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

Strive for EXCELLENCE with Innovation and integrity

ANNUAL REPORT 2020

Shanghai Industrial Urban Development Group Limited ("SIUD") currently has 24 real estate projects in 10 major cities in China, mainly located at Shanghai, Beijing, Tianjin, Kunshan, Wuxi, Shenyang, Xi'an, Chongqing, Yantai and Shenzhen. Most of the projects are mid- to high-end residential projects which are under construction at full steam, presenting the Group with approximately 3.57 million square meters saleable floor areas and building a marvelous foundation for our long term development.

Renowned Luxury Residence
Classic Collection of All Times

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Huang Haiping *(Chairman)*
(appointed on 18 May 2020)
Tang Jun *(President) (appointed on 15 Jan 2021)*
Lou Jun
Ye Weiqi
Zhong Tao

Independent Non-Executive Directors

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

AUTHORIZED REPRESENTATIVES

Huang Haiping *(appointed on 18 May 2020)*
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

Huang Haiping *(Committee Chairman)*
(appointed on 18 May 2020)
Doo Wai-Hoi, William, *J.P.*
Fan Ren Da, Anthony

Investment Appraisal Committee

Fan Ren Da, Anthony *(Committee Chairman)*
Tang Jun *(appointed on 15 Jan 2021)*
Zhong Tao
Qiao Zhigang

COMPANY SECRETARY

Chan Kin Chu, Harry

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Secretaries Limited
Level 54, 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

11/F, Henley Building,
No. 5 Queen's Road Central,
Hong Kong
Telephone: (852) 2544 8000
Facsimile: (852) 2544 8004

WEBSITE

http://www.siud.com

PRINCIPAL BANKERS

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

AUDITOR

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

LISTING INFORMATION

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

FINANCIAL HIGHLIGHTS

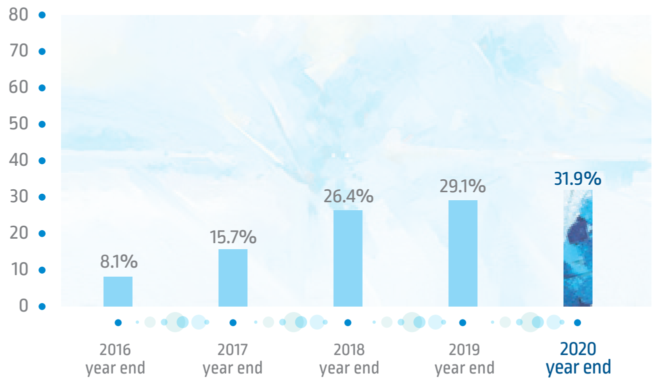
ATTRIBUTABLE PROFIT TO OWNERS

HK$ million

PROPOSED DIVIDEND/ DIVIDEND PAID

HK cents

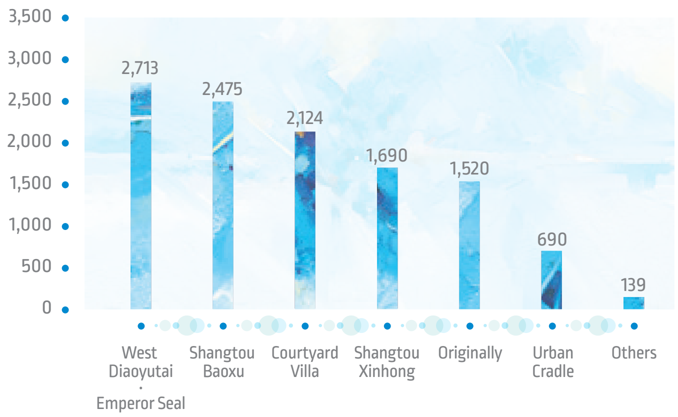
NET DEBT TO TOTAL EQUITY (%) (NOTE)



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

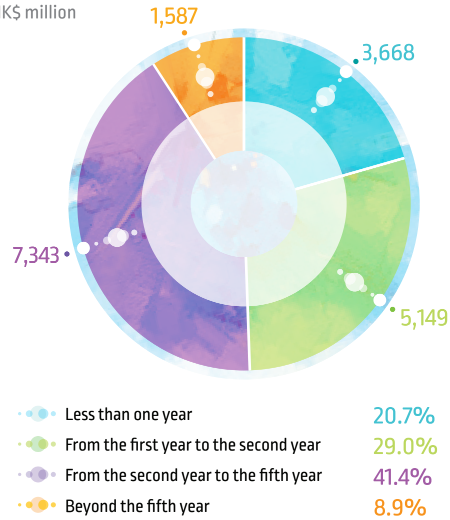
ANALYSIS ON PRE-SALE PROCEEDS RECEIVED ON SALES OF PROPERTIES

HK$ million



DEBT MATURITY PROFILE

HK$ million



Artist Impression – Shanghai Binjiang U Center

Haipai Collection
Valuable Legendary

CHAIRMAN'S STATEMENT

In 2020, under the severe and complex economic environment across the domestic and international arenas, China still managed to maintain a positive economic growth of 2.3%. The COVID-19 pandemic brought profound changes to the property market in China. But later, benefited from economic recovery and monetary easing, the home purchase demand rebounded. This year, the Central Economic Work Conference spent extra-long time discussing the property sector and reiterated the need for making great efforts to develop residential leasing by upholding the principle of "houses are built for inhabitation, not for speculation" and fully establishing a long-term mechanism for property development. Under the severe economic environment, Shanghai Industrial Urban Development Group Limited ("SIUD" or the "Group") maintained steady progress by making prudent plans to gradually promote the mutual development of commercial and residential properties and the transformation of capital integration of industries and finance. With the strong support of its parent company, SIUD expanded into various sectors, such as the comprehensive healthcare industry and financial leasing. During the year under review, the Group posted an overall contract sale of RMB7.61 billion and an overall revenue of HK$6.36 billion. The Group realized earnings after tax of HK$741 million and profit attributable to owners of HK$522 million. As a token of appreciation for the trust and support of the shareholders of SIUD, the Board proposed to distribute a total dividend of 4.3 HK cents per share.

MR. HUANG HAIPING • Chairman

Looking back to 2020, amidst the severity and complexity across the domestic and international arenas, particularly the serious blow dealt by COVID-19, China's annual gross domestic product (GDP) grew 2.3% year-on-year to over RMB100 trillion. According to the National Bureau of Statistics, there were numerous uncertainties in terms of epidemic changes and the external environment, which affected the foundation for economic recovery in China. For the first time, the Political Bureau of the Communist Party of China Central Committee proposed a demand-side reform at its meeting in order to accelerate the establishment of a new development pattern featuring "dual circulation", which takes the domestic market as the mainstay while enabling domestic and foreign markets to interact positively with each other. This will definitely carry widespread and significant implications for the beginning of the "14th Five-Year Plan" in 2021 as well as the reform and development of China in the years ahead.

The development of the property market in China has undergone profound changes ever since the outbreak of COVID-19. Impacted by the pandemic, the residential market once went to a standstill from February to March 2020. But later, benefited from economic recovery and monetary easing, the home purchase demand rebounded. This year, the Central Economic Work Conference spent extra-long time discussing the property sector and reiterated the need for making great efforts to develop residential leasing by upholding the principle of "houses are built for inhabitation, not for speculation" and fully establishing a long-term mechanism for property development.

With its foothold in Shanghai, SIUD has formed a bow shape along the sea and Yangtze River with "one center, two lines and three circles", covering the Yangtze River Delta, Bohai Rim and the second- and third-tier cities in central and western China. To offset the outbreak's impact, the Group adopted online sales as part of its versatile sales practices at the beginning of this year, which received favourable responses from the market. As offices and factories resumed operations and the pandemic was gradually brought under effective control, SIUD accelerated its sales pace in an effort to recover the losses brought by the epidemic. During the year, flagship projects, including Contemporary Splendour Villa • Courtyard Villa in Shanghai, West Diaoyutai • Emperor Seal in Beijing and Originally in Xi'an, remained as the Group's main contributors of annual sales revenue as the Group seized opportunities to promote their sales in a timely manner. In particular, the key project, Contemporary Splendour Villa • Courtyard Villa in Shanghai, stood out among the rest and won the first place in terms of total transaction volume among all the villas in Shanghai from January to May 2020.

With continuous improvement of the investment and operation of commercial assets in core urban areas, the overall rental income from the investment property business has also become an important source of cash flows for SIUD. As at 31 December 2020, SIUD had several completed commercial projects in 8 key developed cities, namely Shanghai, Beijing, Tianjin, Chongqing, Shenyang, Xi'an, Kunshan and Shenzhen, and the investment properties it held had a total G.F.A. of approximately 859,000 sq.m. SIUD will complete commercial properties of more than 1 million sq.m. in the next three to five years, thereby laying a solid foundation for the long-term development of the Company.

By upholding the policy of placing a dual focus on property leasing and selling, SIUD achieved steady progress in its residential leasing projects. Three of its long-term rental apartment projects, namely Shanghai Jinxiang, Shanghai Shenzhicheng and Shanghai Chenglong, are currently under orderly development, offering a total G.F.A. of 295,000 sq.m. The Shanghai Jinxiang and Shanghai Shenzhicheng projects are expected to be completed by 2022, while the Shanghai Chenglong project is estimated to be completed by 2023. This business operation will contribute stable rental income for SIUD in future.

CHAIRMAN'S STATEMENT

Premium land reserve has always been the key driver for continuing robust and high-quality growth of SIUD. During the year, the Group prudently deployed its land bank in several key cities in China through various channels, including participation in bidding, auction and listing-for-sale, acquisition and urban renewal, and continued to expand its premium project pipeline in a timely manner. By virtue of its foresight and business acumen, the Group quickened its steps in land acquisition in the second half of 2020. Two of the land plots acquired were located in Tianjin and Wuhan. By making its first move in Wuhan, the Group has further refined its national strategic deployment and formed a solid basis for its high-quality development in future.

In 2020, the "three red lines" policy introduced to the real estate industry in China triggered market concerns. The new policy has restricted the ability of property developers to achieve scale expansion via high leveraging by tackling the problem from the root. As an offshore subsidiary of SIIC, SIUD enjoys great flexibility and advantages in terms of financing and capital costs underpinned by the strong backing of its parent company, which gives SIUD ample room to address the control measures imposed on the real estate industry. The background of SIIC has also solidly backed the Company's access to high-quality financing channels. In future, SIUD aims at developing its financial leasing operation and facilitating the co-development of a diversified business portfolio. In addition, SIUD completed the sale of 67% equity interests in Hunan Qianshuiwan Xiangya Garden Co., Ltd. in December 2020. The transaction recorded a pre-tax gain of approximately HK$638 million, which will further enhance the financial strength of the Group.

Apart from the untiring efforts to develop its premium projects, SIUD also strove to achieve diversification in city-industry integration. By seizing the valuable opportunity presented by the shift of SIIC's core strategy to the comprehensive healthcare industry, SIUD made active deployments in the comprehensive health care industry to take advantage of the long-term strategic development opportunities, in order to generate new impetus for its future growth.

During the second half of 2020, the Group took the initiative to facilitate the development of the comprehensive healthcare industry and the relevant property management sector. Such efforts included the followings: (i) the Shanghai Industrial International Obstetrics and Gynaecology Hospital project was formally launched together with Shanghai Pharmaceutical to introduce the smart medical industry model into Yantai, Shandong; (ii) SIUD Shanghai Healthcare Management, a wholly-owned subsidiary of the Company, proposed to participate in the formation of a joint venture to engage in the development and operation of a medical beauty institution in Shanghai; (iii) SIUD Shanghai Construction, a wholly-owned subsidiary of the Company, entered into a project management services agreement with Shanghai Biomedical Pharmaceuticals for a total management fee of RMB20 million; (iv) a project management services agreement was entered into with Shanghai Pharmaceuticals Holding in relation to the provision of management services for the construction of Phase Two of the Shanghai Pharmaceutical Logistics Centre Project for a total management fee of RMB10 million. All these initiatives demonstrated SIUD's capability of cooperating with the parent company to achieve city-industry integration in the comprehensive healthcare sector and developing a new business sector for the Group.

As a China-first operator in key urban areas, SIUD facilitated the co-development of a diversified business portfolio by concentrating on four core business segments, namely, "residential property development + investment property development + urban renewal services + capital cooperation between industry and finance". The Group secured the 18th place in the Top 100 Commercial Property Developers in China for 2020, while its commercial projects, U Plaza project, U Time and Binjiang U Center in Shanghai, received the awards of "Top 10 Outstanding Commercial Property Product Lines", "Top 10 Model Long-term Rental Apartments" and "Top 10 Popular New Commercial Landmarks", respectively. SIUD also received the "2020 China's Top 100 Listed Real Estate Company Rankings by Comprehensive Strength" jointly awarded by the China Real Estate Association, Shanghai Yiju Real Estate Research Institute and China Real Estate Appraisal Center.

Looking ahead, leveraging on its long-standing sound foothold and the excellent branding of Shanghai Industrial, SIUD will expand to the real estate market in major cities across the country with the Yangtze River Delta as the focus. SIUD will also gradually promote city-industry integration in a diversified range of operations, including the comprehensive healthcare sector and financial leasing. By adhering to the strategy of "regional-focused development; mutual development of residential and commercial properties; urban renewal for value appreciation; and innovation and upgrading through integration of industry and finance", the Group strives to become the most influential and valuable urban property operator in China.

The Group holds a number of premium key assets. With the tightening up of financing channels and the implementation of the "three red lines" policy, the sturdy operational capability and advantages enjoyed by the Group will become even more prominent. Powered by its efficient project operation and top-notch operational and management model, SIUD will continue to forge ahead and strive for progressive growth to bring more fruitful and sustainable returns for the shareholders.

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

Huang Haiping
Chairman

29 March 2021

Note:

The gross domestic product data of China for 2020 is gathered from the information published by the National Bureau of Statistics on 18 January 2021.

Crafted *with uniqueness* Ultimate classic excellence

Artist Impression — West Diaoyutai • Emperor Seal

MANAGEMENT DISCUSSION AND ANALYSIS

PROPERTY MARKET REVIEW

In 2020, under the impact of COVID-19, the sales of commodity housing in China followed a "deep V-shaped" trend during the first half. The total sales of commodity housing across the country plummeted during the first three months. Later, as the pandemic was gradually put under control in China, with the recovery of sales sped up by the resumption of work and production, together with the gradual release of the suppressed housing demand, the sales saw a notably narrower decline in April and even recorded positive growth in May. The launch of the "three red lines" policy in August has not posed too much impact on the land acquisition of certain "green-class" property developers. For the whole year, property prices in first- and second-tier cities remained buoyant, with a surge of transaction volume and record high property prices witnessed in Beijing and Shanghai at the end of the year. However, the property prices in 26 cities in China were still lower than those of the previous year.

BUSINESS REVIEW

Overview

In 2020, in face of the outbreak of COVID-19, the Group adopted a versatile approach by developing online property viewing and online sale services and leveraging on its key development projects and strategic advantages in first- and second-tier cities. The outstanding sales performance of flagship projects, including Contemporary Splendour Villa • Courtyard Villa in Shanghai, West Diaoyutai • Emperor Seal in Beijing and Originally in Xi'an, brought in loads of stable revenue and profits for the Group. During the period, the Group paid continuous effort to further develop its investment property business and refine the investment and operation of commercial assets in core urban areas. The Group also acquired the land use rights of the land situated at Yangluo Economic Development Zone, Xinzhou District, Wuhan, which was its first attempt to expand its business footprint to Wuhan. Other than making continuous efforts to develop premium projects, the Group also promoted city-industry integration and industry-finance integration to further diversify its business operations.

Contract Sales

During the year ended 31 December 2020, the Group recorded contract sales of RMB7,608,340,000 (2019: RMB7,687,720,000) from both commodity housing and affordable housing.

The contract sales from commodity housing of the Group amounted to RMB7,426,400,000 (2019: RMB6,179,920,000). The contract sales in terms of G.F.A. were 140,000 sq.m. during 2020, down 15.2% year-on-year, while the average selling price rose to approximately RMB53,200 per sq.m. mainly because of our strenuous efforts in offsetting the impact of the first half by taking advantage of the recovery window during the second half and adopting a timely project launching strategy. In 2020, Contemporary Splendour Villa • Courtyard Villa in Shanghai, West Diaoyutai • Emperor Seal in Beijing, Originally in Xi'an and Urban Cradle in Shanghai were the Group's principal projects for sale, which accounted for approximately 41.0%, 20.8%, 19.1% and 11.5% of the total contract sales during the year.

Contract sales from affordable housing decreased 87.9% year-on-year to RMB181,940,000 (2019: RMB1,507,800,000), whereas the contract sales in terms of G.F.A was 12,000 sq.m.

Land Bank and New Project Acquisition

As at 31 December 2020, the Group's land bank was developed into 24 property projects located in 10 major cities in China, including Shanghai, Beijing, Tianjin, Xi'an, Chongqing, Kunshan, Wuxi, Shenyang, Yantai and Shenzhen, and comprised medium to high class residential and commercial properties, most of which were completed or still under development. The Group has a land bank with a future saleable planned G.F.A. of approximately 3,575,000 sq.m. to support its development for the next three to five years.

During the year ended 31 December 2020, the Group followed the strategy of "participation in bidding, auction and listing-for-sale + equity acquisition + urban renewal and redevelopment" for land acquisition. In the first half of 2020, the Group successfully bid for the land plot (no. xh221–01) situated at Hong Mei Block, Xuhui District, Shanghai together with Shanghai Aerospace and Hongyi Group at a total price of RMB4,628,000,000. With a total site area of 91,000 sq.m. and an estimated G.F.A. of 510,000 sq.m., the project will provide a new think-tank center for aviation research and development, a new platform for innovative services and a new, robust ecological community.

In the second half of 2020, the Group quickened its pace in land acquisition and acquired three projects. In particular, the Group won the bid for a commercial land parcel in Minhang District, Shanghai, for a consideration of approximately RMB428,650,000. With a site area of about 19,937 sq.m., the land parcel is permitted to be used for commercial buildings, hotels, food and beverage businesses. The Group also formed a joint venture with Zhonggeng Group, Wuhan Zhonggeng and Wuhan Gengzheng Property, the project company, to acquire the land use rights of the land situated at Yangluo Economic Development Zone, Xinzhou District, Wuhan, at a consideration of approximately RMB1,329,000,000, marking the first footprint of the Group in Wuhan. The land has a total site area of approximately 258,000 sq.m. and an estimated G.F.A. of approximately 440,000 sq.m. Moreover, the Group won the bid for the land use rights to Plot #3, Tianjin Polytechnic University, Hedong District, Tianjin, for a land premium payment of approximately RMB2,660,000,000. With a total site area of approximately 42,145 sq.m., the land parcel is for residential use and may be developed into approximately 115,800 sq.m. of residential development. The land parcel is located in close proximity to Metro Line No. 5 in Hedong District, Tianjin, and supplemented by comprehensive auxiliary facilities.

