

During the Period under review, the Group derived its profits mainly from the property sales in core cities and consolidation of the existing asset structure. The sale and delivery of various projects, such as Urban Cradle and Shanghai Jing City in Shanghai, and Originally (formerly "CBE International Peninsula") in Xi'an, went on smoothly, whereas ShanghaiMart and Urban Development International Tower brought steady rental income to the Group. In addition, through continuous optimisation of investment portfolio, the Group successively sold Minhang U Center, releasing the due value of existing projects, and expedited the development of current projects by withdrawal of cash and identified high-quality land and projects in the core areas.

In 2016, the Group continued to uphold the strategy of focusing on developing Shanghai and domestic core first-tier and second-tier cities, and to keep a close eye on the market. The Group not only maintained its growth in overall contract sales amount, but also acquired high quality projects and lands in Shanghai and Fuzhou through respective investment model, solidifying a foundation for its development in the next stage. In addition, the Group further domestically obtained funds at a low cost through corporate bonds and bank loans as well as repaid all the overseas debts denominated in foreign currencies, to prevent effects of future RMB exchange rate fluctuations on the Group's results as well.

Contract Sales

During the year ended 31 December 2016, the overall contract sales of the Group increased 13.1% year-on-year to RMB6,595,000,000 (2015: RMB5,832,000,000), exceeding the sales target determined at the beginning of the year of RMB5,300,000,000 by approximately 24.4%. In 2016, total G.F.A. sold under contract sales amounted to 356,000 sq.m., representing an increase of 18.7% year-on-year. In 2016, the domestic real estate market continued its good conditions. The Group developed the sales strategy for core regions in advance at the beginning of the year, and increased its sellable resources in Shanghai and some of second-tier and third-tier cities. During the year, the sales performance of the flagship projects Urban Cradle and Grand Mansion of the Group was strong, and the sales percentage of Shanghai projects was still dominant. In the meantime, the sales performance of the Originally project in Xi'an, the Laochengxiang project in Tianjin and the Royal Villa in Kunshan was also ideal in the year. During the year, the flagship projects Urban Cradle, Grand Mansion and Originally were the principal projects for sale, accounting for approximately 33.9%, 31.9% and 12.9% of commodity housing sales in the year respectively.

During the Period under review, the average selling price of overall contract sales adjusted by 4.6% to approximately RMB18,500 per sq.m., compared with approximately RMB19,400 per sq.m. in 2015, mainly due to the fact that the Group accelerated the projects in some second-tier and third-tier cities last year, and thus the overall average selling prices changed accordingly.

New Project Acquisition (Land Bank)

2016 continued to see a relatively accommodative monetary environment in China, and thus property developers expedited their financing and proactively participated in the land market, the total amount and unit price of domestic land transaction created historic highs repeatedly. In addition, in 2016, the "Thirteenth Five-year Plan" for Land and Resources was released and specified that, in principle, no incremental construction land would be increased for the central urban areas of mega and super cities. Therefore, the Group expects that one of the core competitiveness for domestic developers will be the capacity to acquire high-quality land and projects with reasonable costs in the future.

In September, Shanghai Chenghuan Enterprise Management Consulting Co., Ltd. (上海城寰企業管理諮詢有限公司), a subsidiary of the Group, acquired two residential villa projects located in Minhang District, Shanghai, i.e. Contemporary Art Villas and Contemporary Splendour Villas, with the total site areas of 116,308 sq.m. and 120,512 sq.m., respectively, with a total consideration of RMB2,350,000,000. The first and second phase of Contemporary Art Villas and the first phase of Contemporary Splendour Villas have been built. Further phases of the projects are still under planning with an estimated area of 111,617 sq.m. available for sale in the future. In February and August, the Group and Zhonggeng Group, through the joint venture company, jointly acquired Mazongdi plots 2016-01 and 2016-06 with an estimated area of 686,399 sq.m. available for sale in the future, located at the north bank of Yanhang River in Langqi International Tourist Resort, Mawei District, Fuzhou, in auction with a consideration of RMB417,000,000 and RMB684,000,000, respectively, and such land plots will be used for construction of residential projects.

The Group will continue to study the possibility of acquiring new projects through participation in tender, auction and public listing, equity acquisition, and urban renewal and redevelopment as ever. With nearly twenty years' experience in Shanghai real estate market development, the market brand influence and background of the state-owned enterprise, the Group will implement the strategy of acquiring land resources through a number of channels. In addition, the Group continued to explore opportunities for acquiring projects in Shanghai and domestic core first-tier and second-tier cities, and to supplement the Group's high quality land bank at reasonable costs.

As at 31 December 2016, the Group's land bank is developed into 20 property projects located in 11 cities and is distributed across major cities in China, including Shanghai, Beijing, Shenyang, Tianjin, Kunshan, Wuxi, Xi'an, Chongqing, Fuzhou, Changsha and Shenzhen. Most of the land bank is developed into medium to high class residential properties, which are currently under construction. With a future saleable planned G.F.A. of approximately 4.36 million sq.m., the Group's land bank is sufficient to support its development for the next three to five years.

Property Development

During the year, the formal completion of the structure of phase I residential projects T2 and T3 of TODTOWN, i.e. the Xinzhuang Metro Superstructure associate project in Minhang District, Shanghai, marked that the project has successfully achieved periodical target since the commencement of construction on 26 June 2014. The residential part of the project are expected to be brought to the market in 2017. In addition, over half of the third phase of Beijing West Diaoyutai housing project under the demolition plan of the Group has been successfully completed. The project is situated around Beijing West third ring with Linhe luxury residential districts as its core products and its targeted groups are the high-end wealthy customers.

For the year ended 31 December 2016, the Group had 9 projects with a total G.F.A. of 1,867,000 sq.m. under construction, which primarily included TODTOWN, Urban Cradle, Shanghai Jing City in Shanghai, Originally in Xi'an and Laochengxiang in Tianjin, of which 281,000 sq.m. was new construction area from the Originally in Xi'an, and Laochengxiang in Tianjin. The Group completed construction with G.F.A. of 638,000 sq.m., which mainly comprised of Shanghai Jing City and Originally in Xi'an, and delivered a total G.F.A. of 352,000 sq.m.

Investment Properties

The Group is committed in development of commercial properties at premium locations in heated cities, mainly including Shanghai, Beijing, Tianjin and Chongqing. During the year ended 31 December 2016, the G.F.A. of investment properties held by the Group was approximately 686,000 sq.m. and the overall rental income declined by 6% year-on-year to HK$654,358,000 (2015: HK$696,086,000). During the Period under review, the annual rental adjustment is attributable to the initiation of renovation project for certain area of Chongqing Top City, ShanghaiMart and YOYO Tower (previously "Huimin Commercial Tower"), the Group's major investment properties.

Material Disposal

In the first half of 2016, the Group indirectly disposed its 35% interests in Shanghai Minhang U Center by withdrawing its shares from Green Carbon Fund. The remaining 40% interests in Shanghai U Center was disposed in the second half of the year. As at 31 December 2016, the accumulated gain before tax is expected to be approximately RMB2,000,000,000. The disposal of Shanghai U Center presented a good opportunity to realise its hidden value. Meanwhile, the Group also owns several large scale investment properties in the surrounding area. The transaction will help optimise the strategic landscape of the Group's investment properties, and the sales proceeds can be used to accelerate the development of its existing projects and to fund acquisition of any new projects.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

During the year ended 31 December 2016, the Group's revenue significantly increased by 41.8% year-on-year to HK$5,490,564,000 (2015: HK$3,871,923,000), primarily due to the booming real estate market and the completion and delivery of more residential buildings for projects in Yangtse River Delta Region and Xian which led to the increase in carry-over income in the year. During the year, property sales remained as the Group's main source of revenue and amounted to HK$4,557,433,000 (2015: HK$2,902,873,000), accounting for 83.0% (2015: 75.0%) of the Group's total revenue. The revenue contribution from Urban Cradle, Originally and Shanghai Jing City accounted for 45.0%, 24.5% and 10.4% of property sales respectively.

Revenue from leasing, property management and services, and hotel operations continued to provide stable revenue sources for the Group, contributing HK$654,358,000, HK$94,703,000 and HK$184,070,000 (2015: HK$696,086,000, HK$100,779,000 and HK$172,185,000) and accounting for 11.9%, 1.7% and 3.4% (2015: 18.0%, 2.6% and 4.4%) of the total revenue, respectively.

Gross Profit and Gross Profit Margin

For the year ended 31 December 2016, the Group's gross profit was HK$1,400,613,000, increased by 11.9% compared with 2015, due to an increase in revenue. Gross profit margin was 25.5%, a decrease of approximately 6.8 percentage points from 32.3% last year, which was mainly due to different projects, product types and locations of delivered properties commanding different cost structure, thus leading to an adjustment of the gross profit margin.

Investment Property Revaluation

For the year ended 31 December 2016, the Group recorded a net gain on revaluation of investment properties of approximately HK$260,505,000, which was mainly attributable to the ShanghaiMart and Beijing Youngman Point project.

Distribution and Selling Expenses

For the year ended 31 December 2016, the Group's distribution and selling expenses increased by 63.8% year-on-year to HK$275,194,000 (2015: HK$168,020,000) as a result of a significant increase of contract sales during the period.

General and Administrative Expenses

For the year ended 31 December 2016, the Group recorded general and administrative expenses of approximately HK$444,626,000, a decrease of 3.4% year-on-year (2015: HK$460,317,000), which was mainly attributable to the Group's continual effects in its stringent implementation of cost control measures which proved to be effective.

Other Expenses, Gains and Losses, Net

For the year ended 31 December 2016, the net loss of other expenses, gains and losses was approximately HK$304,505,000 (2015: HK$588,685,000), mainly due to a booked foreign exchange loss arising from the depreciation of Renminbi during the year, and provision for impairment of other receivables.

Profit

For the year ended 31 December 2016, the Group's profit increased significantly year-on-year by 1.46 times to approximately HK$1,326,565,000 (2015: HK$539,986,000), which was mainly attributable to the one-off gain arising from the disposal of 35% and 40% interests in Shanghai U Center through withdrawing from the partnership in Green Carbon Fund and public listing, respectively. During the year, profit attributable to shareholders increased to HK$521,888,000 (2015: HK$517,385,000), up 0.9% from the same period last year. During the year, the basic and diluted earnings per share amounted to 10.85 HK cents (2015: 10.75 HK cents).

Liquidity and Capital Resources

The Group manages its capital to ensure that entities in the Group will be able to operate continuously on a sustainable basis while maximizing the return to shareholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

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

In August 2016, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司), a subsidiary of the Group, completed the non-public issuance of RMB1,700,000,000 principal amount domestic corporate bonds to qualified investors in the PRC with a term of six years at an annual coupon rate of 3.9%. The Group intended to use the net proceeds from the issue of the bonds for repayment of bank loans and its general working capital. In addition, in November 2016, the Group entered into a loan agreement in relation to the term loan of RMB3,000,000,000 for a term of 36 months at an interest rate of 3.8% with a bank as the lender, and the Group intended to use the funds to repay the Company's shareholders' loans denominated in foreign currencies. The net debt to total equity of the Group (net debt (total borrowings less cash and cash equivalents and pledged bank deposits) to total equity) decreased from 54.9% as at the end of last year to 8.1%, mainly due to an increase in cash flow which was attributable to the asset disposal and strong performance in contract sales. Current ratio was 2.3 (31 December 2015: 2.0).

As at 31 December 2016, the total borrowings of the Group including bank borrowings, other borrowings, bonds amounted to approximately HK$14,746,170,000 (2015: HK$22,233,639,000), and bank balances and cash of the Group were HK$12,818,335,000 (31 December 2015: HK$11,371,189,000). The disposal of the U Center project provided the Group with strong liquidity during the year. The management believes that the Group's financial resources and future revenue will be sufficient to support the current working capital requirements and future expansion of the Group.

Foreign Exchange Risks

During the year, owing to the continuous devaluation of RMB, which affected a lot of domestic property developers holding US and HK dollars debts. In light of this, the Group repaid a substantial amount of its foreign currency debts in 2016 in order to ensure sound financial conditions and minimize the foreign exchange risks. Such debts were cut by approximately HK$8,264,482,000.

Most of the Group's revenues and operating costs were denominated in Renminbi. Except for the bank deposits denominated in foreign currencies, bank loans denominated in US dollar and Hong Kong dollar, the Group's operating cash flow or liquidity is not directly subject to any other material exchange rate fluctuations. The Group did not enter into any foreign exchange hedging arrangements to control its exposure to exchange rate fluctuations during the year ended 31 December 2016. However, the Group will adopt necessary measures at appropriate time to minimize the impact arising from currency fluctuations.

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

Distribution of Dividends

In view of shareholders' unwavering support over the years, the Board resolved through discussion to propose a final dividend of 1.4 HK cents (2015: 1.2 HK cents) per share, together with a special dividend of 1.9 HK cents (2015: 1.6 HK cents) per share attributable to the gains derived from project disposals.

Contingent Liabilities

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

CHARGE ON GROUP'S ASSETS

As at 31 December 2016, certain bank deposits of approximately HK$43,133,000 (31 December 2015: HK$54,901,000) 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 2016, certain inventories, certain hotel properties and their land use right, certain investment properties and bank deposits of the Group located in the PRC, with total carrying amounts of approximately HK$1,878,127,000 (31 December 2015: HK$6,749,448,000), HK$759,680,000 (31 December 2015: HK$1,427,558,000), HK$8,395,002,000 (31 December 2015: HK$10,755,933,000) and HK$12,356,000 (31 December 2015: HK$94,949,000) respectively, were pledged as collateral for the Group's bank borrowings, details of which are set out in note 31 to the consolidated financial statements.

HUMAN RESOURCES AND REMUNERATION POLICIES

As at 31 December 2016, the Group employed 1,610 employees (including Hong Kong and PRC offices). The remuneration policies for the employees of the Group are determined according to the performance, qualification, experience and competence of the employees. The emoluments of the Directors are determined by the remuneration committee of the Company, having regard to the operating results of the Group, individual performance and comparable market statistics. Staff benefits include discretionary bonus payments which are linked to the profitability of the Group and individual performances and contributions to the Mandatory Provident Fund Schemes.

The Group had adopted a share option scheme as an incentive to the Directors and eligible employees. During the year ended 31 December 2016, the Group provided training programs relating to work to employees. Activities aiming at building up team spirit were regularly organized for employees, so as to enhance the human capital of the Group and the sense of belonging of the staff.

OUTLOOK

In the past year, the sales of commodity housing in the national real estate market exceeded the previous high level in 2013. As the national economic transformation tend to be stable gradually and the domestic urbanization is stepping into the next stage, the Group considers that the real estate market in the PRC is still in the developing stage. On the other hand, as the real estate industry faces cyclical adjustment recently and changes may also fall to the favourable monetary environment at current stage, property developers should give consideration to the strategical layout and business transformation in the future, in combination with their own advantages.

The Group promoted the implementation of four strategic areas in the past year, i.e. "residential property development + investment property operation + urban value-added service + cooperation between industry and finance and capital", taking the investment in mid-to high-end residential property and development and sales as the business pillar, enhancing the financial stability with the investment property operation and acquisition of quality property management, extending by transforming existing property in a value-added way and updating city to expand increasingly the financialization service of the property. The Group will maintain an investment strategy tailored for its development in this year as well as adhere to the five directions, such as putting equal importance to rooting into Shanghai metropolitan circle and other core first and second-tier cities, putting equal importance to merger and acquisitions as well as land bidding, putting equal importance to existing and increment of the land project markets, putting equal importance to independent development and strategic alliance, and putting equal importance to management of assets and operation of capital.

In the future, the Group will endeavor in the boutique development mode, while giving attention to the opportunities during the industry adjustment period, giving concern to the urban added-value services and opportunities for renovating and transforming cities, putting focus on the projects, such as old town renovation, transformation and upgrading of the industrial lands and property development of subway upper cover. At last, the Group will grasp the reforming opportunities of the mixed ownership of state-owned enterprises this year, driven by the operation of both management of assets and operation of capital, to achieve the transformation and upgrading of the assets of the Group, as well as innovation and development of its business.

As the Group has realized continuous year-on-year increase in contract sales for the last two years, the Group expects to make another breakthroughs in the contracts sales with adequate sellable resources in 2017. The residential part of TODTOWN, Contemporary Villas in Shanghai, Sweet Sea World in Fuzhou and other new projects of the Group will be available for sales in 2017, while Urban Cradle in Shanghai, Originally in Xi'an and other high quality projects will continue to be launched.

In the arrival of Silver Age for the real estate market in the PRC, the Group made proactive adjustments to its development strategies in recent years, and gradually raised the proportion of investment properties in the core areas. The Group's management platform for commercial property was established in last year. The Group currently holds several premium investment properties in Shanghai, which are expected to be completed in 3-5 years. Along with a number of mature investment properties including ShanghaiMart, YOYO Tower (formerly "Huimin Commercial Tower") and Urban Development International Tower, the Group will double the G.F.A. of the Group's overall investment properties and rental income.

Since opening its commercial port, Shanghai has developed with continuous openness and has taken the four cores of constructing international economy, finance, trade and shipping center as its goal to further attract expertise from international management and high-quality talents, which marks that the opening up has entered a new stage. With the gradually stabilized adjustment of national economic structure, the Group is confident about Shanghai economic growth and the future of the real estate industry.

The Group has 20 years' development experience in Shanghai. Capitalizing on existing high quality land reserves, constantly improving financial positions, its strong controlling shareholder background and decades of professional experience in Shanghai property development possessed by its management, the Group will keep on seizing great opportunities during growing stage of real estate industry and generate satisfactory returns for the shareholders.

INVESTOR FAQ

Q **WHAT ARE THE REASONS FOR THE GROUP TO DISPOSE THE U CENTER PROJECT IN MINHANG DISTRICT, SHANGHAI IN 2016, THE STRATEGIC CORE REGION?**

A The Group regards the disposal as an ideal opportunity to realize its hidden value. Meanwhile, the Group also owns several large scale investment properties in the surrounding area, including TODTOWN which is jointly developed with Sun Hung Kai, a Hong Kong property developer. The transaction will enable the Group to optimize the strategic landscape of the Group's investment properties, and the sales proceeds can be used to accelerate the development of its existing projects and to fund acquisition of the Group new projects.

Q **WITH THE GROUP'S SUBSTANTIAL EXCHANGE LOSS LAST YEAR, WHAT IS THE GROUP'S VIEW OF THE EXCHANGE RATE OF THE RENMINBI IN THE COMING YEAR? HOW TO DEAL WITH THE SITUATION?**

A Exchange loss arising from the Renminbi depreciation was a challenge to each and every property developer in China which had debts denominated in foreign currencies. The Group has taken a series of measures to mitigate the underlying risks, including the increase in onshore Renminbi-denominated debts to replace those denominated in foreign currencies for lowering interest rates and avoid the impact of exchange loss. Furthermore, the Group has substituted short-term debts with long-term debts to regulate liquidity risks. The Group has repaid all the debts denominated in foreign currencies with domestic bonds financing and internal resources in 2016.

Q **WHAT IS THE CONTRACT SALES OBJECTIVE OF THE GROUP FOR 2017?**

A The Group has confidence in the economic development and residential demands of Shanghai and core first-tier and second-tier cities, and it is expected that the future real estate demands will be diversified and buyers' demands are likely to be upgraded. In this year, the Group will not only place the focus on the flagship project Urban Cradle in Shanghai, but also launch the residential part of TODTOWN, jointly developed with Sun Hung Kai, and the Contemporary Art Villas, acquired in the last year, and Yunxi, new premises of Originally in Xi'an. It is expected that the sellable resources of commodity housing throughout the year will be no less than its counterpart in 2016, while the annual contract sales amount is expected to reach approximately RMB9.3 billion.

Q WITH THE RE-LAUNCH OF REGULATION OVER THE REAL ESTATE MARKET BY NATIONWIDE LOCAL GOVERNMENTS IN THE FOURTH QUARTER OF 2016, WHAT IS THE GROUP'S VIEW OF THE REAL ESTATE MARKET IN 2017?

A The Group believes that the recent policy aims at preventing irrational speculation activities in first-tier and second-tier cities, and the regulation will encourage the long-term healthy development of the industry. As domestic consumers have continued demands for properties, it is expected that the market in first-tier and key second-tier cities will remain stable. The Group believes that the real estate and relevant industries are still an important part of ensuring stable economic growth in China this year.

In the past year, the sales of commodity housing in the national real estate market exceeded the previous high level in 2013, and the market potential went beyond expectations. Therefore, property developers should consistently give new thoughts to layout and transformation of the strategy, including how to shift from resource-driven to capital-driven, innovation-driven, as well as to focus on consumer demand upgrades and other relevant strategies. The Group is still full of confidence in the development of the real estate market in the PRC.

Q IN LIGHT OF CONTINUOUS SLOW-DOWN IN LAND SUPPLY IN FIRST-TIER AND SECOND-TIER CITIES IN RECENT YEARS, WHAT ARE THE MEASURES FOR THE GROUP TO ACQUIRE NEW PROJECTS?

A In 2016, the domestic monetary environment was still accommodative. In the second quarter, land prices in Shanghai rose rapidly, expensive lands appeared in the surrounding areas of Shanghai, such as Sijing, Nanqiao, Zhoupu and Fengxian. The Shanghai government introduced a series of controlling policies in the fourth quarter, including restriction on the source of funds used by developers to acquire land and stringent investigation of its violations, as a result the market gradually cooled down.

Despite of the irrational increase in land price in Shanghai, the Group acquired 100% equity interest in two residential projects in Shanghai, i.e. Contemporary Art Villas and Contemporary Splendour Villas, through merger and acquisition at reasonable costs in 2016, which further optimised the land bank and increase the proportion of saleable area of projects with a high gross margin projects in Shanghai. As at the end of 2016, total G.F.A. of the saleable land bank of the Group reached 4.36 million sq.m., which can support the Company's development for 5-7 years.

In the next phase, the Group will continue to explore the possibility of acquiring new projects through participation in tender, auction and public listing, equity acquisition, and urban renewal and redevelopment, and implement the strategy of acquiring land resources through a number of channels. In addition, the Group will continue to explore opportunities for acquiring projects in Shanghai and domestic core first-tier and second-tier cities. Besides, the Group expects that the rental income will continue to grow in the future after completion of more investment properties. This will expand the proportion of rent in the total revenue and relieve the cyclical impact of property development.

TO EMBRACE THE NEW TO BUILD WITH PERFECTED FORM NORM

In 2016, SIUD has accelerate with land bank expansion by acquiring quality villa projects in Shanghai and Sweet Sea in Fuzhou. Going forward, the Group will remain focused on Shanghai and other tier-one and tier-two cities to explore new opportunities.

Artist Impression – Contemporary Splendour Villa in Shanghai

DETAILS OF PROPERTIES — LAND BANK

Artist Impression — TODTOWN (Residential)

The Group has 20 projects in 11 cities, comprising mid- to high-end residential units, serviced apartments, commercial and office buildings. As at 31 December 2016, the total GFA of the future saleable land bank of the Group was approximately 4.36 million sq.m.

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

As at 31 December 2016

Project	City	Site area (sq.m.)	Planned G.F.A. (sq.m.)	Saleable G.F.A. (sq.m.)	2016 pre-saleable G.F.A. (sq.m.)	Accumulated G.F.A. sold (sq.m.)	Future saleable G.F.A. (sq.m.)	G.F.A. under construction (sq.m.)	Future G.F.A. under development (sq.m.)	Expected Completion Date	Ownership (%)
Urban Cradle	Shanghai	908,950	1,136,468	822,724	37,600	738,311	84,413	77,249	–	Completed by phase from 2007 to 2017	53.1%
Binjiang U Center	Shanghai	77,371	525,888	324,600	–	–	324,600	–	324,600	Completed by phase from 2019 to 2021	35.4%
Shanghai Youth City	Shanghai	57,944	212,130	164,688	1,703	139,840	24,848	–	–	Completed	100.0%
Shanghai Jing City	Shanghai	301,908	772,885	610,514	45,672	544,970	65,544	–	38,217	Completed by phase from 2012 to 2018	59.0%
TODTOWN	Shanghai	117,825	605,000	385,300	–	–	385,300	272,300	113,000	Completed by phase from 2018 to 2022	20.7%
Contemporary Art Villa	Shanghai	116,308	71,822	71,822	–	31,705	40,117	–	6,000	Completed by phase from 2018 to 2020	100.0%
Contemporary Splendour Villa	Shanghai	120,512	111,562	71,500	–	–	71,500	–	71,500	Completed by phase from 2018 to 2020	100.0%
American Rock	Beijing	121,499	523,833	454,610	3,812	454,563	47	–	–	Completed	100.0%
Youngman Point	Beijing	112,700	348,664	295,114	10,905	258,343	36,771	13,693	–	Completed by phase from 2007 to 2021	100.0%
West Diaoyutai	Beijing	42,541	250,930	230,801	237	172,069	58,732	–	49,288	Completed by phase from 2007 to 2021	90.0%
Laochengxiang	Tianjin	244,252	752,883	613,357	12,415	571,907	41,450	29,795	–	Completed by phase from 2006 to 2019	100.0%
Yoooou.net	Kunshan	34,223	129,498	112,812	6,607	61,951	50,861	–	–	Completed	30.7%
Royal Villa	Kunshan	205,017	267,701	222,666	40,276	204,342	18,324	–	–	Completed by phase from 2007 to 2017	53.1%
Urban Development Int'l Center	Wuxi	24,041	193,368	143,862	22,728	40,765	103,097	–	–	Completed	59.0%
Originally	Xi'an	2,101,967	3,899,867	3,202,324	121,584	2,002,343	1,199,981	102,535	789,706	Completed by phase from 2008 to 2019	71.5%
Shenyang U Center	Shenyang	22,651	228,768	181,373	5,498	5,498	175,875	181,373	–	Completed by phase from 2015 to 2018	80.0%
Top City	Chongqing	120,014	786,233	616,122	17,068	376,095	240,027	–	–	Completed by phase from 2008 to 2016	100.0%
Forest Sea	Changsha	679,620	1,032,534	1,016,765	29,877	270,263	746,502	75,534	704,553	Completed by phase from 2007 to 2025	67.0%
China Phoenix Tower	Shenzhen	11,038	106,190	79,391	–	78,343	1,048	–	–	Completed	91.0%
Sweet Sea	Fuzhou	387,693	1,046,898	806,808	120,409	120,409	686,399	303,623	503,185	Completed by phase from 2018 to 2021	26.0%
Total		**5,808,074**	**13,003,122**	**10,427,153**	**476,391**	**6,071,717**	**4,355,436**	**1,056,102**	**2,600,049**		