The Group will further replenish its land bank, expand into new markets and explore new business opportunities through conducting extensive research, identifying high-quality assets and making timely market moves.

Property Development

During the year ended 31 December 2020, the Group had 14 projects with a total G.F.A. of 3,097,000 sq.m. under construction, which primarily included TODTOWN, Binjiang U Center, Originally in Xi'an and the Yantai project. The floor space started of the Group was 394,000 sq.m., which mainly came from the Yantai and Chenglong projects. The Group delivered a total G.F.A. of 167,000 sq.m., which mainly comprised Originally in Xi'an, Contemporary Splendour Villa • Courtyard Villa in Shanghai and Urban Cradle in Shanghai.

Many of the Group's residential projects rolled out new housing units for sale, and the transaction volume and prices were steady. In particular, with careful timing of project launch, Contemporary Splendour Villa • Courtyard Villa in Shanghai achieved impressive sales performance and obtained good pre-sale prices at an average selling price of more than RMB64,000 per sq.m. This project also became the biggest sales contributor for the Group.

Investment Properties

During the year ended 31 December 2020, the Group had several completed commercial projects in 8 major developed cities, including Shanghai, Beijing, Tianjin, Chongqing, Shenyang, Xi'an, Kunshan and Shenzhen. The investment properties held by the Group had a total G.F.A. of approximately 859,000 sq.m. During the year, the overall rental income of the Group decreased 11.6% year-on-year to HK$662,718,000 (2019: HK$750,020,000), mainly attributable to the drop in rental income during the year due to the rent remission policy adopted by local governments to remit rent of tenants for two to four months in response to the impact of COVID-19 during the first quarter.

The completion of one of the land parcels under Binjiang U Center in Shanghai during the year added approximately 26,000 sq.m. to the investment property portfolio of the Group and the business solicitation and operation of its commercial and office areas progressed robustly. The project has driven the rental income of the Group. As the economy stabilises, the commercial asset efficiency of the Group is expected to pick up gradually.

By upholding the policy of placing dual focus on leasing and sale, the Group achieved steady progress in its residential leasing projects. Three of its long-term rental apartment projects, namely Shanghai Jinxiang, Shanghai Shenzhicheng and Shanghai Chenglong, are currently under orderly development, offering a total G.F.A. of 295,000 sq.m. The Shanghai Jinxiang and Shanghai Shenzhicheng projects are expected to be completed by 2022, while the Shanghai Chenglong project is estimated to be completed by 2023. This business operation will contribute stable rental income for the Group in future.

Comprehensive Health Operation

With the strong support of its parent group, SIIC, the Group devoted itself to the industries related to the comprehensive health sector. At the end of October 2020, the Shanghai Industrial International Obstetrics and Gynaecology Hospital project built by the Group together with Shanghai Pharmaceutical, a subsidiary of the Company's parent company, was formally launched to introduce the smart medical industry model into Yantai, Shandong. The Group also formed an associate with Shanghai Lingfeng Medical (a wholly-owned subsidiary of the Company's parent company) and Shanghai Huashi to engage in the development and operation of a medical beauty institution in Shanghai.

In addition, the Group took the opportunity to provide project management services for the comprehensive health industry. The Group entered into a project management service agreement with Shanghai Biomedical Pharmaceuticals and Shanghai Pharmaceuticals Holding, respectively, to provide management service for their comprehensive health projects for a total management fee of RMB20 million and RMB10 million, respectively.

Material Disposal

On 8 April 2018, the Group and Hengda Real Estate Group Changsha Zhiye Company Limited 恒大地產集團長沙置業有限公司 entered into an equity transfer agreement on the disposal of 67% of the entire equity interest in Hunan Qianshuiwan Xiangya Garden Co., Ltd 湖南淺水灣湘雅溫泉花園有限公司 ("**Hunan Qianshuiwan**"). Such agreement regarding the disposal of 67% equity interest in Hunan Qianshuiwan was completed in December 2020 and recorded a gain before tax of approximately HK$637,666,000, which further enhanced the financial strengths of the Group. For details, please refer to the announcement dated 9 April 2018 and the subsequent announcements as well as note 36 to the consolidated financial statements.

FINANCIAL REVIEW

Revenue

During the year ended 31 December 2020, the Group's revenue decreased by 25.9% year-on-year to HK$6,356,732,000 (2019: HK$8,583,906,000), primarily due to the inability of the Group in settling the sales of certain properties during the year because of the COVID-19 pandemic as implementation of quarantine and social distancing measures in the Mainland China resulted in limitation on contract sales and delay in property delivery, coupled with a decrease in revenue from leasing. During the year, property sales remained as the Group's main source of revenue and amounted to HK$5,478,845,000 (2019: HK$7,536,760,000), accounting for 86.2% (2019: 87.8%) of the Group's total revenue. The revenue contribution from Urban Cradle in Shanghai, Contemporary Splendour Villa • Courtyard Villa in Shanghai and Contemporary Art Villa • Jade Villa in Shanghai accounted for 33.4%, 22.5%, and 21.9% of property sales, respectively.

Due to the impact of the COVID-19 outbreak, the Group's revenue from leasing, property management, and hotel operations recorded a decline. These three operations contributed a revenue of HK$662,718,000, HK$6,642,000 and HK$208,527,000 (2019: HK$750,020,000, HK$6,894,000 and HK$290,232,000) respectively and accounted for 10.4%, 0.1% and 3.3% (2019: 8.7%, 0.1% and 3.4%) of the total revenue, respectively.

Gross Profit and Gross Profit Margin

During the year ended 31 December 2020, the Group's gross profit amounted to HK$2,197,377,000, representing a decrease of 40.2% compared with that of the same period in 2019. Gross profit margin was 34.6%, down by 8.2 percentage points as compared to that of the same period last year, mainly because of the lower gross profit margin of some of the delivered residential projects during the year.

Investment Property Revaluation

During the year ended 31 December 2020, the Group recorded a net loss on revaluation of investment properties of approximately HK$156,824,000 (2019: net gain of HK$210,191,000), which was mainly attributable to Shenyang U Center and Top City in Chongqing.

Distribution and Selling Expenses

During the year ended 31 December 2020, the Group's distribution and selling expenses rose slightly by 0.3% year-on-year to HK$255,593,000 (2019: HK$254,730,000), which was generally comparable to that of the previous year.

General and Administrative Expenses

During the year ended 31 December 2020, the Group's general and administrative expenses increased by 21.2% to HK$413,694,000 (2019: HK$341,464,000), which was mainly attributable to the increase in preliminary expenses related to the increase in new investment property projects during the year.

Other Expenses, Gains and Losses, Net

During the year ended 31 December 2020, the Group recorded a net gain of approximately HK$29,680,000 in other expenses, gains and losses (2019: net loss of HK$16,095,000), which was mainly due to exchange gains arising from the revaluation of Hong Kong dollars denominated bank and other borrowings held by the group entities which functional currency is in Renminbi. Renminbi appreciated against Hong Kong dollar during the year.

Profit

During the year ended 31 December 2020, the Group's profit decreased by 39.3% year-on-year to HK$740,964,000 (2019: HK$1,219,698,000). Profit attributable to owners of the Company was approximately HK$521,765,000 (2019: HK$600,292,000). The basic and diluted earnings per share amounted to 10.86 HK cents (2019: 12.48 HK cents).

Liquidity and Capital Resources

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

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

As at 31 December 2020, bank balances and cash of the Group were HK$9,550,663,000 (31 December 2019: HK$9,111,782,000). The net debt to total equity of the Group (net debt (total bank and other borrowings less bank balances and cash and restricted and pledged bank deposits) to total equity) increased from 29.1% as at the end of last year to 31.9% as at end of current year. Current ratio dropped to 1.7 times (31 December 2019: 1.9 times).

As at 31 December 2020, the total borrowings of the Group, including bank borrowings, other borrowings and advanced bonds, amounted to approximately HK$17,747,266,000 (2019: HK$16,712,302,000).

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

Foreign Exchange Risks

During the year, most of the Group's revenue and operating costs were denominated in Renminbi. Except for the borrowings and bank deposits denominated in foreign currencies, the Group's operating cash flow or liquidity is not directly subject to any other material exchange rate fluctuations. The Group did not enter into any foreign exchange hedging arrangements to control its exposure to exchange rate fluctuations as at 31 December 2020. However, the Group will adopt necessary measures whenever appropriate to minimise the impact arising from exchange rate fluctuations.

Distribution of Dividends

In return for shareholders' unwavering support over the years, the Board resolved through discussion to propose a dividend of 4.3 HK cents (2019: 4.1 HK cents) per share.

Contingent Liabilities

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

Charge on Group's Assets

As at 31 December 2020, certain bank deposits of approximately HK$21,197,000 (31 December 2019: HK$190,419,000) were pledged to banks to secure mortgage loans granted by banks to the buyers of pre-sale properties. These pledged deposits may be released upon the transfer of the property title certificates to respective buyers.

As at 31 December 2020, certain properties under development for sale, certain investment properties, certain properties, plant and equipment, bank deposits and trade receivables of the Group, with total carrying amounts of approximately HK$7,166,465,000, HK$9,655,218,000, HK$192,379,000, HK$4,645,000 and HK$10,207,000 (31 December 2019: certain properties under development for sale, certain properties held-for-sale, certain investment properties, bank deposits and trade receivables with total carrying amounts of approximately HK$4,483,418,000, HK$645,466,000, HK$8,616,868,000, HK$491,070,000 and HK$9,888,000) respectively, were pledged as collateral for the Group's bank borrowings, details of which are set out in note 32 to the consolidated financial statements.

HUMAN RESOURCES AND REMUNERATION POLICIES

As at 31 December 2020, the Group employed 779 employees (including Hong Kong and PRC offices). The remuneration policies for the employees of the Group are determined according to the performance, qualification, experience and competence of the employees. The emoluments of the directors of the Company (the "**Directors**") are determined by the remuneration committee of the Company, having regard to the operating results of the Group, individual performance and comparable market statistics. Staff benefits include discretionary bonus payments which are linked to the profitability of the Group and individual performances and contributions to the Mandatory Provident Fund Schemes.

The Group had adopted a share option scheme as an incentive to the Directors and eligible employees. During the year ended 31 December 2020, 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

2021 marks the beginning of the "14th Five-Year Plan", during which China will embark on a new journey of building a modern socialist country and advocating demand-side management. In this connection, the Group will also closely monitor the latest relevant policies. As the central government upholds the position that "houses are built for inhabitation, not for speculation", the Group believes that "stabilising land premium, property prices and market expectations" will remain as the main theme of the property market control measures in China, while local governments will stick to the flexible "city-based policy" as a control measure to avoid significant fluctuations in property prices. Moreover, it is believed that strict financial regulation will continue to be imposed by the state on the real estate market. Under the newly launched "three red lines" policy, "deleveraging" will become a general trend for property developers in 2021. This can fundamentally limit the capability of property developers to follow the growth model of achieving scaled expansion via leveraging and is beneficial to the sustainable and robust development of "green-class" property developers, including the Group. In terms of sale, the Group expects that the continuous release of the demand for home upgrades will continue to support housing demand. Driven by factors like net population inflow, the sales performance in first-tier cities and the core cities of second- and third-tier metropolitans, which are backed by their long-term economic development, will remain resilient.

MANAGEMENT DISCUSSION AND ANALYSIS

Looking ahead, the Group will continue to facilitate the co-development of a diversified business portfolio by focusing on four core business segments, namely, "residential property development + investment property development + urban renewal services + capital cooperation between industry and finance". By adhering to the development strategy of "regional-focused development; mutual development of residential and commercial properties; urban renewal for value appreciation; and innovation and upgrading through integration of industry and finance", the Group aims at contributing to urban renewal with its craftsmanship and creating a smart urban lifestyle for the public. Capitalising on its rich experience in property development, the Group will keep dedicating its efforts to the development of medium to high end residential properties while developing the investment and operation of commercial assets in key urban areas in a pragmatic and prudent manner, with a view to maintaining its market strengths. Meanwhile, the Group will make deployment in the comprehensive health industry by taking the golden opportunity brought by its parent group, SIIC, which has placed the comprehensive health industry as its key strategic priority. The Group will also develop its financial leasing business in a stable manner, facilitate the finance sector with industrial development, and foster industry-finance integration. By striving for further diversification in city-industry integration and industry-finance integration, the Group hopes to expand its future development opportunities, and thus create greater investment value for the shareholders.

INVESTOR FAQ

Q THE "THREE RED LINES" POLICY INTRODUCED TO THE REAL ESTATE INDUSTRY IN CHINA HAS TRIGGERED MARKET CONCERNS AS IT RESTRICTS THE ABILITY OF PROPERTY DEVELOPERS TO ACHIEVE SCALE EXPANSION VIA HIGH LEVERAGING. WHAT IMPACT DOES IT HAVE ON THE COMPANY?

A The Group has a healthy balance sheet with sufficient cash flow and future revenue to meet the existing working capital requirements and the needs for future development. As a "green-class" property developer under the new "three red lines" policy, the Group is able to maintain a stable growth. As an offshore listed property developer under SIIC, the Group enjoys great flexibility and advantages in terms of financing and capital costs underpinned by the strong backing of its parent company, which gives the Group ample room to address the control measures imposed on the real estate industry and focus on self-development. The background of SIIC has also solidly backed the Group's access to high quality financing channels.

Q IN 2020, UNDER THE IMPACT OF THE COVID-19 EPIDEMIC, THE REAL ESTATE PROPERTY WAS HARD HIT BY THE ECONOMIC SLOWDOWN AND PANDEMIC IN CHINA. HOW DID THE COMPANY RESPOND TO THE SEVERE BUSINESS ENVIRONMENT?

A Last year was a relatively difficult year. To offset the impact brought by the COVID-19 epidemic, the Group adopted a versatile strategy to develop online property viewing and online sale services. The "online property viewing" service launched in a number of cities, including Shanghai, was well received by the market. Later, with the improvement of the epidemic situation, the Group accelerated its sales pace. Leveraging on its key development projects and strategic advantages in first- and second-tier cities, the Group recorded strong sales from the flagship projects, including Contemporary Splendour Villa • Courtyard Villa in Shanghai, West Diaoyutai • Emperor Seal in Beijing, Originally in Xi'an and Urban Cradle in Shanghai, which brought in loads of stable revenue and profits for SIUD. During the hardest time of the pandemic, the Group also proactively provided rent waiver to the tenants to ease their burden and ride out the difficult times together with them.

INVESTOR FAQ

Q WILL THERE BE ANY ADJUSTMENTS IN THE FUTURE LAND ACQUISITION STRATEGY OF THE GROUP?

A With its foothold in Shanghai, the Group has formed a bow shape along the sea and Yangtze River with "one center, two lines and three circles", covering the Yangtze River Delta, Bohai Rim and the second- and third-tier cities in central and western China. Following the principle of prudent development, the Group will keep refining its national strategic deployment and acquire quality land resources at a low premium by making precise use of the market cycle, with a view to laying a solid foundation for high quality development in future. The Group will identify premium assets through in-depth research and make timely moves to acquire them. Meanwhile, the Group will further expand its business footprint in order to tap into new markets. For example, the Group acquired the land use rights of the land situated at Yangluo Economic Development Zone, Xinzhou District, Wuhan, in the second half of last year, marking its first footprint in Wuhan.

Q LAST YEAR, THE COVID-19 EPIDEMIC AND THE ADJUSTMENT POLICIES TOWARDS THE PROPERTY MARKET WEIGHED ON THE PERFORMANCE OF THE REAL ESTATE INDUSTRY AS A WHOLE. HOW DOES THE COMPANY SEE THE PROPERTY MARKET THIS YEAR?

A The central government reiterated the need for making great efforts to develop residential leasing by upholding the principle of "houses are built for inhabitation, not for speculation" and fully establishing a long-term mechanism for property development. To support the national policy on the property market, the Group has made prudent plans to facilitate high quality development and life in urban areas and to gradually promote the mutual development of commercial and residential properties and the transformation of capital integration of industries and finance. The new "three red lines" policy has refined the control over the liabilities of a property developer. "Deleveraging" is expected to become a general trend for property developers this year. It is believed that strict financial regulation will continue to be imposed by the state on the real estate market. This is beneficial to "green-class" property developers, including the Group, as it can guarantee the sustainable and robust development of such developers.

Q THE COMPANY HAS BEEN EXPLORING THE DEVELOPMENT OF INDUSTRY-FINANCE INTEGRATION AND CITY-INDUSTRY INTEGRATION IN THE RECENT YEARS. WILL THERE BE ANY STRATEGIC COOPERATION WITH SIIC, THE PARENT COMPANY?

A As an offshore listed property developer under SIIC, the Company has already made deployment in the comprehensive health industry this year by taking the golden opportunity brought by its parent group, which has placed the comprehensive health industry as the key strategic priority. In future, by capitalising on the strengths of the parent company, the Company will enter into the financial leasing business in a stable manner, facilitate the finance sector with industrial development, and foster industry-finance integration. By striving for further diversification in city-industry integration and industry-finance integration, SIUD hopes to expand its future development opportunities, and thus create greater investment value for the shareholders.

Q AS WE HEAD INTO THE POST-PANDEMIC ERA, WHAT IS THE SALES STRATEGY OF THE COMPANY FOR 2021?

A Leveraging on its long-standing sound foothold and the excellent branding of Shanghai Industrial, SIUD will continue to capitalise on its key advantages in first- and second-tier cities with the Yangtze River Delta as the focus. This year, we gradually launched the flagship projects, including Contemporary Splendour Villa • Courtyard Villa in Shanghai, West Diaoyutai • Emperor Seal in Beijing, Urban Cradle in Shanghai and Originally in Xi’an, in a timely manner. An affordable housing project, namely Shangtou Xinhong in Shanghai, was also put to sale in support of the national policy of “houses are built for inhabitation, not for speculation”.

DETAILS OF PROPERTIES — LAND BANK

Artist Impression — Originally

As at 31 December 2020

Project	City	Site area (sq.m.)	Planned G.F.A. (sq.m.)	Saleable G.F.A. (sq.m.)	2020 pre-sold G.F.A. (sq.m.)	Accumulated G.F.A. sold (sq.m.)	Future saleable G.F.A. (sq.m.)	G.F.A. under construction (sq.m.)	G.F.A. for future development (sq.m.)	Expected Completion Date	Ownership (%)
Urban Cradle	Shanghai	943,000	1,226,298	909,054	11,573	824,044	85,010	86,330	–	Complete by phase between 2007 and 2022	53.1%
Binjiang U Center	Shanghai	77,371	525,888	324,600	–	–	324,600	290,830	–	Complete by phase between 2020 and 2023	35.4%
Shanghai Youth City	Shanghai	57,944	212,130	164,688	–	139,840	24,848	–	–	Completed	100.0%
Shanghai Jing City	Shanghai	301,908	772,885	609,488	–	560,409	49,079	–	–	Completed	59.0%
TODTOWN	Shanghai	117,825	605,000	385,300	–	56,205	329,095	220,991	107,904	Complete by phase between 2020 and 2024	20.7%
Contemporary Art Villa (Jade Villa)	Shanghai	116,308	78,090	78,090	8,168	69,851	8,239	6,268	–	Complete by phase between 2018 and 2022	100.0%
Contemporary Splendour Villa (Courtyard Villa)	Shanghai	120,512	191,636	68,404	47,122	50,262	18,142	–	–	Completed	100.0%
Shangtou Xinhong	Shanghai	89,432	289,271	222,643	–	–	222,643	145,719	76,924	Complete between 2021 and 2023	90.0%
Shangtou Baoxu	Shanghai	118,880	306,167	230,142	11,868	110,117	120,025	222,501	7,641	Complete in 2021	71.3%
Chenghang Project	Shanghai	20,572	60,195	60,195	–	–	60,195	60,195	–	Complete in 2021	80.0%
Jinxiang Project	Shanghai	17,161	48,050	48,050	–	–	48,050	48,050	–	Complete in 2022	59.0%
Shenzhicheng Project	Shanghai	47,435	128,075	128,075	–	–	128,075	128,075	–	Complete in 2022	29.5%
Chenglong Project	Shanghai	47,383	118,458	118,458	–	–	118,458	118,458	–	Complete in 2023	59.0%
Guilin Road Aerospace Project	Shanghai	91,160	590,165	590,165	–	–	590,165	–	590,165	Complete between 2021 and 2026	21.2%
Youngman Point	Beijing	112,700	348,664	295,114	–	258,814	36,300	–	–	Complete by phase between 2007 and 2021	100.0%
West Diaoyutai • Emperor Seal	Beijing	42,541	250,930	230,801	13,239	201,266	29,535	50,445	–	Complete by phase between 2007 and 2021	97.5%
Laochengxiang	Tianjin	244,252	752,883	613,357	259	582,737	30,620	–	–	Completed	100.0%
Yoooou.net	Kunshan	34,223	129,498	112,812	–	63,021	49,791	–	–	Completed	30.7%
Urban Development Int'l Center	Wuxi	24,041	193,368	143,862	–	41,900	101,962	–	–	Completed	59.0%
Originally	Xi'an	2,101,967	3,899,867	3,202,324	59,493	2,502,296	700,028	232,420	381,520	Complete by phase between 2008 and 2023	71.5%
Shenyang U Center	Shenyang	22,651	228,768	176,315	–	71,660	104,655	–	–	Completed	100.0%
Top City	Chongqing	120,014	786,233	616,122	329	376,424	239,698	–	–	Completed	100.0%
China Phoenix Tower	Shenzhen	11,038	106,190	79,391	–	78,343	1,048	–	–	Completed	91.0%
Yantai Project	Yantai	77,681	159,100	154,300	–	–	154,300	154,300	–	Complete between 2022 and 2024	100.0%
Total		**4,957,999**	**12,007,809**	**9,561,750**	**152,051**	**5,987,189**	**3,574,561**	**1,764,582**	**1,164,154**		

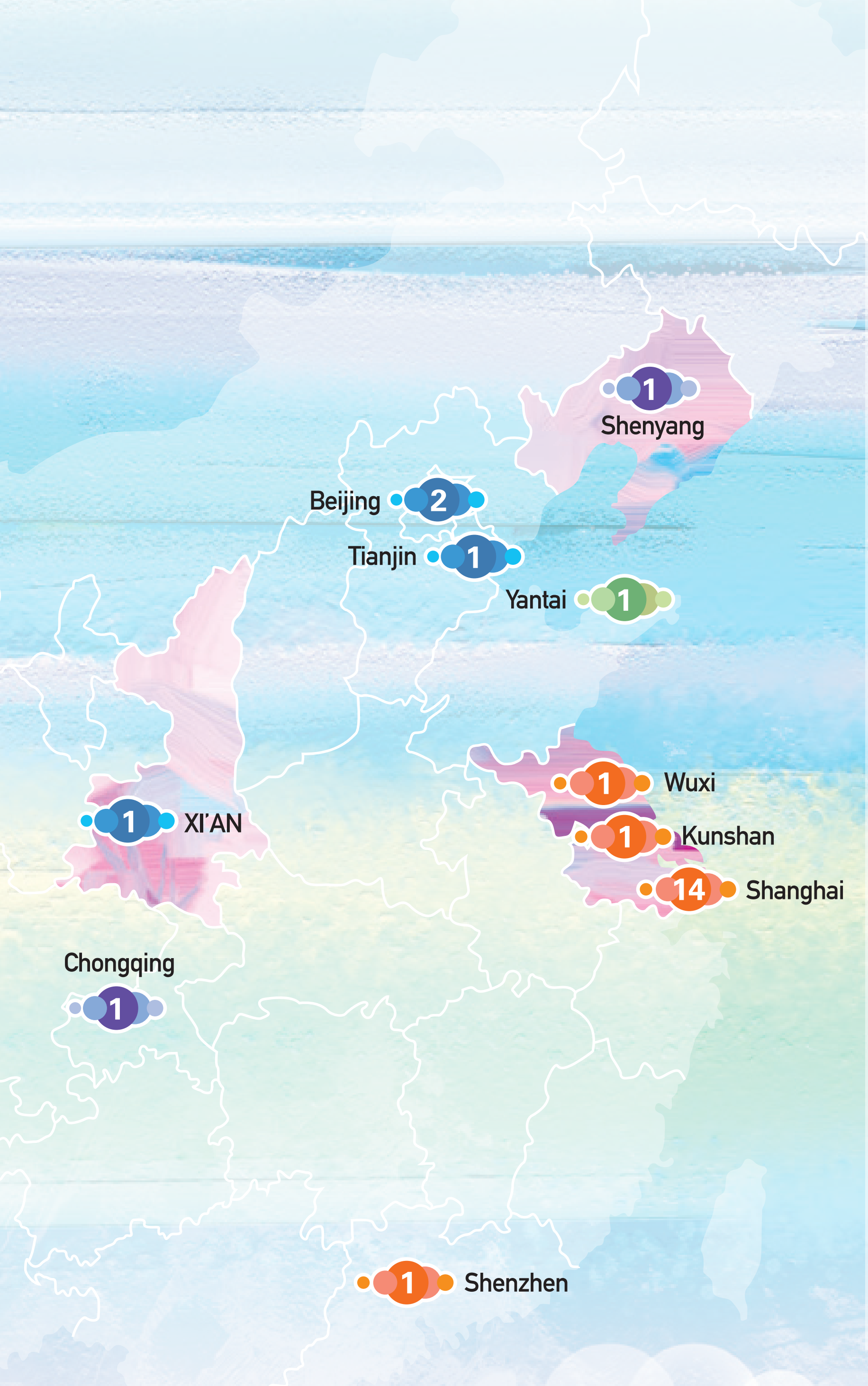
Artist Impression — TODTOWN

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	285,264 [1]
China Phoenix Tower	Shenzhen	Office building	Medium-term lease	1,048 [1]
Youngman Point	Beijing	Commercial	Medium-term lease	19,768 [1]
Originally	Xi'an	Commercial	Medium-term lease	22,828 [1]
Shenyang U Center	Shenyang	Commercial	Medium-term lease	50,778 [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
Plot No. 1 of Binjiang U Center	Shanghai	Office building	Medium-term lease	25,845 [1]
Others	Shanghai, Tianjin and Kunshan	Commercial, office building and parking lot	Medium-term lease	93,196
Total				**858,805**

Notes:
1. Included in 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

INTRODUCTION OF KEY PROJECTS IN CHINA



SHENYANG
- Shenyang • U Center

BEIJING
- Youngman Point
- West Diaoyutai • Emperor Seal

TIANJIN
- Laochengxiang

WUXI
- Urban Development International Center

KUNSHAN
- Yoooou.net

SHANGHAI
- Urban Cradle
- Binjiang U Center
- TODTOWN
- Shanghai Jing City
- Shanghai Youth City
- Contemporary Art Villa (Jade Villa)
- Contemporary Splendour Villa (Courtyard Villa)
- Shangtou Xinhong
- Shangtou Baoxu
- Chenghang Project
- Jinxiang Project
- Shenzhicheng Project
- Chenglong Project
- Guilin Road Aerospace Project

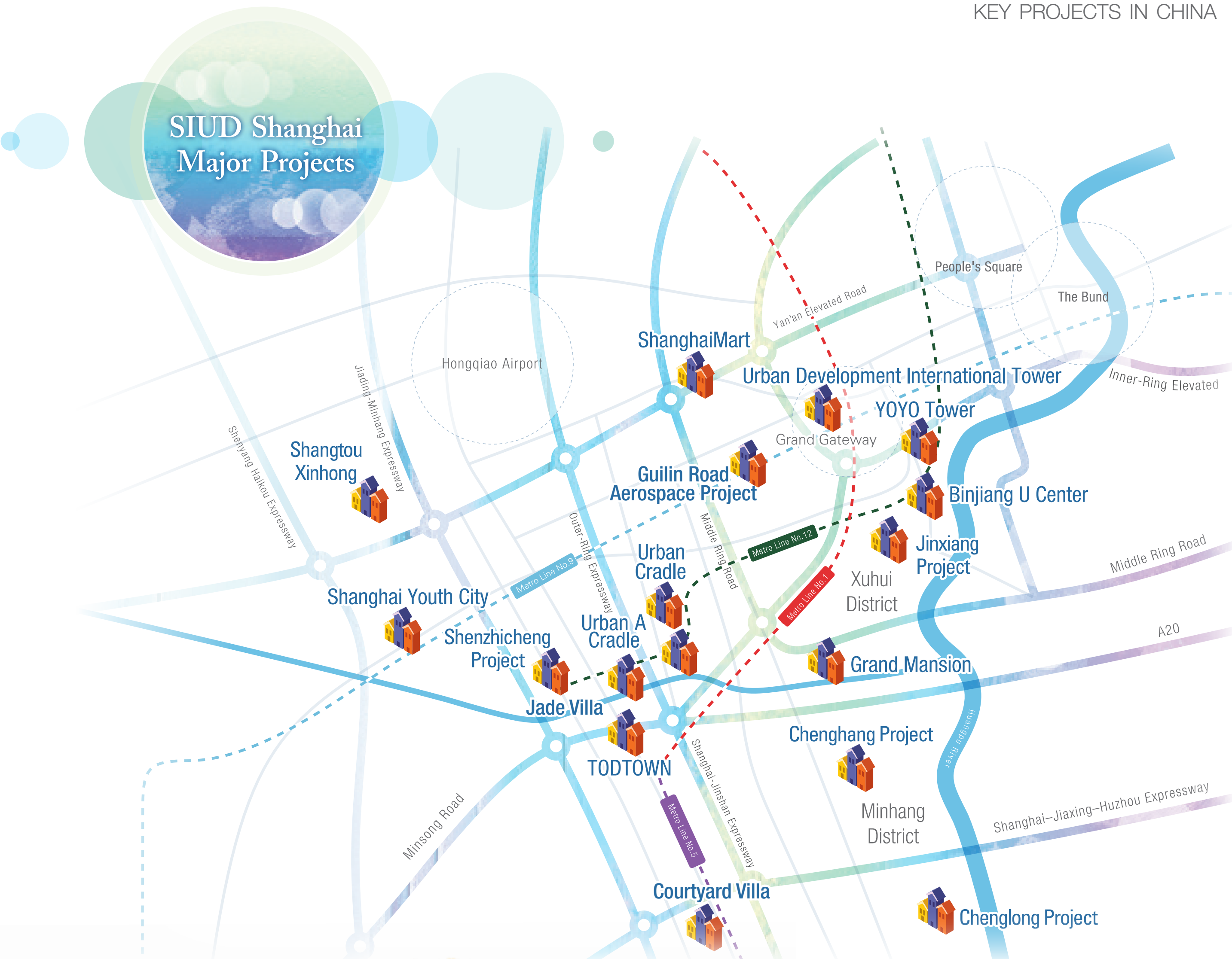
SHENZHEN
- China Phoenix Tower

CHONGQING
- Top City

XI'AN
- Originally

YANTAI
- Yantai Project

INTRODUCTION OF
KEY PROJECTS IN CHINA



URBAN CRADLE

Address:
588 Gulong Road,
Minhang District, Shanghai

Category:
Residence/
Commerce

Feature:

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

INTRODUCTION OF
KEY PROJECTS IN CHINA

BINJIANG U CENTER

Address:
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 No. 11 is now in use.

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 Nos. 1 and 5, Shanghai-Hangzhou Highspeed Railway and numerous public bus routes, as well as the station to be established for the Jinshan sub-line. Different modes of transport operated by different departments, such as metro lines, public buses and commuter rail services, will be blended into the project to achieve seamless and convenient transition. TODTOWN will be a "city in the sky" encompassing residential, commercial and leisure functions. As a complex equipped with comprehensive systems and facilities, TODTOWN will offer 50,000 sq.m. of offices, 140,000 sq.m. of shopping mall, 20,000 sq.m. of hotel, 90,000 sq.m. of residential units, 85,000 sq.m. of serviced apartments and 20,000 sq.m. of ancillary public facilities.

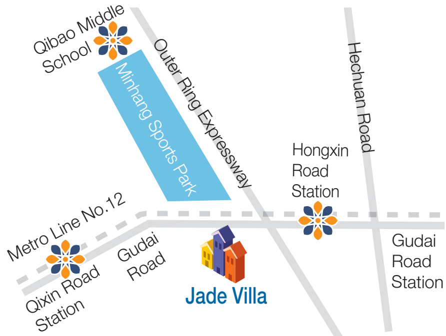
CONTEMPORARY ART VILLA (JADE VILLA)

Address:
Minhang District,
Shanghai

Category:
Residence

Feature:

Contemporary Art Villa (Jade Villa) 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 Metro Line No. 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 aboveground G.F.A. is approximately 58,100 sq.m., including planned residential floor area of approximately 48,700 sq.m. and planned public supporting building of approximately 9,300 sq.m. The planned residences of the project are villas.



CONTEMPORARY SPLENDOUR VILLA (COURTYARD VILLA)

Address:
Minhang District,
Shanghai

Category:
Residence

Feature:

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

INTRODUCTION OF
KEY PROJECTS IN CHINA

SHANGHAIMART

Address:
2299 West
Yan'an Road, Shanghai

Category:
Exhibition/
Commerce/Office

Feature:

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

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

SHANGHAI JING CITY (Including "Grand Mansion")

Address:
Lane 266,
Zhumei Road, Shanghai

Category:
Residence/Commerce


Artist Impression

Feature:

The project is an affordable housing project approved by Shanghai Bureau of Housing Security and Housing Administration. It is a large scale indemnificatory housing project on the list of major construction projects of Shanghai in 2009. In Meilong Town, Minhang District, the project is on an about 302,000 sq.m. site with a planned G.F.A. 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 is a commodity housing project.

CHENGHANG PROJECT

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

Category:
Commerce/Office


Artist Impression

Feature:

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

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

GUILIN ROAD AEROSPACE PROJECT

Address:
402 Guilin Road,
Xuhui District, Shanghai

Category:
Scientific research and design/Residential leasing


Artist Impression

Feature:

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

INTRODUCTION OF
KEY PROJECTS IN CHINA

SHANGTOU XINHONG

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

Category:
Residence/ Commerce


Artist Impression

Feature:

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

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

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

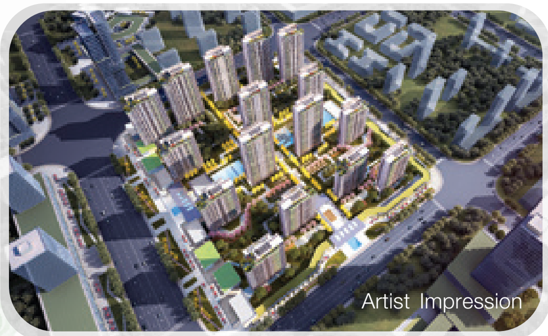
The land plot for commercial services has a site area of approximately 19,000 sq.m. It is planned for commercial service purpose. With a land plot ratio of 2.5, it is expected to provide a capacity building area of approximately 49,000 sq.m. Different types of buildings will be constructed on the land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

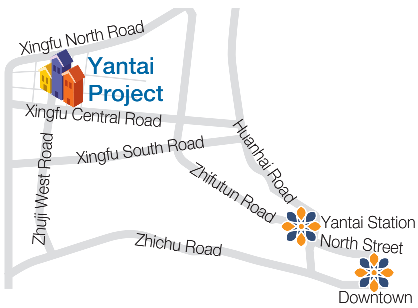
YANTAI

YANTAI PROJECT

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

Category:
Residence/ Commerce


Artist Impression



Feature:

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

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

BEIJING

YOUNGMAN POINT

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

Category:
Residence/
Commerce

Feature:

At the intersection of Qingnian Road and North Chaoyang Road in Chaoyang District, the project stands opposite Chaoyang Joy City — a major commercial complex in Chaoyang, and is only 3.8 km 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. Phases I and II have been completed and sold out and phase III has completed development.

WEST DIAOYUTAI • EMPEROR SEAL

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. Phases I and II have been completed and sold out, while the pre-sale of phase III is in progress.


Artist Impression

INTRODUCTION OF
KEY PROJECTS IN CHINA

TIANJIN

LAOCHENGXIANG

Address:
Laochengxiang,
Nankai District,
Tianjin

Category:
Residence/
Commerce/
Office

Feature:

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

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

SHENYANG

SHENYANG U CENTER

Address:
South Taiyuan Street,
Heping District,
Shenyang

Category:
Commerce/Office/
Serviced Apartment


Artist Impression

Feature:

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

KUNSHAN

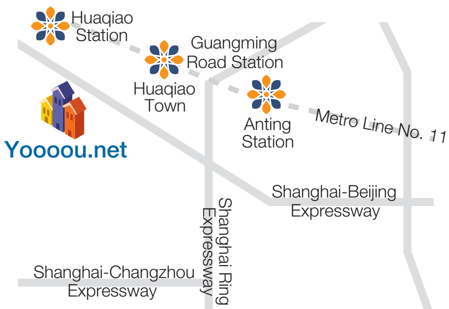
YOOOOU.NET

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

Category:
Commerce/
Office

Feature:

Located in the centre of Huaqiao International Commercial City and adjoining the west gate of Shanghai, the project is less than 25 km 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.



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.

INTRODUCTION OF
KEY PROJECTS IN CHINA

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 northwest China. The area has been well planned and is developing rapidly, enjoying convenient access to road networks and public transports including Metro Line No. 3 which will soon commence operation.

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

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.