DETAILS OF PROPERTIES — LAND BANK

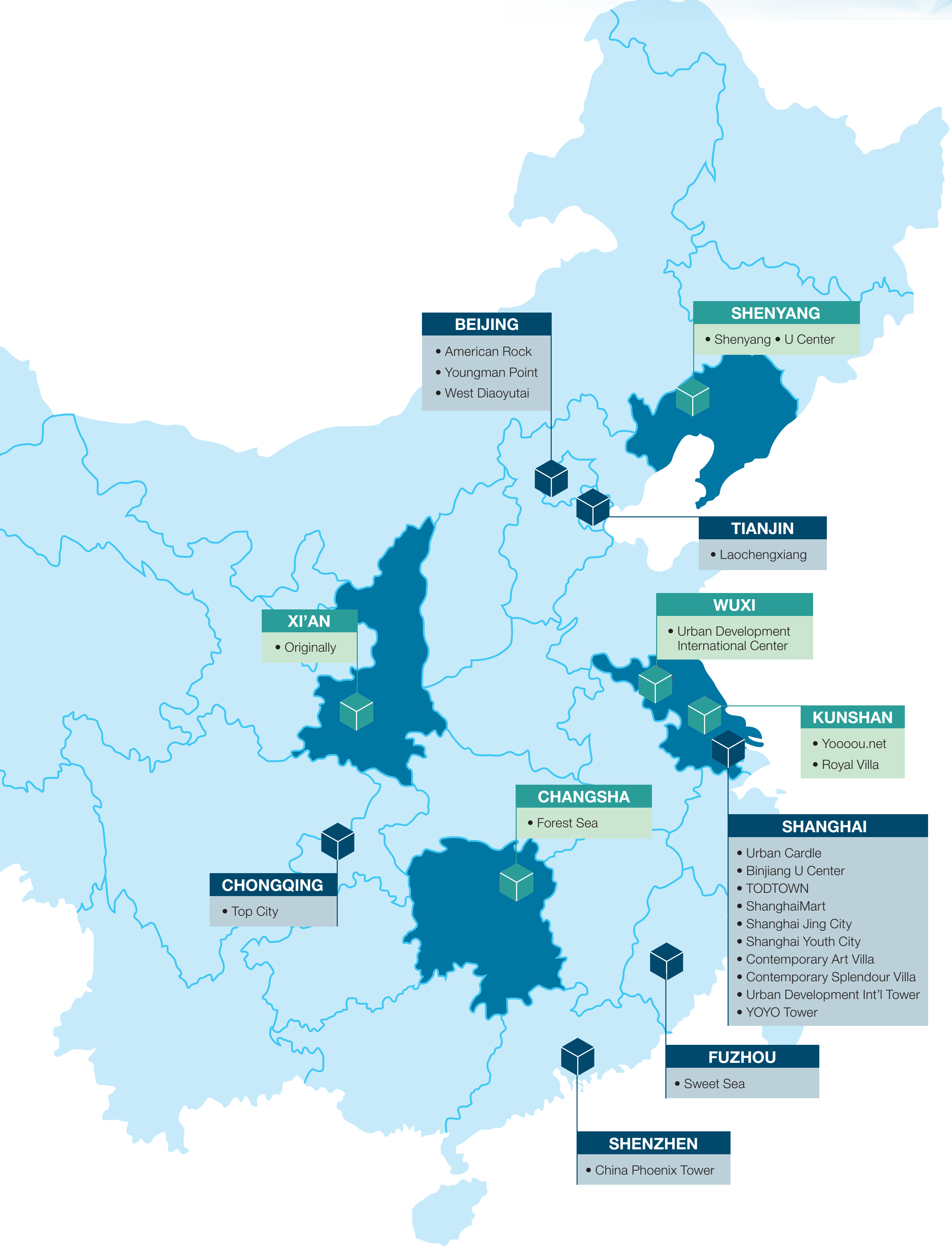
Artist Impression — TODTOWN (Commercial)

MAJOR INVESTMENT PROPERTIES

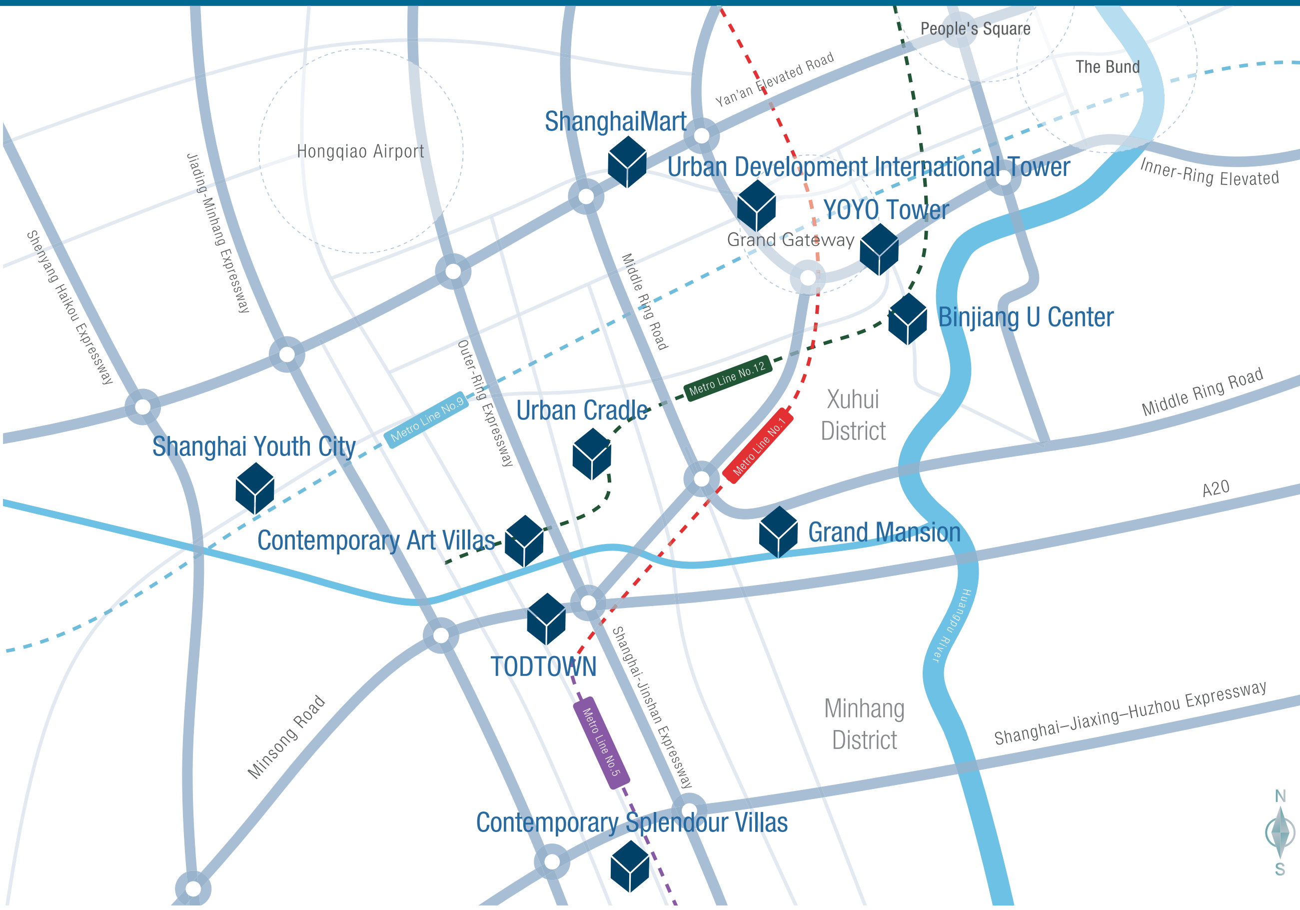
Project	City	Property Category	Lease Term	Planned G.F.A. (sq.m.)
Shanghai Youth City	Shanghai	Commercial	Medium-term lease	16,349[1]
Top City	Chongqing	Commercial, parking lot	Medium-term lease	251,847[1]
China Phoenix Tower	Shenzhen	Office building	Medium-term lease	1,048[1]
Youngman Point	Beijing	Commercial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

Notes:
1. Included in the Page 22 of this annual report.
2. Address: Yan' an West Road No. 2299 of Changning District, Shanghai
3. Address: Hongqiao Road No. 355 of Xuhui District, Shanghai
4. Address: Tianyaoqiao Road No.123 of Xuhui District, Shanghai; previously named as "Huimin Commercial Tower"

KEY PROJECTS INTRODUCTION



SIUD Shanghai Projects



Urban Cradle

Address:
588 Gulong Road, Minhang District, Shanghai

Category:
Residence/ Commerce

Feature:

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

KEY PROJECTS INTRODUCTION


Artist Impression

Binjiang U Center

Address:
Xuhui Binjiang, Shanghai

Category:
Office/ Commerce

Feature:

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


Artist Impression

TODTOWN

Address:
Xinzhuang Town, Minhang District, Shanghai

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

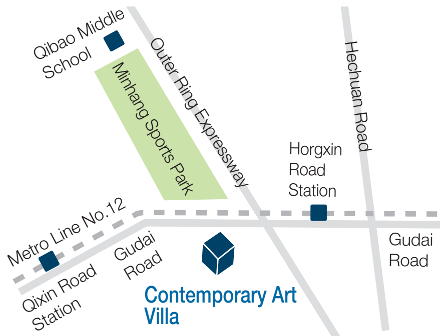
Feature:

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

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

Contemporary Art Villa


Artist Impression



Address:
Minhang District, Shanghai

Category:
Residential

Feature:

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

Contemporary Splendour Villa


Artist Impression

Address:
Minhang District, Shanghai

Category:
Residential

Feature:

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

KEY PROJECTS INTRODUCTION

ShanghaiMart

Address:
2299 West Yan'an Road, Shanghai

Category:
Exhibition/ Commerce/ Office

Feature:

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

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


Artist Impression

Shanghai Jing City (Including Grand Mansion)

Address:
Lane 266, Zhumei Road, Shanghai

Category:
Residence/ Commerce

Feature:

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

KEY PROJECTS INTRODUCTION

Youngman Point

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

Category:
Residence/
Commerce

Feature:

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


Artist Impression

West Diaoyutai

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

Category:
Residence

Feature:

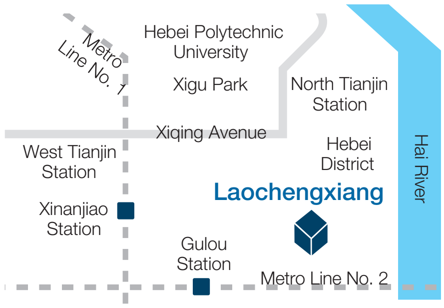
Located in the west third ring, on the east and north side of Kunyu River and west to the 137-hectare Yuyuantan Park, the project enjoys a 67-hectare expanse of magnificent aquatic scenes, the largest in Beijing where water is a scarce resource, giving it uniqueness and a touch of supremacy. The project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

KEY PROJECTS INTRODUCTION

Tianjin


Artist Impression

Laochengxiang



Address:
Laochengxiang, Nankai District, Tianjin

Category:
Residence/ Commerce/ Office

Feature:

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

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

Shenyang


Artist Impression

Shenyang • U Center

Address:
South Taiyuan Street, Heping District, Shenyang

Category:
Commerce/Office/ Serviced Apartment

Feature:

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

Kunshan

Yooooou.net

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

Category:
Commerce/Office

Feature:

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

Royal Villa

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

Category:
Residence

Feature:

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

KEY PROJECTS INTRODUCTION

Wuxi

Urban Development International Center

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

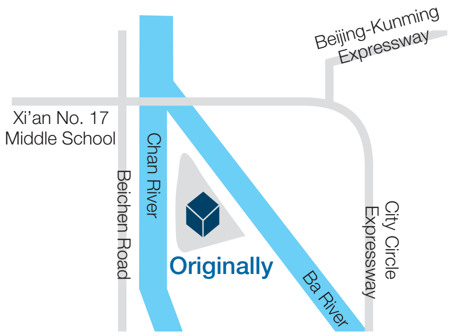
Category:
Commerce/Hotel/Office/Serviced Apartment

Feature:

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

Xi'an

Originally



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

Category:
Residence/Commerce/Hotel

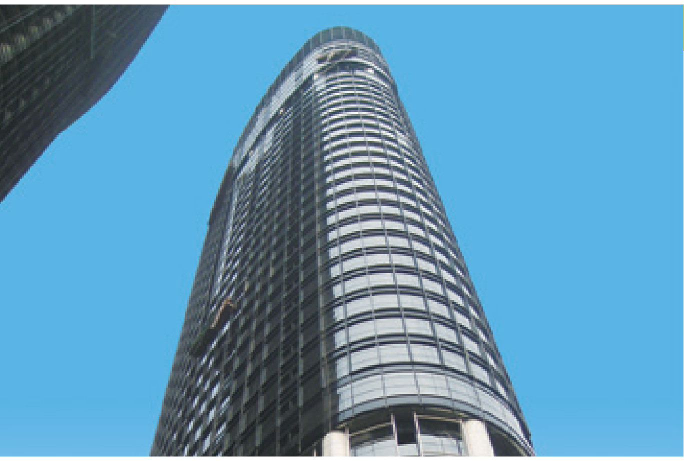
Feature:

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

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

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

Chongqing



Top City

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

Category:
Residence/
Commerce/
Office

Feature:

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

Changsha


Artist Impression

Forest Sea

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

Category:
Residence/
Commerce

Feature:

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

KEY PROJECTS INTRODUCTION

Fuzhou

Sweet Sea

Address:
Tonghe Road, Langqi Island, Fuzhou

Category:
Residence/Commerce

Feature:

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

INVESTOR RELATIONS REPORT

SUMMARY:

The Company is perfectly aware of the importance of maintaining good communication with capital market, including financial media, investment banks and funds, and strives to bolster the Company's transparency of the disclosed so that shareholders are accurately informed of the operational conditions and financial performance of the Company in due course.

COMMUNICATION STRATEGY:

The Company has formulated "Shareholder Communication Policy". Our communication strategy is to ensure that information, regardless of being positive or negative, disclosed on a timely, public and transparent basis so that shareholders can make informed investment decisions. As part of our investor relations function, we also recognize that communication has to be conducted in both directions. Therefore, we consistently collect feedbacks from investors and analysts for the attention of senior management and the Board of Directors. This also helps to formulate our investor relations plan and boost our mid and long-term development strategy.

The Company keeps valuing the support and trust bestowed by shareholders, and has three basic self-requirements:

1. Create value for shareholders;

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

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

INVESTOR RELATIONS REPORT

CHANNELS AND METHODS:

In 2016, the Company disseminated information to the market through multiple channels such as the annual reports, interim reports, press releases and announcements. All these information is available on the Company's website. The corporate communication department also shared the announcements and press releases with investors via email, WeChat official account and other ways in due course, and proactively responded to relevant inquiries and provided guidance.

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

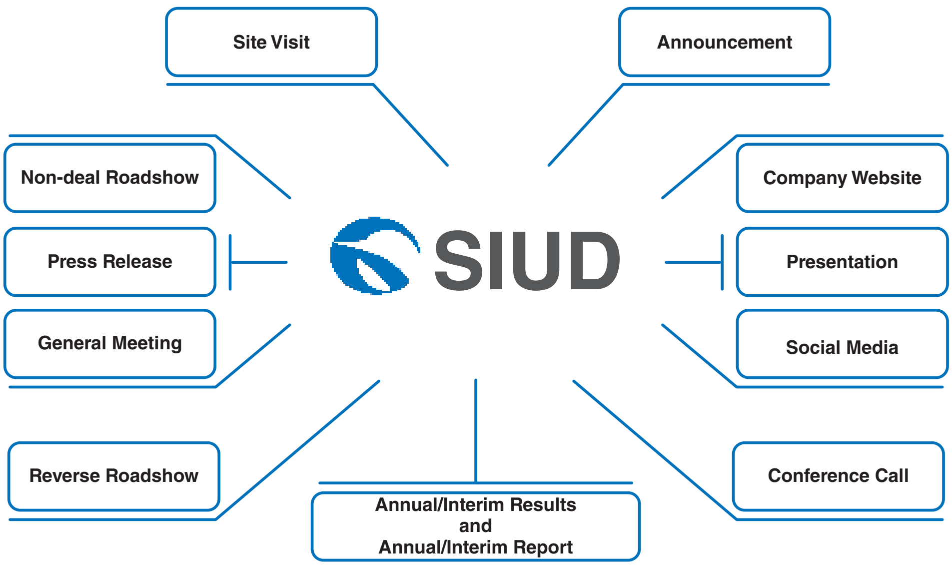


Chart of communication channels between SIUD and the capital market

Investors were visiting Contemporary Art Villa Project

Investors were visiting Grand Mansion Project

COMMUNICATIONS FOR "SHENZHEN-HONG KONG STOCK CONNECT":

In August 2016, the Stock Exchange announced that the "Shenzhen-Hong Kong Stock Connect" (referred to as "SZ-HK Stock Connect") would be implemented. The Company enhanced the frequency of communication and deepened the relations with domestic investors in advance in the second half of the year in ways such as increasing roadshows in Beijing, Shanghai and Shenzhen and luncheon with investors to convey the long-term strategy and recent operation development of the Group. On 5 December, The Company was successfully included in SZ-HK Stock Connect, a critical channel for domestic qualified investors to access and invest in the Company's shares.

ANNUAL GENERAL MEETING:

The Group held the annual general meeting to ensure that the shareholders or representatives delegated by them can attend and hear the performance at the meeting, make queries to the directors and vote on the proposed resolutions at the annual general meeting for the approval from the shareholders after their consideration.

During the Period under review, the Company held the annual general meeting at banquet hall at Island Shangri-La Hotel, Queensway, Hong Kong on 25 May 2016, events passed on the meeting includes the re-election of the rotated directors and the general mandate of issuing and repurchasing shares. All ordinary resolutions proposed at the annual general meeting were passed by the way of written vote.

ANNUAL REVIEW:

During the year, the Group attended in total 3 major investment conferences staged by investment banks, 10 non-deal roadshows, 2 reverse roadshows and 19 conference calls, hosting more than 240 investors and capital market participants. The Company also arranged investors and media to conduct site visits to the premium projects of the Group, including Urban Cradle, Grand Mansion, Binjiang U Center, ShanghaiMart and TODTOWN in Shanghai. Investors were able to dine and had conversation with the management. Meanwhile, the chairman of the board conducted Q&A session for investors and reporters to reinforce mutual understanding as well.

AVAILABILITY OF THE INFORMATION:

As a corporate citizen with environmental awareness, the Company encourages the shareholders to access to the corporate information and the latest news through the Company's website www.siud.com or the website of HKEXnews. The Company's website is equipped with Simplified Chinese, Traditional Chinese and English for the convenience of the users.

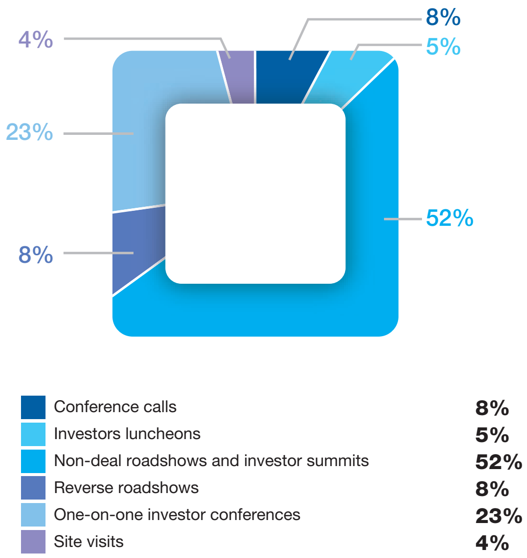
All corporate communications information can be accessed from the "Investment relations" section on the website after published. The Group also send information to all persons who requested to join the Group's contact database by emails. Anyone who wants to be included into the contact database can send an email to ir@siud.com.

Q&A session with Chairman

Investors were visiting TODTOWN

INVESTOR RELATIONS REPORT

SUMMARY OF THE INVESTOR RELATIONS EVENTS



MAJOR INVESTOR RELATIONS EVENTS IN 2016:

Time	Event	Organizer	Location
March	Post-results One-on-One	SIUD	Hong Kong
April	Non-deal roadshow	Jefferies	Shanghai, Beijing
April	Non-deal roadshow	Credit Suisse	Hong Kong
August	Post-results One-on-One	SIUD	Hong Kong
September	Non-deal roadshow	Guangfa (HK)	Hong Kong
October	Non-deal roadshow	China Galaxy International Securities	Shenzhen
October	Non-deal roadshow	Jefferies	Hong Kong
October	Non-deal roadshow	Guangfa (HK)	Hong Kong
November	Investment summits	Guotai Junan	Shenzhen
November	Non-deal roadshow	UOB Kay Hian	Shanghai
November	Reverse roadshow for Media	SIUD	Shanghai
November	Reverse roadshow for the investment banks and the investors	SIUD	Shanghai
November	Non-deal roadshow	Orient Securities	Shanghai
December	Non-deal roadshow	China Everbright Securities	Shanghai
December	Investment summits	Industrial Securities	Shanghai
December	Non-deal roadshow	Jefferies	Beijing
December	Non-deal roadshow	Credit Suisse	Hong Kong

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRINCIPLES AND PRACTICES

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

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

During the year ended 31 December 2016, the Company has complied with the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules except for the deviation from code provision A.2.1 of the Code as described below.

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

BOARD OF DIRECTORS

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

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

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

As at 31 December 2016, the Board comprised nine members, including six executive Directors and three 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 56 to 62 of this annual report. The Board reviews regularly its composition to ensure a balance of skills and experience appropriate for the requirements of the business of the Company.

INDEPENDENCE CONFIRMATION

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

APPOINTMENT AND RE-ELECTION

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

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

DIRECTORS AND OFFICERS LIABILITY INSURANCE

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

THE CHAIRMAN AND THE PRESIDENT

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

MEETING BETWEEN THE CHAIRMAN AND INDEPENDENT NON-EXECUTIVE DIRECTORS

Under code provision A.2.7 of the Code, the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present. There was one meeting held between the chairman of the Company and the independent non-executive Directors, without the presence of the executive Directors for the year ended 31 December 2016.

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 2016, the Company offered several appropriate training sessions for Directors. The training sessions were related to the internal controls, anti-fraud policies and site visiting. The Company has received from each of the Directors the individual training record of Directors pursuant to A.6.5 of the Code and time involved in public companies or organizations and description of other significant commitments pursuant to A.6.6 of the Code.

During the year ended 31 December 2016, the Directors participated in the following trainings:

	Attending[1]
Executive Directors	
Ji Gang	✔
Zhou Jun	✔
Yang Jianwei	✔
Yang Biao	✔
Ye Weiqi	✔
Huang Fei	✔
Independent Non-Executive Directors	
Doo Wai-Hoi, William, *J.P.*	✔
Fan Ren Da, Anthony	✔
Li Ka Fai, David	✔

Note:

1. Trainings may include
    - (a) seminar(s)/programme(s)/conference(s)/forums relevant to the business or directors' duties; and/or
    - (b) reading newspaper, journals and updates relating to the economy, general business or directors' duties etc.; and/or
    - (c) Company's site visiting.

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

(B) Support

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

PRACTICES AND CONDUCT OF MEETINGS

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

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

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

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

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

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

THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its own code of conduct regarding dealings in the securities of the Company by the directors and the relevant employees (who are likely to be in possession of inside information relating to the Company or its securities) (the "**Guidelines for Securities Transactions by Relevant Employees**") on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standards set out in the Model Code and its code of conduct regarding directors' securities transactions for the year ended 31 December 2016.

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 2016.

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 2016 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**	**2016 AGM[1]**
Executive Directors						
Ji Gang	4/4			1/1		1/1
Zhou Jun	3/4					1/1
Yang Jianwei	4/4				2/2	1/1
Yang Biao	4/4					1/1
Ye Weiqi	4/4		2/2		2/2	1/1
Huang Fei	4/4					1/1
Independent Non-Executive Directors						
Doo Wai-Hoi, William, *J.P.*	3/4	2/2	2/2	1/1		0/1
Fan Ren Da, Anthony	4/4	2/2	2/2	1/1	2/2	1/1
Li Ka Fai, David	4/4	2/2				1/1

Note:

1. The 2016 annual general meeting of the Company was held on Wednesday, 25 May 2016.

BOARD COMMITTEES

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

A. Audit Committee

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

The main responsibilities of the Audit Committee are:

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

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

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

There were two Audit Committee meetings held for the year ended 31 December 2016. 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 2016, the Audit Committee reviewed the independence and objectivity of the external auditor, the scope of audit services and related audit fees payable to the external auditor for the Board's approval. The Audit Committee has reviewed the audited financial statements of the Company and discussed with the management and the auditor of the Company on the accounting principles and practices adopted by the Group, risk management, internal controls matter of the Group, interim results and financial statements and the terms of reference for Audit Committee.

B. Remuneration Committee

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

The major responsibilities of the Remuneration Committee are:

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

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

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

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

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

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

During the year ended 31 December 2016, two Remuneration Committee meetings were held to review the remuneration packages of all directors and senior management of the Company, directors' services contracts, the terms of reference for Remuneration Committee and the renewal of the directors' services contracts.

C. Nomination Committee

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

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

During the year ended 31 December 2016, one Nomination Committee meeting was held and the following works, inter alia, were performed by the Nomination Committee:

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

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

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

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

D. Investment Appraisal Committee

The Investment Appraisal Committee currently consists of one independent non-executive Director, namely Mr. Fan Ren Da, Anthony (Committee Chairman) and two executive Directors, namely Mr. Yang Jianwei and Mr. Ye Weiqi.

The main responsibilities of the Investment Appraisal Committee are:

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

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

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

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

5. to make subsequent assessment on investment projects; and

6. to review on the above matters.

During the year ended 31 December 2016, two Investment Appraisal Committee meetings were held to discuss and consider the following matters:

1. a major and connected transaction in regard to the disposal of 40% equity interest in SUD Longcheng (Details can be found in the announcement of the Company dated 12 May 2016 and the circular of the Company dated 23 June 2016.); and

2. a major transaction in regard to the acquisition of two residential villa projects in Shanghai (details can be found in the announcement of the Company dated 19 September 2016 and the circular of the Company dated 25 November 2016).

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 2016, the Company Secretary has duly complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules. According to the Rule 3.29 of the Listing Rules, the Company Secretary has taken no less than 15 hours of relevant professional training. The biographical details of the Company Secretary are set out in the section of "BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT" in this annual report.

ACCOUNTABILITY

The Directors are responsible for overseeing the preparation of accounts of each financial period, which give a true and fair view of the state of affairs of the Company and the Group and of the Group's results and cash flow for the period. In preparing the financial statements for the year ended 31 December 2016, 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

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

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

Anti-fraud policies and procedures

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

RISK MANAGEMENT

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

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

EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company about their reporting responsibilities on the financial statements is set out in the "INDEPENDENT AUDITOR'S REPORT" on pages 77 and 81.

During the year ended 31 December 2016, the remuneration paid and accrued to the Company's auditor, Deloitte Touche Tohmatsu, is set out below:

	HK$'000
For audit services	
— audit fee for the year ended 31 December 2016	4,612
— other audit-related services	2,081
Total:	6,693

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 2016, there is no significant change in the Company's constitutional documents.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. THE GROUP'S VISION

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

In 2016, the Group continued to actively promote and engage in different types of corporate social responsibility activities, including the provision of a good working environment for its employees, establishment of a standardized system for the Group's product lines to ensure product quality, active participation in public welfare, promotion of the idea of energy-saving and environmental protection and setting a good example in energy-saving and consumption reduction. The brand value of SIUD increased from RMB5,611 million in 2015 to RMB7,383 million in 2016.

In 2017, 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 and focus on unifying corporate efficiency and social responsibility with a view to maximizing the integrated value of the economy, society and environment, and promoting the harmonious development of both the enterprise and the society.