INVESTOR RELATIONS REPORT

SUMMARY

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

COMMUNICATION STRATEGY:

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

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

1. Create value for shareholders;

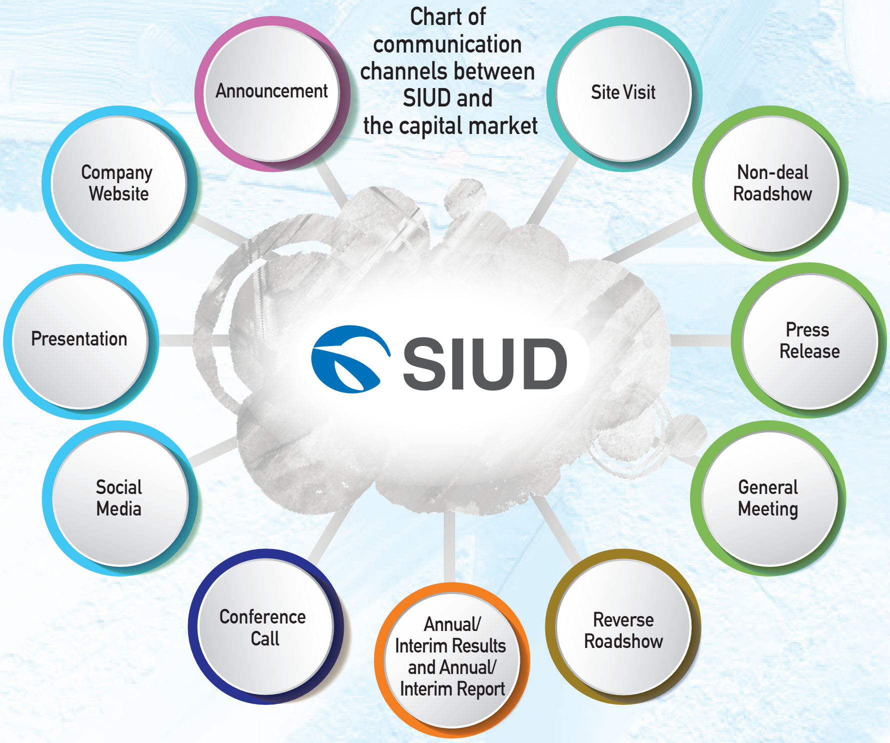
2. Devise development strategies and operate the Company's business on the basis of meeting the values and expectation of shareholders; and

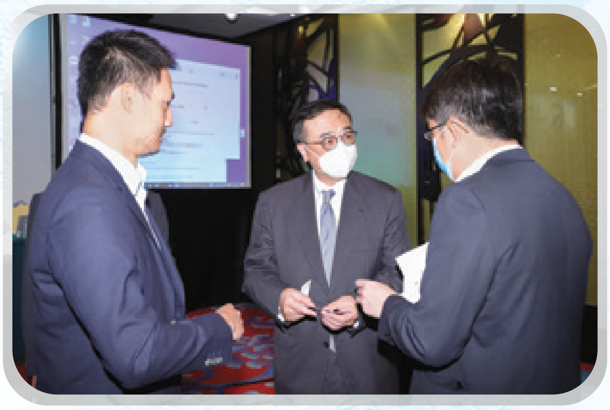
3. Review business decisions in a manner responsible to shareholders, maintain close and effective communication with shareholders with openness and sincerity, and disclose and explain relevant decisions in a timely manner.

CHANNELS AND METHODS:

In 2020, SIUD disseminated information to the capital market through multiple channels, including annual reports, interim reports, press releases and announcements. All these information was available on the Company's website. The corporate communications department also shared the announcements and press releases with investors via email, WeChat official account and other ways in due course, and proactively responded to relevant inquiries and provided guidance.

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





CONTINUOUS COMMUNICATION WITH MAINLAND INVESTORS:

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

ANNUAL GENERAL MEETING:

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

The Company held the annual general meeting at the ballroom of Island Shangri-La Hotel on 18 May 2020. Matters passed on the meeting included the re-election of directors and declaration of special dividends in cash. All ordinary resolutions proposed at the annual general meeting were passed by poll.

The Company also held a special general meeting at the ballroom of South Pacific Hotel on 11 September 2020. Matters passed on the meeting included the subscription of the equity interests in SIIC Financial Leasing. All resolutions proposed at the special general meeting were passed by poll.

ANNUAL REVIEW:

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

AVAILABILITY OF INFORMATION:

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

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

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRINCIPLES AND PRACTICES

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

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

During the year ended 31 December 2020, the Company has complied with all the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

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

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.

BOARD DIVERSITY POLICY

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

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

BOARD SKILLS AND EXPERIENCE

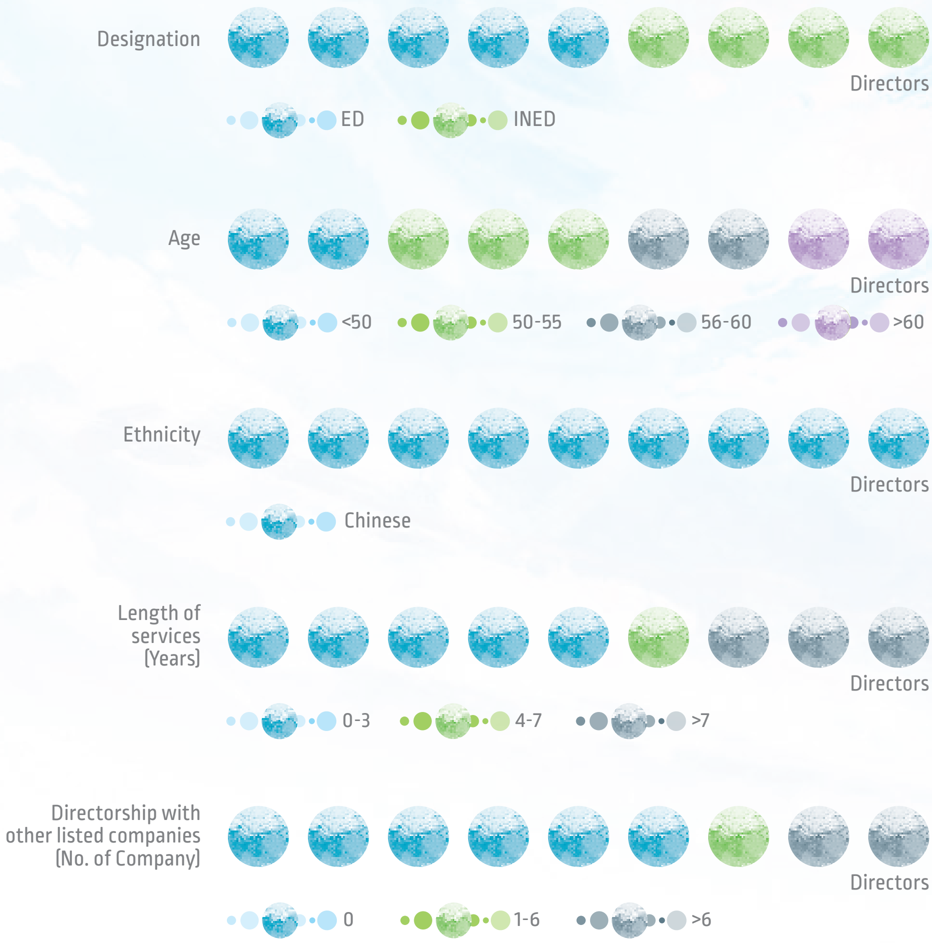
The current Board consists the following skills and experiences that contribute to the Company's strategic direction and sustainable and balanced development:

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

BOARD COMPOSITION

As at 31 December 2020, the Board comprised nine members, including five executive Directors and four independent non-executive Directors, complying with Rules 3.10(1) and 3.10A of the Listing Rules. At least one of the independent non-executive Directors has relevant financial management expertise as required by the Listing Rules. The biographical details of each Director are set out in the section headed "BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT" on pages 88 to 94 of this annual report. The Board reviews regularly its composition to ensure a balance of skills and experience appropriate for the requirements of the business of the Company.

The Board composition and diversity as at 31 December 2020 are as follow:



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

INDEPENDENCE CONFIRMATION

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

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

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

DIRECTORS AND OFFICERS LIABILITY INSURANCE

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

THE CHAIRMAN AND THE PRESIDENT

The chairman of the Board (the "**Chairman**") and the president of the Company (the "**President**") are two distinctively separate positions. Following the resignation of Mr. Zeng Ming as the Chairman and an executive Director at the annual general meeting held on 18 May 2020 (the "**2020 AGM**"), Mr. Huang Haiping ("**Mr. Huang**") was appointed as the Chairman and an executive Director with effect from the conclusion of the 2020 AGM. Mr. Huang is the Chairman who is responsible for providing leadership for the Board and ensuring that the Board works effectively. Following the resignation of Mr. Zhou Xiong as the vice chairman of the Board, the President and an executive Director on 15 January 2021, Mr. Tang Jun ("**Mr. Tang**") was appointed as the President and an executive Director with effect from 15 January 2021. Mr. Tang is the President who, assuming the role of chief executive officer, is responsible for the Group's daily operations, overall business development and management.

MEETING BETWEEN THE CHAIRMAN AND INDEPENDENT NON-EXECUTIVE DIRECTORS

Under code provision A.2.7 of the Code, the Chairman should at least annually hold meetings with the independent non-executive directors without the presence of other directors. There was one meeting held between the Chairman and the independent non-executive Directors, without the presence of other Directors for the year ended 31 December 2020.

BOARD NOMINATION POLICY

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

1. the personal and professional ethics and integrity;

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

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

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

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

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

DIVIDEND POLICY

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

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

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

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

RESPONSIBILITIES OF DIRECTORS

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

TRAINING AND SUPPORT FOR DIRECTORS

(A) Training

Pursuant to the Code, all Directors shall participate in the continuous professional development programme to develop and update their knowledge and skills so that they can contribute to the Board. During the year ended 31 December 2020, the Company offered several appropriate training sessions for Directors. The training sessions were related to the internal controls, anti-corruption, anti-fraud policies and site visiting. The Company has received from each of the Directors the individual training record of Directors pursuant to 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 2020, the Directors participated in the following trainings:

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

Notes:

1. Trainings may include

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

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

   (c) Company's site visiting.

2. Mr. Huang Haiping was appointed as the chairman of the Board, an executive Director and the chairman of the Nomination Committee with effect from 18 May 2020.

3. Mr. Zeng Ming resigned as the chairman of the Board, an executive Director and the chairman of the Nomination Committee with effect from 18 May 2020.

4. Mr. Zhou Xiong resigned as the vice chairman of the Board, the President, an executive Director and a member of the Investment Appraisal Committee with effect from 15 January 2021.

5. Mr. Fei Zuoxiang resigned as an executive Director with effect from 18 May 2020.

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

(B) Support

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

PRACTICES AND CONDUCT OF MEETINGS

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

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

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

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

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

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

THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its own code of conduct regarding dealings in the securities of the Company by the directors and the relevant employees (who are likely to be in possession of inside information relating to the Company or its securities) (the "**Guidelines for Securities Transactions by Relevant Employees**") on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standards set out in the Model Code and its code of conduct regarding directors' securities transactions for the year ended 31 December 2020.

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 2020.

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 2020 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**	**2020 AGM[1]**	**SGM[2]**
Executive Directors							
Huang Haiping[3]	4/4						1/2
Zeng Ming[4]	2/2			1/1		1/1	
Zhou Xiong[5]	6/6				4/4	1/1	1/2
Lou Jun	5/6					1/1	0/2
Fei Zuoxiang[6]	2/2					0/1	
Ye Weiqi	6/6		2/2			1/1	0/2
Zhong Tao	6/6				4/4	1/1	1/2
Independent Non-executive Directors							
Doo Wai-Hoi, William, *J.P.*	6/6	2/2	2/2	1/1		0/1	1/2
Fan Ren Da, Anthony	6/6	2/2	2/2	1/1	4/4	1/1	1/2
Li Ka Fai, David	6/6	2/2				1/1	2/2
Qiao Zhigang	6/6				4/4	1/1	0/2

Notes:

1. The 2020 annual general meeting of the Company was held on Monday, 18 May 2020.

2. The special general meetings of the Company were held on Friday, 19 June 2020 and Friday, 11 September 2020 respectively.

3. Mr. Huang Haiping was appointed as the chairman of the Board, an executive Director and the chairman of the Nomination Committee with effect from 18 May 2020.

4. Mr. Zeng Ming resigned as the chairman of the Board, an executive Director and the chairman of the Nomination Committee with effect from 18 May 2020.

5. Mr. Zhou Xiong resigned as the vice chairman of the Board, the President, an executive Director and a member of the Investment Appraisal Committee with effect from 15 January 2021.

6. Mr. Fei Zuoxiang resigned as an executive Director with effect from 18 May 2020.

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 2020. 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 2020, 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 2020, two Remuneration Committee meetings were held to review the remuneration packages of all directors and senior management of the Company, directors' services contracts, the terms of reference for Remuneration Committee and the renewal of the directors' services contracts.

C. Nomination Committee

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

During the year ended 31 December 2020, one Nomination Committee meeting was held and the following works, *inter alia*, were performed by the Nomination Committee:

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

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

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

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

D. Investment Appraisal Committee

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

The main responsibilities of the Investment Appraisal Committee are:

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

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

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

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

5. to make subsequent assessment on investment projects; and

6. to review on the above matters.

During the year ended 31 December 2020, four Investment Appraisal Committee meetings were held to discuss and consider, *inter alia*, the following matters:

1. Discloseable transaction in relation to acquisition of land in Minhang District, Shanghai, the PRC (details can be found in the announcement of the Company dated 17 September 2020);

2. Connected transaction in relation to proposed formation of joint venture for development of medical beauty institution in Shanghai, the PRC (details can be found in the announcement of the Company dated 30 October 2020);

3. Connected transaction in relation to provision of project management services with Shanghai Pharmaceuticals Holding Co., Ltd. (details can be found in the announcement of the Company dated 5 November 2020);

4. Connected transaction in relation to provision of project management services with Shanghai Biomedical Pharmaceuticals Co., Ltd. (details can be found in the announcement of the Company dated 19 November 2020);

5. Discloseable transaction in relation to formation of joint venture in relation to a property development project in Wuhan, the PRC (details can be found in the announcement of the Company dated 28 December 2020); and

6. other proposed transactions.

E. Corporate Governance Functions

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

The main responsibilities of the corporate governance functions are:

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

2. to propose changes when necessary;

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

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

5. to review internal corporate policies annually;

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

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

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

COMPANY SECRETARY

The Company Secretary is a full time employee of the Group and has day-to-day knowledge of the Company's affairs. During the financial year ended 31 December 2020, the Company Secretary has duly complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules which requires the Company Secretary to take no less than 15 hours of relevant professional training. The biographical details of the Company Secretary are set out in the section of "BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT" in this annual report.

ACCOUNTABILITY

The Directors are responsible for overseeing the preparation of accounts of each financial period, which give a true and fair view of the state of affairs of the Company and the Group and of the Group's results and cash flow for the period. In preparing the financial statements for the year ended 31 December 2020, appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants which are pertinent to its operations and relevant to the financial statements on the going concern basis were adopted. The Company has received acknowledgements from all Directors of their responsibilities for preparing the financial statements. It is the responsibility of the auditor to form an independent opinion, based on their audit, of these financial statements and to report their opinion to the members of the Company, as a body, and for no other purpose. The auditor does not assume responsibilities toward or accept liability to any other person for the contents of their report.

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

INTERNAL CONTROLS

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

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

Anti-fraud policies and procedures

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

RISK MANAGEMENT

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

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

EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company about their reporting responsibilities on the financial statements is set out in the "INDEPENDENT AUDITOR'S REPORT" on pages 108 to 113.

During the year ended 31 December 2020, the remuneration paid and accrued to the Company's auditor, Deloitte Touche Tohmatsu, is set out below:

	HK$'000
For audit services	
— audit fee paid for the year ended 31 December 2020	4,169
— other audit-related services	1,605
Total:	5,774

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 2020, there is no significant change in the Company's constitutional documents.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1 ABOUT THIS REPORT

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

1.1 Reporting Scope

Unless otherwise indicated, this report covers the same scope as set out in the consolidated financial statements contained in this annual report and includes the core businesses of the Group: residential and commercial properties development, property investment and hotel operations in the PRC. Unless otherwise indicated, the reporting period is from 1 January 2020 to 31 December 2020 (the "**reporting period**").

1.2 Basis of Preparation

This report has been prepared by the Group in line with the Environmental, Social and Governance Reporting Guide (the "**ESG Guide**") set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited published by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") in 2016. The Group has also perfected the information disclosure with reference to the new Appendix 27 — Environmental, Social and Governance Reporting Guide published by the Stock Exchange in 2020.

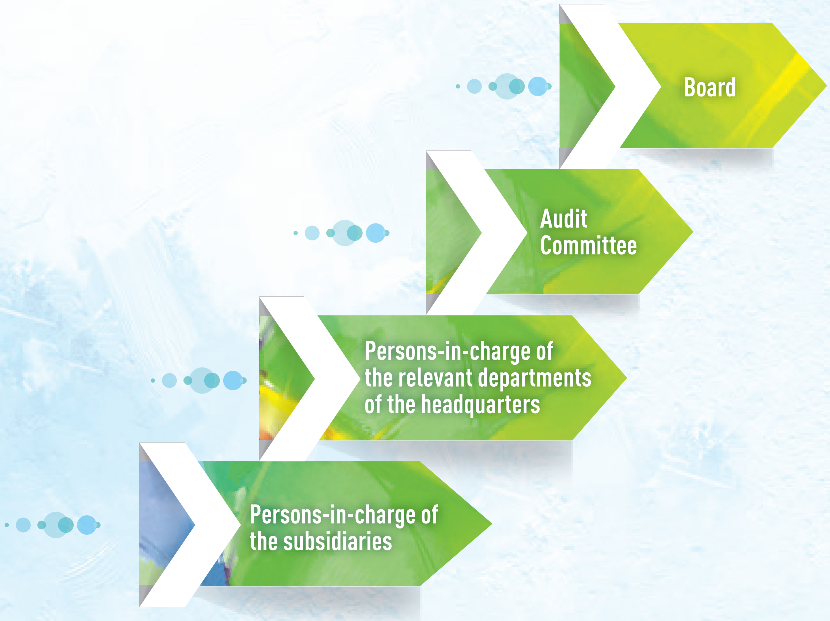
The Group has made corresponding information disclosure in respect of all the "comply or explain" provisions set out in the ESG Guide. In addition, This report has been prepared in accordance with the four reporting principles contained in the ESG Guide, including the followings:

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

2 FOCUS ON ESG MANAGEMENT

The Board gives high regard to ESG management and is committed to supervising the ESG strategy of the Group. The Board manages the ESG issues which stakeholders are concerned about and which are related to the Group in a responsible manner.

The Board regularly assesses and determines the ESG risks within the scope of operation of the Group, and ensures that an appropriate and effective ESG risk management and internal control system is established. The Company Secretarial Department and the Administrative and Human Resources Centre of the Group are responsible for the coordination and implementation of the ESG management and information disclosure of the Group as well as guiding the other departments of the headquarters and each of the subsidiaries in implementing ESG-related tasks. The Group has set up a four-level reporting mechanism to report the progress and results of its ESG management to the Board on a regular basis in order to help the Board exercise full governance function on ESG matters.



The Group started preparing for the optimisation of the ESG management structure during the reporting period to further perform its ESG duties at each level and facilitate the ESG development of the Group effectively and systematically.

2.1 Communicating with Stakeholders

Communicating with stakeholders has been crucial as part of the Group's daily operations. The Group plays an active role in communicating and exchanging with the stakeholders to understand their key concerns and gather their opinions on the ESG performance of the Group.

The Group has been maintaining communications with its stakeholders through different channels and ways, including holding general meetings, cooperating with government departments in their researches and visits, conducting customer satisfaction surveys and holding face-to-face staff meetings. The Group would also showcase its ESG work and performance to the stakeholders and external parties through publishing annual ESG reports.

2.2 Conducting Materiality Assessment

While preparing this report, the Group engaged a third-party consultancy firm to conduct a materiality assessment to fully understand the expectations of the stakeholders on the ESG work of the Group. The Group has identified the material issues for 2020 through a series of steps, including conducting a stakeholders' survey and management review, and made key disclosures in this report regarding its management approach, measures and performance under these issues.

The Group identified the material issues for 2020 via the four steps below:

Step 1 — Filtering potential material issues	After reviewing the disclosure requirements of the Stock Exchange and peer concerns, a total of 16 potential material issues which were relevant to the Group were selected.
Step 2 — Gathering opinions from stakeholders	The Group invited the stakeholders to prioritise the materiality of the potential material issues of the Group in a survey. A total of 186 stakeholders responded to the survey, including staff members of the Group, investors/shareholders, government authorities and regulators, suppliers, partners, management and members of the Board.
Step 3 — Analysing the opinions	After collecting the opinions of the stakeholders, the Group analysed the potential material issues from two perspectives: the "importance to SIUD" and the "importance to stakeholders", to determine the materiality priority of each issue.
Step 4 — Confirming the material issues	After reviewing the analysis results based on the actual business development of the Group, the management confirmed the material issues of the Group for 2020. Key disclosures are made on these issues in this report.

The Group has identified the following material issues during the materiality assessment:

Material Issues		
Occupational health and safety	Product and service quality	Green buildings
Employment management	Customer rights and privacy protection	Effective resource utilisation
Employee development and training	Anti-corruption	Environment and natural resources
Labour Standards	Community participation and contribution	

3 EXCELLING WITH CRAFTSMANSHIP

3.1 High Quality Project Management

As a domestic property developer, the Group considers project quality management as one of its most crucial tasks. The Group strictly adheres to laws, regulations and the other industry standards that have a significant impact on the Group relating to product quality and safety, including the Construction Law of the People's Republic of China (《中華人民共和國建築法》) and the Construction Works Quality Management Ordinance (《建設工程質量管理條例》). The Group has formulated a series of internal policies, including the Design Management System, Construction Quality Management System and Administrative Measures on Construction Progress Planning, with a view to providing quality products to customers.

The Group has established a three-level project quality management hierarchy, comprising the Vice President of Project Management, Project Management Centre of the headquarters and the relevant departments of project development companies, to supervise the entire project development and construction process. To ensure that the quality and development progress of a project meet the expected targets, the Group implements various quality management measures at the design, construction and delivery stages of a project.

Design	By working hand-in-hand with the project design team, the Group would maintain close communication and coordination with the team at the stages of conceptual design, proposal design and construction drawing design. To enhance project quality, the Group would use the Building Information Modeling (BIM) technique to adjust and optimise the project design of certain projects.
Construction	At the project construction stage, the Group would require the construction units (including the main contractor and sub-contractors) to devise a general construction plan. The Group would also hire a qualified supervision unit to monitor and inspect the construction process for quality and safety assurance. In respect of the use of materials and equipment, the Group would supervise the construction units based on the requirements of the Construction Quality Management System to ensure that qualified and safe materials, components and equipment are used. The Group would also conduct sample tests or repeated tests on the materials together with the supervision units on-site. The Group has set up a robust work reporting system. Based on the requirements of the Progress Management System, the Group would regularly track and assess the progress, quality and safety conditions of its projects, work on the difficulties and problems encountered during the construction process, and devise and implement the solutions in a timely manner. To continually improve the project quality of its project companies, the Group would arrange each of its project companies to share their experiences and tips on construction quality management.
Delivery	The Group has set up a system on acceptance inspection upon completion and delivery management, under which a comprehensive inspection would be performed on the project together with the supervision companies, professional engineers and construction units in accordance with the Acceptance Inspection and Assessment Criteria for the Quality of Construction and Installation Projects and the relevant standards before the completion and delivery of a project. If necessary, construction units would be urged to finish repairing any defects in quality to complete the acceptance inspection process.

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

3.2 Excellent Operational Service

The Group is dedicated to proffering excellent service in its property operation and actively seeks the views of customers in order to continuously improve their experience.

Operation of Commercial Buildings and Residential Housing	Hotel Operation
To enhance the quality of its property operation, the Group actively communicates and engages with the tenants. The Group would hold tenant seminars to discuss the management service, software and hardware facilities and ancillary services with the representatives of the tenants and provide timely response to the enquiries from the tenants. Complaints filed by the tenants would be coordinated and handled by the property and commercial management department, which would then pass the issue raised by the tenants to the relevant engineering and technical departments in a timely manner, to ensure that the complaints are handled properly.	The Group attaches high importance to safety management in the hotel operation. Apart from conducting continuous safety risk assessments, drills, training sessions and inspections, the Group would also cooperate with professional bodies to carry out regular repairs and maintenance for the access control system, security and protection system and fire monitoring system, etc. At the beginning of the reporting period, following the outbreak of the 2019 novel coronavirus disease ("**COVID-19**"), the Group paid extra efforts to clean and sanitise the hotel facilities for maximum protection of customers.

During the reporting period, the Group received 232 complaints in total for its property operation business. All the complaints were properly handled and resolved during the reporting period.

3.3 Safeguarding Customers' Rights

The promotion and sale of property development projects represents one of the daily communications channels of the Group with customers. Project details are communicated to customers via different channels. The Group strictly adheres to national and local laws and regulations that have a significant impact on the Group relating to advertising, including the Advertising Law of the People's Republic of China (《中華人民共和國廣告法》) and the Administrative Measures on Outdoor Advertising Facilities in Shanghai (《上海市戶外廣告設施管理辦法》), and has formulated the Marketing Management System of the SIUD Group to standardise the sales planning and management workflow. The marketing team of each project is responsible for formulating a General Project Marketing Plan, which would then be reported to the Group's marketing centre for review to ensure the accuracy and completeness of the promotion materials and make sure that the marketing plan complies with the requirements of the relevant national and local laws and regulations. During the reporting period, the Group did not violate any laws and regulations that have a significant impact on the Group relating to advertising.

Protecting customer data is also a key management task of the Group. The Group strictly complies with the Law of the People's Republic of China on the Protection of the Rights and Interests of Consumers (《中華人民共和國消費者權益保護法》). The project companies of the Group store the data and private information of customers in the Group's management system while customers' files are placed under classified management. The Staff Manual of the Group clearly lays out the relevant measures on protecting the confidentiality of customer data and requires the employees to keep strictly confidential all customer data. Employees are prohibited from divulging such data in any way. If an employee discovers that any customer data has been or might have been divulged, he/she should take remedial measure immediately and report the same to the Administrative and Human Resources Centre in a timely manner.

4 BUILDING AN OUTSTANDING TEAM

Upholding its "people-oriented" concept, the Group is committed to recruiting talent to build an outstanding team of staff. With a focus on the capability and occupational development of each staff member, the Group strives to provide growth opportunities for the employees. The Group also cares for the well-being of its staff members by creating a safe and comfortable workplace to allow them to devote themselves in work with a health body and mind.

4.1 Protecting the Employers and Employees

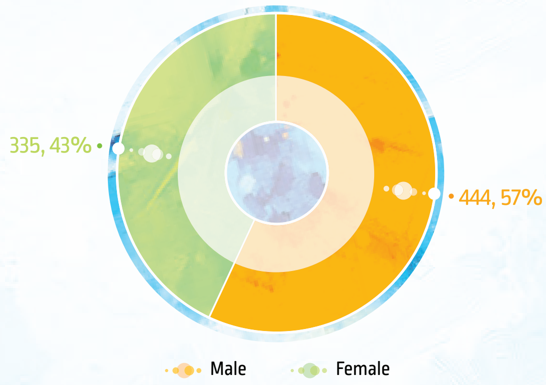
The Group strictly complies with laws and regulations that have a significant impact on the Group relating to employment, including the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), the Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), the Law of the People's Republic of China on the Protection of Rights and Interests of Women (《中華人民共和國婦女權益保護法》), the Law of the People's Republic of China on the Protection of Minors (《中華人民共和國未成年人保護法》) and the Provisions on the Prohibition of Using Child Labour (《禁止使用童工規定》). The Group has formulated the Staff Manual and the other human resources policies to clearly set out the rules on recruitment and dismissal, staff remuneration and promotion, working hours, leave, equal opportunities, diversity, anti-discrimination and the other benefit packages in order to protect the rights of the employers and employees. During the reporting period, the Group did not violate any laws and regulations that have a significant impact on the Group relating to employment.

Recruitment and Dismissal	The Group is dedicated to building a diversified team. Fairness is upheld during the recruitment process with an emphasis on the professional ethics, expertise, experience and development potential of a candidate. The Group makes sure that all candidates enjoy equal opportunities and are protected from discrimination on the ground of nationality, ethnicity, race, gender, age, marital status, social standing and religious belief. Child labour and forced labour are strictly prohibited. To prevent the use of child labour and forced labour, at the recruitment stage, the Group would ask a candidate to provide valid identification documents for verification of his/her identity and age to ensure that he/she could be legally employed. The Group also implements a standard working hour system in its daily operations to prevent forced labour. Moreover, pursuant to the relevant laws and regulations, the Group has clearly stated the conditions and arrangements for discharging and terminating a labour contract in the Staff Manual in order to protect the rights of the employers and employees. The conditions leading to the discharge of a labour contract include an employee repeatedly violating the attendance system, providing false personal information, or committing a serious breach of duty or serious violations of laws and disciplines. The Group would ensure that the relevant employee would hand over his/her work by the date of termination.

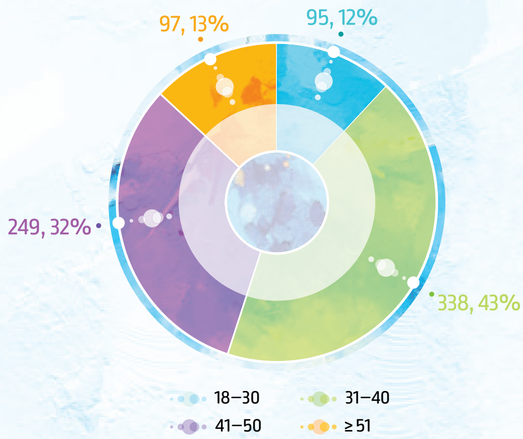
Pay, benefits and promotion	The Group has set up a reasonable job ranking system, with job ranks commensurate with the duties assumed by, and the performance and competence of, the employees. The Group has in place a pay system driven by the value of a job position and personal performance to link the pay of an employee to his/her performance and contributions in order to establish a reasonable pay allocation system and long-term incentive system. The Administrative and Human Resources Centre of the Group conducts performance assessment on all the employees every year and adjusts their pay, job positions and job promotional opportunities based on the assessment results. Besides, following the relevant national and local requirements, the Group enrolls the employees in various social insurance programmes and provident funds. Other than statutory benefits, the Group offers a range of subsidies for its employees, such as lunch subsidies and holiday subsidies. The Group has also formulated the Standards and Implementation Rules on Staff Benefits to standardise the benefit payment procedure.
Working hours and leave	The Group implements a standard working hour system. Each employee works 40 hours a week on average. Employees are encouraged to finish their work in an 8-hour working day while overtime working is not encouraged. Time-off and compensation for overtime work are granted strictly in accordance with the relevant national requirements. The Group's employees are entitled to different types of leave, including statutory holiday leave, marriage leave, compassionate leave, annual leave, compensatory leave, family leave, sick leave, maternity leave, lactation leave, paternity leave and casual leave.

As at the end of the reporting period, the Group had 779 employees and the number and percentage[1] of its employees by gender, age group, employment type and geographical region were as follows:

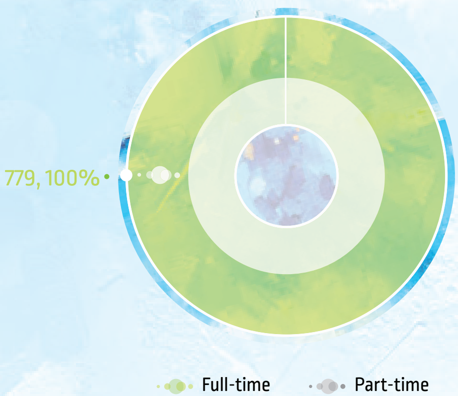
Number and percentage of employees by gender



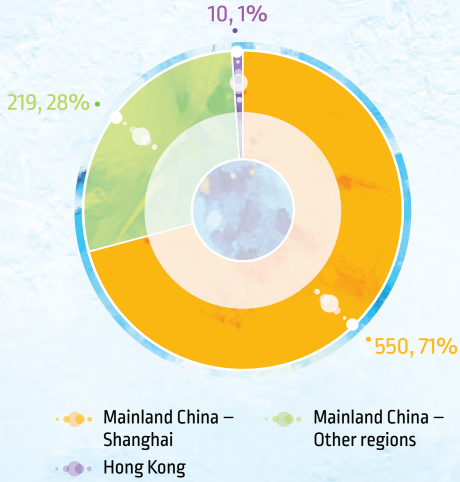
Number and percentage of employees by age group



Number and percentage of employees by employment type



Number and percentage of employees by geographical region



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

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

	Number of Employee Turnover	Employee Turnover Rate (%)[2]
By gender		
Male	48	14%
Female	29	6%
By age group		
≤30	16	17%
31-40	34	10%
41-50	13	5%
≥51	14	14%
By geographical region		
Mainland China — Shanghai	53	10%
Mainland China — Other regions	24	11%
Hong Kong	0	—

4.2 Care for Staff Well-being

To enhance the sense of belonging of the employees, the Group embraces good staff relations management. Staff members are encouraged to communicate and share their opinions with the management via the company's intranet and the other channels. The Group endeavours to create a harmonious working environment by organising a range of staff activities to foster team spirit.

An intangible cultural heritage tour and orienteering activity held by the Group's subsidiary in Beijing

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

A team development activity organised by the Group's subsidiary in Shenyang

Christmas celebration with staff members at the Group's subsidiary in Yantai

4.3 Promoting Staff Growth

The Group has been providing a working environment which is conducive to the continuous growth of the staff members, with resources being devoted to help them explore their talents and potentials.

All staff members are encouraged to participate in the relevant training. The Training Management System has also been formulated to strengthen the management of staff training. Every year, the Group formulates annual training plans and arranges suitable training contents tailored to different staff levels after analysing its general plan and business development needs.

The major training activities held by the Group during the reporting period included:

Recipient	Training topic	Purpose and result
Senior management	"Training Class/Seminar for Senior Management"	✓ Enhance leadership and management skills
Middle management	"Training Class for Middle-level Managerial Staff" "Youth Talent Training Class"	✓ Foster cohesion in the company ✓ Strengthen internal exchange and learning ✓ Equip new members of the middle management with management skills
All staff members	"City Forum"	✓ Broaden the professional knowledge of staff members ✓ Foster a learning atmosphere ✓ Offer a platform for mutual communication, understanding and collaboration
New recruits	"Induction Training"	✓ Introduce the corporate culture, corporate developments, corporate organisational structure, and rules and regulations ✓ Help new staff members integrate into the working environment ✓ Foster mutual understanding among staff members

Interpreting the "Civil Code of the People's Republic of China: Contracts" (《中華人民共和國民法典：合同編》) and the new regulations on commercial property rights in the "City Forum"

During the reporting period, all of the Group's employees received training and a total of 5,453 training hours were recorded. The employee training data of the Group by different categories during the reporting period is set out as follows:

	Percentage of employees trained to the total number of employees (%)[3]	Percentage of employees trained in each category to the total number of employees trained (%)[4]	Average training hours completed by each employee (hour)[5]
By gender			
Male	100%	57%	7
Female	100%	43%	7
By employment category			
Senior management	100%	2%	7
Middle management	100%	12%	7
Technician	100%	27%	7
General staff	100%	60%	7

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

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

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

4.4 Safeguarding Staff Health

Staff health and safety plays a pivotal part in the daily operations of the Group. To minimise the occupational health and safety risks, the Group strictly adheres to laws and regulations that have a significant impact on the Group relating to health and safety, including the Production Safety Law of the People's Republic of China (《中華人民共和國安全生產法》), the Fire Prevention Law of the People's Republic of China (《中華人民共和國消防法》), the Law of the People's Republic of China on Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》), the Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》), the Regulations on Work-related Injury Insurance (《工傷保險條例》) and the Measures for Ascertainment of Work-related Injuries (《工傷認定辦法》). Based on these laws and regulations, the Group has formulated various policies and guidelines to guarantee the safety of its operations. During the reporting period, the Group did not violate any laws and regulations that have a significant impact on the Group relating to health and safety.

The Group adopts a three-pronged approach to prevent, control and eliminate the risks related to occupational health and safety.

Strengthening the Accountability System

The Group established the Occupational Safety Production Management Committee (the "**Safety Management Committee**") to lead and monitor the occupational health and safety measures of the Group. The Safety Management Committee prepares an annual safety production plan based on the annual operation plan of the Group, and sets various safety goals and tasks to synchronise safety production initiatives with the other business operations. The Safety Management Committee also regularly monitors and tracks the daily control status, progress towards target achievement and investigation and remediation status of hidden hazards to guarantee effective implementation of the safety production measures.

Structure of Safety Management Committee

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

Consolidating Safety Management

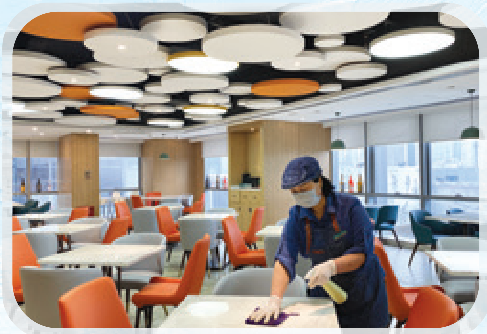
The Group is committed to protecting the health and safety of all staff members in the workplace and operating premises. To this end, the Group has adopted the most suitable health and safety management measures by taking into consideration the different characteristics of each operating premise.