2. QUALITY OF WORKING ENVIRONMENT

Upholding its "people-oriented" development concept, SIUD respect well-qualified workforce and considers talents as the fundamental element and the most precious asset for the development of the enterprise. It strives to create a fair competition environment, sufficient room for development and pleasant and comfortable working environment for employees. Meanwhile, the Group builds and improves the corporate culture and team spirit by promoting passionate career ambition, encouraging practical working attitude, creating supportive working atmosphere, promoting mutual sharing of risks and success and the reward and punishment mechanism of intense unification of responsibilities and rights. In 2016, the Group was awarded the title of "Four-star Credible Enterprise" (四星級誠信創建單位) in Shanghai.

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 reasonable 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. For the whole year, a total of 53 employees in difficulty were relieved and a token of solidarity amounting to RMB74,500 was distributed. The Group paid a visit to 40 retired employees during the hot weather and the Spring Festival, allowing the employees to actually feel the concern and care of the enterprise.

Health and Safety:

Safety protection is an important premise for an enterprise to engage in production operation activities and a major social responsibility. In 2016, the Group continued to perfect the safety production management and control system and refine each of the safety production management systems, strictly enforced the rules of safety production and stepped up its efforts in the onsite safety and quality inspection of construction in progress and operational properties. Being particularly tactful and vigilant towards safety and quality management, the Group has revised the safety production and management system and arranged each intercity company and project company to sign the annual safety production responsibility contract for full coverage.

To further enhance the awareness of the staff in safety production, on the one hand, the Group strengthened the education and training on safety production and there are 45 employees involved in the education and training on safety production, in which all of them achieved a pass, and the training rate is 100 percent. 120 rural migrant workers completed the training. On the other hand, the Group attached great importance to onsite safety inspection and irregular random checks. During the 26 safety inspections conducted on 24 units throughout the year, 13 safety rectification notices were issued and 128 safety threats were rectified. The Group has achieved full rectification. During 2016, the overall safety condition of the Group was stable and controllable without any material safety-related accidents.

The Group emphasizes on 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 organized several cultural and sports activities, such as the 35th anniversary variety performance, the 6th Staff Sports Festival of SIIC and various athletic contest in the city and district, and won a heatrola team prize in the 4th staff shoot and archery competition in Xuhui district of the 2016 Xuhui Staff Athletic and Fitness League.

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 2016, the Group mainly focused on the training system, with a view to building a diversified echelon of workforce. Senior management personnel training was organized targeting the senior management, while the middle level was engaged in management training, on-the-job training and talent reserve training. "City Forum" and the "4th Staff Activity Day" amounting to 10 times were organized for general staff. For the development of management trainees, job rotation, training plans and regular appraisal and interviews were conducted until their completion of job rotation. During the year, over 960 people attended the internal training organized by the Group and the satisfaction rate was 100%. 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.

Recruitment and Promotion:

The Group has more than a thousand employees in 10 cities in the Mainland China and in Hong Kong. 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 bringing about job opportunities for the society. SIUD establishes a rational and reasonable job grading system which makes reference to the types, responsibilities, levels of contributions and terms of reference of the post. The job classifications 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 2016, the Group stepped up its efforts in training back-up cadres in order to establish a pool of back-up talents for the Group, and formulated an implementation plan for back-up cadre development.

In 2016, the Group put great effort in recruitment. It intensified the recruitment of experienced staff in areas covering investment, financial, marketing, audit, business management and legal, which effectively supplemented the specialized expertise of the Group and added vibrancy to all kinds of work of the Company.

3. ENVIRONMENTAL PROTECTION

The global environment and ecological security is currently faced with unprecedented threats. To follow the approach to economic growth and social development with the goal of attaining efficiency, harmony, sustainability and environment-friendliness, the business should play an important role and follow a pragmatic approach to promote energy conservation, emission reduction and the development of low-carbon economy. It is inevitable for the harmonious development between human beings and the nature, they also form a critical part of the Group's social responsibilities. The Group applies the concept of environmental protection to real estate development, property operation planning, procurement, construction and property management.

In the course of development of construction projects, the Group encourages its employees to carry out technical modification, technical optimization, energy-saving measures, management innovation and recycling activities. Through proactive promotion and active participation of the employees, the 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.

The architectural design of the Group's projects is in compliance with the national energy-saving standards for public buildings and the local energy efficiency standards. Large-scale complexes, including Binjiang, Xuhui District and the integrated transportation hub in Xinzhuang are designed based on the LEED Green Building Gold Certification, which imposes more stringent energy-saving requirements. The orientation of the four towers of the Binjiang U Center project obtained Two Stars rating in the Certification of Green Buildings, and the Leadership in Energy and Environmental Design (LEED) — Gold rating level certification granted by a U.S.-based organization, while the orientation of the T1 tower, the tallest building of the project, was awarded WELL Certification by the U.S. WELL Building Standard. The design of the T1 tower focuses on the improvement of the indoor environment in terms of the acoustic, lighting and air elements with the application of environment-friendly and low-volatile interior decoration materials to create a comfortable and healthy office environment. All SIUD projects are designed with environmentally friendly features. Garage, boiler room, refuse storage chamber, washroom and kitchen are all designed with deodorization and air purification facilities with high emission of treated oily fumes so as not to affect the outdoor pedestrian area. Through reducing building energy consumption, emission of greenhouse gases during energy production is cut down. Projects that are designed in accordance with the national green building standards or the LEED Green Building Standard are equipped with efficient water-saving appliances and rainwater collection system for road cleaning and irrigation. The overall water-saving rate can be up to 30% to 40%. In addition, in 2016, SIUD made investment in the research and development of design criteria for structural limits of projects. Design institutions were engaged to optimize the completed projects, while the investment supervisor had conducted audit works to compare and judge the quantitative indicators before and after the optimization. The scope of specific limit design indicators for steel and concrete is defined based on the results of the above efforts to improve the economics of the construction of projects and reduce waste of materials.

With respect to property management, the Group improved its techniques and took effort in energy-saving and emission reduction, while focusing on environmental protection and creating a beautiful environment. In response to the national call for energy conservation and emission reduction, 城開商用物業管理公司, a subsidiary of the Group, installed a "new energy" motor vehicle charging device in the basement garage of the Urban Development International Tower for the convenience of the tenants using "new energy" motor vehicles. 申大物業, a subsidiary of the Group, introduced an energy-saving water pump renovation company to revamp the direct water supply of the complex by making use of the social market resources. Not only has this improved the quality of water supply to the residents of the complex, but also effectively addressed the water wastage problem caused by the leaking fire service water tank.

During its operation, the Group strives to create a comprehensive energy-saving environment by promoting saving even "one drop of water, one piece of paper and one watt of electricity". Employees are encouraged to turn off taps after washing, perform duplex printing, decrease colour printing 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 and promoting everyone to make contribution for the energy saving and environment protection.

4. OPERATION MANAGEMENT

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

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 the first half of 2016, the Group formally established its cost management center and streamlined the cost management process of the Group. At present, the target cost and dynamic cost management, bidding management, contract management and settlement management have been incorporated into the project under construction, such as Section 5 of Jingshi. The level of standardization of project cost control has been improved and the maximization of project value has been achieved as a result of these efforts. The Regulation for the Management of Comparison and Selection of Suppliers within the Design Category in Respect of the Specific Projects of SIUD (Version 1.0) was officially released, which offers a clear mapping of the procedures of comparison and selection for various professions and stages of design, and a clear delineation of the functions involved in different stages and their responsibilities, as well as templates of all documents as required for the procedures of comparison and selection. The Group correspondingly in time 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:

SIUD endeavors in creating product and service of high quality. To enhance product quality and protect the interests of customers, the Group intensified its efforts in the core elements of competition among property developers, namely quality monitoring capability. The Group established the design inspection system to review the results of its project design in phases. Preparation for the establishment of the standardized information platform for residential projects was initiated, during which various information on the construction, landscaping, boutique professional design and parts procurement for completed residential projects was integrated, and investigation and research data of competing projects was collected, while the standardized data was broken down to different modules. We are aiming to enhance the efficiency and quality of the development and orientation, design and parts procurement of the Group's future residential projects through these initiatives. With regard to the quality of construction, the Group strictly adhered to the national and local standards and the respective codes for construction inspection and acceptance. During the construction process, the Group would conduct inspection and acceptance on each part and each segment of the construction, while the participating units would conduct inspection and acceptance upon completion, which would be followed by the filing of records once it had passed the acceptance check. In 2016, the Group completed the post-assessment on the Wuxi projects, Chongqing C1 projects. Xi'an A11 projects and the first phase of Wanyuan C Block, sorted out experiences which could be replicated and easily promoted and made timely rectification on the existing problems. 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.

Anti-corruption:

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

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. It plays an active role in supporting educational and charitable events and widely encourages the joint efforts of the army and the masses and community participation in proactively fulfilling their corporate social responsibilities. Thematic activities were organized to visit the Liu'an Hope Primary School in Anhui province, during which 20 camphor trees were donated to the school, representing the perpetuation of the friendship between SIUD and the school built and operated with the support of SIUD over the last 20 years. We also continued to carry out activities with the armed police to strengthen the harmonious relationship between the military force and the civilians. In the future, SIUD will continue to adhere to the social responsibility as a corporate citizen, providing support to rural education, promoting regional harmonious development and so on to make humble yet persistent contribution.

In addition, the Group arrange its staff to participate in city management, taking the initiative to arrange its staff to participate in charitable and voluntary activities, such as providing voluntary service for the Walk of Civilization (文明行路) and the "Charity plus Arts" art programme in Binjiang, Long Hua Sub-district (龍華街道「益+藝」濱江藝術) and blood donation. Throughout the year, nearly 100 staff members in total participated in various types of voluntary activities. At the same time, in line with the corporation branding campaign, SIUD is dedicated to innovating the way we carry out charity and community activities, with a continued focus on art, education, environmental protection and poverty relief. These initiatives are designed to enhance the systematic organization and planning of our charity and community activities, and to build the brand image of "SIUD community service".

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

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

Mr. Zhou Jun
Executive Director

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

Mr. Yang Biao
Executive Director

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

Ms. Huang Fei
Executive Director and Vice President

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

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

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

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

Mr. Ji, aged 59, was appointed as an executive Director on 24 April 2012. Mr. Ji is also the Chairman of the Board, the President and the Chairman of the Nomination Committee.

Mr. Ji is an independent non-executive director, the chairman of the remuneration committee and a member of the audit committee of Shanghai Jin Jiang International Hotels (Group) Company Limited (the H shares of which are listed on the main board of the Stock Exchange with stock code of 02006). He was the vice chairman and president of Shanghai Industrial Development Co., Ltd., a subsidiary of SIHL and the shares of which are listed on A Shares Market of the Shanghai Stock Exchange with stock code of 600748. He is also a director of SIIC, the controlling shareholder of SIHL. Mr. Ji graduated from Fudan University with a master's degree in economics and is designated a senior economist. Mr. Ji was the general manager of Zhongya Hotel, the chairman and general manager of Shanghai Everbright City Services Co., Ltd., an officer of the Commercial Committee and Economic Committee of the People's Government of Zhabei District, Shanghai, a 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 36 years' experience in corporate management.

Mr. Zhou Jun, Executive Director

Mr. Zhou, aged 48, was appointed as an executive Director on 5 July 2010. Mr. Zhou has been an executive director of SIHL since 15 April 2009 and was re-designated as the vice chairman and chief executive officer of SIHL with effect from 25 August 2016. He has been a director of SUD since 9 July 2007. He was appointed as an non-executive director, the chairman of the board of directors and a member of the nomination committee of the board of directors of SPH (stock code: 2607) with effect from 20 October 2016. He is also an executive director and 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 BHK). 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 22 years of professional experience in securities, finance, real estate and project planning. He is also currently a Standing Committee Member of the Shanghai Committee of the Chinese People's Political Consultative Conference.

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

Mr. Yang, aged 45, was appointed as an executive Director on 22 March 2013 and was appointed as a member of the Investment Appraisal Committee on 11 November 2015. He was appointed as a deputy general manager of SIIC Management (Shanghai) Limited in June 2013. He was appointed as a director of Shanghai Industrial Development Co., Ltd. on 16 November 2012. He graduated from Huazhong University of Science and Technology and Shanghai Jiaotong University with a bachelor's degree of engineering, master's degree of management engineering and doctor's degree in management. He worked for China National Nonferrous Materials Co., Ltd. and Hong Yuan Securities Co., Ltd.. Mr. Yang joined SIIC in June 2004 and was assistant general manager of Shanghai Galaxy Investment Co., Ltd., assistant general manager of the board of directors' office and secretary to chairman of SIIC and assistant

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

CEO of SIHL. He has more than 12 years' experience of financial investment, securities research, investment banking and project planning.

Mr. Yang Biao, Executive Director

Mr. Yang, aged 53, 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 was appointed as the general manager of SUD in March 2015. 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 seven years of experience in real estate and he also has extensive experience in general management, finance and accounting. He is a qualified auditor.

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

Mr. Ye, aged 53, was appointed as an executive Director on 22 March 2013. He is also the 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 and a master's degree in business administration from Arizona State University in 2008. He was the finance manager of finance department of Shanghai Far East Aviation Technology Import and Export Company, the manager of budget finance department of Shanghai Great World Plaza Company Limited, the deputy manager of budget finance department of Shanghai Great World (Group) Company prior to his employment with the Group. He was also the director of the auditing office, manager of investment and development department and assistant to the general manager of SUD. He is currently the director and vice president of SUD and the chairman 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).

Ms. Huang Fei, Executive Director and Vice President

Ms. Huang, aged 52, 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 the director and vice president of SUD.

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, Members of the Audit Committee and the Nomination Committee

Mr. Doo, aged 72, was appointed as an independent non-executive Director on 5 July 2010. He is the Chairman of the Remuneration Committee and a member of the Audit Committee. He was appointed as a member of the Nomination Committee on 3 August 2015. Mr. Doo is the chairman and director of Fung Seng Enterprises Holdings Limited. In addition, he was appointed as a National Committee Member of the 12th Chinese People's Political Consultative Conference in February 2013. Mr. Doo is also the Honorary Consul General of the Kingdom of Morocco in Hong Kong and Macau. Since 1995 he has been serving as a Governor of the Canadian Chamber of Commerce in Hong Kong. In 2008, he was awarded the Chevalier de la Légion d'Honneur by the French Government. Mr. Doo was the vice chairman and non-executive director of New World China Land Limited (stock code: 917) and the deputy chairman and non-executive director of NWS Holdings Limited (stock code: 659) until 1 July 2013. He is a director of the following listed companies:

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

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

Mr. Fan, aged 56, 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 five years of experience in the property industry. Mr. Fan holds a Master's Degree in Business Administration from the United States of America. He is the president and an executive council member of the Hong Kong Independent Non-Executive Director Association. He is the chairman and managing director of AsiaLink Capital Limited. Mr. Fan was an independent non-executive director of Chinney Alliance Group Limited (stock code: 385) and an independent director of 深圳世聯地產顧問股份有限公司 (a company listed on the Shenzhen Stock Exchange with stock code of 002285). He is a director of the following listed companies:

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Listed Company	Role
• Uni-President China Holdings Ltd. (stock code: 220)	Independent non-executive director, chairman of the audit committee, member of the remuneration committee and the investment, strategy and development committee
• Renhe Commercial Holdings Company Limited (stock code: 1387)	Independent non-executive director and chairman of the audit committee
• Tenfu (Cayman) Holdings Company Limited (stock code: 6868)	Independent non-executive director, chairman of the remuneration committee, members of the audit committee and the nomination committee
• CITIC Resources Holdings Limited (stock code: 1205)	Independent non-executive director, chairman of the audit committee, members of the remuneration committee 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
• 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 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 New Energy Holdings Co., Ltd. (stock code: 1811)	Independent non-executive director, members of the audit committee, the remuneration committee and the nomination committee

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

Mr. Li, aged 62, 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 ten years of experience in the property industry. He is a director of the following listed companies:

Listed Company	Role
Hong Kong listed companies	
• Goldlion Holdings Limited (stock code: 533)	Independent non-executive director, chairman of the audit committee, members of the nomination committee and the remuneration committee
• China-Hongkong Photo Products Holdings Limited (stock code: 1123)	Independent non-executive director and chairman of the audit committee, members of the nomination committee and the remuneration committee
• Cosmopolitan International Holdings Limited (stock code: 120)	Independent non-executive director, chairman of the audit committee, members of the nomination committee and the remuneration committee
• AVIC International Holding (HK) Limited (stock code: 232)	Independent non-executive director, members of the audit committee and the remuneration committee
• China Merchants Port Holdings Company Limited (stock code: 144)	Independent non-executive director, chairman of the remuneration committee, members of the audit committee and the nomination committee
• Wai Yuen Tong Medicine Holdings Limited (stock code: 897)	Independent non-executive director and chairman of the audit committee

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Zhong Tao
Vice President

Mr. Zhong, aged 44, 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 director and vice president of SUD.

Mr. Li Bin
Vice President

Mr. Li, aged 43, is a vice president of the Company. He was the chief and independent director of company secretary and information office in Shanghai Xujiahui Commercial Company Limited and the chief of secretary department in Shanghai Xuhui District Committee Office and the supervisor of SUD. Mr. Li received a master's degree in Economics from Shanghai University of Finance and Economics in 2002. He is also an economist and a member of the Chartered Institute of Building (CIOB).

Ms. Zhou Yan
Vice President

Ms. Zhou, aged 49, 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 22 years of experience in the real estate industry in the PRC. She is also currently the director and vice president of SUD.

Mr. He Bin
Vice President

Mr. He, aged 36, is a vice president of the Company. Mr. He received a bachelor's degree in economics from Fudan University. He was the assistant to the president of the Company and SUD. He has been the general manager of Shanghai Shentian Property Limited (上海莘天置業有限公司) since February 2013. Mr. He is currently also the vice president to SUD.

Mr. Chan Kin Chu, Harry
Company Secretary

Mr. Chan, aged 47, has been the Company Secretary since 1 June 2011. He was appointed as Board Secretary and Deputy General Counsel in February 2013. Mr. Chan graduated from The University of Hong Kong with a bachelor of laws degree. He also obtained a master of laws degree from The University of London, U.K. and a bachelor of laws degree from Tsinghua University, the PRC. He was admitted to the High Court of Hong Kong Special Administrative Region as a solicitor. Mr. Chan has over eighteen years of working experience in legal, compliance and corporate governance matters. Before joining the Group, Mr. Chan worked for a sizable property developer as an in-house counsel.

DIRECTORS' REPORT

The Board presents its annual report and the audited financial statements of the Group for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries and its associates are set out in notes 45 and 18 to the consolidated financial statements respectively.

BUSINESS REVIEW

The discussion and analysis of the business review of the Group can be found in the section headed "MANAGEMENT DISCUSSION AND ANALYSIS" as set out on pages 10 to 17 of this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2016 are set out in the consolidated statement of profit or loss and other comprehensive income on page 82.

The Board recommends the payment of a final dividend of 1.4 HK cents per share in cash and a special dividend of 1.9 HK cents per share in cash for the year ended 31 December 2016 (for the year ended 31 December 2015: final dividend of 1.2 HK cents per share in cash and special dividend of 1.6 HK cents per share in cash) to Shareholders whose names appear on the register of members of the Company at the close of business on Monday, 29 May 2017, subject to approval by the Shareholders at the 2017 AGM.

As the Company had insufficient contributed surplus available for distribution to the Shareholders as at 31 December 2016, the final dividend and special dividend are intended to be funded through reduction of certain amount standing to the credit of the share premium account of the Company as at 31 December 2016 and crediting of such amount to the contributed surplus account of the Company in accordance with the provisions of the applicable laws of Bermuda (the "**Share Premium Reduction**"). A special resolution will be proposed at the 2017 AGM to approve the Share Premium Reduction. The details of the Share Premium Reduction will be disclosed in the form of an announcement in due course.

Conditional upon the approval of the proposed Share Premium Reduction as well as the proposed distribution of final dividend and special dividend by the Shareholders at the 2017 AGM, it is expected that the final dividend and special dividend warrants will be despatched to those entitled Shareholders on or around 26 June 2017 (Monday).

CLOSURE OF REGISTER OF MEMBERS

Entitlement to attend and vote at the 2017 AGM

The 2017 AGM is scheduled to be held on Friday, 19 May 2017. For determining the entitlement to attend and vote at the 2017 AGM, the register of members of the Company will be closed from Tuesday, 16 May 2017 to Friday, 19 May 2017, 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 2017 AGM, unregistered holders of shares of the Company should ensure that all duly completed transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30p.m. on Monday, 15 May 2017.

Entitlement to receive the proposed final and special dividend

For determining the entitlement of the Shareholders to receive the proposed final and special dividend, the Company's register of members will be closed from Friday, 26 May 2017 to Monday, 29 May 2017, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the proposed final and special dividend (subject to Shareholders' approval at the 2017 AGM), all duly completed transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30p.m. on Thursday, 25 May 2017.

INVESTMENT PROPERTIES

Details of movements during the year ended 31 December 2016 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 2016 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 190 of this annual report.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 December 2016 are set out in note 35 to the consolidated financial statements.

FACILITIES/LOAN AGREEMENT WITH SPECIFIC PERFORMANCE COVENANT ON THE CONTROLLING SHAREHOLDER

(i) 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, a 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 71.00% of the voting share capital of the Company. On 12 January 2016, all the principle loan amount of HK$1,826,000,000 and US$65,000,000 have been fully repaid by the Company and all liabilities under or in connection with the Facilities have been discharged.

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

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

MATERIAL DISPOSALS AND ACQUISITIONS

Details of material disposals and acquisitions of the Company are set out in notes 33 and 36 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 2016 are set out in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

The Company had insufficient contributed surplus available for distribution to the Shareholders as at 31 December 2016.

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$10,115,153,000 as at 31 December 2016 (as at 31 December 2015: HK$10,115,153,000) may be distributed in the form of fully paid bonus shares.

DIRECTORS

The Directors during the year ended 31 December 2016 and up to the date of this annual report have been:

Executive Directors

Ji Gang *(Chairman and President)*
Zhou Jun
Yang Jianwei
Yang Biao
Ye Weiqi
Huang Fei

Independent Non-executive Directors

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

In accordance with Bye-law 87 of the Company's Bye-laws, Ms. Huang Fei, Mr. Fan Ren Da, Anthony and Mr. Li Ka Fai, David will retire by rotation at the forthcoming annual general meeting of the Company and, being eligible, have offered themselves for re-election. Separate ordinary resolutions will be proposed at the 2017 AGM to re-elect Ms. Huang Fei as executive Director and to re-elect Mr. Fan Ren Da, Anthony and Mr. Li Ka Fai, David as independent non-executive Directors.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in note 44 to the consolidated financial statements, no contract of significance, to which the Company, its holding company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at 31 December 2016 or at any time during the year ended 31 December 2016.

MANAGEMENT CONTRACT

During the year ended 31 December 2016, no contract concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed.

CONTRACT OF SIGNIFICANCE

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

(i) No contracts of significance in relation to the business of the Group, to which the Company or any of its subsidiaries was a party and in which a controlling shareholder of the Company or any of its subsidiaries had a material interest, whether directly or indirectly, subsisted at the year ended 31 December 2016 or at any time during the year ended 31 December 2016; 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 2016 or at any time during the year ended 31 December 2016.

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 56 to 62 of this annual report.

DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

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

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

As at 31 December 2016, 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 Directors	Capacity	Number of issued ordinary shares held	Number of underlying shares subject to options granted[1]	Approximate % of the issued share capital of the Company
Zhou Jun	Beneficial owner	–	7,000,000	0.15%
Yang Biao	Beneficial owner	–	7,000,000	0.15%
Ye Weiqi	Beneficial owner	–	6,000,000	0.12%
Huang Fei	Beneficial owner	–	6,000,000	0.12%
Doo Wai-Hoi, William, *J.P.*	Beneficial owner	–	1,000,000	0.02%
Fan Ren Da, Anthony	Beneficial owner	–	1,000,000	0.02%
Li Ka Fai, David	Beneficial owner	–	1,000,000	0.02%

Note:

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

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

SIHL

Name of Director	Capacity	Number of issued ordinary shares held	Number of underlying shares subject to options granted[1]	Approximate % of interest in the corporation
Ji Gang	Beneficial owner	–	0	0.00%
Zhou Jun	Beneficial owner	195,000	0	0.02%
Yang Jianwei	Beneficial owner	–	0	0.00%

Note:

1. These interests represent the interests in the underlying shares of SIHL in respect of the share options (which are unlisted and physically settled equity derivatives) granted by SIHL under its share option scheme. Particulars of such share options and their movements during the year ended 31 December 2016 were as follows:

Name of Directors	Date of grant	Exercise price per share HK$	Outstanding as at 1 January 2016	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year	Outstanding as at 31 December 2016
Ji Gang	20 September 2011	22.71	350,000	–	–	350,000	0
Zhou Jun	20 September 2011	22.71	600,000	–	–	600,000	0
Yang Jianwei	20 September 2011	22.71	280,000	–	100,000	180,000	0

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)

SPH

Name of Director	Capacity	Number of issued ordinary shares held	Number of underlying shares subject to options granted	Approximate % of interest in the corporation
Ji Gang	Beneficial owner	50,000	—	0.01%

Save as disclosed herein, as at 31 December 2016, none of the Directors or the chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or pursuant to the Model Code.

SHARE OPTION SCHEME

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

As at 31 December 2016, the Company granted 41,750,000 shares options to subscribe for up to a total of 41,750,000 ordinary shares of nominal value of HK$0.04 each in the capital of the Company under the Share Option Scheme, representing approximately 0.87% of the issued share capital of the Company as at 31 December 2016. The Share Option Scheme expired on 11 December 2012.

DIRECTORS' REPORT

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 2016 were as follows:

Name of categories	Date of grant	Exercise price per share HK$	Exercise period[1]	Outstanding as at 1 January 2016	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Outstanding as at 31 December 2016
Directors								
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
Ye Weiqi	24 September 2010	2.98	24 September 2010 to 23 September 2020	6,000,000	—	—	—	6,000,000
Huang Fei	24 September 2010	2.98	24 September 2010 to 23 September 2020	6,000,000	—	—	—	6,000,000
Doo Wai-Hoi, William, *J.P.*	24 September 2010	2.98	24 September 2010 to 23 September 2020	1,000,000	—	—	—	1,000,000
Wong Ying Ho, Kennedy[2]	24 September 2010	2.98	24 September 2010 to 23 September 2020	1,000,000	—	—	1,000,000	0
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	12,750,000	—	—	—	12,750,000
Total				**42,750,000**	**—**	**—**	**1,000,000**	**41,750,000**

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. Dr. Wong Ying Ho, Kennedy resigned as an independent non-executive Director, a member of the Audit Committee and the Chairman of the Nomination Committee with effect from 3 August 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 2016.

Save as disclosed herein, the Company had not granted any share options to any persons as required to be disclosed under Rule 17.07 of the Listing Rules during the year ended 31 December 2016.

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 2016 was the Company, its holding company or any of its subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

CORPORATE GOVERNANCE

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

AUDIT COMMITTEE

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

During the year ended 31 December 2016, 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 2016, the audited final financial statements of the Group for the year ended 31 December 2016 and discussed with the management and the auditor of the Company on the accounting principles and practices adopted by the Group; risk management and internal controls; and financial reporting matters.