Project Construction	Commercial Operation	Office
Site safety is one of the highest safety risks of the Group. Therefore, the Group values the cooperation between the employees and construction units. The Group works together with the construction units to implement the Civilised Management Standards and Guidelines for Work Sites during the project construction process to ensure proper management of occupational health and safety on site.	The commercial operation business of the Group involves hotels and commercial and retail premises, each with different safety risks. The Group implements the Safety Management Standards for Properties Leased by the Group and the Daily Safety Management Manual for Business Properties during its operation to better identify, assess and manage the material sources of risk in different operating premises in order to minimise the safety risk.	The Group provides various kinds of health and safety training for its employees, including the fire safety and safe production thematic training, fire prevention and firefighting skills training, virtual reality experience of a fire scene, and fire evacuation and rescue drills.

During the reporting period, the Group kept abreast of the development of the COVID-19 pandemic and cared for the health conditions of its employees. Multiple health protection initiatives were carried out for the employees. The Group followed the infection control guidelines and requirements issued by the government and formulated an emergency response plan for infection control. A series of disease prevention measures were implemented, such as providing epidemic prevention supplies to employees, recording their body temperature, implementing staggered working hours, encouraging staff members to hold meetings via video conferencing, and arranging staff members to alternate the days of going to the workplace with the days of working from home. The Group also showed its care for the health of the other people in its operating premises by enhancing the cleaning and disinfection work on public facilities.

Provision of epidemic prevention supplies

Enhancing the cleaning and disinfection work in public spaces



Enhancing the cleaning and disinfection work in restaurants

Enhancing Safety Awareness

To raise the level of general safety management, the Group organises safety workshops, training sessions and drills from time to time to promote occupational health and safety. During the reporting period, the subsidiaries of the Group conducted trainings and drills on flood and typhoon control, emergency equipment repairs, fire prevention and extinguishing, and evacuation and escape, etc., and invited the relevant parties (including the construction units, tenanted units and merchants) to join the trainings in order to strengthen their safety awareness and response capabilities with a view to lowering the risk of safety incidents.

Case Study: Emergency response training and drills

During the reporting period, a life-saving drill was carried out for the management of the Le Meridien Xi'an, Chanba Hotel to allow them to acquire life-saving and cardiopulmonary resuscitation (CPR) skills. The management also received the confined space emergency rescue training to understand the risk and potential danger of working in a confined space and learn how to use the emergency rescue equipment and tools. The management of the Le Meridien Xi'an, Chanba Hotel practised their response capabilities through training and drills to ensure timely handling of any sudden emergencies in order to reduce the harm caused by an accident.

During the reporting period, the lost days due to work injury was 159 days. There were no work-related fatalities over the past three years (2018 to 2020).

5 JOINING HANDS IN MUTUAL DEVELOPMENT

5.1 Refining Procurement Management

The Group has been following a fair, just and open principle in standardising the management of the engagement and assessment of suppliers to ensure that it can work with high quality suppliers to lower the risk of its supply chain.

The main suppliers of the Group include construction design suppliers, project contractors, construction material and equipment suppliers, project supervision suppliers and property operation consultants. The Group has formulated policies such as the Tender and Procurement Management System, the Qualified Project Supplier Administrative Measures and the SIUD Design Supplier Database Management System with an aim of strengthening the management of supplier engagement and assessment. The headquarters and subsidiaries of the Group perform their respective functions to ensure orderly supplier engagement and assessment.

— At the headquarter level, the project management centre and technical management centre of the Group are responsible for taking the lead in organising the engagement of suppliers, and reviewing, approving and checking the engagement and contract execution status of the subsidiaries;

— At the subsidiary level, the tender and procurement leading group is responsible for leading and reviewing the engagement of suppliers as per the requirements of the state and the Group's headquarters. Such engagement would then be executed and assessed by the relevant departments, including the project department, business department and contracting department.

The Group has established a comprehensive supplier admission process, which can be divided into four major parts as below:

Qualification review	A qualification review would be conducted on the scope of operation, service area, qualifications and main performance of a potential supplier by collecting information about the supplier and conducting site visits. After passing through the review process, a tender invitation would be issued to the potential supplier.
Tendering and bidding	A tender document would be prepared to set out the main terms, including the tender scope, quality and technical standards, quotation requirements, schedule, payments and commercial requirements. Upon approval by the Group's headquarters, the tender document would be issued to the potential suppliers who have accepted the invitation to tender and bidding proposals would be collected from them.
Tender evaluation	The bidding proposals submitted by the potential suppliers would be assessed based on the tender assessment approach as set out in the tender document. The assessment criteria include the feasibility and reasonableness of the proposal, supply progress plans and guarantee measures, choices and performance of equipment, quality, safe and civilised construction and environmentally-friendly measures, repair and maintenance measures, qualifications of the project manager and chief technical managers, relevant past projects and performance.
Tender confirmation	The successful tenderer would be determined based on the assessment results. A contract would be entered into with the successful tenderer according to the workflow of the Group.

The Group has established a long-term, steady and reliable supplier database via informatisation. To strengthen the management of the supplier database, the Group's subsidiaries would perform an annual assessment on the suppliers to help them improve their performance and make sure they can fully meet the requirements of the Group. During the reporting period, the Group optimised the annual assessment of suppliers, including making sure an assessment rate of 100% is achieved for the suppliers listed in the system. The Group also adjusted the classification of, and the assessment approach and criteria for, suppliers in order to reflect their performance in a focused and objective manner.

As at the end of the reporting period, there were totally 615 suppliers[6] in the supplier database centrally managed by the Group's headquarters and all of these suppliers have passed the above annual assessment. As at the end of the reporting period, the number of suppliers by geographical region was as follows:

Region	Number of Suppliers
Shanghai	429
Xi'an	65
Shenyang	41
Beijing	23
Tianjin	19
Chongqing	12
Other regions in China	26

5.2 Adhering to Business Ethics

The Group upholds high standards of business ethics across its business operation and strictly complies with the relevant laws and regulations.

Operating with Integrity

Upholding high standards of business ethics, the Group has zero tolerance for any forms of corruption and strictly adheres to laws and regulations that have a significant impact on the Group relating to bribery, extortion, fraud and money laundering, including the Criminal Law of the People's Republic of China (《中華人民共和國刑法》), the Anti-Unfair Competition Law of the People's Republic of China (《中華和人民共和國反不正當競爭法》), the Anti-Money Laundering Law of the People's Republic of China (《中華人民共和國反洗錢法》) and the Prevention of Bribery Ordinance.

The Group requires every employee to upkeep the professional ethical standards of legitimacy and probity at all times whether working internally or externally. To this end, the Group has set out the behavioural standards of the employees in the Staff Manual. To make sure the employees understand their own responsibilities and enhance their anti-corruption awareness, the Group would conduct anti-corruption education for the employees via different means, such as probity talks and typical case sharing. The Commission for Discipline Inspection of the Group is responsible for investigating and handling alleged misconduct cases and supervising the matters related to audit and finance.

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

6 The types of suppliers include design, project services, materials and equipment and consultation services.

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

Case Study: Inspection and Rectification Meeting

During the reporting period, members of the Group's top management, persons-in-charge of the functional centre and subsidiaries, members of the tender and procurement team and the newly promoted cadres since 2019 jointly held an inspection and rectification meeting. At the meeting, the Group explained to the attendees the rectification status of the problems discovered during the inspection of the tender and bidding process and the decision on pursuing obligations from the relevant parties.

Protection of Intellectual Property Rights

In respect of the protection of intellectual property rights, the Group manages its construction design patents and trademark registrations. Specific clauses on intellectual property protection are written in the relevant contracts to explicitly set out the copyrights and rights to use of the relevant design patents and registered trademarks to ensure non-infringement of third-party intellectual property rights or trade secrets.

Case Study: Talk on Intellectual Property Rights

During the reporting period, the Group organised a talk on the fundamentals and practices of intellectual property rights to strengthen the knowledge and capability of its staff members in protecting and managing intellectual property rights.

5.3 Care for Community Needs

The Group continues to care for the needs of the community which it is operating. Adhering to the mission of giving back to the community, the Group makes valuable contributions in arts, education and poverty relief for the mutual development of the enterprise and society.

Cultivating Art and Cultural Literacy

The arts education is beneficial to the intellectual development of kids in their personal growth. Therefore, the Group hopes to develop their interests in the arts to bring a positive impact to their growth.

Case Study: The "Arts for Kids" Campaign

The "Arts for Kids" charity branding campaign was launched jointly by the Binjiang U Center of the Group and Longhua Yi Jia Yi (龍華益加藝) with a vision to "inspiring the kids to strive for progress through the arts and culture". During the reporting period, the "Arts for Kids" campaign explored the three topics of Chinese arts, meaning of life and archaeology with the kids in a diversified, fun and interactive manner.

Understanding Community Needs

The Group actively communicates and engages with the residents of the community to understand their needs, listen to their opinions and care for their livelihoods.

Case Study: Group Visits

During the reporting period, the Group organised a series of group visits called "Satisfaction with Xuhui, Servicing the Grassroots" (滿意在徐匯，服務在基層) to let the residents of the community to express their views and provide suggestions to the project company of the Group.

Assisting Community in Overcoming Adversity

The COVID-19 pandemic continued to bring different kinds of pressure to the community. As a responsible and committed enterprise, the Group showed its support by offering rent waiver and donating relief supplies to the community during the epidemic to help them overcome the hardship.

Case Study: Community Donation

After the outbreak of COVID-19, the supply of anti-epidemic supplies went tight at one point. The Group's subsidiary in Beijing actively procured protective supplies, such as face masks, disinfectant alcohol and sanitisers, for donation to the communities and subdistricts where the Group was operating.

The Group donated face masks to the students of Shanghai SUD Hope Primary School (上海城開希望小學) during the reporting period.

Support for Charity

The Group arranged its staff to participate in various charitable activities, such as the "Fitness Walking Event for Staff Members in Xuhui" (徐匯職工健步走) and blood donation. The Group also worked together with charitable organisations to support the underprivileged group. During the reporting period, the Group donated RMB200,000 to the Shanghai Charity Foundation.

6 PURSUING GREEN DEVELOPMENT

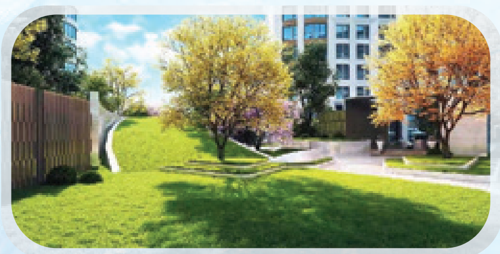
The Group plays an active role in developing sustainable construction projects and shoulders the responsibility of protecting the environment by strengthening control over environmental pollutions and exercising environmental control during the process of property management and office operation. The Group strictly complies with laws and regulations that have a significant impact on the Group relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste, including the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), the Energy Conservation Law of the People's Republic of China (《中華人民共和國節約能源法》), the Law of the People's Republic of China on the Prevention and Control of Environmental Noise Pollution (《中華人民共和國環境噪聲污染防治法》), the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》), the Water Law of the People's Republic of China (《中華人民共和國水法》), the Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治法》), the Environmental Impact Assessment Law of the People's Republic of China (《中華人民共和國環境影響評價法》) and the Shanghai Household Waste Management Regulations (《上海市生活垃圾管理條例》). During the reporting period, the Group did not violate the above laws and regulations that have a significant impact on the Group.

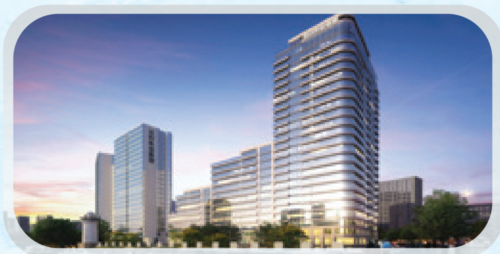
6.1 Incorporating Green Design

The projects developed by the Group are located across different regions in China. The project development companies have complied with the national and local design standards and satisfied the requirements regarding construction thermal performance, energy efficiency of building services, performance of water-saving appliances and utilisation of renewable energy. On this basis, the Group seeks to exceed the energy-saving and environmental protection design standards by adopting a series of land-saving, energy-saving, water-conserving and material-saving designs in order to minimise the environmental impact of the buildings throughout their lifecycle.

Case Study: West Diaoyutai Project in Beijing

The West Diaoyutai project (Phase 3) of the Group in Beijing is a residential development project located in Haidian District, Beijing. The Group has incorporated a number of energy-saving elements in the project design, such as installing a variable-speed multi-split air conditioning (heat pump) system, providing 100% of the household hot water with renewable energy equipment, and installing carbon monoxide concentration detectors which are connected to the ventilation equipment in the underground carpark.





An artist's impression of the exterior facade of the project

An artist's impression of the green area of the project

The Group assesses the environmental performance of its development projects by adopting a set of objective standards. Site specific environmental measures are adopted in all new development projects based on the national and local evaluation standards for green buildings. During the reporting period, two development projects of the Group, namely, the redeveloped residential district (Phase 3) of West Diaoyutai in Beijing and the A3-8 and A3-9 group project located on plot no. A3 of Originally in Xi'an, obtained the Two-star Green Building Design Label Certificate.

6.2 Practising Green Construction

Construction activities generate different types of environmental pollutions and will affect the nearby communities if not controlled properly. Therefore, during the project construction stage, the Group requires the contractors to strictly comply with the national and local laws and regulations relating to the environment and execute the measures as set out in the environment management checklist for the construction period (which is formulated at the project design stage), so as to minimise the negative impact of project construction on the environment:

Fugitive dust emission	Water resources
✓ Installing spray devices to control fugitive dust emissions from the operation of civil machinery	✓ Constructing water reclamation facilities to collect and treat rainwater for greenery irrigation and road cleaning on works sites, etc.
✓ Using water mist cannon and mobile water bowser for fugitive dust control for works sites and access to work	✓ Using water-saving equipment, such as sanitary ware of higher water efficiency
✓ Cleaning the vehicles entering and leaving the construction sites	✓ Installing water usage measuring devices and regularly calculating the water consumption of its project construction sites
	✓ Constructing gullies on construction sites to collect sewage for treatment in sedimentation tanks
	✓ Setting up grease traps and septic tanks so that sewage from onsite canteens and washrooms is filtered through sewage screens before entering the effluent pipelines

Hazardous and non-hazardous waste	Other environmental protection measures
✓ Collecting the household waste, construction waste and hazardous waste produced from the construction process and handing them to qualified organisations for handling	✓ Encouraging staff members to devote themselves into technical renovation, process optimisation, energy saving and consumption reduction, innovation management and waste reusing, etc.
✓ Designating different collection points targeting different types of wastes for source separation	✓ Focusing on the adoption of recyclable materials and prefabricated construction method

6.3 Promoting Green Operation

The Group values the idea of environmental protection in its property operation and aims to maximise energy savings through regulating energy consumption, water consumption and waste management:

✓ For the use of energy, the Group gradually upgrades and reforms its existing operating properties. The energy efficiency of the properties is enhanced by improving the energy efficiency of the electromechanical system so as to maintain the original building structure while enhancing the thermal insulation capability and by retrofitting environmentally-friendly treatment facilities.

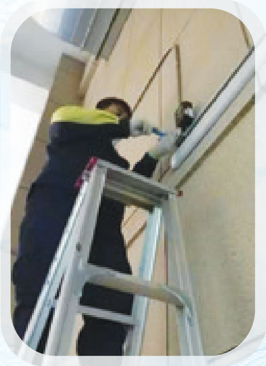
✓ For the use of water resources, situated in major cities in China, the properties operated by the Group do not have any problems of water sourcing or scarce water resources. The Group renovates the water taps in the public areas of its properties and adopts water-conserving facilities, such as sensor water taps.

✓ For waste disposal, the Group separately collects the waste, which are then regularly transferred to professional recycling organisations for disposal.

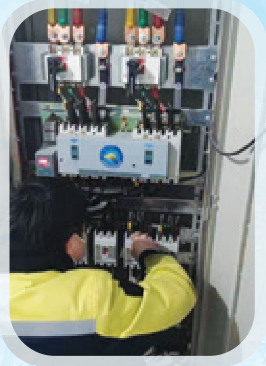
Case Study: Upholding the guiding principle of "Achieving Energy Saving and Consumption Reduction by Focusing on Details"

At the beginning of the reporting period, the Group's subsidiary in Shenyang enhanced the energy control over its operating property at Shenyang Taiyuan Street U Center by devising an energy-saving plan relating to technological transformation and equipment operation control and by adjusting the operating time and frequencies of the equipment and facilities. Timing control was exercised over several equipment and facilities, including escalators, lighting, air conditioning and heating system to effectively control energy consumption while guaranteeing the operating standard.

The implementation of such measures has helped the subsidiary in Shenyang achieve the goal of energy conservation and consumption reduction as the average energy consumption ratio in February and March 2020 dropped by 40% as compared to January 2020.



Installing a timer switch



Adjusting the timer switch

Timed closure of escalators

Although the environmental impact of the office operation of the Group is relatively smaller than that of the other operations, the Group has formulated a number of waste reducing and energy-saving measures to encourage the employees to follow suit and practice the green office concept.

Use of electricity	✓ Purchase energy-saving office electrical appliances and equipment and LED lighting ✓ Set the power-saving mode as default in printers and computers ✓ Require staff members of all divisions to switch off lightings and computers during non-office hours ✓ Promote the reduced use of air-conditioning and minimise the difference between the air-conditioning temperature and outdoor temperature while using an air-conditioner
Use of water resources	✓ Centralise water supply to enhance water efficiency
Waste disposal	✓ Provide waste separation bins in the office area ✓ Office and household wastes are disposed of centrally by property management companies of the buildings, while all electronic wastes are handled separately in a unified manner
Indoor air quality	✓ Strictly enforce the regulations related to smoking ban and tobacco control. Smoking is prohibited in all office areas and no-smoking signs are placed in prominent positions
Use of office supplies	✓ Promote paperless office and reduce paper printing to cut paper usage and reduce the amount of waste papers and waste ink cartridges
Use of motor vehicles	✓ In the acquisition of new motor vehicles, new energy vehicles and multi-purpose vehicles are the Group's top priority to reduce energy consumption and emission of air pollutants ✓ A vehicle dispatch system is implemented for the use of official vehicles, under which a staff member needs to submit an application to the Administrative and Human Resources Centre and fill in an application form for the use of vehicles

During the reporting period, the Group effectively implemented its environmental protection measures. Except being affected by the COVID-19 pandemic, the Group did not have any abnormal discharge, waste generation or use of energy during the operation of its properties and offices.