CONNECTED AND CONTINUING CONNECTED TRANSACTIONS

Certain related party transactions as set out in notes 43 and 44 to the consolidated financial statements are continuing connected transactions and/or connected transactions under the Listing Rules. Details of the connected transaction and the continuing connected transaction of the Company, which is also related party transaction as disclosed in note 43 to the consolidated financial statements, required to be disclosed under Chapter 14A of the Listing Rules are set out below.

CONNECTED TRANSACTION

Disposal of Equity Interest in SUD Longcheng

On 12 May 2016, SUD entered into the Equity Transfer Agreement with 中庚地產實業集團有限公司 (Zhonggeng Real Estate Industrial Group Co., Ltd., the "**Purchaser**") (the "**Equity Transfer Agreement**") pursuant to which SUD agreed to sell to the Purchaser the 40% equity interest in SUD Longcheng for a consideration of RMB1,907,000,000 which is fully payable in cash by the Purchaser within 360 days after signing of the Equity Transfer Agreement (the "**Disposal**"). For further information about the Disposal, please refer to the announcement and circular of the Company dated 12 May 2016 and 23 June 2016 respectively and note 33(b)(ii) to the consolidated financial statements.

The Purchaser is wholly-owned by Mr. Liang Yanfeng ("**Mr. Liang**"), who also holds the entire issued share capital of Earth & Gold International Holdings Limited, which acquired 100% of Power Tact Investment Limited (then owing 25% equity interest in SUD Longcheng) from the Company in June 2013. Hence, each of Mr. Liang and Earth & Gold International Holdings Limited became a substantial shareholder of SUD Longcheng. Accordingly, as a company wholly-owned by Mr. Liang and thus his associate, the Purchaser is a connected person of the Company at the subsidiary level.

CONTINUING CONNECTED TRANSACTIONS

Cross Guarantee

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

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

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

As at 31 December 2016, (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 RMB272,000,000 (equivalent to approximately HK$303,707,000) (2015: RMB332,000,000 (equivalent to approximately HK$396,000,000)); 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 RMB146,000,000 (equivalent to approximately HK$163,019,000) (2015: RMB166,000,000 (equivalent to approximately HK$198,000,000)).

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 Third Supplemental Agreement for each of the two years ending 31 December 2017 is subject to an annual cap of RMB332,000,000.

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

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

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

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

The auditor of the Company has performed procedures in respect of the continuing connected transaction in accordance with Hong Kong Standard on Assurance Engagements 3000 "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 2016, substantial shareholders and other persons (other than the directors and chief executives of the Company) who had interests or short positions in the shares and underlying shares of the Company which were notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO and entered in the register required to be kept by the Company pursuant to Section 336 of the SFO, or otherwise notified to the Company were as follows:

Ordinary shares of HK$0.04 each of the Company

Name of substantial shareholders	Capacity	Number of shares of the Company held	Approximate % of the issued share capital of the Company
SIHL	Held by controlled corporation	3,415,883,000 (L)[2,3]	71.00%
SIIC	Held by controlled corporation	3,427,683,000 (L)[2,3,4]	71.24%

Notes:

1. L denotes long positions.

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

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

4. SIIC through its subsidiaries, namely Shanghai Investment Holdings Limited, SIIC Capital (B.V.I.) Limited, 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, SIIC CM Development Funds Limited, South Pacific Hotel (Hong Kong) Limited and SIIC CM Development Limited held approximately 58.79% of the shares of SIHL. Therefore, SIIC is deemed or taken to be interested in the 3,415,883,000 shares of the Company held by SIHL for the purpose of the SFO. Separately, 11,800,000 shares of the Company were held by SIIC Trading Company Limited, a subsidiary of SIIC.

Save as disclosed herein, as at 31 December 2016, 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 1.93% of the Group's total revenue for the year ended 31 December 2016 and the sales attributable to the Group's largest customer were approximately 0.40% of the Group's total revenue for the year ended 31 December 2016.

The aggregate purchases attributable to the Group's five largest suppliers comprised approximately 15.09% of the Group's total purchases and the purchases of the year ended 31 December 2016 attributable to the Group's largest supplier were approximately 9.15% of the Group's total purchases for the year ended 31 December 2016.

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

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

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

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2016.

AUDITOR

The financial statements for the year ended 31 December 2016 of the Group have been audited by Messrs. Deloitte Touche Tohmatsu who will retire and being eligible, offering itself for re-appointment. A resolution for the re-appointment of Messrs. Deloitte Touche Tohmatsu as the auditor of the Company will be proposed at the 2017 AGM.

NON-COMPETE UNDERTAKING

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

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

CHANGES IN INFORMATION OF DIRECTORS

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

(a) Mr. Zhou Jun, an executive director of the Company, was appointed as the chairman of the board of directors, a non-executive director and a member of the nomination committee of the board of directors of SPH with effect from 20 October 2016.

(b) Mr. Doo Wai-Hoi, William, *J.P.*, an independent non-executive director of the Company, has resigned as an independent non-executive director and a member of the audit committee of The Bank of East Asia, Limited, a company listed on the Stock Exchange with stock code of 23, with effect from 18 February 2017.

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

DONATIONS

During the year ended 31 December 2016, the Group made charitable donations of RMB2,140,000 (equivalent to approximately HK$2,500,000).

APPRECIATION

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

By order of the Board of
Shanghai Industrial Urban Development Group Limited

Ji Gang
Chairman

Hong Kong, 28 March 2017

FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

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

OPINION

We have audited the consolidated financial statements of Shanghai Industrial Urban Development Group Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 82 to 189, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
We identified the valuation of investment properties as a key audit matter due to significance of the balance to the consolidated statement of financial position, significance of the net fair value change on investment properties to the consolidated statement of profit or loss and other comprehensive income and estimation uncertainty associated with determining the fair value of investment properties. As disclosed in note 14 to the consolidated financial statements, the fair value of the investment properties amounted to approximately HK$13,744,306,000 as at 31 December 2016 with the fair value change of approximately HK$260,505,000 recognised in the consolidated statement of profit or loss and other comprehensive income for the year then ended. The fair value of the Group's investment properties as at 31 December 2016 has been arrived at on the basis of valuation carried out by an independent qualified professional valuer not connected to the Group (the "Valuer"). The valuation is dependent on certain significant inputs that involve judgment and estimation made by the management of the Group together with the Valuer, including, among other factors, market prices, prevailing market rents for comparable properties in the same location and condition, expected future market rents and discount and reversionary rates.	Our procedures in relation to the valuation of the investment properties included: • Assessing the competence, capabilities and objectivity of the Valuer; • Discussing with the Valuer on the valuation process to understand the performance of property markets, significant assumptions adopted and data used in the valuation and the management's critical judgmental areas; • Discussing with the Valuer to understand whether the investment properties held by the Group were valued on a consistent basis using consistent methodologies; • Evaluating the reasonableness of the methodologies adopted in the valuation models; and • Assessing the reasonableness of key inputs used in the valuation by, on a sample basis, checking to the publicly available information and comparing the inputs to entity-specific historical information.

Key audit matter	How our audit addressed the key audit matter
Assessing the net realisable value of properties held-for-sale ("PHFS")	
We identified assessing the net realisable value of the Group's PHFS as a key audit matter because certain of such PHFS are not located in the first-tier cities, such as Beijing and Shanghai, in the People's Republic of China (the "PRC"), which are more sensitive to change in economic conditions and local measures in the PRC. Accordingly, there is a risk that carrying value of such PHFS is lower than its net realisable value (the "NRV"). Besides, estimation uncertainty is associated with determining the NRV of the PHFS. As disclosed in note 22 to the consolidated financial statements, the Group had PHFS of approximately HK$6,343,749,000 as at 31 December 2016 of which an amount of approximately HK$2,273,344,000 related to PHFS which are not located in first-tier cities in the PRC and have no pre-sale agreements entered into by the Group as at 31 December 2016. An impairment loss in respect of PHFS not located in first-tier cities or have no pre-sale agreements entered into by the Group amounting to approximately HK$221,104,000 was recognised in the consolidated statement of profit or loss and other comprehensive income for the year then ended. The management of the Group determined the NRV of the PHFS which are not located in first-tier cities in the PRC and have no pre-sale agreements entered into by the Group as at 31 December 2016 by reference to the independent valuation reports prepared by the Valuer. The valuation is dependent on certain significant inputs that involve judgment and estimation made by the management of the Group together with the Valuer including, among other factors, the nature of each property, its location and the prevailing selling price.	Our procedures in relation to the valuation of the Group's PHFS included: • Understanding and evaluating the appropriateness of the inventory provision policy adopted and assessing whether the provision policy is implemented properly and consistent with the basis adopted in prior years; • Challenging the forecast property selling prices for those PHFS located in first-tier cities as estimated by the management of the Group with reference to publicly available information and checking the pre-sale agreements entered into by the Group, on a sample basis, if applicable; • Assessing the competence, capabilities and objectivity of the Valuer; • Discussing with the Valuer on the valuation process to understand the performance of property markets, significant assumptions adopted and data used in the valuation and the management's critical judgmental areas; • Evaluating the reasonableness of the methodologies adopted in the valuation models; and • Assessing the reasonableness of key inputs used in the valuation by, on a sample basis, checking to the publicly available information and comparing the inputs to entity-specific historical information.

OTHER INFORMATION

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs 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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

28 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	NOTES	2016 HK$'000	2015 HK$'000
Revenue	5	**5,490,564**	3,871,923
Cost of sales		**(4,089,951)**	(2,619,927)
Gross profit		**1,400,613**	1,251,996
Other income	6(a)	**487,781**	132,610
Other expenses, gains and losses, net	6(b)	**(304,505)**	(588,685)
Fair value change on investment properties, net	14	**260,505**	38,934
Impairment loss in respect of properties held-for-sale		**(221,104)**	(31,911)
Distribution and selling expenses		**(275,194)**	(168,020)
General and administrative expenses		**(444,626)**	(460,317)
Gains on disposal of subsidiaries	33(a)	**—**	1,640,999
Gains on disposal of assets through disposal of subsidiaries	33(b)	**2,395,035**	—
Gain on disposal of an associate	18	**—**	1,140
Finance costs	7	**(716,138)**	(810,988)
Share of gains of associates	18	**3,222**	3,516
Profit before tax		**2,585,589**	1,009,274
Income tax	8	**(1,259,024)**	(469,288)
Profit for the year	9	**1,326,565**	539,986
Other comprehensive income (expense) for the year			
Items that will not be reclassified to profit or loss:			
Exchange differences arising on translation into presentation currency		**(1,293,710)**	(874,922)
Share of other comprehensive income of associates		**(7,757)**	(9,488)
Item that may be reclassified subsequently to profit or loss:			
Net gain on fair value changes of available-for-sale investment, net of tax		**439**	129,917
Other comprehensive expense for the year		**(1,301,028)**	(754,493)
Total comprehensive income (expense) for the year		**25,537**	(214,507)
Profit for the year attributable to:			
Owners of the Company		**521,888**	517,385
Non-controlling interests		**804,677**	22,601
		1,326,565	539,986
Total comprehensive income (expense) attributable to:			
Owners of the Company		**(110,368)**	104,354
Non-controlling interests		**135,905**	(318,861)
		25,537	(214,507)
Earnings per share			
Basic (HK cents)	13	**10.85**	10.75
Diluted (HK cents)	13	**10.85**	10.75

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	NOTES	2016 HK$'000	2015 HK$'000
Non-current assets			
Investment properties	14	**13,744,306**	11,811,202
Property, plant and equipment	15	**1,726,009**	1,961,549
Prepaid lease payments	16	**213,435**	234,523
Intangible assets	17	**56,945**	60,903
Interests in associates	18	**1,135,065**	1,215,340
Interest in a joint venture	19	**65,718**	65,718
Available-for-sale investments	20	**265,662**	295,441
Pledged bank deposits	21	**20,937**	43,665
Other receivables	23	**103,394**	194,872
Deferred tax assets	32	**409,786**	344,564
		17,741,257	16,227,777
Current assets			
Inventories	22	**25,483,600**	32,548,428
Trade and other receivables	23	**1,259,937**	3,346,931
Amounts due from related companies	27	**299,527**	—
Prepaid lease payments	16	**4,593**	5,254
Prepaid income tax and land appreciation tax		**375,240**	170,154
Financial assets at fair value through profit or loss	24	**5,193**	4,532
Restricted and pledged bank deposits	21	**137,672**	106,185
Bank balances and cash	25	**12,818,335**	11,371,189
		40,384,097	47,552,673
Current liabilities			
Trade and other payables	26	**5,173,828**	7,137,933
Amounts due to related companies	27	**609,801**	2,035,987
Amounts due to associates	28	**50,371**	58,007
Consideration payables for acquisition of subsidiaries	29	**342,585**	127,915
Pre-sale proceeds received on sales of properties	30	**7,996,881**	4,967,064
Bank and other borrowings	31	**854,595**	4,990,628
Deposits received for identifying investment projects	34	**—**	1,991,880
Income tax and land appreciation tax payables		**2,497,983**	1,888,785
Dividend payable		**8,384**	6,976
Dividend payable to non-controlling shareholders		**61,344**	125,340
		17,595,772	23,330,515
Net current assets		**22,788,325**	24,222,158
Total assets less current liabilities		**40,529,582**	40,449,935

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	2016 HK$'000	2015 HK$'000
Non-current liabilities			
Deferred revenue	26	**195,776**	—
Amount due to a related company	27	**—**	68,784
Bank and other borrowings	31	**13,891,575**	17,243,011
Deferred tax liabilities	32	**4,722,103**	3,624,389
		18,809,454	20,936,184
		21,720,128	19,513,751
Capital and reserves			
Share capital	35	**192,451**	192,451
Reserves		**12,098,372**	12,343,455
Equity contributable to owners of the Company		**12,290,823**	12,535,906
Non-controlling interests		**9,429,305**	6,977,845
		21,720,128	19,513,751

The consolidated financial statements on pages 82 to 189 were approved and authorised for issue by the Board of Directors on 28 March 2017 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 2016

	Attributable to owners of the Company													
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000 (note (iv))	Share options reserve HK$'000	Other revaluation reserve HK$'000 (note (i))	Investment revaluation reserve HK$'000	Shareholder's reserve HK$'000	Statutory contribution/ merger reserve HK$'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 2015	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
Profit for the year	–	–	–	–	–	–	–	–	–	–	517,385	517,385	22,601	539,986
Exchange differences arising on translation into presentation currency	–	–	–	–	–	–	–	–	–	(533,460)	–	(533,460)	(341,462)	(874,922)
Share of other comprehensive income of associates	–	–	–	–	–	–	–	–	–	(9,488)	–	(9,488)	–	(9,488)
Net gain on fair value changes of available-for-sale investment, net of tax	–	–	–	–	–	129,917	–	–	–	–	–	129,917	–	129,917
Total comprehensive income for the year	–	–	–	–	–	129,917	–	–	–	(542,948)	517,385	104,354	(318,861)	(214,507)
Transfer upon disposal of subsidiaries	–	–	–	–	–	–	–	–	–	(321,591)	321,591	–	–	–
Transfer to distributable reserve	–	(210,000)	210,000	–	–	–	–	–	–	–	–	–	–	–
Dividends recognised as distributions (Note 49)	–	–	(52,927)	–	–	–	–	–	–	–	–	(52,927)	–	(52,927)
Dividends declared to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(63,669)	(63,669)
Repayment of capital upon deregistration of subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	(104,705)	(104,705)
Acquisition of additional interest in a subsidiary (note (vi))	–	–	–	–	–	–	–	–	–	–	–	–	(214,951)	(214,951)
Forfeiture of share options	–	–	–	(17,475)	–	–	–	–	–	–	17,475	–	–	–
Repurchase of ordinary shares (note (v))	(10)	(300)	–	–	–	–	–	–	–	–	–	(310)	–	(310)
Contribution from a non-controlling interest upon establishment of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	49,988	49,988
Transfer	–	–	–	–	–	–	9,040	–	–	–	(9,040)	–	–	–
At 31 December 2015	192,451	10,115,153	157,073	49,367	52,526	129,917	173,726	2,214,569	(47,317)	559,069	(1,060,628)	12,535,906	6,977,845	19,513,751
Profit for the year	–	–	–	–	–	–	–	–	–	–	521,888	521,888	804,677	1,326,565
Exchange differences arising on translation into presentation currency	–	–	–	–	–	–	–	–	–	(624,938)	–	(624,938)	(668,772)	(1,293,710)
Share of other comprehensive income of associates	–	–	–	–	–	–	–	–	–	(7,757)	–	(7,757)	–	(7,757)
Net gain on fair value changes of available-for-sale investment, net of tax	–	–	–	–	–	439	–	–	–	–	–	439	–	439
Total comprehensive income for the year	–	–	–	–	–	439	–	–	–	(632,695)	521,888	(110,368)	135,905	25,537
Transfer upon disposal of subsidiaries	–	–	–	–	–	–	–	–	–	(754)	754	–	–	–
Dividends recognised as distributions (Note 49)	–	–	(134,715)	–	–	–	–	–	–	–	–	(134,715)	–	(134,715)
Forfeiture of share options	–	–	–	(1,165)	–	–	–	–	–	–	1,165	–	–	–
Contribution from a non-controlling interest upon capitalisation of its lending to the Group (Note 27(v))	–	–	–	–	–	–	–	–	–	–	–	–	2,315,555	2,315,555
Transfer	–	–	–	–	–	–	101,952	–	–	–	(101,952)	–	–	–
At 31 December 2016	192,451	10,115,153	22,358	48,202	52,526	130,356	275,678	2,214,569	(47,317)	(74,380)	(638,773)	12,290,823	9,429,305	21,720,128

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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 the parent company, Shanghai Industrial Holdings Limited ("SIHL"), for the acquisition of subsidiaries controlled by SIHL and the acquired carrying amount of the subsidiaries at the date of the Group and the subsidiaries acquired became under common control. Shareholder's contribution represents capital contribution from SIHL and State-Owned Assets Supervision and Administration Commission of Shanghai Xuhui District ("Xuhui SASAC"), being non-controlling interest, (based on their respective percentage of equity interest) to a subsidiary of the Group, Shanghai Urban Development (Holdings) Co., Ltd. ("SUD"), as paid-in capital in April 2011. Xuhui SASAC holds 41% interests in SUD.

(iii) Other reserve represents a premium contributed by the owners of the Company on acquiring the remaining 1.0% interests of 上海世界貿易商城有限公司 ("Shanghai World Trade") from a non-controlling shareholder subsequent to the acquisition of Continental Land Group (as defined in note 27 (v)). This acquisition, without changing the Group's control over Shanghai World Trade, was accounted for as an equity transaction. The difference between the fair value of cash consideration of HK$92,274,000 and 1.0% share of net assets held 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.

(iv) Pursuant to the special resolution passed on 27 May 2015, the Company transferred an amount of HK$210,000,000 from share premium account to contributed surplus account, which increased the distributable reserves of the Company thereby giving the Company a greater flexibility in its dividend policy and making distributions to the shareholders.

(v) In August 2015, the Company repurchased on the market 250,000 ordinary shares of the Company of HK$0.04 each (the "Share Repurchase") with the average price being HK$1.24 per share. The aggregate consideration for the Share Repurchase is approximately HK$310,000 which is funded from the contributed surplus available for dividend distribution of the Company.

(vi) On 28 December 2015, the Company acquired the remaining 20% interests of a subsidiary of the Company from a non-controlling shareholder at a consideration of HK$214,951,000. The acquisition, without changing the Group's control over the subsidiary, was accounted for as an equity transaction. As the subsidiary was established in 10 September 2014 and remains inactive since the establishment, the fair value of cash consideration approximates the 20% share of net assets held by the non-controlling shareholder.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	2016 HK$'000	2015 HK$'000
OPERATING ACTIVITIES		
Profit before tax	**2,585,589**	1,009,274
Adjustments for:		
Fair value change on investment properties, net	**(260,505)**	(38,934)
Depreciation on property, plant and equipment	**96,742**	114,292
Amortisation of prepaid lease payments	**6,453**	6,814
Loss (gain) on disposal of property, plant and equipment	**282**	(39,945)
Finance costs	**716,138**	810,988
Interest income	**(212,495)**	(95,605)
Dividend income from available-for-sale investments	**(368)**	(323)
Changes in fair values of financial assets at fair value through profit or loss, net	**(1,000)**	(1,429)
Gain on land resumption	**(209,999)**	—
Impairment loss in respect of properties held-for-sale	**221,104**	31,911
Impairment loss recognised on other receivables	**120,038**	16,464
Gains on disposal of subsidiaries	**—**	(1,640,999)
Gains on disposal of assets through disposal of subsidiaries	**(2,395,035)**	—
Gain on disposal of an associate	**—**	(1,140)
Waiver of consideration payables for acquisition of subsidiaries	**(27,299)**	—
Share of gains of associates	**(3,222)**	(3,516)
Unrealised foreign exchange (gain) loss	**(39,783)**	474,727
Operating cash flows before movements in working capital	**596,640**	642,579
Decrease (increase) in inventories	**2,326,285**	(4,158,846)
Increase in trade and other receivables	**(1,554,018)**	(4,312)
Increase in trade and other payables	**594,480**	1,574,511
Decrease in amounts due to associates	**(4,045)**	(11,130)
Increase in pre-sale proceeds received on sales of properties	**3,507,695**	2,761,498
Cash from operations	**5,467,037**	804,300
The People's Republic of China (the "PRC") income tax paid	**(842,329)**	(698,708)
Net cash from operating activities	**4,624,708**	105,592

CONSOLIDATED STATEMENT OF CASH FLOWS

	NOTES	2016 HK$'000	2015 HK$'000
INVESTING ACTIVITIES			
Net proceeds from disposal of subsidiaries	33(a)(i)&(ii)	—	2,147,943
Net proceeds from disposal of assets through disposal of subsidiaries	33(b)(i)&(ii)	2,118,926	—
Net proceeds from disposal of an associate	18	—	12,013
Receipts of consideration receivables in respect of disposal of subsidiaries		2,563,080	—
Net payments for acquisition of an subsidiary	36	(2,338,081)	—
Payment of construction costs on behalf of owners of the Carved-out Site 1 and 2 (as defined in note 33(b)(i))		(3,284,944)	—
Repayment of consideration payables for acquisition of subsidiaries	29	(28,964)	(471,555)
Purchases of property, plant and equipment		(8,303)	(49,373)
Proceeds from disposal of property, plant and equipment		21,283	136,229
Proceeds from disposal of investment properties		35,061	—
Development costs paid for investment properties		(418,525)	—
Compensation received for land resumption		245,957	—
Deposits received from third parties for identifying investment projects	34	—	1,633,628
Deposits received from a non-controlling shareholder for identifying investment projects	34	—	358,252
Refund of deposits received from a non-controlling shareholder for identifying investment projects	34	(358,252)	—
(Increase) decrease in restricted and pledged bank deposits		(19,352)	339,954
Dividend received from available-for-sale investments		368	323
Dividend received from an associate	18	4,579	12,090
Interest received		212,495	95,605
Interest received on consideration receivables		36,492	—
Advance to independent third parties		(69,409)	(194,872)
Repayment from an independent third party		151,869	96,831
Advance to a related company		(313,384)	—
Repayment from a former associate		—	85,068
Proceeds from disposal of available-for-sale investment		11,682	—
Purchase of available-for-sale investments		—	(13,872)
Net cash (used in) from investing activities		(1,437,422)	4,188,264
FINANCING ACTIVITIES			
Proceeds from new bank and other borrowings		12,100,202	8,671,880
Repayments of bank and other borrowings		(12,805,425)	(6,045,796)
Repayment to related companies		(217,898)	(734,845)
Advance from related companies		1,083,419	756,363
Payment for acquisition of additional interest in a subsidiary		—	(214,951)
Repayment of capital upon deregistration of a subsidiary		—	(104,705)
Capital injection from non-controlling shareholders upon establishment of subsidiaries		—	49,988
Payments on repurchase of shares		—	(310)
Transaction costs attributable to issue of advanced bonds		(12,331)	(22,952)
Dividend paid to non-controlling interests		(58,435)	(125,376)
Dividend paid		(133,264)	(52,374)
Interest paid		(926,144)	(1,229,362)
Net cash (used in) from financing activities		(969,876)	947,560
Net increase in cash and cash equivalents		2,217,410	5,241,416
Cash and cash equivalents at the beginning of the year		11,371,189	6,424,164
Effect of foreign exchange rate changes		(770,264)	(294,391)
Cash and cash equivalents represented by bank balances and cash at the end of the year		12,818,335	11,371,189

1. GENERAL

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

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

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

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

Amendments to HKFRSs that are mandatorily effective for the current year

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

Amendments to HKFRSs	Annual improvements to HKFRSs 2012–2014 cycle
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations
Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants

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

Amendments to HKAS 1 Disclosure initiative

The Group has applied the amendments to HKAS 1 Disclosure initiative for the first time in the current year. The amendments to HKAS 1 clarify that an entity need not provide a specific disclosure required by a HKFRS if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information for disclosure purposes. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in HKFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance.

In addition, the amendments clarify that an entity's share of the other comprehensive income of associates and joint ventures accounted for using the equity method should be presented separately from those arising from the Group, and should be separated into the share of items that, in accordance with other HKFRSs: (i) will not be reclassified subsequently to profit or loss; and (ii) may be reclassified subsequently to profit or loss when specific conditions are met.

As regards the structure of the financial statements, the amendments provide examples of systematic ordering or grouping of the notes.

The Group has applied these amendments retrospectively. In prior year, the Group's share of other comprehensive income of associates accounted for using equity method did not present separately from those arising from the Group in the other comprehensive income and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Furthermore, the grouping and ordering of certain notes have been revised to give prominence to the areas of the Group's activities that management considers to be most relevant to an understanding of the Group's financial performance and financial position. Other than the above presentation and disclosure changes, the application of the amendments to HKAS 1 has not resulted in any impact on the financial performance or financial position of the Group in these consolidated financial statements.

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

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

New and amendments to HKFRSs issued but not yet effective

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

HKFRS 9	Financial instruments[2]
HKFRS 15	Revenue from contracts with customers and related amendments[2]
HKFRS 16	Leases[3]
Amendments to HKFRSs	Annual improvements to HKFRSs 2014–2016 Cycle[5]
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions[2]
Amendments to HKFRS 4	Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[4]
Amendments to HKAS 7	Disclosure initiative[1]
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses[1]

1 Effective for annual periods beginning on or after 1 January 2017.
2 Effective for annual periods beginning on or after 1 January 2018.
3 Effective for annual periods beginning on or after 1 January 2019.
4 Effective for annual periods beginning on or after a date to be determined.
5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

HKFRS 9 Financial instruments

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

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

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

- 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.

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

HKFRS 9 Financial instruments (continued)

Based on the Group's financial instruments and risk management policies as at 31 December 2016, for entities with available-for-sale investments and financial assets at amortised cost, the application of HKFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. The Group's available-for-sale investments, including those currently stated at cost less impairment, will either be measured as fair value through profit or loss or be designated as FVTOCI (subject to fulfillment of the designation criteria). In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost.

HKFRS 15 Revenue from contracts with customers and related amendments

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

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

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

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

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

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

HKFRS 15 Revenue from contracts with customers and related amendments (continued)

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

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

The directors of the Company have preliminarily assessed that the revenue from residential and commercial properties development represents only one performance obligation from the sales of properties and, accordingly, revenue will be recognised for this performance obligation when control over the corresponding goods is transferred to the customer. This is similar to the current identification of separate revenue components under HKAS 18.

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

The directors of the Company are still in the process of assessing the full impact of the application of HKFRS 15 on the Group's financial statements and it is not practicable to provide a reasonable financial estimate of the effect until the directors of the Company complete a detailed review. In addition, the application of HKFRS 15 in future may result in more disclosures in the consolidated financial statements. As a result, the above preliminary assessments are subject to change. The directors of the Company do not intend to early apply HKFRS 15 and intend to use the full retrospective method upon adoption.

HKFRS 16 Leases

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

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

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

HKFRS 16 Leases (continued)

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

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

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2016, the Group has non-cancellable operating lease commitments of HK$59,577,000 as disclosed in note 42. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors of the Company complete a detailed review.

Amendments to HKAS 7 Disclosure initiative

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes. Specially, the amendments require the following changes in liabilities arising from financing activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The amendments apply prospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. The application of the amendments will result in additional disclosures on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

- has power over the investee;

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity including reserves 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 after re-attribution of the relevant equity and the fair value of the consideration paid or received is recognised directly in equity component and attributed to owners of the Company.

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

Merger Accounting for business combination involving entities under common control

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations

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

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

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

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

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

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

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations (continued)

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates and joint ventures

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates and joint ventures (continued)

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

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

Investment properties

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

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

Property, plant and equipment

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (continued)

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.

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

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

Intangible assets acquired in a business combination

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

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

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.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Inventories

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

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

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

Sales of good

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

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

Rending of services

Property management service income is recognised when services are provided.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Interest and dividend income

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).

Leasing

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

The Group as lessor

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

The Group as lessee

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

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets

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

Effective interest method

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

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

Financial assets at FVTPL

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Loans and receivables

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

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

AFS financial assets

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

Equity securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS equity instruments are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

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

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

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

Financial liabilities

Financial liabilities including trade and other payables, amounts due to related companies and associates, dividend payable, dividend payable to non-controlling shareholders, consideration payables for acquisition of subsidiaries, bank and other borrowings and deposits received for identifying investment projects are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Derecognition

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Retirement benefit costs

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

Short-term benefits

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

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

Share-based payment arrangements

Equity-settled share-based payment transactions

Share options granted to employees

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

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

Deferred tax

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

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

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

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

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

For the purposes of measuring deferred tax 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government grants

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

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

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

Borrowing costs

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

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

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

Foreign currencies

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions

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

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

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

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATES

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

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

Critical judgment in applying accounting policies

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

Deferred taxation on investment properties

For the purposes of measuring deferred taxation arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property 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 sale. 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 2016, the carrying amount of these properties is HK$6,951,988,000 (2015: HK$7,201,697,000). For the investment properties on which the 'sale' presumption is not rebutted, the Group has further recognised deferred taxes on changes in fair value of investment properties in relation to the PRC's land appreciation tax, which is the additional tax to be charged if a property in the PRC is recovered through sale. As at 31 December 2016, the carrying amount of these properties is HK$6,792,318,000 (2015: HK$4,609,505,000).

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

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

Key sources of estimation uncertainty

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

Valuation of properties held-for-sale

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

The Group's properties held-for-sale are located in various cities, including first-tier cities such as Beijing and Shanghai, in the PRC. The properties held-for-sale located in cities other than the first-tier cities are more sensitive to change in economic conditions in the PRC. As at 31 December 2016, the carrying amount of properties held-for-sale are HK$6,343,749,000 (2015: HK$6,600,716,000). Details about the Group's properties held-for-sale are set out in note 22. During the year ended 31 December 2016, an impairment loss in respect of properties held-for-sale not located in first-tier cities or have no pre-sale agreements entered into by the Group amounting to approximately HK$221,104,000 (2015: HK$31,911,000) was recognised in profit or loss.

Estimation of fair value of investment properties

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

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

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

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

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

The carrying amount of investment properties as at 31 December 2016 was approximately HK$13,744,306,000 (2015: HK$11,811,202,000). Notwithstanding that the management employs independent professionally qualified valuers not connected to the Group to perform fair value assessments based on these assumptions, the fair value of these investment properties may be higher or lower depending on the future market conditions.

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

5. REVENUE AND SEGMENT INFORMATION

Segment information

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

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

The Group's operations are located in the PRC. All revenue and non-current assets, excluding certain financial instruments, of the Group are generated from and located in the PRC. No revenue from a single customer or a group of customers under common control contributed 10% or more of the Group's revenue for the years ended 31 December 2016 and 2015.

Revenue analysis

Revenue represents the net amounts received and receivable for goods sold by the Group in the normal course of business to outside customers, net of discounts and sales related taxes for the year.

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

	2016 **HK$'000**	2015 HK$'000
Revenue from sales of properties	**4,557,433**	2,902,873
Rental income from leasing of properties	**654,358**	696,086
Service income from property management	**94,703**	100,779
Revenue from hotel operations	**184,070**	172,185
	5,490,564	3,871,923

6a. OTHER INCOME

	2016 HK$'000	2015 HK$'000
Gain on land resumption (note (i))	**209,999**	—
Interest income on bank deposits	**141,081**	88,533
Other interest income (note (ii))	**71,414**	7,072
Rental income from property, plant and equipment	**20,700**	4,506
Dividend income from available-for-sale investments	**368**	323
Income from marketing and exhibition activities	**5,962**	5,327
Others	**38,257**	26,849
	487,781	132,610

Notes:

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

(ii) For the year ended 31 December 2016, other interest income includes an amount of approximately HK$36,492,000 (2015: nil) which represents interest received on consideration receivables in respect of disposal of Zhuhai Qi'ao Island Project (as defined in note 33(a)(i)) on 28 December 2015. Details about disposal of Zhuhai Qi'ao Island Project and the arrangement of the interest income on the outstanding consideration receivables are set out in note 33(a)(i). The other interest income also includes an amount of approximately HK$23,608,000 (2015: nil) which represents interest received and receivable on the interest bearing non-current other receivables.

6b. OTHER EXPENSES, GAINS AND LOSSES, NET

	2016 HK$'000	2015 HK$'000
Net exchange loss (note (i))	(209,168)	(404,356)
Change in fair value of financial assets at FVTPL, net	1,000	1,429
Impairment loss recognised on other receivables (Note 23(i))	(120,038)	(16,464)
(Loss) gain on disposal of property, plant and equipment	(282)	39,945
Waiver of consideration payables for acquisition of subsidiaries (Note 29)	27,299	—
Provision for settlement of a legal case (note (ii))	—	(127,708)
Provision for an agreed payment in relation to withdrawal from a legal case (Note 33(a)(i))	—	(78,954)
Others	(3,316)	(2,577)
	(304,505)	(588,685)

Notes:

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

(ii) In prior years, the Group was in a legal proceeding with a purchaser of its subsidiary regarding the fulfilment of terms and actual performance of the disposal transaction that happened in year 2009. Pursuant to the commitment letter issued by a subsidiary of the Group (the "Seller") to the purchaser, after receiving consideration from the purchaser, the Seller assumed certain liabilities of the subsidiary being disposed of and agreed to settle these liabilities, which would in turn discharge the purchaser's obligation to pay these liabilities. However, the Seller did not settle the liabilities in full in previous years. A court in Beijing of the PRC had made a judgment and ruled that the Seller was required to settle the liabilities of approximately RMB90,333,000 (equivalent to approximately HK$111,439,000) and pay damages of approximately RMB13,188,000 (equivalent to approximately HK$16,269,000) to the purchaser. As at 31 December 2016 and 2015, these amounts were not yet settled but were fully provided for and included in "trade and other payables" line item in the consolidated statement of financial position.

7. FINANCE COSTS

	2016 HK$'000	2015 HK$'000
Interests on bank and other borrowings	**930,998**	1,306,898
Less: Amount capitalised into properties under development for sale	**(214,860)**	(495,910)
	716,138	810,988

Borrowing costs capitalised during the year arising on the general borrowing pool are calculated by applying a capitalisation rate of 4.30% (2015: 5.05%) per annum to expenditure on qualifying assets.

8. INCOME TAX

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

	2016 HK$'000	2015 HK$'000
Current tax:		
PRC Enterprise Income Tax ("EIT") (note (i))	**1,001,918**	225,003
PRC Land Appreciation Tax ("LAT")	**397,285**	260,388
Capital gains tax on disposal of PRC entities by non-resident companies (note (ii))	**–**	84,146
	1,399,203	569,537
Under(over)provision in prior years:		
PRC EIT (note (iii))	**(25,731)**	23,053
PRC LAT (note (iii))	**(6,234)**	(15,481)
	(31,965)	7,572
Deferred tax (Note 32)	**(108,214)**	(107,821)
Income tax for the year	**1,259,024**	469,288

8. INCOME TAX (CONTINUED)

Notes:

(i) During the year ended 31 December 2016, EIT of approximately HK$278,541,000 and HK$320,218,000 was provided for the gains on disposal of partnership interest in Green Carbon Fund (as defined in note 33(b)(i)), which was accounted for as a wholly-owned subsidiary of the Company, by a resident company, and the Disposal 2 (as defined in note 33(b)(ii)) respectively. After utilising available tax losses brought forward from previous years, the total tax payable in respect of the gains from these two disposals is approximately HK$576,168,000. The EIT provided for the gains on these two disposals is calculated at 25% on the gains. Details of the disposal of partnership interest in Green Carbon Fund and the Disposal 2 are set out in notes 33(b)(i) and 33(b)(ii) respectively.

(ii) During the year ended 31 December 2015, capital gains tax of approximately HK$39,647,000 and HK$44,499,000 was provided for the gains on disposal of shares in Zhuhai Movie Town (as defined in note 33(a)(i)) and Zhong Ou Cheng Kai (as defined in note 33(a)(ii)) by non-resident companies respectively. The capital gains tax provided for the gains on these two disposals is calculated at 10% on the difference between the consideration for acquisition of shares and the contributed capital of the relevant subsidiaries incorporated in the PRC. Details of the disposal of Zhuhai Movie Town and Zhong Ou Cheng Kai are set out in notes 33(a)(i) and 33(a)(ii) respectively.

(iii) The Group recognised a write-back for overprovision of the PRC LAT during the years ended 31 December 2016 and 2015 and a write-back for overprovision of the PRC EIT during the year ended 31 December 2016 upon completion of tax clearance procedures by certain PRC subsidiaries with their respective tax authorities.

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. INCOME TAX (CONTINUED)

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

	2016 HK$'000	2015 HK$'000
Profit before tax	**2,585,589**	1,009,274
Tax at PRC EIT rate of 25% (2015: 25%)	**646,397**	252,319
Tax effect of share of gains of associates	**(806)**	(879)
Tax effect of expenses not deductible for tax purposes	**190,687**	200,746
Tax effect of income not taxable for tax purposes	**(29,542)**	(207,585)
Tax effect of tax losses not recognised	**202,564**	128,151
Utilisation of tax losses previously not recognised	**(31,503)**	(24,013)
Provision for LAT for the year	**397,285**	260,388
Overprovision of LAT in prior years	**(6,234)**	(15,481)
Tax effect of LAT deductible for PRC EIT	**(97,763)**	(61,227)
(Over)underprovision of EIT in prior years	**(25,731)**	23,053
Effect of different tax rates on gains on disposal of subsidiaries (note)	**–**	(126,219)
Effect of different tax rates of subsidiaries operating in Hong Kong	**31,608**	51,344
Deferred tax on LAT in respect of investment properties	**(17,938)**	(13,229)
Others	**–**	1,920
Income tax for the year	**1,259,024**	469,288

Note: EIT on capital gains on disposals of the PRC entities is calculated at 10% of the difference between considerations and the contributed capital of the relevant subsidiaries incorporated in the PRC.

9. PROFIT FOR THE YEAR

	2016 HK$'000	2015 HK$'000
Profit for the year has been arrived at after charging (crediting):		
Depreciation for property, plant and equipment	**97,347**	116,480
Less: Depreciation capitalised into properties under development for sale	**(605)**	(2,188)
	96,742	114,292
Amortisation of prepaid lease payments	**6,453**	6,814
Total depreciation and amortisation	**103,195**	121,106
Auditors' remuneration	**6,693**	6,648
Gross rental income from investment properties	**(654,358)**	(696,086)
Less: Direct operating expenses incurred for investment properties that generated rental income during the year	**141,765**	149,195
	(512,593)	(546,891)
Directors' remuneration (Note 10)	**10,456**	11,798
Other staff costs		
Salaries, wages and other benefits	**228,327**	227,795
Retirement benefit scheme contributions	**34,262**	37,252
Total staff costs	**273,045**	276,845
Less: Staff costs capitalised into properties under development for sale	**(42,563)**	(43,624)
	230,482	233,221
Cost of properties held-for-sale recognised as an expense	**3,404,691**	2,182,993
Cost of inventories for hotel operations recognised as an expense	**20,807**	23,065
Share of tax of associates (included in share of results of associates)	**546**	469

10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the nine (2015: eleven) directors, including the chief executive, were as follows:

For the year ended 31 December 2016

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

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

For the year ended 31 December 2015

		Other emoluments			
	Fees HK$'000	Salaries and other allowances HK$'000	Retirement benefit scheme contributions HK$'000	Equity-settled share-based payments HK$'000 (note i)	Total emoluments HK$'000
Executive directors:					
Mr. Ji Gang	–	2,614	53	–	2,667
Mr. Zhou Jun (note iv)	–	–	–	–	–
Mr. Yang Jianwei (note iv)	–	–	–	–	–
Mr. Yang Biao	–	2,500	–	–	2,500
Ms. Huang Fei	–	2,000	–	–	2,000
Mr. Ye Weiqi	–	2,000	–	–	2,000
Mr. Ni Jianda (note ii)	–	1,258	10	–	1,268
Independent non-executive directors:					
Mr. Doo Wai Hoi, William	380	–	–	–	380
Dr. Wong Ying Ho, Kennedy (note iii)	223	–	–	–	223
Mr. Fan Ren Da, Anthony	380	–	–	–	380
Mr. Li Kai Fai, David	380	–	–	–	380
Total	1,363	10,372	63	–	11,798

Notes:

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

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

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

iii. Dr. Wong Ying Ho, Kennedy resigned on 3 August 2015.

iv. The emoluments for Mr. Zhou Jun and Mr. Yang Jianwei for the years ended 31 December 2016 and 2015 were borne by SIHL.

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

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

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

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

During the years ended 31 December 2016 and 2015, no emoluments have been paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company has waived any emoluments during the year.

11. EMPLOYEES' EMOLUMENTS

For the year ended 31 December 2016, of the five individuals with the highest emoluments in the Group, four (2015: four) were directors of the Company whose emoluments are included in the disclosures in note 10. The emoluments of the remaining one (2015: one) individual are as follows:

	2016 **HK$'000**	2015 HK$'000
Salaries and other allowances	**2,040**	2,040

The emoluments of that individual were within the following band:

	2016 **HK$'000**	2015 HK$'000
HK$2,000,001 to HK$2,500,000	**1**	1

During the years ended 31 December 2016 and 2015, no emoluments have been paid by the Group to the five employees with the highest emoluments as an inducement to join or upon joining the Group or as compensation for loss of office.

12. EMPLOYEE RETIREMENT BENEFITS

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

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

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

13. EARNINGS PER SHARE

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

Earnings

	2016 HK$'000	2015 HK$'000
Earnings for the purposes of calculating basic and diluted earnings per share:		
Profit for the year attributable to owners of the Company	**521,888**	517,385

Number of shares

	2016 '000	2015 '000
Weighted average number of ordinary shares for the purposes of calculating basic and diluted earnings per share	**4,811,273**	4,811,451

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

	2016 HK$'000	2015 HK$'000
FAIR VALUE		
At 1 January	**11,811,202**	12,320,845
Subsequent expenditure	**418,525**	—
Acquired from acquisition of subsidiaries (Note 36)	**2,165,185**	—
Fair value change on investment properties, net	**260,505**	38,934
Disposals	**(52,043)**	—
Exchange realignment	**(859,068)**	(548,577)
At 31 December	**13,744,306**	11,811,202
Unrealised gains on revaluation of investment properties included in profit or loss for the year	**263,741**	38,934

14. INVESTMENT PROPERTIES (CONTINUED)

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

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

The fair values of the Group's investment properties as at 31 December 2016 and 2015 have been arrived at on the basis of a valuation carried out on the respective dates by DTZ Cushman & Wakefield Limited ("DTZ"), an independent qualified professional valuer not connected to the Group. DTZ has appropriate qualification and recent experience in the valuation of similar properties in the relevant locations. The address of DTZ is 16/F Jardine House, 1 Connaught Place, Central, Hong Kong. The Group's investment properties were valued individually on market value basis, which conforms to HKIS Valuation Standards 2012 Edition published by Hong Kong Institute of Surveyors. The fair value was arrived at by reference to comparable sales transactions available in the relevant market and, where appropriate, investment approach by capitalising the net rental income derived from the existing tenancies with due allowance for the reversionary potential of the properties.

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

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 DTZ 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 2016 HK$'000	Fair value as at 31 December 2015 HK$'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Offices in various locations	**3,336,311**	3,630,232	Investment approach	Reversionary rate derived from market rent and transaction price of comparable properties in the same location	2016: 6.0%–7.0% 2015: 6.0%–7.0%	The higher the reversionary rate, the lower the fair value
Car parks	**167,485**	150,161	Investment approach	Reversionary rate derived from market rent and transaction price of comparable properties in the same location	2016: 5.5% 2015: 5.5%	The higher the reversionary rate, the lower the fair value
Commercial — shopping malls, stores and mart in various locations	**7,846,137**	7,731,072	Investment approach	Reversionary rate derived from market rent and transaction price of comparable properties in the same location	2016: 3.75%–4.5% 2015: 4.5%–5.5%	The higher the reversionary rate, the lower the fair value
Commercial — exhibition hall in Shanghai	**259,044**	277,048	Investment approach	Reversionary rate derived from market rent and transaction price of comparable properties in the same location	2016: 5.5% 2015: 5.5%	The higher the reversionary rate, the lower the fair value
Residential — service apartments	**33,944**	22,689	Direct comparison approach	Discounts made to direct market comparables in the same location to reflect property market trend and property conditions	2016: 26% 2015: 14%	The higher the discount rate, the higher the fair value
Residential – villa	**2,101,385**	–	Direct comparison approach	Discounts made to direct market comparables in the same location to reflect property market trend and property conditions	2016: 5.0%–7.0% 2015: N/A	The higher the discount rate, the higher the fair value
	13,744,306	11,811,202				

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 2015	1,517,643	115,088	696,838	7,518	46,003	70,502	82,625	116,919	2,653,136
Additions	22,310	166	88	–	8,516	6,257	11,677	359	49,373
Disposals	(170)	(383)	(99,368)	–	–	(14,151)	(16,322)	–	(130,394)
Disposal of subsidiaries (Note 33(a)(i))	–	–	(55)	–	–	(174)	(695)	–	(924)
Transfer from inventories	–	–	13,894	–	–	–	–	–	13,894
Exchange realignment	(67,052)	(5,101)	(26,587)	(329)	(1,638)	(2,928)	(3,533)	(3,251)	(110,419)
At 31 December 2015	1,472,731	109,770	584,810	7,189	52,881	59,506	73,752	114,027	2,474,666
Additions	9	26	–	–	–	4,965	3,303	–	8,303
Acquired from acquisition of subsidiaries (Note 36)	–	–	–	–	–	6	854	–	860
Disposals	(19,947)	(344)	(16)	–	–	(7,019)	(6,730)	–	(34,056)
Disposal of subsidiaries (Note 33(b)(ii))	–	–	–	–	–	(2,555)	(2,860)	–	(5,415)
Exchange realignment	(100,200)	(7,119)	(38,000)	(460)	(2,416)	(4,662)	(4,724)	(4,541)	(162,122)
At 31 December 2016	1,352,593	102,333	546,794	6,729	50,465	50,241	63,595	109,486	2,282,236
DEPRECIATION									
At 1 January 2015	217,330	48,619	24,137	3,870	45,011	54,739	61,940	–	455,646
Provided for the year	75,156	11,038	12,764	245	968	10,706	5,603	–	116,480
Eliminated on disposals	(103)	(279)	(5,425)	–	–	(13,002)	(15,301)	–	(34,110)
Disposal of subsidiaries (Note 33(a)(i))	–	–	(13)	–	–	(119)	(666)	–	(798)
Exchange realignment	(13,877)	(2,698)	(1,396)	(152)	(1,377)	(2,193)	(2,408)	–	(24,101)
At 31 December 2015	278,506	56,680	30,067	3,963	44,602	50,131	49,168	–	513,117
Provided for the year	62,807	9,654	10,318	232	2,220	7,402	4,714	–	97,347
Eliminated on disposals	(626)	(262)	(15)	–	–	(6,001)	(5,588)	–	(12,492)
Disposal of subsidiaries (Note 33(b)(ii))	–	–	–	–	–	(2,359)	(2,301)	–	(4,660)
Exchange realignment	(22,221)	(4,082)	(2,335)	(226)	(2,006)	(2,947)	(3,268)	–	(37,085)
At 31 December 2016	318,466	61,990	38,035	3,969	44,816	46,226	42,725	–	556,227
CARRYING VALUES									
At 31 December 2016	1,034,127	40,343	508,759	2,760	5,649	4,015	20,870	109,486	1,726,009
At 31 December 2015	1,194,225	53,090	554,743	3,226	8,279	9,375	24,584	114,027	1,961,549

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

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

During the year ended 31 December 2015, an amount of approximately HK$13,894,000 was transferred from inventories to leasehold land and other buildings as management of the Group changed the intention of holding car parks of property projects for sale to occupying them for the Group's own use. Details of the transfer are set out in note 22.

As at 31 December 2016, the Group has pledged the interest in hotel buildings and improvements with carrying amount of approximately HK$759,680,000 (2015: HK$1,194,225,000) to secure general banking facilities granted to the Group.

16. PREPAID LEASE PAYMENTS

	2016 HK$'000	2015 HK$'000
Leasehold land in the PRC analysed for reporting purposes as:		
Current asset	**4,593**	5,254
Non-current asset	**213,435**	234,523
	218,028	239,777

As at 31 December 2015, the Group pledged the interest in land use rights for operating the hotel buildings with carrying amount of approximately HK$233,333,000 to secure general banking facilities granted to the Group. During the year ended 31 December 2016, the bank borrowings to which these assets were pledged were repaid and these pledged assets were released accordingly.

17. INTANGIBLE ASSETS

	Trademark HK$'000
COST	
At 1 January 2015	63,734
Exchange realignment	(2,831)
At 31 December 2015	60,903
Exchange realignment	(3,958)
At 31 December 2016	56,945

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

For the purpose of impairment testing, trademarks with indefinite useful life set out above have been allocated to the individual cash-generating unit ("CGU"). During the year ended 31 December 2016, management of the Group determines that there is no impairment (2015: 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

	2016 HK$'000	2015 HK$'000
Unlisted shares, at cost less impairment loss recognised	**1,130,192**	1,208,741
Share of post-acquisition profits and other comprehensive income, net of dividends received	**4,873**	6,599
	1,135,065	1,215,340

As at 31 December 2016 and 2015, 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 2016	Group's effective interest 2015	Held by a subsidiary 2016	Held by a subsidiary 2015	Principal activity
上海城開房地產經紀有限公司	Sino-foreign joint venture	The PRC	RMB20,000,000	**28.9%**	28.9%	**49%**	49%	Provision of property agency services
上海莘天置業有限公司 ("Shanghai Shentian")	Sino-foreign joint venture	The PRC	RMB2,850,000,000	**20.7%**	20.7%	**35%**	35%	Property development

Summarised financial information of a material associate

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

18. INTERESTS IN ASSOCIATES (CONTINUED)

Summarised financial information of a material associate (continued)

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

	2016 HK$'000	2015 HK$'000
Shanghai Shentian		
Current assets (note)	**4,086,878**	4,370,919
Non-current assets	**1,711**	1,830
Current liabilities	**(409,491)**	(437,950)
Non-current liabilities	**(496,874)**	(531,407)
Net assets	**3,182,224**	3,403,392
Income	**–**	–
Profit and total comprehensive expense for the year	**–**	–

Note: The balance mainly comprises land and construction costs relating to properties under development for sale. The development plan was approved by the respective government departments in the PRC and the construction commenced during the year ended 31 December 2014 and the construction is expected to be completed by phases from mid-year 2017 onwards.

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

	2016 HK$'000	2015 HK$'000
Net assets of Shanghai Shentian	**3,182,224**	3,403,392
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	**1,113,778**	1,191,187

18. INTERESTS IN ASSOCIATES (CONTINUED)

Aggregate information of associates that are not individually material

	2016 HK$'000	2015 HK$'000
The Group's share of gains	**3,222**	3,516
Dividends received from an associate during the year	**4,579**	12,090
Aggregate carrying amount of the Group's interests in these associates	**21,287**	24,153

Gain on disposal of an associate

上海東方低碳系統集成有限公司 ("Shanghai Assembly")

During the year ended 31 December 2015, the Group disposed of its entire interest in Shanghai Assembly, which principal activity was trading of energy saving products, for a cash consideration of RMB10,060,000 (equivalent to approximately HK$12,013,000). This transaction resulted in a gain on disposal of approximately HK$1,140,000 recognised in profit or loss.

19. INTEREST IN A JOINT VENTURE

	2016 HK$'000	2015 HK$'000
Unlisted shares, at cost	**65,718**	65,718
Share of post-acquisition loss and other comprehensive expense	**—**	—
	65,718	65,718

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 2016	2015	Held by a subsidiary 2016	2015	Principal activity
Initial Point Investment Limited ("Initial Point") (note)	Limited company	Hong Kong	HK$10,000	**51%**	51%	**51%**	51%	Investment holding of a joint venture engaged in property development

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

Financial information of the joint venture

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

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

Initial Point

	2016 HK$'000	2015 HK$'000
Current assets	**111**	113
Non-current assets (note)	**128,866**	128,866
Current liabilities	**(140)**	(140)
Net assets	**128,837**	128,839

Note: The balance mainly comprises interest in a joint venture whose principal activity is engaged in property development projects in Fuzhou of the PRC. The construction of the property development projects of this joint venture commenced during the year end 31 December 2016 and the construction is expected to be completed by phases from mid-year 2017 onwards.

19. INTEREST IN A JOINT VENTURE (CONTINUED)

Initial Point (continued)

	2016 HK$'000	2015 HK$'000
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**111**	113

	2016 HK$'000	2015 HK$'000
Income	**—**	—
Loss and other comprehensive expense for the year	**(2)**	(4)

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

	2016 HK$'000	2015 HK$'000
Net assets of Initial Point	**128,837**	128,839
Proportion of the Group's ownership interest in Initial Point	**51%**	51%
	65,707	65,708
Add: Accumulated unadjusted share of total comprehensive expense of the joint venture	**11**	10
Carrying amount of the Group's interest in the joint venture	**65,718**	65,718

20. AVAILABLE-FOR-SALE INVESTMENTS

	2016 HK$'000	2015 HK$'000
Equity securities:		
— Listed in the PRC, at fair value	**177,563**	189,277
— Unlisted, at cost (note)	**88,099**	106,164
	265,662	295,441

Note: The above unlisted equity investments represent investments in unlisted equity securities issued by private entities established in the PRC. The principal activities of these private entities include property development and investment management and interior design for properties. They are measured at cost 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 2015, the Group acquired equity interests in two private entities, which are engaged in property development and investment management, with a cash consideration of RMB11,245,000 (equivalent to approximately HK$13,872,000). During the year ended 31 December 2016, the Group disposed of equity interests in a private entity, with a cash consideration of RMB10,000,000 (equivalent to approximately HK$11,682,000). The Group has neither control nor significant influence on any of these private entities.