6.4 Environmental Performance

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

Calculation of Environmental Data Intensity

	Unit	2020	2019
Annual revenue	HK$0'000	635,673.20	858,390.60
Number of motor vehicles	Unit	Gasoline vehicle: 60 units Ethanol fuel vehicle: 3 units Diesel vehicle: 1 unit	Gasoline vehicle: 69 units Ethanol fuel vehicle: 3 units Diesel vehicle: 1 unit

Resources Consumption

	Unit	2020	2019[7]
Energy			
Direct Energy			
Total direct energy consumption[8]	'000 kWh	22,306.63	28,272.43
Total direct energy consumption intensity	'000 kWh/income in HK$10,000	0.035	0.033
Total gasoline consumption	litre	131,220.79	156,119.52
Gasoline consumption intensity[9]	litre/per gasoline vehicle	2,187.01	2,262.60
Total ethanol fuel consumption	litre	5,770.77	8,037.88
Ethanol fuel consumption intensity[9]	litre/per ethanol fuel vehicle	1,923.59	2,679.29
Total diesel consumption	litre	8,171.27	9,040.78
Diesel consumption intensity[9]	litre/per diesel vehicle	8,171.27	9,040.78
Total natural gas consumption[10]	m^3	1,653,372.48	1,708,524.03
Natural gas consumption intensity	m^3/income in HK$10,000	2.60	1.99
Total purchased heat consumption[11]	GJ	11,051.50	844
Purchased heat consumption intensity	GJ/income in HK$10,000	0.017	0.0010
Total gas consumption[12]	m^3	545.28	522,662
Gas consumption intensity	m^3/income in HK$10,000	0.00086	0.61

7 To improve the comparability of data, the Group has adjusted the environmental data for 2019. This report shall prevail for the environmental data for 2019.

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

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

10 The Group mainly uses natural gas for cooking and heat supply. The consumption of natural gas in 2020 dropped as compared to that in 2019 as the Group arranged the employees to work from home or in shift under the pandemic. This led to a drop in cooking demand, and thus lowered the natural gas consumption for cooking purpose.

11 As opposed to 2019, a project company with heating system was newly added to the scope of environmental data for the reporting period. Therefore, the purchased heat consumption in 2020 was higher than that in 2019.

12 During the reporting period, one of the Group's project companies completed modifying its equipment to switch to use natural gas instead of gas. This led to a decrease in gas consumption as compared to 2019. There was another new project company which used gas for cooking purpose.

	Unit	2020	2019
Indirect Energy			
Electricity consumption	kWh	44,851,941.29	59,459,597.80
Electricity consumption intensity	kWh/income in HK$10,000	70.56	85.21
Water resources			
Water resources consumption[13]	tonne	406,531.28	943,880.18
Water resources consumption intensity	tonne/income in HK$10,000	0.64	1.35

Emission of Pollutants and Greenhouse Gas

	Unit	2020	2019
Emission of air pollutants (Vehicles)[14]			
CO emissions	kg	856.42	1,142.17
NOx emissions	kg	325.59	376.02
SOx emissions	kg	2.21	2.64
PM2.5 emissions	kg	14.85	17.48
PM10 emissions	kg	16.32	19.22
Emission of air pollutants (Cooking)[15]			
NOx emissions	kg	2,511.88	—
SO2 emissions	kg	100.48	—
PM emissions	kg	0.25	—

13 Some of the Group's projects were completed and delivered during the reporting period, leading to a decrease in water consumption for construction purpose as compared to 2019. Besides, the hotels operated by the Group suspended operation during the pandemic, which further reduced water consumption.

14 The calculation method of the emission from vehicle fuel consumption and the related emission factors are based on the Technical Guidelines for the Preparation of the List of Air Pollutant Emissions from Road Vehicles (Trial) (《道路機動車大氣污染物排放清單編制技術指南(試行)》).

15 The disclosure of the emission of air pollutants from cooking fuel consumption was newly added in 2020. The calculation method and the related emission factors are based on the First National Census on Pollution Sources – Manual for Waste Generation and Discharge Coefficients in Urban Households (《第一次全國污染源普查城鎮生活源產排污系數手冊》).

	Unit	2020	2019
Greenhouse gas emissions[16]			
Total Emissions			
Total greenhouse gas emissions	tonne of carbon dioxide equivalent (tCO^2e)	33,649.11	46,268.31
Total greenhouse gas emission intensity	tCO^2e/income in HK$10,000	0.05	0.05
Scope 1[17]			
Total greenhouse gas emissions for Scope 1	tCO^2e	5,069.27	5,300.40
Total greenhouse gas emission intensity for Scope 1	tCO^2e/income in HK$10,000	0.0080	0.01
Emission from gasoline, ethanol fuel and diesel	tCO^2e	327.19	390.54
Emission from refrigerants	tCO^2e	1,193.94	875.30
Emission from natural gas consumption	tCO^2	3,574.81	3,694.05
Emission from gas consumption	tCO^2	0.38	365.72
Greenhouse gas offset by owned trees	tCO^2e	-27.05	-25.21
Scope 2[18]			
Total greenhouse gas emissions for Scope 2	tCO^2e	28,579.83	40,967.91
Total greenhouse gas emission intensity for Scope 2	tCO^2e/income in HK$10,000	0.05	0.05
Emission from electricity consumption	tCO^2	27,364.17	40,875.07
Emission from purchased heat consumption	tCO^2	1,215.67	115.40

16 The greenhouse gas emissions for the reporting period were directly related to energy consumption. For the reasons of the changes in data as compared to 2019, please refer to the notes of the resources consumption table.

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

18 The calculation scope of greenhouse gas emissions (Scope 2) includes consumption of electricity and purchased heat. The calculation method of the emission from electricity consumption and the related emission factors for 2020 and 2019 are based on the average emission factors of the national power grid for 2015 and the Average Carbon Dioxide Emission Factors of Regional Power Grid in China for 2011 and 2012 (《2011年和2012年中國區域電網平均二氧化碳排放因子》), respectively. The calculation method of the emission from purchased heat consumption and the related emission factors are based on the Accounting Method and Reporting Guidelines for Greenhouse Gas Emissions from Public Construction Units (Enterprises) (Trial).

Volume of Solid Waste Produced and Recycled

	Unit	2020	2019
Non-hazardous waste produced			
Total non-hazardous waste produced	tonne	1,761.86	5,907.93
Intensity of total non-hazardous waste produced	tonne/income in HK$10,000	0.0028	0.01
Household waste[19]			
Volume produced	tonne	1,435.30	4,127.52
Papers[20]			
Volume produced	tonne	67.69	16.36
Volume recycled	tonne	64.16	13.94
Plastic			
Volume produced	tonne	8.78	4.81
Volume recycled	tonne	8.70	4.73
Metals			
Volume produced	tonne	8.65	3.10
Volume recycled	tonne	8.65	3.10
Food waste[19]			
Volume produced	tonne	241.43	1,756.13
Volume recycled	tonne	222.59	1,187.97
Hazardous waste produced			
Waste fluorescent tube			
Volume produced	unit	1,803.00	9,165.00
Volume recycled	unit	1,168.00	6,142.00
Intensity	unit/income in HK$10,000	0.0028	0.013
Waste battery			
Volume produced	unit	1,875.00	5,832.00
Volume of waste and old battery recycled	unit	1,455.00	4,157.00
Intensity of waste and old battery	unit/income in HK$10,000	0.0029	0.0084
Waste ink cartridge			
Volume produced	unit	586.00	961.00
Volume recycled	unit	181.00	509.00
Intensity	unit/income in HK$10,000	0.00092	0.0014

19 During the reporting period, the Group arranged the employees to work from home or in shift under the pandemic, which led to a decline in household and food waste as compared to 2019. Moreover, the "Clear Your Plate" campaign launched by the project companies of the Group during the reporting period also contributed to further reduction in food waste.

20 During the reporting period, the project companies of the Group made effort to promote the waste separation requirement to the tenants and collect the recyclable materials from the tenants in a unified manner. Therefore, the volume of waste papers, plastic and metals produced and recycled during the reporting period was higher than that in 2019.

CONTENT INDEX OF THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE

A. ENVIRONMENTAL			
General Disclosure/Key Performance Indicators		**Description**	**Reference or Explanation**
Aspect A1: Emissions			
General Disclosure		Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste	6 Pursuing Green Development
Key Performance Indicators	A1.1	The types of emissions and respective emissions data	6.4 Environmental Performance
	A1.2	Greenhouse gas emissions in total and, where appropriate, intensity	6.4 Environmental Performance
	A1.3	Total hazardous waste produced and, where appropriate, intensity	6.4 Environmental Performance
	A1.4	Total non-hazardous waste produced and, where appropriate, intensity	6.4 Environmental Performance
	A1.5	Description of measures to mitigate emissions and results achieved	6.2 Practising Green Construction 6.3 Promoting Green Operation
	A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	6.2 Practising Green Construction 6.3 Promoting Green Operation

A. ENVIRONMENTAL			
General Disclosure/Key Performance Indicators		**Description**	**Reference or Explanation**
Aspect A2: Use of Resources			
General Disclosure		Policies on the efficient use of resources	6 Pursuing Green Development
Key Performance Indicators	A2.1	Direct and/or indirect energy consumption by type in total and intensity	6.4 Environmental Performance
	A2.2	Water consumption in total and intensity	6.4 Environmental Performance
	A2.3	Description of energy use efficiency initiatives and results achieved	6.2 Practising Green Construction 6.3 Promoting Green Operation
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	6.2 Practising Green Construction 6.3 Promoting Green Operation
	A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced	* The business nature of the Group does not involve any consumption of packaging materials
Aspect A3: The Environment and Natural Resources			
General Disclosure		Policies on minimising the issuer's significant impact on the environment and natural resources	6 Pursuing Green Development
Key Performance Indicators	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	6 Pursuing Green Development

B. SOCIAL			
General Disclosure/Key Performance Indicators		**Description**	**Reference or Explanation**
Aspect B1: Employment			
General Disclosure		Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare	4.1 Protecting the Employers and Employees 4.2 Care for Staff Well-being
Recommended Disclosures	B1.1	Total workforce by gender, employment type, age group and geographical region	4.1 Protecting the Employers and Employees
	B1.2	Employee turnover rate by gender, age group and geographical region	4.1 Protecting the Employers and Employees
Aspect B2: Health and Safety			
General Disclosure		Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards	4.4 Safeguarding Staff Health
Recommended Disclosures	B2.1	Number and rate of work-related fatalities	4.4 Safeguarding Staff Health
	B2.2	Lost days due to work injury	4.4 Safeguarding Staff Health
	B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	4.4 Safeguarding Staff Health
Aspect B3: Development and Training			
General Disclosure		Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities	4.3 Promoting Staff Growth
Recommended Disclosures	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management)	4.3 Promoting Staff Growth
	B3.2	The average training hours completed per employee by gender and employee category	4.3 Promoting Staff Growth

B. SOCIAL			
General Disclosure/Key Performance Indicators		**Description**	**Reference or Explanation**
Aspect B4: Labour Standards			
General Disclosure		Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour	4.1 Protecting the Employers and Employees
Recommended Disclosures	B4.1	Description of measures to review employment practices to avoid child and forced labour	4.1 Protecting the Employers and Employees
	B4.2	Description of steps taken to eliminate such practices when discovered	* No violation was identified by the Group during the reporting period
Aspect B5: Supply Chain Management			
General Disclosure		Policies on managing environmental and social risks of the supply chain	5.1 Refining Procurement Management
Recommended Disclosures	B5.1	Number of suppliers by geographical region	5.1 Refining Procurement Management
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	5.1 Refining Procurement Management
Aspect B6: Product Responsibility			
General Disclosure		Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress	3 Excelling with Craftsmanship * The business nature of the Group does not involve any labelling of products and services

B. SOCIAL			
General Disclosure/Key Performance Indicators		**Description**	**Reference or Explanation**
Recommended Disclosures	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	3.1 High Quality Project Management
	B6.2	Number of products and service related complaints received and how they are dealt with	3.2 Excellent Operational Service
	B6.3	Description of practices relating to observing and protecting intellectual property rights	5.2 Adhering to Business Ethics
	B6.4	Description of quality assurance process and recall procedures	3.1 High Quality Project Management 3.2 Excellent Operational Service * The business nature of the Group does not involve any recall procedures
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	3.3 Safeguarding Customers' Rights

B. SOCIAL			
General Disclosure/Key Performance Indicators		**Description**	**Reference or Explanation**
Aspect B7: Anti-corruption			
General Disclosure		Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering	5.2 Adhering to Business Ethics
Recommended Disclosures	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	5.2 Adhering to Business Ethics
	B7.2	Description of preventive measures and whistleblowing procedures, how they are implemented and monitored	5.2 Adhering to Business Ethics
Aspect B8: Community Investment			
General Disclosure		Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests	5.3 Care for Community Needs
Recommended Disclosures	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport)	5.3 Care for Community Needs
	B8.2	Resources contributed (e.g. money or time) to the focus area	5.3 Care for Community Needs

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

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

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

Mr. Lou Jun
Executive Director

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

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

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

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

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

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

EXECUTIVE DIRECTORS

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

Mr. Huang, aged 54, was appointed as the chairman of the Board, an executive Director and the chairman of the Nomination Committee of the Company on 18 May 2020.

He graduated from the Shanghai Education Institute majoring in political education (undergraduate) and obtained a bachelor degree of laws from the Shanghai Normal University. He holds the title of political engineer. He is a director and vice president of Shanghai Industrial Investment (Holdings) Company Limited ("**SIIC**", a controlling shareholder of the Company) and the chairman of SIIC Dongtan Investment & Development (Holdings) Co., Ltd. (上海實業東灘投資開發(集團)有限公司). Mr. Huang previously acted as deputy officer of the Huangpu District Xiaodongmen Sub-district Office, officer of the Huangpu District Bansongyuan Road Sub-district Office, director of the Huangpu District Housing and Land Administrative Bureau, leader of the Joint Preparation Group of the Huangpu District Development and Reform Commission, director of the Huangpu District Housing Security and Housing Administrative Bureau, deputy director of the Putuo District Government of Shanghai and vice chairman of the CPC Shanghai Putuo District Committee. He has over 20 years of working experience in urban construction and management. He is also the chairman of Shanghai Urban Development (Holdings) Co., Ltd. ("**SUD**"), and a director of Joy Century Investments Limited, Silvery Champ Limited and Phoenix Real Properties Limited, the subsidiaries of the Company.

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

Mr. Tang, aged 53, was appointed as the President, an executive Director and a member of the Investment Appraisal Committee of the Company on 15 January 2021.

He graduated from the University of South Australia with a master degree of business administration. He holds the title of senior auditor and is a member of the Chinese Institute of Certified Public Accountants. Mr. Tang previously acted as an executive director of Shanghai Industrial Holdings Limited, general manager of the audit department and deputy general manager of the financial planning department of SIIC, director and president, vice president and financial director of Shanghai Industrial Development Co., Ltd., and deputy head of the foreign funds usage audit division of the Shanghai Municipal Audit Bureau. He has over 20 years of working experience in auditing and financial practices.

Mr. Lou Jun, Executive Director

Mr. Lou, aged 49, was appointed as an executive Director of the Company on 30 June 2017. He obtained a bachelor's degree in law and graduated from the Youth Work Department of the China Youth University of Political Studies, majoring in political education. He is a director, vice president and general manager of the board office of SIIC. In 2008, he acted as deputy director of the general office of the Foreign Affairs Office of the Shanghai Municipal People's Government (Hong Kong and Macao Affairs Office of the Shanghai Municipal People's Government) and was seconded to the Standing Committee Office of Shanghai Municipal People's Congress as the leading secretary of the standing committee. He previously acted as the leading secretary of the Standing Committee of Shanghai Municipal People's Congress and director of the general supervision department of the Standing Committee Office of Shanghai Municipal People's Congress.

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

Mr. Ye, aged 57, was appointed as an executive Director of the Company on 22 March 2013. He is also a vice president and a member of the Remuneration Committee of the Company. Mr. Ye has a master's degree in business administration from EIPOS Europäisches Institut für postgraduate Bildung an der Technischen Universität Dresden in 2002 and a master's degree in business administration from Arizona State University in 2008. He was the finance manager of finance department of Shanghai Far East Aviation Technology Import and Export Company, the manager of budget finance department of Shanghai Great World Plaza Company Limited, the deputy manager of budget finance department of Shanghai Great World (Group) Company prior to his employment with the Group. He was also the director of the auditing office, manager of investment and development department and assistant to the general manager of SUD. He is currently a director and president of SUD and the chairman of Shanghai Huanyu Urban Investment and Development Co., Ltd.

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

Mr. Zhong, aged 48, was appointed as an executive Director and a member of the Investment Appraisal Committee of the Company on 30 June 2017. He is also a vice president of the Company. He obtained a master's degree in business management from Shanghai Fudan University in 1998. He was a project manager of Shanghai Industrial Real Property Group (Shanghai) Company Limited, an assistant to the general manager of Shanghai Galaxy Digital Investment Company Limited, and the chief planning officer of Shanghai Industrial Management (Shanghai) Company Limited prior to his employment with the Company. He is also currently a director and vice president of SUD, and the chairman of each of the intercity companies in Beijing, Tianjin and Shenyang.