21. RESTRICTED AND PLEDGED BANK DEPOSITS

The Group has entered into agreements with certain banks with respect to mortgage loans provided to buyers of the Group's property units and has made deposits as security to and given guarantees on mortgage loans provided to the buyers by these banks under the agreements. Pursuant to the terms of agreements, upon default in payments of mortgage instalments by these buyers, the Group is responsible to repay the remaining outstanding mortgage principals together with accrued interest and penalty owed by the defaulted buyers, after netting off the pledged bank deposits, to the banks and the Group is entitled to take over the legal title and possession of the related properties. These pledged bank deposits, amounting to approximately HK$43,133,000 (2015: HK$54,901,000), and guarantees, will be released when the property title deeds of the buyers are pledged to banks as security for respective mortgage loans. As at 31 December 2016, deposits which are expected by the directors of the Company to be released within twelve months, amounting to approximately HK$23,665,000 (2015: HK$36,696,000), are classified as current assets. The remaining balances which are expected to be released more than one year after the property title deeds are passed to the buyers, amounting to approximately HK$19,468,000 (2015: HK$18,205,000), are classified as non-current assets. These pledged bank deposits carry variable interest rate of 0.4% (2015: 0.4%) per annum as at 31 December 2016. Details of the mortgage guarantees are set out in note 43.

21. RESTRICTED AND PLEDGED BANK DEPOSITS (CONTINUED)

Pledged bank deposits also include deposits pledged to banks to secure general banking facilities granted to the Group. As at 31 December 2016, deposits with maturity of less than twelve months, amounting to approximately HK$10,887,000 (2015: HK$69,489,000), are classified as current assets. As at 31 December 2016, deposits with maturity of more than one year, amounting to approximately HK$1,469,000 (2015: HK$25,460,000), are classified as non-current assets. These pledged bank deposits carry interest at fixed interest rates ranging from 1.8% to 3.0% (2015: 2.9% to 3.1%) per annum as at 31 December 2016 and they will be released upon the settlement of relevant bank borrowings.

As at 31 December 2016, bank deposits of approximately RMB92,354,000 (equivalent to approximately HK$103,120,000) (2015: nil) are restricted for use by the Group as a result of demolishment and relocation process undergoing for a property development project located at Beijing of the PRC. These restricted bank deposits carry variable interest at a rate of 1.5% (2015: nil) per annum. As the directors of the Company expect the demolishment and relocation process of this property development project will be completed within one year from the end of the reporting period, these restricted bank deposits are classified as current assets.

22. INVENTORIES

Inventories in the consolidated statement of financial position comprise:

	2016 HK$'000	2015 HK$'000
Property development		
Properties under development for sale	**19,136,194**	25,942,626
Properties held-for-sale	**6,343,749**	6,600,716
	25,479,943	32,543,342
Hotel operations		
Food and beverage and others	**3,657**	5,086
	25,483,600	32,548,428

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

Included in the properties held-for-sale as at 31 December 2016 is an amount of approximately HK$3,165,009,000 (2015: HK$4,004,595,000) which are located in first-tier cities, such as Beijing and Shanghai, in the PRC and an amount of approximately HK$3,178,740,000 (2015: HK$2,596,121,000) which are located in other cities in the PRC, of which an amount of approximately HK$2,273,344,000 (2015: HK$1,672,952,000) had no pre-sale agreements entered into by the Group during the year.

The net realisable value of the Group's properties held-for-sale which are not located in first-tier cities in the PRC and have no pre-sale agreements entered into by the Group as at 31 December 2016 has been arrived at on the basis of a valuation carried out by DTZ. DTZ has appropriate qualification and recent experience in the valuation of similar properties in the relevant locations. The Group's properties held-for-sale were valued individually on market value basis, which conforms to HKIS Valuation Standards 2012 Edition published by Hong Kong Institute of Surveyors. The net realisable value of the Group's properties held-for-sale was arrived at by reference to comparable sales transactions available in the relevant market with adjustments according to nature of each property, its location and the prevailing selling price.

22. INVENTORIES (CONTINUED)

During the year ended 31 December 2016, in view of continuous slow turnover of certain properties held-for-sale located in cities other than first-tier cities in the PRC, the directors of the Company, after considering the results of valuation performed by DTZ, had determined that the net realisable value of these properties is less than their carrying amount and an impairment loss of approximately HK$221,104,000 (2015: HK$31,911,000) has been recognised in the profit or loss.

As at 31 December 2015, properties under development for sale of approximately HK$855,254,000 were carried at net realisable value. During the year ended 31 December 2016, these properties under development for sale carried at net realisable value were transferred to properties held-for-sale. As at 31 December 2016, properties held-for-sale of approximately HK$1,023,941,000 (2015: HK$283,773,000) were carried at net realisable value.

During the year ended 31 December 2015, car parks with carrying amount of approximately HK$13,894,000 included in inventories were transferred to leasehold land and other buildings for the Group's own use.

As at 31 December 2016, properties under development for sale of approximately HK$10,446,208,000 (2015: HK$18,529,763,000) are not expected to be realised within one year.

Included in the inventories are properties under development for sale of approximately HK$1,861,894,000 (2015: HK$5,208,228,000) and properties held-for-sale of approximately HK$16,233,000 (2015: HK$1,541,220,000) which have been pledged as securities for bank borrowings.

23. TRADE AND OTHER RECEIVABLES

	2016 HK$'000	2015 HK$'000
Trade and other receivables recognised as current assets		
Trade receivables	**24,820**	17,279
Less: Allowance for doubtful debts	**(722)**	(777)
	24,098	16,502
Other receivables (note (i))	**594,278**	555,680
Advance payments to contractors	**11,136**	31,726
Prepaid other taxes	**276,558**	97,530
Deposits and prepayments	**18,896**	18,209
Consideration receivables in respect of the Disposal 1 (Note 33(a)(i))	**—**	2,627,284
Consideration receivables in respect of the Disposal 2 (Note 33(b)(ii))	**334,971**	—
	1,259,937	3,346,931
Other receivables recognised as non-current assets		
Other receivables (note (ii))	**103,394**	194,872

23. TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes:

(i) Other receivables mainly comprised of various warranty deposits placed with the relevant government bodies in respect of properties being sold and receivables in respect of advances made to contractors for collection of land. In addition, the balance as at 31 December 2015 also included rental accruals in respect of rent-free periods granted to a lessee of the Group's investment properties. During the year ended 31 December 2016, the underlying lease agreement had been terminated without any penalty and the entire amount of such rental accruals of approximately HK$120,038,000 was impaired and charged to the profit or loss.

(ii) As at 31 December 2016, the other receivables recognised as non-current assets of approximately HK$58,732,000 (2015: HK$194,872,000) represented loans advanced to a subsidiary of a former tenant of one of the Group's investment properties (the "Borrower 1") through an entrusted loan agreement (the "EL Agreement 1") administrated by a trust company.

Pursuant to the EL Agreement 1, the Borrower 1 was granted a loan facility of RMB182,600,000 which could be drawn down in any amounts and at any time from the date of the EL Agreement 1 on 23 December 2014. The maturity date of each loan is five years from the date of drawn down. The Borrower 1 has the right to repay the loans and accrued interests in full or by instalments in twelve months before the maturity date to the Group. The loans carry fixed interest at 10% per annum for the first and second year, 15% per annum for the third and fourth year and 18% per annum for the fifth year. The interests are payable in arrear semi-annually on 20 June and 20 December each year. The loans are secured by the registered share capital of the immediate and intermediate holding companies of the Borrower 1 and these holding companies are principally engaged in commercial properties management.

During the year ended 31 December 2016, a total facility of approximately RMB182,600,000 (equivalent to approximately HK$213,094,000) (2015: RMB163,186,000 (equivalent to approximately HK$194,872,000)) was drawn down by the Borrower 1 with details set out below:

Date of drawdown	Date of maturity	Amount	Nominal interest rate per annum	Effective interest rate per annum
		RMB'000		
05.01.2015	05.01.2020	65,686	10%	13%
20.03.2015	20.03.2020	59,500	10%	13%
29.10.2015	29.10.2020	31,000	10%	13%
17.12.2015	17.12.2020	7,000	10%	13%
05.01.2016	05.01.2021	19,414	10%	13%
		182,600		

An amount of RMB130,000,000 (equivalent to approximately HK$151,869,000) was early repaid by the Borrower 1 before the year ended 31 December 2016.

The remaining balance of other receivables recognised as non-current assets of approximately HK$44,662,000 (2015: nil) represented loans advanced to a construction contractor of the Group's property development project (the "Borrower 2") through an entrusted loan agreement (the "EL Agreement 2") administrated by a bank. Pursuant to the EL Agreement 2, the Borrower 2 was granted a loan of RMB40,000,000 (equivalent to approximately HK$44,662,000) for 24 months with maturity date on 7 July 2018. The loan carries fixed interest at 7.5% per annum and it is secured by the Borrower 2's receivables on the Group's property development project.

23. TRADE AND OTHER RECEIVABLES (CONTINUED)

The Group allows an average credit period of 90 days to its corporate hotel customers and generally grants no credit period to property buyers and tenants unless it is specially approved. The following is an ageing analysis of trade receivables, net of allowance for doubtful debts, presented based on the date of billing at the end of the reporting period.

Included in trade and other receivables is an amount of approximately HK$2,883,000 (2015: HK$2,883,000) denominated in HK$ which is the foreign currency of respective companies of the Group.

	2016 HK$'000	2015 HK$'000
Within 90 days	12,800	11,766
Within 91–180 days	5,300	20
Over 180 days	5,998	4,716
	24,098	16,502

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

	2016 HK$'000	2015 HK$'000
Within 91–180 days	5,300	20
Over 180 days	5,998	4,716
	11,298	4,736

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

Movement in the allowance of doubtful debts

	2016 HK$'000	2015 HK$'000
At 1 January	777	808
Exchange realignment	(55)	(31)
At 31 December	722	777

As at 31 December 2016, the Group has pledged certain trade receivables with carrying amount of approximately HK$4,361,000 (2015: HK$4,664,000) derived from operations of investment properties of the Group located in the PRC to secure general banking facilities granted to the Group.

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016 HK$'000	2015 HK$'000
Held-for-trading investments		
— Equity securities listed in the PRC	**5,193**	4,532

25. 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 0.35% to 3.0% (2015: 0.35% to 4.0%) per annum.

Included in the bank balances are amounts of HK$23,278,000 (2015: HK$498,992,000) and HK$322,941,000 (2015: HK$1,736,239,000) that are denominated in US$ and HK$ which are foreign currency of respective companies of the Group.

26. TRADE AND OTHER PAYABLES AND DEFERRED REVENUE

	2016 HK$'000	2015 HK$'000
Trade and other payables recognised as current liabilities		
Trade payables	**469,809**	826,573
Accrued expenditure on properties under development for sale	**2,861,832**	4,607,146
Amounts due to former shareholders of the Company's former subsidiaries (note (i))	**158,120**	167,589
Compensation payables to customers in respect of late delivery of properties	**—**	1,075
Receipts from customers for payment of expenses on their behalf	**56,952**	49,093
Rental deposits and receipt in advance from tenants	**193,160**	201,800
Interest payable	**82,200**	77,356
Payables to the Shanghai government department (note (ii))	**450,618**	370,280
Provision for compensation expense in relation to settlement of a legal case (Note 6b)	**115,589**	123,621
Provision for an agreed payment in relation to withdrawal from a legal case (Note 33(a)(i))	**—**	76,427
Deferred revenue (note (iv))	**38,402**	—
Accrued charges and other payables	**614,729**	591,755
Other taxes payables (note (iii))	**132,417**	45,218
	5,173,828	7,137,933
Deferred revenue recognised as non-current liabilities		
Deferred revenue (note (iv))	**195,776**	—

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

Notes:

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

(ii) The amount represents the receipts of HK$1,669,228,000 (2015: HK$1,551,534,000) from the purchasers of affordable housings which were collected on behalf of the Shanghai government department and not yet paid to it, net of receivables of HK$1,218,610,000 (2015: HK$1,181,254,000) for the construction and other related costs and the agreed profit margin for the affordable housings. The amount is repayable on demand. None was repaid to Shanghai government department during the years ended 31 December 2015 and 2016.

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

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

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

	2016	2015
	HK$'000	HK$'000
Within 30 days	**13,372**	198,534
Within 31–180 days	**278,946**	495,561
Within 181–365 days	**12,824**	30,594
Over 365 days	**164,667**	101,884
	469,809	826,573

Included in trade and other payables is an amount of approximately HK$15,185,000 (2015: HK$12,958,000) denominated in HK$ which is the foreign currency of respective companies of the Group.

27. AMOUNTS DUE FROM (TO) RELATED COMPANIES

The Group had the following balances with related parties:

		2016 HK$'000	2015 HK$'000
Amount due from a related company recognised in current assets:			
— A non-controlling shareholder	note (ii)	**299,527**	—
Amounts due to related companies recognised in current liabilities:			
— Xuhui SASAC and entities controlled by Xuhui SASAC	note (iii)	**352,715**	462,133
— An entity controlled by a former controlling shareholder	note (i)	**—**	2,466
— Non-controlling shareholders	note (ii)	**230,630**	190,741
— Nan Fung Group	note (v)	**—**	1,352,351
— SIHL	note (iv)	**26,456**	28,296
		609,801	2,035,987
Amounts due to related companies recognised in non-current liabilities:			
— A non-controlling shareholder	note (ii)	**—**	68,784

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.

27. AMOUNTS DUE FROM (TO) RELATED COMPANIES (CONTINUED)

Notes: (continued)

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

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

The entire amounts due to non-controlling shareholders are non-trade in nature and unsecured. Included in the amounts due to non-controlling shareholders as at 31 December 2016 is an amount of approximately HK$1,854,000 (2015: HK$15,262,000) which represents loans advanced from a non-controlling shareholder through an entrusted loan agreement administrated by a bank carrying variable interest at 105% (2015: 105%) of the PBOC rate per annum and repayable within one year (2015: repayable within one year). Included in the amounts due to non-controlling shareholders as at 31 December 2015 was an amount of RMB81,600,000 (equivalent to approximately HK$97,444,000) which represented loans advanced from a non-controlling shareholder (the "NCI A") carrying variable interest at 120% of PBOC rate per annum and of which an amount of approximately HK$28,660,000 would be repayable on 10 December 2016 and an amount of approximately HK$68,784,000 would be repayable in various dates in year 2017 with last payment on 16 April 2017. On 20 June 2016, the Group entered into a loan transfer agreement with the NCI A and the other non-controlling shareholder (the "NCI B"). Pursuant to the loan transfer agreement, NCI A agreed to transfer its rights toward the entire loans balance of RMB81,600,000 (equivalent to approximately HK$91,112,000) to NCI B with original terms remain unchanged. On 10 December 2016, the Group entered into a loan renewal agreement with NCI B and the maturity date of the loan of approximately RMB28,660,000 was extended for a year (i.e. mature on 10 December 2017) with other terms remain unchanged. The remaining balance is interest-free and repayable on demand.

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

Included in the amounts due to Xuhui SASAC and entities controlled by Xuhui SASAC as at 31 December 2015 was an amount of approximately HK$78,815,000 which represented a loan advanced from an entity controlled by Xuhui SASAC during the year through an entrusted loan agreement administrated by a bank, carried fixed interest at 12.5% per annum and would be repayable on 27 June 2016.

As at 31 December 2015, included in the amounts due to Xuhui SASAC is an amount of approximately HK$121,355,000 which represented payables to Xuhui SASAC arising from the disposal of listed equity securities held on its behalf by the Group during prior year. The securities had been disposed of at its fair value of approximately HK$466,196,000 which was required to be returned to Xuhui SASAC, of which an amount of approximately HK$344,841,000 was paid during the year ended 31 December 2015 and the remaining balance of approximately HK$121,355,000 was paid during the year ended 31 December 2016.

Included in the amounts due to Xuhui SASAC and entities controlled by Xuhui SASAC as at 31 December 2016 is an aggregated amount of RMB106,000,000 (equivalent to approximately HK$118,356,000) which represent loans advanced from entities controlled by Xuhui SASAC during the year through an entrusted loan agreement administrated by banks, carry fixed interest at 15% per annum and are repayable within one year.

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

27. AMOUNTS DUE FROM (TO) RELATED COMPANIES (CONTINUED)

Notes: (continued)

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

(v) For the years ended 31 December 2016 and 2015, a subsidiary of Nan Fung Group is a non-controlling shareholder of Advantage World Investment Limited ("AWI") which is a partially owned subsidiary of the Company. As at 31 December 2015, the entire amounts due to Nan Fung Group were denominated in US$, unsecured, interest-free and repayable on demand. Included in the amounts due to Nan Fung Group was an amount of approximately US$151,793,000 (equivalent to approximately HK$1,183,988,000) which represented an unsettled loan advanced from Nan Fung Group to finance initial payment for the acquisition of the entire issued capital of Continental Land Development Limited ("Continental Land") and its 99% interest in a PRC subsidiary, namely Shanghai World Trade (collectively referred to as "Continental Land Group"), during the year ended 31 December 2014. The acquisition was undertaken by AWI which, on the date of completion of the acquisition, allotted and issued subscription shares, representing 49% of the enlarged issue share capital of AWI, to a subsidiary of Nan Fung Group. The remaining balance of approximately US$21,585,000 (equivalent to approximately HK$168,363,000) represented loans advanced from Nan Fung Group to finance the partial repayment of the consideration payable for such acquisition (the "Consideration Payable"). During the year ended 31 December 2016, amounts of approximately US$4,246,000 (equivalent to approximately HK$33,118,000) and US$119,242,000 (equivalent to approximately HK$930,091,000) were advanced from Nan Fung Group to finance the final repayment of the Consideration Payable and the repayment of the entire amount of US$ denominated bank borrowings borrowed by AWI respectively.

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

28. AMOUNTS DUE TO ASSOCIATES

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

29. CONSIDERATION PAYABLES FOR ACQUISITION OF SUBSIDIARIES

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

On 30 June 2008, the Group acquired 12% equity interest in Jun He Bai Nian, a company established in the PRC and engaged in property development in Beijing of the PRC, for a cash consideration of RMB82,090,000 (equivalent to approximately HK$93,369,000). Prior to the acquisition, the Group held 43.95% interest in Jun He Bai Nian and this was accounted for as interest in an associate. Jun He Bai Nian then became a 55.95% owned subsidiary of the Group subsequent to the acquisition. The Group disposed of Jun He Bai Nian in year 2009. As at 31 December 2016, a consideration payable of approximately HK$66,994,000 (2015: HK$71,651,000) was not settled yet as the amount of consideration as interpreted by the sale and purchase agreement was still in dispute. Legal proceeding was carried out in previous year regarding the consideration payable. The previous court decision was in favour of the seller and the Group accrued the full amount of the consideration payable in previous year which represented the maximum amount that the Group would be obliged to pay. The Group is taking legal action appealing against previous court decision and is awaiting for the court's decision.

Acquisition of Continental Land Group

During the year ended 31 December 2014, the Group acquired entire equity interest in Continental Land Group and withheld a portion of the consideration amounting to US$57,933,000 (equivalent to approximately HK$446,398,000) for the purpose of settling, by the Group on the seller's behalf, the tax and other obligations arising from the disposal of Continental Land Group. This consideration payable was required to be settled within a year from the date of acquisition unless the Group serves a notice to the seller before the due date. During the year ended 31 December 2015, the Group settled this consideration payable of approximately US$50,720,000 (equivalent to approximately HK$390,134,000). As at 31 December 2015, the outstanding consideration payable was approximately US$7,213,000 (equivalent to approximately HK$56,264,000) and the amount would be settled at the earlier of reaching the mutual consensus between the Group and the seller on the settlement of claims imposed by other parties to the Group or 10 working days after the completion of arbitration. The claims imposed by other parties to the Group would be borne by the Continental Land Group. On 29 March 2016, the Group and the seller entered into a settlement agreement in relation to this outstanding consideration payable. Pursuant to the settlement agreement, the Group and the seller agreed to settle certain amount of the outstanding balance within six days from the date of the settlement agreement. The remaining amount of approximately US$3,500,000 (equivalent to approximately HK$27,299,000) was waived by the seller and was recognised by the Group to profit or loss during the year ended 31 December 2016 and included in "other expenses gains and losses, net" line item in the consolidated statement of profit or loss and other comprehensive income.

Acquisition of Shanghai Qiyao Property Development Co., Ltd ("Shanghai Qiyao")

During the year ended 31 December 2016, the Group acquired entire equity interest in Shanghai Qiyao, a company established in the PRC, for a cash consideration of RMB2,350,000,000 (equivalent to approximately HK$2,703,605,000). Details of this acquisition are set out in note 36. Pursuant to the share transfer agreement entered into between the Group and the seller, the consideration comprises of the net purchase price (the "Net Purchase Price") and the EIT arising from this acquisition payable by the seller and withheld by the Group to the relevant PRC tax authority (the "EIT Payment"). The Net Purchase Price less the retention amount of RMB22,100,000 (the "Retention Amount") would be paid within 9 days upon the completion of the acquisition. The acquisition was completed in late October 2016. The Retention Amount less EIT Payment would be paid within three business days after expiry of 180 days from the date of completion of the acquisition (i.e. to be settled in April 2017). The Net Purchase Price less the Retention Amount of approximately RMB2,103,181,000 was paid in October 2016. As at 31 December 2016, the outstanding consideration payable of approximately RMB246,819,000 (equivalent to approximately HK$275,591,000) which comprised of the related EIT Payment of approximately RMB224,719,000 (equivalent to approximately HK$250,915,000) and the Retention Amount of RMB22,100,000 (equivalent to approximately HK$24,676,000).

30. PRE-SALE PROCEEDS RECEIVED ON SALES OF PROPERTIES

Pre-sale proceeds received on sales of properties represent proceeds received on sales of property units that have not been recognised as revenue in accordance with the Group's revenue recognition policy. An amount of approximately HK$57,691,000 (2015: HK$14,505,000) is expected to be recognised as revenue after one year.

31. BANK AND OTHER BORROWINGS

	2016 HK$'000	2015 HK$'000
Bank borrowings	8,967,419	14,213,256
Other borrowings (note (ii))	5,778,751	8,020,383
	14,746,170	22,233,639
Analysed as:		
Secured bank borrowings (note (i))	4,270,831	12,103,551
Unsecured bank and other borrowings	10,475,339	10,130,088
	14,746,170	22,233,639
Carrying amount repayable:		
Within one year	854,595	4,990,628
More than one year, but not exceeding two years	4,065,096	4,316,039
More than two years, but not exceeding five years	5,626,280	8,209,660
Over five years	4,200,199	4,717,312
	14,746,170	22,233,639
Less: Amount due within one year shown under current liabilities	(854,595)	(4,990,628)
Amount due after one year (note (iii))	13,891,575	17,243,011
Floating rate		
— expiring within one year	297,287	4,271,735
— expiring beyond one year	12,163,684	13,085,663
Fixed rate		
— expiring within one year	557,308	718,893
— expiring beyond one year	1,727,891	4,157,348
	14,746,170	22,233,639

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. BANK AND OTHER BORROWINGS (CONTINUED)

Notes:

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

	2016 HK$'000	2015 HK$'000
Properties under developments for sale	**1,861,894**	5,208,228
Properties held-for-sale	**16,233**	1,541,220
Hotel buildings and improvements	**759,680**	1,194,225
Land use right	**—**	233,333
Investment properties	**8,395,002**	10,755,933
Pledged bank deposits	**12,356**	94,949
Trade receivables	**4,361**	4,664
	11,049,526	19,032,552

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

	2016 HK$'000	2015 HK$'000
Borrowings from SIHL Finance Limited (note (a))	**—**	3,337,600
Borrowings from SIIC (note (b))	**—**	477,669
Advanced bonds — 2012 (note (c))	**1,674,855**	1,791,259
Advanced bonds — 2015 (note (d))	**1,992,947**	2,127,253
Advanced bonds — 2016 (note (e))	**1,887,636**	—
Others (note (f))	**223,313**	286,602
	5,778,751	8,020,383

(a) In June 2015, the Company and SIHL Finance Limited, a wholly-owned subsidiary of SIHL, entered into a renewed loan agreement. Pursuant to the renewed loan agreement, SIHL Finance Limited agreed to extend the repayment date of the loan of HK$1,000,000,000 to 30 June 2016. The balance was unsecured and bearing variable interest at three-months Hong Kong Interbank Offered Rate ("HIBOR") plus 4.48% per annum. The balance was fully repaid during the year ended 31 December 2016.

In July 2014, the Company entered into a dual currency loan agreement with SIHL Finance Limited. Pursuant to the dual currency loan agreement, SIHL Financial Limited made an US$ denominated loan of approximately HK$1,965,600,000, which carries variable interest at three-months London Interbank Offered Rate ("LIBOR") plus 4.77% per annum and a HK$ denominated loan of approximately HK$372,000,000, which carries variable interest at three-months HIBOR plus 4.77% per annum. The balances were unsecured and repayable on 15 July 2017 in the original currency. The balances were fully repaid during the year ended 31 December 2016.

(b) As at 31 December 2015, the balance represented unsecured loans of RMB400,000,000 (equivalent to approximately HK$477,669,000) in aggregate which were advanced from SIIC through entrusted loan agreements administered by banks. Such loans carried fixed interest at 6.52% per annum and was repayable within one year. The balance was fully repaid during the year ended 31 December 2016.

31. BANK AND OTHER BORROWINGS (CONTINUED)

Notes: (continued)

(ii) (continued)

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

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

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

(f) In January 2015, the Group entered into a loan facility agreement with an independent third party. Pursuant to the loan facility agreement, the Group was granted a RMB denominated loan facility of RMB200,000,000, which carries fixed interest at 9% per annum. The loan facility is unsecured and could be drawn down in any amount and at any time from the date of the loan facility agreement and it is administrated by a bank. As at 31 December 2016, loans with aggregated amount of approximately RMB200,000,000 (equivalent to approximately HK$223,313,000) (2015: HK$143,301,000) with maturity dates ranging from May 2017 to June 2018 (2015: from May 2017 to January 2018) were drawn down by the Group.

In August 2015, the Group entered into a loan agreement with another independent third party. Pursuant to the loan agreement, the independent third party made a RMB denominated loan of approximately HK$143,301,000, which carried fixed interest at 6% per annum. The balance was unsecured and repayable on 14 October 2016. The balance was fully repaid during the year ended 31 December 2016.

31. BANK AND OTHER BORROWINGS (CONTINUED)

Notes: (continued)

(iii) As at 31 December 2016, included in the Group's other borrowings balance are amounts of approximately HK$5,689,426,000 (2015: HK$6,399,413,000) 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:

	2016	2015
Effective interest rate:		
Fixed-rate borrowings	4.35%–9.00%	4.47%–9.00%
Variable-rate borrowings	2.23%–7.07%	2.23%–7.38%

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

	2016 HK$'000	2015 HK$'000
Bank borrowings		
— US$	–	3,055,662
— HK$	–	1,826,000
	–	4,881,662
Other borrowings		
— US$	–	1,965,600
— HK$	–	1,372,000
	–	3,337,600

32. DEFERRED TAXATION

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

	Fair value adjustment on inventories HK$'000	Revaluation of investment properties HK$'000	Fair value adjustment on hotel properties HK$'000	Accrued expenses HK$'000	LAT deferred tax HK$'000	Undistributed earnings of the PRC entities HK$'000	Others HK$'000	Total HK$'000
At 1 January 2015	(922,040)	(2,663,800)	(20,622)	289,580	(117,539)	(71,939)	(743)	(3,507,103)
Credit to profit or loss for the year	26,420	2,566	222	70,091	8,522	–	–	107,821
Charge to other comprehensive income upon fair value changes of available-for-sale investment	–	–	–	–	–	–	(29,506)	(29,506)
Exchange realignment	38,964	116,017	909	(15,107)	4,949	3,196	35	148,963
At 31 December 2015	(856,656)	(2,545,217)	(19,491)	344,564	(104,068)	(68,743)	(30,214)	(3,279,825)
Acquired from acquisition of subsidiaries (Note 36)	–	(1,385,406)	–	–	–	–	–	(1,385,406)
Credit (charge) to profit or loss for the year	26,254	(26,674)	210	43,400	16,062	–	48,962	108,214
Charge to other comprehensive income upon fair value changes of available-for-sale investment	–	–	–	–	–	–	(9,823)	(9,823)
Exchange realignment	59,551	207,709	1,257	(24,310)	6,053	4,467	(204)	254,523
At 31 December 2016	(770,851)	(3,749,588)	(18,024)	363,654	(81,953)	(64,276)	8,721	(4,312,317)

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:

	2016 **HK$'000**	2015 HK$'000
Deferred tax assets	**409,786**	344,564
Deferred tax liabilities	**(4,722,103)**	(3,624,389)
	(4,312,317)	(3,279,825)

32. DEFERRED TAXATION (CONTINUED)

As at 31 December 2016, the Group has unused tax losses of HK$2,893,392,000 (2015: HK$3,371,488,000) available for offset against future profits, which are subject to the confirmation from Hong Kong Inland Revenue Department and the respective PRC tax authorities. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. During the year ended 31 December 2016, tax losses of approximately HK$1,162,340,000 are expired. Included in unrecognised tax losses are losses of HK$2,563,670,000 (2015: HK$3,041,766,000) 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 of approximately HK$7,767,128,000 (2015: HK$4,467,158,000) which arises from the undistributed profits of certain PRC subsidiaries as the Company controls the dividend policy of these subsidiaries and it is probable that the profits will not be distributed in the foreseeable future.

33. GAINS ON DISPOSAL OF SUBSIDIARIES AND GAINS ON DISPOSAL OF ASSETS THROUGH DISPOSAL OF SUBSIDIARIES

(a) Gains on disposal of subsidiaries

(i) Disposal of Zhuhai Qi'ao Island Project (as defined below)

On 28 December 2015, Neo-China Land Group (China) Ltd ("NCL"), a wholly-owned subsidiary of the Company, and De Rong Group Limited ("DRG"), an independent third party not connected to the Group entered into a sale and purchase agreement (the "S&P Agreement"). Pursuant to the S&P Agreement, NCL agreed to dispose of its entire interest in Neo-China Real Estate (Shanghai) Limited ("NCRE"), a wholly-owned subsidiary of the Company, and to assign NCRE's shareholder loan of approximately RMB2,677,800,000 (equivalent to approximately HK$3,197,755,000) to DRG for a cash consideration of RMB3,100,000,000 (equivalent to approximately HK$3,701,935,000) (collectively referred to as the "Disposal 1"). The Disposal 1 was completed at the date of signing the S&P Agreement which was on 28 December 2015 (the "Disposal Date"). RMB100,000,000 (equivalent to approximately HK$119,417,000) of the Disposal Consideration 1 was received as deposit upon signing the letter of intent on 29 September 2015, RMB799,912,634 (equivalent to approximately HK$955,234,000) of the Disposal Consideration 1 was received on the Disposal Date and the remaining RMB2,200,087,366 (equivalent to approximately HK$2,627,284,000) of the Disposal Consideration 1 (i.e. consideration receivables) would be received within 180 days from the Disposal Date in accordance with the terms of the S&P Agreement and was included in "trade and other receivables" line item of the consolidated statement of financial position as at 31 December 2015 (see note 23).

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

(a) Gains on disposal of subsidiaries (continued)

(i) Disposal of Zhuhai Qi'ao Island Project (as defined below) (continued)

According to the S&P Agreement, the purchaser is required to pay a daily interest on the consideration receivable from the Disposal Date until the consideration receivable is settled in full. The daily interest rate is calculated on the basis of (i) for the first 90 days after the Disposal Date, the PBOC rate as of the Disposal Date and divided by 365; and (ii) thereafter, a daily interest rate of 0.05%.

	HK$'000
Consideration:	
Cash received	1,074,651
Consideration receivables (Note 23)	2,627,284
Total consideration	3,701,935
Analysis of assets and liabilities over which control was lost:	
Property and equipment	126
Inventories — properties under development for sale	2,664,399
Other receivables	140
Bank balances and cash	1,336
Consideration payables for acquisition of subsidiaries	(160,070)
Net assets disposed of	2,505,931
Gain on disposal of subsidiaries:	
Total consideration	3,701,935
Net assets disposed of	(2,505,931)
Gain on disposal	1,196,004
Net cash inflow arising on disposal:	
Cash received	1,074,651
Less: Cash and cash equivalents disposed of	(1,336)
	1,073,315

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

(a) Gains on disposal of subsidiaries (continued)

(i) Disposal of Zhuhai Qi'ao Island Project (as defined below) (continued)

The Disposal Consideration 1 would be settled in cash by instalments, where an amount of approximately RMB899,913,000 (equivalent to approximately HK$1,074,651,000) would be settled on the Disposal Date and the balance would be settled in full on or before 27 June 2016. As security for the payment of the consideration receivable, the purchaser entered into a share charge dated 28 December 2015 in favour of NCL in respect of the entire issued share capital of NCRE. The parties agreed that the issued share capital of NCRE would be increased after the Disposal Date by the purchaser subscribing for new shares in NCRE, and then NCL would release the share charge in respect of 29% of the enlarged issued share capital of NCRE. The share charge would be released in full following the full payment by the purchaser of the consideration receivable. In the event that the purchaser fails to pay the consideration receivable within 180 days from the Disposal Date, NCL is entitled to terminate the S&P Agreement.

The consideration receivable of approximately HK$2,627,284,000 was fully settled during the year ended 31 December 2016.

The subsidiaries disposed of was principally engaged in property development on a piece of land located at Qi'ao Island, Zhuhai City (珠海市淇澳島) in the PRC with a gross site area of approximately 2,215,516 square metres, which was held indirectly by NCRE through Zhuhai City Qi Zhou Island Movie Town Company Limited ("Zhuhai Movie Town") and was intended to be developed into a mixed use complex comprising commercial property and residential villas (the "Zhuhai Qi'ao Island Project"). The main assets of the subsidiaries were properties under development for sale including the leasehold land in Zhuhai.

The subsidiaries disposed of during the year ended 31 December 2015 did not have any significant contribution to the results and cash flows of the Group during the period prior to the disposal.

The Company and NCRE were defendants to a claim by a third party regarding non-payment of RMB128,097,000 which was part of the purchase price payable for the acquisition of Zhuhai Movie Town, a wholly-owned subsidiary of NCRE (the "Qi'ao Proceedings"). The third party claim also included a liquidated damage which amounted to approximately HK$275,000,000 up to 25 July 2012 and which was accumulated at a daily rate of approximately HK$162,000 thereafter until settlement. In prior year, the directors of the Company after taking legal advice, were of opinion that it had a good ground for withholding the payment of the outstanding consideration and that it was at pre-mature stage to estimate the outcome of the third party claim. Accordingly, no provision for the liquidated damage was made in the past.

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

(a) Gains on disposal of subsidiaries (continued)

(i) Disposal of Zhuhai Qi'ao Island Project (as defined below) (continued)

Pursuant to the S&P Agreement, the purchaser undertook to procure the settlement or withdrawal of the Qi'ao Proceedings mentioned above. Subject to the settlement or withdrawal of the Qi'ao Proceedings, the Group agreed to bear and pay to NCRE RMB64,000,000 (equivalent to approximately HK$76,427,000) in relation thereto (the "Amount"). The Amount was fully provided by the Group as at 31 December 2015. If the plaintiff sues the Group again on the same matter after the withdrawal of the Qi'ao Proceedings, the purchaser agreed to bear the entire legal risk and responsibility in relation thereto. On the basis of the above, as at 31 December 2015, the directors of the Company were of the opinion that the Group would not be obliged to pay any additional sum in excess of the Amount as a result of the Qi'ao Proceedings. Therefore, no provision was made for any amount in excess of the Amount by the Group as at 31 December 2015.

On 2 February 2016, a consent summons was filed with the High Court of Hong Kong to dismiss the claims and counterclaims and to discontinue the Qi'ao Proceedings. Pursuant to the consent summons, the plaintiff would be prohibited from taking out fresh proceedings against the defendants for the same, or substantially the same, cause of action or on the same, or substantially the same, subject matters. On 29 February 2016, an order was granted by the High Court of Hong Kong to confirm the dismissal and discontinuance of the Qi'ao Proceedings. Therefore, the Amount was paid to the purchaser during the year ended 31 December 2016.

(ii) Disposal of the Disposal Group (as defined below)

On 26 August 2014, the directors of the Company resolved to dispose of the entire interest in Bold Eagle Investment Limited ("Bold Eagle"), a wholly owned subsidiary of the Company, 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 referred to as the "Disposal Group"). On 10 February 2015, the Group entered into a share transfer agreement with an independent third party. Pursuant to the share transfer agreement, the Group agreed to dispose of its entire interest in Bold Eagle for a cash consideration of RMB940,000,000 (equivalent to approximately HK$1,174,706,000), of which RMB280,000,000, RMB460,000,000 and RMB200,000,000 would be settled on or before 27 March 2015, 10 June 2015 and 10 October 2015 respectively. During the year ended 31 December 2014, a deposit of HK$99,975,000 regarding the disposal was received by the Group. The disposal was completed on 10 June 2015 and the consideration was fully settled during the year ended 31 December 2015.

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

(a) Gains on disposal of subsidiaries (continued)

(ii) Disposal of the Disposal Group (as defined below) (continued)

	HK$'000
Consideration:	
Cash received	1,074,731
Deposit received during year ended 31 December 2014	99,975
Total consideration	1,174,706
Analysis of assets and liabilities over which control was lost:	
Property and equipment	131
Inventories — properties under development for sale	729,505
Bank balances and cash	103
Other payables	(28)
Net assets disposed of	729,711
Gain on disposal of subsidiaries:	
Total consideration	1,174,706
Net assets disposed of	(729,711)
Gain on disposal	444,995
Net cash inflow arising on disposal:	
Cash received	1,074,731
Less: Cash and cash equivalents disposed of	(103)
	1,074,628

The Disposal Group was principally engaged in property development in Hebei Province of the PRC. The main assets of the subsidiaries were properties under development for sale including the leasehold land in Hebei Province.

The subsidiaries disposed of during the year ended 31 December 2015 did not have any significant contribution to the results and cash flows of the Group during the period prior to the disposal.

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

(b) Gains on disposal of assets through disposal of subsidiaries

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

During the year ended 31 December 2016, the Group disposed of an exclusive right for a designated portion of the "U Center" project (the "Carved-out Site 1") held by a subsidiary of the Company, Shanghai Urban Development Group Longcheng Properties Co., Ltd 上海城開集團龍城置業有限公司 ("SUD Longcheng"), through disposal of its wholly-owned subsidiary of the Company, Urban Development Green Carbon (Tianjin) Equity Investment Fund ("Green Carbon Fund"), a limited partnership established in the PRC, for a cash consideration of RMB1,668,000,000 (the "Purchase Consideration"). The Purchase Consideration would be settled by redemption of the partnership interest in Green Carbon Fund held by SUD, a non wholly-owned subsidiary of the Company, under a redemption agreement dated 8 January 2016 (the "Redemption Date") entered into among SUD, Green Carbon Fund, an existing general partner of Green Carbon Fund (the "Departing GP") and two new partners of Green Carbon Fund (the "New Partners") (the "Redemption Agreement"). According to the terms set out in the Redemption Agreement, RMB1,098,000,000 of the Purchase Consideration would be settled within five business days after the date of the Redemption Agreement, RMB300,000,000 of the Purchase Consideration would be settled on or before 31 March 2016 and the remaining RMB270,000,000 of the Purchase Consideration would be settled on or before 30 June 2016. As stated in the Redemption Agreement, any amounts SUD received previously from Green Carbon Fund and which remained to be owed to Green Carbon Fund could be used to offset the Purchase Consideration, accordingly, an amount of RMB1,368,000,000 advanced by Green Carbon Fund to SUD before 31 December 2015 (see note 34) was offset against the Purchase Consideration which resulted in a remaining balance of RMB300,000,000 being owed by Green Carbon Fund to SUD. During the year ended 31 December 2016, the remaining balance of the Purchase Consideration was fully settled.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(b) Gains on disposal of assets through disposal of subsidiaries (continued)

(i) Disposal of Green Carbon Fund (as defined below) (continued)

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

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

	HK$'000
Consideration:	
Deposits received during the year ended 31 December 2015 (Note 34)	1,633,628
Cash received	358,252
Total consideration	1,991,880
Analysis of assets and liabilities over which control was lost:	
Inventories — properties under development for sale	2,393,272
Other receivables	3,045
Accrued expenditure on properties under development for sale	(388,760)
Other payables	(1,129,840)
Net assets disposed of	877,717
Gain on disposal of assets through disposal of a subsidiary:	
Total consideration	1,991,880
Net assets disposed of	(877,717)
Gain on disposal	1,114,163

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

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

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

(b) Gains on disposal of assets through disposal of subsidiaries (continued)

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

On 12 May 2016, the Group entered into an equity transfer agreement (the "ET Agreement") with Zhonggeng Real Estate Industrial Group Co., Ltd., 中庚地產實業集團有限公司, a connected person of the Company at the subsidiary level. Pursuant to the ET Agreement, the Group agreed to dispose of an exclusive right for the remaining designated portion of the "U Center" project held by SUD Longcheng, through disposal of 40% equity interest in SUD Longcheng (the "Disposal 2"), for a cash consideration of RMB1,907,000,000 (the "Disposal Consideration 2"), of which RMB600,000,000, RMB300,000,000, RMB300,000,000 and RMB707,000,000 would be settled on or before 18 May 2016, 7 November 2016 and 5 February 2017 and 6 May 2017 respectively.

During the year ended 31 December 2016, the control and legal title of SUD Longcheng was transferred to the purchaser and it ceased to be a subsidiary of the Company. As at 31 December 2016, RMB1,607,000,000 (equivalent to approximately HK$1,868,605,000) of the Disposal Consideration 2 was received and the directors of the Company expect the remaining RMB300,000,000 (equivalent to approximately HK$334,971,000) of the Disposal Consideration 2, which is included in "trade and other receivables" line item in the consolidated statement of financial position as at 31 December 2016 will be received within five months from the year ended 31 December 2016 according to the terms as set out in the ET Agreement. Up to the date of these consolidated financial statements are authorised for issue, the remaining RMB300,000,000 of the Disposal Consideration 2 has not been received by the Group.

According to the ET Agreement, the purchaser is required to pay interest which is calculated on the PBOC rate, on the outstanding Disposal Consideration 2.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(b) Gains on disposal of assets through disposal of subsidiaries (continued)

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

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

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

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

34. DEPOSITS RECEIVED FOR IDENTIFYING INVESTMENT PROJECTS

Deposits received from partners of Green Carbon Funds

On 6 May 2015, SUD, Green Carbon Fund, the Departing GP and the New Partners entered into an investment agreement (the "Investment Agreement"). The Departing GP and the New Partners are independent parties not connected to the Group. Pursuant to the Investment Agreement, the New Partners committed to invest RMB1,668,000,000 (equivalent to approximately HK$1,991,880,000) in aggregate into Green Carbon Fund for exploring investment opportunities on new projects and the New Partners would not be entitled to any benefits in relation to an existing project that Green Carbon Fund was currently investing.

During the year ended 31 December 2015, the New Partners invested RMB1,368,000,000 (equivalent to approximately HK$1,633,628,000) in aggregate into Green Carbon Fund and the same amount was advanced by Green Carbon Fund to SUD for the purpose of identifying investment opportunities on new projects.

As at 31 December 2015, in view of the fact that no potential new projects had been identified by SUD, SUD negotiated with the New Partners in respect of disposal of its interest in the existing project to the New Partners through disposal of its partnership interest in Green Carbon Fund.

During the year ended 31 December 2016, the entire deposits received from the New Partners were utilised to become the consideration for the Group's disposal of its assets through disposal of a subsidiary. Details of this disposal are set out in note 33(b)(i).

Deposits received from a non-controlling shareholder

As at 31 December 2015, included in the deposits received for identifying investment projects was an amount of RMB300,000,000 (equivalent to approximately HK$358,252,000) which was a refundable deposit received by the Group from a non-controlling shareholder of a subsidiary of the Company in relation to potential disposal of the Group's interest in a subsidiary to the non-controlling shareholder. During the year ended 31 December 2016, this deposit was refunded to the non-controlling shareholder.

35. SHARE CAPITAL

	Number of shares '000	Amount HK$'000
Ordinary shares of HK$0.04 each		
Authorised:		
At 1 January 2015, 31 December 2015, 1 January 2016 and 31 December 2016	10,000,000	400,000
Issued and fully paid:		
At 1 January 2015	4,811,523	192,461
Shares repurchased and cancelled	(250)	(10)
At 31 December 2015, 1 January 2016 and 31 December 2016	4,811,273	192,451

36. ACQUISITION OF SUBSIDIARIES

In October 2016, Shanghai Chenghuan Enterprise Management Consulting Co., Ltd., a wholly owned subsidiary of the Company, acquired the two residential villa projects located in Shanghai through acquisition of the entire issued share capital of Shanghai Qiyao from independent third parties not connected to the Group for a cash consideration of RMB2,350,000,000 (equivalent to approximately HK$2,703,605,000) (the "Acquisition"). Shanghai Qiyao and its subsidiary, namely Shanghai Haihui Real Estate Co., Ltd. are engaged in the properties development business whereas another subsidiary, namely Shanghai Haihui Property Management Co., Ltd. is engaged in the properties management business.

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

36. ACQUISITION OF SUBSIDIARIES (CONTINUED)

	HK$'000
Consideration	
Cash paid	2,419,647
Consideration payables (note)	283,958
Total consideration	2,703,605
Assets acquired and liabilities recognised at the date of acquisition are as follows:	
Property, plant and equipment	860
Investment properties	2,165,185
Inventories — properties under development for sale	204,942
Trade and other receivables	8,868
Bank balances and cash	81,566
Trade and other payables	(205,674)
Bank borrowings — due within one year	(2,849)
Income tax payables	(24,397)
Deferred tax liabilities	(1,385,406)
	843,095
Consideration transferred	2,703,605
Less: Fair value of identified net assets acquired (other than inventories)	(843,095)
Adjustment to carrying amount of inventories	1,860,510
Net cash outflow arising on the acquisition:	
Cash paid	2,419,647
Less: Cash and cash equivalent balances acquired	(81,566)
	2,338,081

Note: The consideration payables of approximately RMB246,819,000 (equivalent to approximately HK$283,958,000) represent a part of the total consideration withheld by the Group for settlement of the EIT of the seller to the relevant PRC tax authority arising from the Acquisition and the amount is included in "consideration payables for acquisition of subsidiaries' line item in the consolidated statement of financial position. Details of the outstanding balance of consideration payables as at 31 December 2016 are set out in note 29.

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

37. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme of the Company

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

As at 31 December 2016, 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 41,750,000 (2015: 42,750,000), representing 0.87% (2015: 0.9%) of the shares of the Company in issue at that date.

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

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

37. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

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

Grantees	Date of grant	Outstanding at 1 January 2015	Forfeited during year	Outstanding at 31 December 2015	Exercisable period	Exercised price per share (subject to anti-dilutive adjustment)
Directors	24 September 2010	38,000,000	(8,000,000)	30,000,000	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				42,750,000		
Weighted average exercise price		2.98	—	2.98		

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

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

38. CAPITAL RISK MANAGEMENT

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

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

The directors of the Company actively and regularly review the capital structure. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. The Group has a target gearing ratio of not more than 100% determined as the proportion net debt, which includes and bank and other borrowings less bank balances and cash and restricted and pledged bank deposits to equity. As at 31 December 2016, the gearing ratio of the Group was 8.1% (2015: 54.9%). 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

	2016 **HK$'000**	2015 HK$'000
Financial assets		
Available-for-sale investments	**265,662**	295,441
Financial assets at FVTPL	**5,193**	4,532
Loans and receivables (including cash and cash equivalents)	**14,333,123**	14,915,377
Financial liabilities		
Amortised cost	**17,151,943**	28,340,542

39. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investments, financial assets at FVTPL, restricted and pledged bank deposits, bank balances and cash, trade and other receivables, trade and other payables, amounts due from related companies, amounts due to associates and related companies, consideration payables for acquisition of subsidiaries, dividend payable, dividend payable to non-controlling shareholders, bank and other borrowings and deposits received for identifying investment projects. 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 development of the projects can commence within a short period of time so as to minimise the time period between acquisition and development of the acquired land, thus the Group's capital can be efficiently deployed.

Market risk

(i) Currency risk

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

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

	Assets		**Liabilities**	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
United States dollar ("US$")	**23,278**	498,992	**—**	6,430,143
HK$	**325,824**	1,739,122	**15,185**	3,210,958

In addition, as at 31 December 2016, the Group's exposure to foreign currency risk also arose from US$ denominated intercompany receivables of approximately HK$31,675,000 (2015: HK$31,714,000) and HK$ denominated intercompany receivables of approximately HK$1,318,189,000 (2015: HK$1,328,927,000) respectively, which were not denominated in the functional currency of the respective group entities as the borrowers. These intercompany balances do not form part of the Group's net investment in foreign operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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% (2015: 5%) increase and decrease in RMB against the relevant foreign currencies. 5% (2015: 5%) is the sensitivity rate used when reporting foreign currency risk internally and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, including intercompany balances. A positive/negative number below indicates an increase/decrease in post-tax profit where RMB strengthen 5% (2015: 5%) against US$ and HK$ respectively. For a 5% (2015: 5%) weakening of RMB against US$ and HK$ respectively, there would be an equal and opposite impact on the result.

	US$ (i)		HK$ (ii)	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
(Decrease) increase in post-tax profit for the year	**(2,748)**	294,972	**(81,441)**	7,145

(i) This is mainly attributable to the exposure to bank balances and intercompany balances denominated in US$ as at 31 December 2016 (2015: bank balances, outstanding bank borrowings, other borrowings due to SIHL Finance Limited, amounts due to Nan Fung Group, consideration payables for acquisition of subsidiaries and intercompany balances denominated in US$).

(ii) This is mainly attributable to the exposure to bank balances and intercompany balances denominated in HK$ as at 31 December 2016 (2015: bank balances, outstanding other borrowings due to SIHL Finance Limited, amounts due to a non-controlling shareholder and intercompany balances denominated in HK$).

39. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (continued)

Market risk (continued)

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank and other borrowings (see note 31), consideration receivables in respect of Disposal 2 (see note 33(b)(ii)), amounts due from/to non-controlling shareholders (see note 27(ii)), restricted and pledged bank deposits and bank balances (2015: variable rate bank and other borrowings, amounts due to non-controlling shareholders, consideration receivables in respect of Disposal 1 (see note 33(a)(i)), pledged bank deposits and bank balances). It is the Group's policy to keep its bank borrowings at floating rate of interests so as to minimise the fair value interest rate risks.

The Group is also exposed to fair value interest rate risk in relation to fixed-rate other borrowings, amounts due to entities controlled by Xuhui SASAC, other receivables recognised as non-current assets 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 fluctuations of the PBOC rate arising from the Group's RMB denominated borrowings (2015: PBOC rate, HIBOR and LIBOR arising from the Group's RMB, HK$ and US$ denominated borrowings respectively).

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 (2015: 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 (2015: 100 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2016 would decrease/increase by approximately HK$84,218,000 (2015: HK$111,165,000) assuming interest of approximately HK$18,590,000 (2015: HK$37,124,000) are capitalised into qualifying assets.

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

39. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (continued)

Market risk (continued)

(iii) Other price risk

The Group is exposed to equity price risk arising from changes in the fair value of its financial assets at FVTPL and available-for-sale investment carried at fair value.

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

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

A 10% (2015: 10%) change in equity prices represents the management's assessment of the reasonably possible changes in prices. 10% is used in current year as a result of the volatile financial market.

As at 31 December 2016, if the price of the respective instrument had been 10% higher/lower and all other variables were held constant, the Group's investment revaluation reserve, net of tax, would increase/decrease by HK$13,317,000 (2015: HK$14,196,000) as a result of the changes in fair value of available-for-sale investments carried at fair value.

Credit risk

As at 31 December 2016, other than those financial assets whose carrying amounts best represent the maximum exposure to credit risk, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in note 43.

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

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

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

39. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (continued)

Credit risk (continued)

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 100% (2015: 100%) of the total trade and other receivables as at 31 December 2016.

In relation to the Group providing guarantees to secure obligations of the buyers of the property units for the repayment of their mortgage loans, if there is a default in repayment by these buyers, the Group is responsible for repaying the outstanding mortgage loans together with any accrued interests and penalties owed by the defaulted buyers to banks. Under such circumstances, the Group is able to retain the customer's deposits, take over the ownership of the relevant properties and sell the properties to recover any amounts paid by the Group to banks. In this regard, the directors of the Company consider that the Group's credit risk on such guarantees is significantly reduced. Detailed disclosure of these guarantees has been made in note 43.

The Group has concentration of credit risk on consideration receivables in respect of the Disposal 2 as at 31 December 2016. In the opinion of the directors of the Company, since the purchaser has a strong financial background, the credit risk is limited.

The Group has concentration of credit risk on other receivables recognised as non-current assets as at 31 December 2016. The other receivables recognised as non-current assets comprised of entrusted loans made by the Group to the Borrower 1 and the Borrower 2. For the entrusted loans made by the Group to the Borrower 1, the directors of the Company performed a credit review on the Borrower 1 and its guarantors, including assessing their financial positions as at 31 December 2016 and reviewing the quality of their assets. As the assets of its guarantors exceeded their liabilities, the directors of the Company considered the risk of the Borrower 1 and its guarantors defaulting in repayment to be low. For the entrusted loans made by the Group to the Borrower 2, as the carrying amount of assets pledged by the Borrower 2 to the Group exceeded the carrying amount of the loans, the directors of the Company considered the risk of the Borrower 2 defaulting in repayment to be low. In this regard, the directors of the Company considered that the Group's credit risk in respect of these other receivables was acceptable.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, the Group had no significant concentrations of credit risk within 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 2016, the Group has available unutilised overdraft and bank loan facilities of HK$2,513,059,000 (2015: HK$1,107,940,000).

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	1–2 years	2–5 years	More than 5 years	Total undiscounted cash flows	Carrying amount at 2016
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2016							
Non-derivative financial liabilities							
Trade and other payables	N/A	1,333,288	–	–	–	1,333,288	1,333,288
Amount due to related companies	2.93	617,093	–	–	–	617,093	609,801
Amounts due to associates	N/A	50,371	–	–	–	50,371	50,371
Consideration payables for acquisition of subsidiaries	N/A	342,585	–	–	–	342,585	342,585
Dividend payable	N/A	8,384	–	–	–	8,384	8,384
Dividend payable to non-controlling shareholders	N/A	61,344	–	–	–	61,344	61,344
Bank and other borrowings	2.2–9.0	1,501,327	4,666,099	6,465,864	4,506,048	17,139,338	14,746,170
Financial guarantee contracts issued Maximum amount guaranteed (Note 43)	N/A	2,904,819	–	–	–	2,904,819	–
		6,819,211	4,666,099	6,465,864	4,506,048	22,457,222	17,151,943

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$'000	Carrying amount at 2015 HK$'000
2015							
Non-derivative financial liabilities							
Trade and other payables	N/A	1,692,014	–	–	–	1,692,014	1,692,014
Deposits received for identifying investment projects	N/A	1,991,880	–	–	–	1,991,880	1,991,880
Amount due to related companies	0.2	2,045,780	73,482	–	–	2,119,262	2,104,771
Amounts due to associates	N/A	58,007	–	–	–	58,007	58,007
Consideration payables for acquisition of subsidiaries	N/A	127,915	–	–	–	127,915	127,915
Dividend payable	N/A	6,976	–	–	–	6,976	6,976
Dividend payable to non-controlling shareholders	N/A	125,340	–	–	–	125,340	125,340
Bank and other borrowings	2.4–7.3	5,957,308	5,247,825	9,247,861	5,092,278	25,545,272	22,233,639
Financial guarantee contracts issued Maximum amount guaranteed (Note 43)	N/A	2,670,548	–	–	–	2,670,548	–
		14,675,768	5,321,307	9,247,861	5,092,278	34,337,214	28,340,542

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 2016	Fair value 2015	Fair value hierarchy	Valuation techniques and inputs	Significant unobservable inputs
Held-for-trading investment	**Listed equity securities in the PRC — HK$5,193,000**	Listed equity securities in the PRC — HK$4,532,000	Level 1	Quoted bid prices in active market	N/A
Available-for-sale investments	**Listed equity securities in the PRC — HK$177,563,000**	Listed equity securities in the PRC — HK$189,277,000	Level 1	Quoted bid prices in active market	N/A

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

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

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

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

41. CAPITAL COMMITMENTS

Capital expenditure in respect of properties under development for sale:

The Group

	2016 HK$'000	2015 HK$'000
Contracted for but not provided for in the consolidated financial statements — additions in properties under development for sale (note)	**2,186,789**	3,602,746

Note: As the Group disposed of the entire interest in SUD Longcheng during the year ended 31 December 2016, the Group had no capital commitment and potential cash outgoings in respect of SUD Longcheng as at 31 December 2016.

42. OPERATING LEASES

The Group as lessee

Minimum lease payments paid under operating leases during the year in respect of office premises are approximately HK$39,746,000 (2015: HK$57,259,000).

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:

	2016 HK$'000	2015 HK$'000
Within one year	**25,339**	38,610
In the second to fifth years inclusive	**32,938**	27,004
Over five years	**1,300**	3,273
	59,577	68,887

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

42. OPERATING LEASES (CONTINUED)

The Group as lessor

Property rental income earned during the year is approximately HK$654,358,000 (2015: HK$696,086,000). Certain of the Group's investment properties have committed tenants for the next 2 to 10 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:

	2016 **HK$'000**	2015 HK$'000
Within one year	**441,873**	572,810
In the second to fifth year inclusive	**650,810**	1,325,273
Over five years	**181,588**	711,185
	1,274,271	2,609,268

43. CONTINGENT LIABILITIES

Corporate guarantees

	2016 **HK$'000**	2015 HK$'000
Guarantee given to banks in respect of banking facilities utilised by:		
— property buyers	**2,349,884**	2,208,403
— an entity controlled by Xuhui SASAC	**163,019**	198,233
— an entity and its subsidiary jointly held by a joint venture of the Group	**391,916**	263,912
	2,904,819	2,670,548

43. CONTINGENT LIABILITIES (CONTINUED)

Corporate guarantees (continued)

As at 31 December 2016, the total amount of loans and credit facilities obtained by the Group in respect of which guarantees were provided by Xuhui SASAC was approximately HK$303,707,000 (2015: HK$396,465,000).

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.

The Company entered into agreements with banks to provide corporate guarantees with respect to bank loans granted to an entity controlled by Xuhui SASAC. As at 31 December 2016, the maximum liability of the Company under such guarantees is the outstanding amount of the bank loans to the entity controlled by Xuhui SASAC of approximately HK$163,019,000 (2015: HK$198,233,000).

The Company entered into agreements with a bank to provide corporate guarantees with respect to bank loans granted to an entity and its subsidiary, collectively as a group, jointly held by a joint venture of the Group. As at 31 December 2016, the maximum liability of the Company under such guarantees is the outstanding amount of the bank loans to an entity and its subsidiary jointly held by a joint venture of the Group of approximately HK$391,916,000 (2015: HK$263,912,000).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44. RELATED PARTY TRANSACTIONS

(a) Transactions with key management personnel

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

	2016 HK$'000	2015 HK$'000
Short-term employee benefits	**10,402**	11,735
Post-employment benefits	**54**	63
	10,456	11,798

Total remuneration is included in "staff costs" (Note 9).

(b) Balances with related parties

Details of the balances with related parties as at 31 December 2016 and 2015 are set out in the notes 27, 28 and 31.

(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	2016 HK$'000	2015 HK$'000
Entities controlled by SIHL	Interest expenses	**110,296**	168,622
	Rental expenses	**—**	63
Ultimate holding company	Interest expenses	**27,016**	24,398
Entity controlled by an independent non-executive director of SIHL	Rental expense, rate and management fee	**3,241**	6,311
Associates	Property agency fees	**17,073**	22,401
	Rental income	**(1,300)**	(357)
	Royalty fee	**(3,306)**	(3,701)
	Management fee	**1,659**	—
Entities controlled by Xuhui SASAC	Interest expenses	**12,578**	14,633
Non-controlling shareholder of a subsidiary	Interest expenses	**5,448**	664
	Management fee	**536**	342

44. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Transactions with related parties (continued)

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

(i) The Group entered into the loan agreements with SIIC and a subsidiary of SIHL. Details of which are set out in note 31.

(ii) The Group also granted financial guarantees to an entity controlled by Xuhui SASAC. Details of which are set out in note 43.

(d) Government-related entities

The Group itself is part of a larger group of companies under SIIC (SIIC and its subsidiaries are referred to as the "SIIC Group") which is controlled by the PRC government. The directors of the Company consider that the Company is ultimately controlled by the PRC government and the Group operates in an economic environment currently predominated by entities controlled, jointly controlled or significantly influenced by the PRC government ("PRC government-related entities"). Apart from the transactions with the SIIC Group and Xuhui SASAC which have been disclosed above and in other notes to the financial information, the Group also conducts businesses with other PRC government-related entities in the ordinary course of business. The Group's deposits placements, borrowings and other general banking facilities are entered into with certain banks which are PRC-government related entities in its ordinary course of business. In view of the nature of those banking transactions, the directors of the Company are of the opinion that separate disclosures would not be meaningful.

In addition, the Group 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 2016 and 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

45. 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
			2016		2015		
			Directly	Indirectly	Directly	Indirectly	
Shenzhen Phoenix Real Estates Company Limited 深圳鳳凰置業有限公司 (note (i))	The PRC	US$10,000,000	–	82%	–	82%	Property investment
中置(北京)企業管理有限公司 (note (ii))	The PRC	HK$200,000,000	–	100%	–	100%	Investment holding
北京金馬文華園房地產開發有限公司 (note (i))	The PRC	US$12,000,000	–	100%	–	100%	Property development
北京新松房地產開發有限公司 (note (i))	The PRC	RMB190,000,000	–	100%	–	100%	Property development
北京市御水苑房地產開發有限責任公司 (note (iii))	The PRC	RMB20,000,000	–	90%	–	90%	Property development
北京新松置地投資顧問有限公司 (note (iii))	The PRC	RMB30,000,000	–	100%	–	100%	Investment holding
西安滻灞建設開發有限公司 (note (i))	The PRC	US$86,880,000	–	71.5%	–	71.5%	Property development
西安中新滻灞歐亞酒店發展有限公司 (note (iii))	The PRC	RMB50,000,000	–	71.5%	–	71.5%	Hotel operations
西安中新永榮房地產開發有限公司 (note (iii))	The PRC	RMB10,000,000	–	71.5%	–	71.5%	Property development
西安中新佳園房地產開發有限公司 (note (iii))	The PRC	RMB10,000,000	–	71.5%	–	71.5%	Property development
西安中新永佳房地產開發有限公司 (note (iii))	The PRC	RMB10,000,000	–	71.5%	–	71.5%	Property development
西安中新沁園房地產開發有限公司 (note (iii))	The PRC	RMB10,000,000	–	71.5%	–	71.5%	Property development
西安中新柳域房地產開發有限公司 (note (iii))	The PRC	RMB10,000,000	–	71.5%	–	71.5%	Property development
西安中新華勝房地產開發有限公司 (note (iii))	The PRC	RMB10,000,000	–	71.5%	–	71.5%	Property development
西安中新榮景房地產開發有限公司 (note (iii))	The PRC	RMB10,000,000	–	71.5%	–	71.5%	Property development
西安中新濱河房地產開發有限公司 (note (iii))	The PRC	RMB10,000,000	–	71.5%	–	71.5%	Property development
西安中新永景房地產開發有限公司 (note (iii))	The PRC	RMB10,000,000	–	71.5%	–	71.5%	Property development
湖南淺水灣湘雅溫泉花園有限公司 (note (iii))	The PRC	RMB30,000,000	–	67%	–	67%	Property development
重慶中華企業房地產發展有限公司 (note (iii))	The PRC	RMB200,000,000	–	100%	–	100%	Property development
天津中新濱海房地產開發有限公司 (note (ii))	The PRC	HK$100,000,000	–	100%	–	100%	Property development
天津中新華安房地產開發有限公司 (note (ii))	The PRC	RMB240,000,000	–	100%	–	100%	Property development
天津中新華城房地產開發有限公司 (note (ii))	The PRC	RMB80,000,000	–	100%	–	100%	Property investment
天津中新嘉業房地產開發有限公司 (note (ii))	The PRC	RMB120,000,000	–	100%	–	100%	Property development
天津中新信捷房地產開發有限公司 (note (ii))	The PRC	RMB240,000,000	–	100%	–	100%	Property development

45. 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
			2016		2015		
			Directly	Indirectly	Directly	Indirectly	
天津凱津房地產開發有限公司 (note (iii))	The PRC	RMB210,000,000	–	100%	–	100%	Property development
上海九久廣場投資開發有限公司 (note (iii))	The PRC	RMB226,160,000	–	100%	–	100%	Property development
Shanghai Qiyao Property Development Co., Ltd 上海啟耀房地產開發有限公司 (note (iv))	The PRC	US$12,000,000	–	100%	–	–	Property development
Shanghai Haihui Real Estate Co., Ltd 上海海輝房地產有限公司 (note (iv))	The PRC	RMB12,000,000	–	100%	–	–	Property development
Shanghai Haihui Property Management Co., Ltd 上海海輝物業管理有限公司 (note (iv))	The PRC	RMB500,000	–	100%	–	–	Property management
瀋陽向明長益置業有限公司 (note (i))	The PRC	US$63,750,000	–	80%	–	80%	Property development
北京盈通房地產開發有限公司 (note (i))	The PRC	US$6,000,000	–	67.5%	–	67.5%	Primary land development
Shanghai Urban Development (Holdings) Co. Ltd. ("SUD") 上海城開(集團)有限公司 (note (i))	The PRC	RMB3,200,000,000	–	59%	–	59%	Investment holding and property development
上海城開商用物業發展有限公司 (note (iii))	The PRC	RMB5,000,000	–	59%	–	59%	Property management
上海申大物業有限公司 (note (iii))	The PRC	RMB5,000,000	–	59%	–	59%	Property management
上海萬源房地產開發有限公司 (note (iii))	The PRC	RMB300,000,000	–	53%	–	53%	Property development and sales
上海石龍工業區聯合發展有限公司 (note (iii))	The PRC	RMB20,000,000	–	59%	–	59%	Property development and sales
上海城開集團晶杰置業有限公司 (note (iii))	The PRC	RMB1,000,000	–	59%	–	59%	Property development and sales and hotel operation
上海城開(集團)無錫置業有限公司 (note (iii))	The PRC	RMB500,000,000	–	59%	–	59%	Property development and sales
上海城開集團晶實置業有限公司 (note (iii))	The PRC	RMB300,000,000	–	59%	–	59%	Property development and sales
上海城開集團龍城置業有限公司 ("上海龍城") (note (i) and (v))	The PRC	RMB2,100,000,000	–	–	–	44%	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
Urban Development Green Carbon (Tianjin) Equity Investment Fund (Limited Partnership) 城開綠碳(天津)股權投資基金合夥企業 ("Green Carbon Fund") (note (vi))	The PRC	RMB735,000,000	–	–	–	59%	Investment holding
上海世界貿易商城有限公司 (note (iii))	The PRC	US$100,000,000	–	51%	–	51%	Property investment
上海城寰企業管理諮詢有限公司 (note (iii))	The PRC	RMB100,000	–	100%	–	100%	Investment holding

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

Notes:

(i) These companies were established in the PRC in the form of sino-foreign equity joint ventures.

(ii) These companies were established in the PRC in the form of wholly-owned foreign enterprises.

(iii) These companies were established in the PRC in the form of limited liability company.

(iv) This company was newly acquired during the year end 31 December 2016. Details of the acquisition are set out in note 36.

(v) The disposal of this company was completed during the year ended 31 December 2016. Details of the disposal are set out in note 33(b)(ii).

(vi) Green Carbon Fund was established in the PRC in the form of limited liability partnership. 64.7% of the paid-in capital of Green Carbon Fund was contributed by the Group at the date of establishment. The Group acquired all the interests from other partners in previous years.

The disposal of this company was completed during the year ended 31 December 2016. Details of the disposal are set out in note 33(b)(i).

The above table only includes those subsidiaries which, in the opinion of the directors of the Company, principally affected the results of the Group for the year or formed a substantial portion of the net assets of the Group. To give details of all subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year except SUD which issued RMB1,500,000,000 of advanced bonds — 2012 during the year ended 31 December 2012, RMB1,800,000,000 of advanced bonds — 2015 during the year ended 31 December 2015 and RMB1,700,000,000 of advanced bonds — 2016 during the year ended 31 December 2016, in which the Group has no interest. Details of advanced bonds — 2012, advanced bonds — 2015 and advanced bonds — 2016 are set out in note 31(ii).

46. 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	
		2016	2015	**2016**	2015	**2016**	2015
				HK$'000	HK$'000	**HK$'000**	HK$'000
SUD and its subsidiaries	Incorporated and operating in the PRC — Shanghai	**41%**	41%	**789,966**	32,973	**6,993,370**	6,697,155
AWI and its subsidiaries	Incorporated in the BVI and the PRC and operating in the PRC — Shanghai	**49%**	49%	**29,240**	(2,464)	**2,167,384**	(78,412)
Individually immaterial subsidiaries with non-controlling interests				**(14,529)**	(7,908)	**268,551**	359,102
				804,677	22,601	**9,429,305**	6,977,845

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 intra-group eliminations.

SUD and its subsidiaries

	2016	2015
	HK$'000	HK$'000
Current assets	**31,063,271**	31,154,167
Non-current assets	**4,812,388**	6,238,267
Current liabilities	**(12,677,521)**	(13,371,799)
Non-current liabilities	**(8,647,373)**	(10,326,693)
Equity attributable to owners of the Company	**7,557,395**	6,996,787
Non-controlling interests	**6,993,370**	6,697,155

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

SUD and its subsidiaries (continued)

	2016 HK$'000	2015 HK$'000
Income	6,334,007	2,185,457
Expenses	(3,430,643)	(1,828,157)
Profit before tax	2,903,364	357,300
Profit for the year	1,830,780	43,230
Profit attributable to owners of the Company	1,040,814	10,257
Profit attributable to the non-controlling interests	789,966	32,973
Profit for the year	1,830,780	43,230
Other comprehensive expense attributable to owners of the Company	(581,756)	(315,757)
Other comprehensive expense attributable to the non-controlling interests	(491,601)	(219,424)
Other comprehensive expense for the year	(1,073,357)	(535,181)
Total comprehensive income (expense) attributable to owners of the Company	459,058	(305,500)
Total comprehensive income (expense) attributable to the non-controlling interests	298,365	(186,451)
Total comprehensive income (expense) for the year	757,423	(491,951)
Dividends paid to non-controlling interests	2,150	—
Net cash inflow from operating activities	4,985,157	2,410,235
Net cash inflow from investing activities	1,268,632	23,368
Net cash (outflow) inflow from financing activities	(2,229,487)	1,013,500
Net cash inflow	4,024,302	3,447,103

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

The summarised financial information below represents amounts shown in AWI's consolidated financial statements prepared in accordance with HKFRSs and before intra group eliminations.

AWI and its subsidiaries

	2016 **HK$'000**	2015 HK$'000
Current assets	**261,395**	168,321
Non-current assets	**6,082,350**	6,367,436
Current liabilities	**(269,333)**	(3,141,578)
Non-current liabilities	**(1,651,179)**	(3,554,203)
Equity attributable to owners of the Company	**2,255,849**	(81,612)
Non-controlling interests	**2,167,384**	(78,412)

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

AWI and its subsidiaries (continued)

	2016 HK$'000	2015 HK$'000
Income	**559,484**	526,939
Expenses	**(440,270)**	(483,320)
Profit before tax	**119,214**	43,619
Profit (loss) for the year	**59,674**	(5,029)
Profit (loss) attributable to owners of the Company	**30,434**	(2,565)
Profit (loss) attributable to the non-controlling interests	**29,240**	(2,464)
Profit (loss) for the year	**59,674**	(5,029)
Other comprehensive expense attributable to owners of the Company	**(103,054)**	(22,981)
Other comprehensive expense attributable to the non-controlling interests	**(99,013)**	(22,080)
Other comprehensive expense for the year	**(202,067)**	(45,061)
Total comprehensive expense attributable to owners of the Company	**(72,620)**	(25,546)
Total comprehensive expense attributable to the non-controlling interests	**(69,773)**	(24,544)
Total comprehensive expense for the year	**(142,393)**	(50,090)
Dividends paid to non-controlling interests	**—**	—
Net cash inflow from operating activities	**208,732**	193,005
Net cash outflow from investing activities	**(52,963)**	(396,027)
Net cash inflow from financing activities	**122,729**	156,545
Net cash inflow (outflow)	**278,498**	(46,477)

47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2016 HK$'000	2015 HK$'000
Non-current assets		
Property, plant and equipment	2,013	2,495
Investments in subsidiaries	2,405,964	2,405,964
Amounts due from subsidiaries	6,976,802	6,652,071
	9,384,779	9,060,530
Current assets		
Amounts due from subsidiaries	5,659,149	9,503,752
Deposit and prepayment	3,007	2,883
Dividend receivables	469,589	469,589
Bank balances and cash	36,853	242,685
	6,168,598	10,218,909
Current liabilities		
Other payables and accruals	558,822	556,687
Amount due to immediate holding company	103,185	103,185
Amounts due to subsidiaries	1,859,516	1,888,286
Amount due to a related company	—	2,466
Dividend payable	8,384	6,976
Bank and other borrowings	—	3,333,000
	2,529,907	5,890,600
Net current assets	3,638,691	4,328,309
Total assets less current liabilities	13,023,470	13,388,839
Non-current liability		
Bank and other borrowings	2,344,797	2,337,600
Total assets less total liabilities	10,678,673	11,051,239
Capital and reserves		
Share capital	192,451	192,451
Reserves	10,486,222	10,858,788
	10,678,673	11,051,239

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

48. STATEMENT OF CHANGES IN EQUITY OF THE COMPANY

	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Share options reserve HK$'000	Exchange reserve HK$'000	Shareholders' contribution HK$'000	Accumulated losses HK$'000	Total HK$'000
As at 1 January 2015	192,461	10,325,453	—	66,842	1,620,660	2,475,111	(3,049,525)	11,631,002
Profit for the year	—	—	—	—	—	—	33,500	33,500
Exchange difference arising on translation into presentation currency	—	—	—	—	(560,026)	—	—	(560,026)
Total comprehensive expense for the year	—	—	—	—	(560,026)	—	33,500	(526,526)
Transfer to distributable reserve	—	(210,000)	210,000	—	—	—	—	—
Dividend recognised as distributions (Note 49)	—	—	(52,927)	—	—	—	—	(52,927)
Forfeiture of share options	—	—	—	(17,475)	—	—	17,475	—
Repurchase of ordinary shares	(10)	(300)	—	—	—	—	—	(310)
As at 31 December 2015	192,451	10,115,153	157,073	49,367	1,060,634	2,475,111	(2,998,550)	11,051,239
Profit for the year	**—**	**—**	**—**	**—**	**—**	**—**	**138,252**	**138,252**
Exchange difference arising on translation into presentation currency	**—**	**—**	**—**	**—**	**(376,103)**	**—**	**—**	**(376,103)**
Total comprehensive expense for the year	**—**	**—**	**—**	**—**	**(376,103)**	**—**	**138,252**	**(237,851)**
Dividend recognised as distributions (Note 49)	**—**	**—**	**(134,715)**	**—**	**—**	**—**	**—**	**(134,715)**
Forfeiture of share options	**—**	**—**	**—**	**(1,165)**	**—**	**—**	**1,165**	**—**
As at 31 December 2016	**192,451**	**10,115,153**	**22,358**	**48,202**	**684,531**	**2,475,111**	**(2,859,133)**	**10,678,673**

49. DIVIDENDS

Dividends recognised as distribution during the year:

	Year ended 31 December	
	2016	2015
	HK$'000	HK$'000
2015 final dividend declared — HK1.2 cents (2015: 1.1 for year 2014)	**57,735**	52,927
2015 special dividend declared — HK1.6 cents	**76,980**	—

A final dividend and a special dividend of HK1.2 cents (2015: HK1.1 cents) per ordinary share and HK1.6 cents (2015: nil) per ordinary share respectively, in an aggregate amount of approximately HK$134,715,000 were declared and an amount of approximately HK$133,264,000 (2015: HK$52,374,000) was paid during the year ended 31 December 2016.

Subsequent to the end of the reporting period, a final dividend and a special dividend in respect of the year ended 31 December 2016 of HK1.4 cents (2015: 1.2 cents) per ordinary share and HK1.9 cents (2015: HK1.6 cents) per ordinary share respectively, in an aggregate amount of approximately HK$158,772,000 (2015: HK$134,715,000), has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

FINANCIAL SUMMARY

	Year ended 31 December				
	2012	2013	2014	2015	**2016**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Revenue	8,782,561	9,773,547	7,773,636	3,871,923	**5,490,564**
Profit before tax	421,612	782,094	1,731,044	1,009,274	**2,585,589**
Income tax	(388,301)	(476,377)	(1,151,080)	(469,288)	**(1,259,024)**
Profit for the year	33,311	305,717	579,964	539,986	**1,326,565**
Attributable to:					
Owners of the Company	(190,166)	143,471	161,181	517,385	**521,888**
Non-controlling interests	223,477	162,246	418,783	22,601	**804,677**
	33,311	305,717	579,964	539,986	**1,326,565**

	As at 31 December				
	2012	2013	2014	2015	**2016**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Assets and liabilities					
Total assets	53,613,512	53,436,959	57,566,703	63,780,450	**58,125,354**
Total liabilities	(34,521,916)	(33,653,682)	(37,451,871)	(44,266,699)	**(36,405,226)**
	19,091,596	19,783,277	20,114,832	19,513,751	**21,720,128**
Equity contributable to:					
Owners of the Company	12,162,193	12,618,970	12,484,789	12,535,906	**12,290,823**
Non-controlling interests	6,929,403	7,164,307	7,630,043	6,977,845	**9,429,305**
	19,091,596	19,783,277	20,114,832	19,513,751	**21,720,128**

GLOSSARY OF TERMS

Term used	Brief description
"2017 AGM"	forthcoming annual general meeting of the Company is scheduled to be held on Friday, 19 May 2017
"Adoption Date"	16 May 2013, adoption date of the New Share Option Scheme
"Audit Committee"	audit committee of the Company
"Board"	board of Directors
"Circular"	reference was made to the circular of the Company dated 16 April 2013 in relation to the adoption of the New Share Option Scheme
"Code"	code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules
"Company" or "SIUD"	Shanghai Industrial Urban Development Group Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange
"Company Secretary"	company secretary of the Company
"Cross Guarantee Agreement"	the cross guarantee agreement dated 26 December 2002 and entered into between SUD and State-owned Management Company
"Director(s)"	director(s) of the Company
"First Supplemental Agreement"	the first supplemental agreement to the Cross Guarantee Agreement dated 15 December 2009 and entered into between SUD and State-owned Management Company
"Group"	the Company and its subsidiaries
"Investment Appraisal Committee"	investment appraisal committee of the Company
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"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
"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

GLOSSARY OF TERMS

Term used	Brief description
"Share Option Scheme"	pursuant to ordinary resolutions passed by Shareholders at its special general meeting held on 12 December 2002, the Company adopted a share option scheme
"SIHL"	Shanghai Industrial Holdings Limited, a company listed on the Stock Exchange with stock code of 363
"SIIC"	Shanghai Industrial Investment (Holdings) Company Limited
"SPH"	Shanghai Pharmaceuticals Holding Co., Ltd., a company listed on the Stock Exchange with stock code of 2607
"State-owned Management Company"	上海徐滙國有資產投資經營有限公司 (Shanghai Xuhui State-owned Assets Management Co., Ltd.), a state-owned enterprise established under the laws of the PRC with Xuhui SASAC as the authorized representative exercising state-owned Shareholder's right over it
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"SUD"	上海城開（集團）有限公司 (Shanghai Urban Development (Holdings) Co., Ltd.), a company incorporated in the PRC with limited liability and is indirectly owned by the Company as to 59% and by Xuhui SASAC as to 41%
"SUD Longcheng"	上海城開集團龍城置業有限公司 (Shanghai Urban Development Group Longcheng Properties Co., Ltd.), a sino-foreign joint venture established in the PRC, and a subsidiary of the Company as at the date of the Directors' Report
"Third Supplemental Agreement"	the third supplemental agreement to the Cross Guarantee Agreement dated 9 February 2015 and entered into between SUD and State-owned Management Company
"Xuhui SASAC"	上海市徐匯區國有資產監督管理委員會 (State-owned Assets Supervision and Administration Commission of Shanghai Xuhui District), a government authority authorised by and established directly under Shanghai Xuhui District People's Government for supervising and managing state-owned assets in the possession of Xuhui District, including but not limited to, exercising state-owned shareholders' right over SUD and a shareholder holding 41% of the equity interest in SUD

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