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

Mr. Doo, aged 76, was appointed as an independent non-executive Director of the Company on 5 July 2010. He is the chairman of the Remuneration Committee and a member of the Audit Committee of the Company. He was appointed as a member of the Nomination Committee on 3 August 2015. Mr. Doo is the chairman and sole shareholder of Fungseng Prosperity Holdings Limited. In addition, he was appointed as a National Committee Member of the 12th Chinese People's Political Consultative Conference in February 2013. Mr. Doo is also the Honorary Consul General of the Kingdom of Morocco in Hong Kong and Macau. Since 1995 he has been serving as a Governor of the Canadian Chamber of Commerce in Hong Kong. In 2008, he was awarded the Chevalier de la Légion d'Honneur by the French Government. He was further awarded the Officier del'Ordre National de la Légion d'Honneur in 2019. He is a director of the following listed companies:

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

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

Mr. Fan, aged 60, was appointed as an independent non-executive Director of the Company on 5 July 2010. He is also the chairman of the Investment Appraisal Committee and the members of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Mr. Fan holds a Master's Degree in Business Administration from the United States of America. He has over six years of experience in the property industry. He is the founding president of the Hong Kong Independent Non-Executive Director Association. He is also the chairman and managing director of AsiaLink Capital Limited. He is a director of the following listed companies:

Listed Company	Role
Hong Kong listed companies	
• Technovator International Limited (stock code: 1206)	Independent non-executive director, chairmen of the remuneration committee and the risk management committee, members of the audit committee and the nomination committee
• Raymond Industrial Limited (stock code: 229)	Independent non-executive director, members of the remuneration committee, the audit committee and the nomination committee
• Uni–President China Holdings Ltd. (stock code: 220)	Independent non-executive director, chairman of the audit committee, members of the remuneration committee and the investment, strategy and development committee
• China Dili Group (stock code: 1387)	Independent non-executive director and chairman of the audit committee
• Tenfu (Cayman) Holdings Company Limited (stock code: 6868)	Independent non-executive director, chairman of the remuneration committee, members of the audit committee and the nomination committee
• CITIC Resources Holdings Limited (stock code: 1205)	Independent non-executive director, chairman of the audit committee, members of the remuneration committee, the nomination committee and the risk management committee

Listed Company	Role
• Hong Kong Resources Holdings Company Limited (stock code: 2882)	Independent non-executive director, members of the audit committee, the nomination committee and the remuneration committee
• China Development Bank International Investment Limited (stock code:1062)	Independent non-executive director, members of the audit committee, the nomination committee and the remuneration committee
• Neo-Neon Holdings Limited (stock code:1868)	Independent non-executive director, chairman of the risk management and regulatory compliance committee, members of the audit committee, the remuneration committee and the nomination committee
• Semiconductor Manufacturing International Corporation (stock code: 981)	Independent non-executive director, chairman of the audit committee and member of the nomination committee

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

Mr. Li, aged 66, was appointed as an independent non-executive Director of the Company on 5 July 2010. He is the chairman of the Audit Committee of the Company. He is the senior advisor of SHINEWING (HK) CPA Limited. He is also a fellow of the Association of Chartered Certified Accountants, United Kingdom. Mr. Li has over fourteen years of experience in the property industry. He is a director of the following listed companies:

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

Listed Company	Role
• China Merchants Port Holdings Company Limited (stock code: 144)	Independent non-executive director, chairman of the 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
• CR Construction Group Holdings Limited (stock code: 1582)	Independent non-executive director, chairman of the audit committee and the remuneration committee and member of the nomination committee

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

Mr. Qiao Zhigang, aged 53, was appointed as an independent non-executive Director and a member of the Investment Appraisal Committee of the Company on 28 September 2017. He graduated from Shanghai Fudan University with a bachelor's degree and a master's degree in computer as well as a doctor's degree in management. He also obtained an executive master degree of business administration from China Europe International Business School. He is currently a member of the investment decision committee of Shanghai Yicheng Investment Management Co., Ltd. (上海頤成投資管理有限公司), a director of Dou Peng Education Science and Technology (Shanghai) Co., Ltd. (豆朋教育科技教育(上海)有限公司), a director of Shanghai Yinpei Data Management Co., Ltd. (上海銀沛資料管理有限公司), a supervisor of Shanghai Xueban Software Co., Ltd. (上海學伴軟體有限公司), a director of Shanghai Royoung Biotech Co., Ltd. (上海融揚生物技術有限公司) and a director of Shanghai Nianfu Intelligent Technology Co., Ltd. (上海捻福智能科技有限公司).

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

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

• Mr. Li Bin •
Vice President

Mr. Li, aged 47, is a vice president of the Company. He received a master's degree in Economics from Shanghai University of Finance and Economics in 2002. He is also an economist and a member of the Chartered Institute of Building (CIOB). Mr. Li was the chief and the independent director of company secretary and information office in Shanghai Xujiahui Commercial Company Limited, the chief of secretary department in Shanghai Xuhui District Committee Office and the supervisor of SUD.

Ms. Zhou, aged 53, is a vice president of the Company. She received a bachelor's degree in arts from the School of Literature of Shanghai University (a branch of the Fudan University) and a master's degree in business studies from Massey University of New Zealand in 2000. She was an executive director of Shanghai Zendai Property Limited (stock code: 755). Ms. Zhou has more than 23 years of experience in the real estate industry in the PRC. She is also currently a director and vice president of SUD.

• Ms. Zhou Yan •
Vice President

• Mr. Yang Yong •
Vice President

Mr. Yang, aged 49, is a vice president of the Company. Mr. Yang holds a master degree in management science from management science and engineering discipline of School of Economics and Management, Tongji University. He used to be the deputy general manager of Shanghai International Group Investment Development Limited. Since December 2015, he has been the vice president of Shanghai Shangtou Asset Management Limited.

Mr. He, aged 40, is a vice president of the Company. Mr. He received a bachelor's degree in economics from Fudan University in Shanghai. He was the assistant to the president of the Company and SUD. He has been the general manager of Shanghai Shentian Property Limited (上海莘天置業有限公司) since February 2013. Mr. He is also currently a vice president to SUD.

• Mr. He Bin •
Vice President

• Mr. Chan Kin Chu, Harry •
Company Secretary

Mr. Chan, aged 51, has been the Company Secretary of the Company since 1 June 2011. He was appointed as Board Secretary and Deputy General Counsel in February 2013. Mr. Chan graduated from the University of Hong Kong with a bachelor of laws degree. He also obtained a master of laws degree from the University of London, U.K. and a bachelor of laws degree from Tsinghua University, the PRC. He was admitted to the High Court of Hong Kong Special Administrative Region as a solicitor. Mr. Chan has over twenty years of working experience in legal, compliance and corporate governance matters. Before joining the Group, Mr. Chan worked for a sizable property developer as an in-house counsel.

DIRECTORS' REPORT

The Board presents its annual report and the audited financial statements of the Group for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries, its associates and its joint ventures are set out in notes 46, 20 and 21 to the consolidated financial statements respectively.

BUSINESS REVIEW

The discussion and analysis of the business review of the Group can be found in the section headed "MANAGEMENT DISCUSSION AND ANALYSIS" as set out on pages 12 to 18 of this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2020 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 114 to 115.

The Board recommends the payment of a final dividend of 1.9 HK cents per share in cash and a special dividend of 2.4 HK cents per share in cash for the year ended 31 December 2020 (for the year ended 31 December 2019: final dividend of 1.8 HK cents per share in cash and special dividend of 2.3 HK cents per share in cash) to Shareholders whose names appear on the register of members of the Company at the close of business on Friday, 28 May 2021, subject to approval by the Shareholders at the 2021 AGM. It is expected that the final dividend and special dividend warrants will be despatched to those entitled Shareholders on or around Thursday, 24 June 2021.

CLOSURE OF REGISTER OF MEMBERS

Entitlement to attend and vote at the 2021 AGM

The 2021 AGM is scheduled to be held on Monday, 24 May 2021. For determining the entitlement to attend and vote at the 2021 AGM, the register of members of the Company will be closed from Tuesday, 18 May 2021 to Monday, 24 May 2021, 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 2021 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30p.m. on Monday, 17 May 2021.

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, 28 May 2021 to Tuesday, 1 June 2021, 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 2021 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30p.m. on Thursday, 27 May 2021.

INVESTMENT PROPERTIES

Details of movements during the year ended 31 December 2020 in investment properties of the Group are set out in note 16 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year ended 31 December 2020 in other property, plant and equipment of the Group are set out in note 17 to the consolidated financial statements.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 224 of this annual report.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 December 2020 are set out in note 35 to the consolidated financial statements.

LOAN AGREEMENT WITH SPECIFIC PERFORMANCE COVENANT ON THE CONTROLLING SHAREHOLDER

As disclosed in the Company's announcement dated 31 January 2019, the Company (as the borrower) entered into a facility letter (the "**Facility Letter**") with a bank (as the lender) for a revolving loan facility of up to HK$500,000,000 with maturity date being the date falling one year from the acceptance date of the Facility Letter (the "**RL Facility**"). The Facility Letter contains an undertaking by the Company that so long as the RL Facility or any sum thereunder are outstanding, Shanghai Industrial Holdings Limited ("**SIHL**"), a controlling and substantial shareholder of the Company and Shanghai Industrial Investment (Holdings) Company Limited ("**SIIC**"), being a controlling shareholder of SIHL shall collectively directly or indirectly own not less than 51% of the total share capital of the Company and maintain management control of the Company (the "**Shareholding and Management Covenant**"). A breach of the Shareholding and Management Covenant will constitute a default under the Facility Letter.

As disclosed in the Company's announcement dated 22 November 2019, the Company (as the borrower) entered into a loan agreement with a bank (as the lender) for a term loan facility in the amount of RMB1,690,000,000 for a term of eighteen months (the "**Term Loan Facility**"). The loan agreement provides that SIIC, being a controlling shareholder of the Company and SIHL, shall directly or indirectly own not less than 51% of the total share capital of the Company and maintain management control of the Company (the "**Requisite Covenant**"). A breach of the Requisite Covenant will constitute a default under the loan agreement.

As disclosed in the Company's announcement dated 17 June 2020 for the purpose of re-financing the Term Loan Facility, the Company (as the borrower) entered into a loan agreement with a bank (as the lender) for a term loan facility in the amount of RMB2,400,000,000 for a term of thirty-six months. The loan agreement provides for the Requisite Covenant and a breach of the Requisite Covenant will constitute a default under the loan agreement.

As disclosed in the Company's announcement dated 4 November 2020, the Company (as the borrower) entered into a facility letter with a bank (as the lender) for a revolving loan facility of up to HK$500,000,000 with maturity date being the date falling one year from the acceptance date of the facility letter. The facility letter provides for the Shareholding and Management Covenant and a breach of the Shareholding and Management Covenant will constitute a default under the facility letter.

As at 31 December 2020, SIHL and SIIC are beneficially interested in approximately 43.93% and 62.98%, respectively, of the total issued share capital of the Company. Other than as disclosed above, there are no other events which are required to be disclosed by the Company under Rule 13.18 of the Listing Rules.

MATERIAL DISPOSALS

Details of material disposals of the Company are set out in note 36 to the consolidated financial statements respectively.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year ended 31 December 2020 are set out in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

The Company had sufficient reserves available for distribution to the Shareholders as at 31 December 2020.

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

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

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

Under the Companies Act 1981 of Bermuda (as amended), the Company's share premium account of HK$8,909,949,000 as at 31 December 2020 (as at 31 December 2019: HK$9,509,949,000) may be distributed in the form of fully paid bonus shares.

DIRECTORS

The Directors during the year ended 31 December 2020 and up to the date of this annual report have been:

Executive Directors

Huang Haiping *(Chairman) (appointed on 18 May 2020)*
Tang Jun *(President) (appointed on 15 January 2021)*
Zeng Ming *(resigned on 18 May 2020)*
Zhou Xiong *(resigned on 15 January 2021)*
Lou Jun
Fei Zuoxiang *(resigned on 18 May 2020)*
Ye Weiqi
Zhong Tao

Independent Non-executive Directors

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

In accordance with clause 86(2) of the Company's Bye-laws, Mr. Tang Jun, shall hold office as a Director until the first general meeting of the Members after his appointment. An ordinary resolution will be proposed at 2021 AGM to seek Shareholders' approval to the proposed election of Mr. Tang Jun as an executive Director.

In accordance with Bye-law 87 of the Company's Bye-laws, Mr. Ye Weiqi, 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 2021 AGM to re-elect Mr. Ye Weiqi as an executive Director and 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 45 to the consolidated financial statements, no contract of significance, to which the Company, its holding company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at 31 December 2020 or at any time during the year ended 31 December 2020.

MANAGEMENT CONTRACT

During the year ended 31 December 2020, no contract concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed.

CONTRACT OF SIGNIFICANCE

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

(i) No contracts of significance in relation to the business of the Group, to which the Company or any of its subsidiaries was a party and in which a controlling shareholder of the Company or any of its subsidiaries had a material interest, whether directly or indirectly, subsisted at the year ended 31 December 2020 or at any time during the year ended 31 December 2020; 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 2020 or at any time during the year ended 31 December 2020.

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 88 to 94 of this annual report.

DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

A summary of the Company's directors' and senior management's remuneration is set out in notes 12 and 45(a) to the consolidated financial statements respectively.

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

As at 31 December 2020, none of the Directors or the chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or pursuant to the Model Code.

SHARE OPTION SCHEME

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

The share options granted in September 2010 under the Share Option Scheme were lapsed on 24 September 2020. As at 31 December 2020, the outstanding share options were 0. The Share Option Scheme expired on 11 December 2012.

The particulars and movements of the share options to subscribe for the Company's shares under the Share Option Scheme during the year ended 31 December 2020 were as follows:

Name of categories	Date of grant	Exercise price per share HK$	Exercise period[1]	Outstanding as at 1.1.2020	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year[2]	Outstanding as at 31.12.2020
Directors								
Ye Weiqi	24 September 2010	2.98	24 September 2010 to 23 September 2020	6,000,000	–	–	6,000,000	0
Huang Fei[3]	24 September 2010	2.98	24 September 2010 to 23 September 2020	6,000,000	–	–	6,000,000	0
Zhong Tao	24 September 2010	2.98	24 September 2010 to 23 September 2020	6,000,000	–	–	6,000,000	0
Doo Wai-Hoi, William, *J.P.*	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	0
Li Ka Fai, David	24 September 2010	2.98	24 September 2010 to 23 September 2020	1,000,000	–	–	1,000,000	0
Senior management and employees	24 September 2010	2.98	24 September 2010 to 23 September 2020	6,750,000	–	–	6,750,000	0
Total				**27,750,000**	**–**	**–**	**27,750,000**	**0**

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. Share options granted in September 2010 under the Share Option Scheme were lapsed on 24 September 2020.

3. Ms. Huang Fei ("**Ms. Huang**") retired as an executive Director and vice president of the Company with effect from 1 September 2019 and the share options granted to Ms. Huang were lapsed in March 2020.

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 (the "**New Share Option Scheme**").

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

The eligible participants include the following classes of participants:

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

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

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

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

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

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

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

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

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

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

The Company had not granted any share options under the New Share Option Scheme since its Adoption Date up to 31 December 2020.

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 2020.

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 2020 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 2020, 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 2020, the audited final financial statements of the Group for the year ended 31 December 2020 and discussed with the management and the auditor of the Company on the accounting principles and practices adopted by the Group; risk management and internal controls; and financial reporting matters.

CONNECTED TRANSACTIONS

Certain related party transactions as set out in notes 20 and 45 to the consolidated financial statements are connected transactions under the Listing Rules. Details of the connected transaction of the Company, which is also related party transaction as disclosed in notes 20 and 45 to the consolidated financial statements, required to be disclosed under Chapter 14A of the Listing Rules are set out below.

(i) Discloseable and connected transaction in relation to subscription of equity interest in SIIC Financial Leasing

On 22 January 2020, SIUD Shanghai Construction & Development, a subsidiary of the Company, entered into a subscription agreement with SIIC Financial Leasing, Shanghai Galaxy, the Managing JV Partners and Mr. Lin Zhen, pursuant to which SIUD Shanghai Construction & Development has conditionally agreed to subscribe for a 20.0% of the enlarged register capital of SIIC Financial Leasing by injecting RMB407,942,343 in cash to SIIC Financial Leasing (the "**Subscription**").

SIIC Financial Leasing is owned by Shanghai Galaxy as to 40.0% and by the Managing JV Partners collectively as to 60.0%. Shanghai Galaxy is an indirect non-wholly owned subsidiary of SIIC, a controlling shareholder of the Company. Accordingly, each of Shanghai Galaxy and SIIC Financial Leasing is an associate of SIIC and a connected person of the Company.

SIIC Financial Leasing is a company established in the PRC with limited liability and is an integrated credit provider based in Shanghai. The majority of SIIC Financial Leasing's business is the provision of finance to regional government and its platform companies to fund their projects in local infrastructure, water supply and construction of rail transportation. Most of such customers have a credit rating of AA or above. SIIC Financial Leasing also provides automobile financing targeting at individual customers.

The Board believes that the Subscription represents the furtherance of the Group's strategies of integrating finance and industry and actively exploring the financial sector. By virtue of the business functions of SIIC Financial Leasing, the Group is able to achieve synergy and coordinate the linkage between industry and capital based on the foundation of its core operations. This will continuously enrich the investment management experience of the Group in the financial sector, which will in turn help form a new business model featured with multi-industrial growth, mutual support and coordinated development.

For further information about the Subscription, please refer to the announcement of the Company dated 22 January 2020 and the circular of the Company dated 25 August 2020.

(ii) Connected transaction in relation to proposed formation of joint venture for development of medical beauty institution in Shanghai, the PRC

On 30 October 2020, SIUD Shanghai Healthcare Management, a wholly-owned subsidiary of the Company, proposed participate in the formation of the Joint Venture whereby the Joint Venture will engage in the development and operation of a medical beauty institution in Shanghai, the PRC (the "**Project**"). The Joint Venture Partners will engage Shanghai No. 9 People's Hospital to provide the services of technical management consulting support in relation to hospital management and medical affairs to the Joint Venture (the "**Management Services**"). In this connection, on 30 October 2020, the Joint Venture Partners, including SIUD Shanghai Healthcare Management, entered into the Management Agreement with Shanghai No.9 People's Hospital. The Joint Venture Partners will establish the Joint Venture and adopt the Joint Ventures Articles as its constitutional document for the purpose of carrying out the Project. On establishment of the Joint Venture, the Joint Venture shall be owned as to 51%, 30% and 19% by Shanghai Lingfeng Medical, Shanghai Huashi and SIUD Shanghai Healthcare Management, respectively. SIUD Shanghai Healthcare Management exercises significant influence over the Joint Venture.

Shanghai Lingfeng Medical is a wholly-owned subsidiary of SIIC (being the controlling shareholder of the Company as defined in the Listing Rules) and Shanghai Huashi is a wholly-owned subsidiary of Shanghai Pharmaceuticals (Group) and Shanghai Pharmaceuticals (Group) is a subsidiary of SIIC. As such, each of Shanghai Lingfeng Medical and Shanghai Huashi is an associate of SIIC and a connected person of the Company.

The Group considers the formation of Joint Venture to develop and operate a medical beauty institution in Shanghai provides the Group with an excellent opportunity to venture into a long-term strategic development in the great health industry. Shanghai No. 9 People's Hospital is a market leading tertiary public hospital in the PRC with leading national comprehensive strengths in the medical field. By engaging Shanghai No. 9 People's Hospital to provide Management Services, the Group may leverage on Shanghai No. 9 People's Hospital's rich experience and knowledge. In the long run, the Company believes that its strategic development in the great health industry will provide the Group with a further source of revenue and increase shareholder's return by venturing into such new developing industry.

For further information about the Project, please refer to the announcement of the Company dated 30 October 2020.

(iii) Connected transaction in relation to provision of project management services with Shanghai Pharmaceuticals Holding

On 5 November 2020, SIUD Shanghai Construction & Management, a wholly-owned subsidiary of the Company, entered into the project management services agreement with Shanghai Pharmaceuticals Holding following completion of a tender process organised by a bidding agency appointed by Shanghai Pharmaceuticals Holding. Pursuant to the project management services agreement, SIUD Shanghai Construction & Management agrees to provide Shanghai Pharmaceuticals Holding with project management services for the construction of Phase Two of the Shanghai Pharmaceutical Logistics Centre Project (上海醫藥物流中心綏德路二期項目), located in the Taopu area, Puxi, Shanghai (上海浦西桃浦地區), with a total site area of approximately 51,348.62 square metres for a total management fee of RMB10 million.

Shanghai Pharmaceuticals Holding is a subsidiary of SIIC (being the controlling shareholder of the Company as defined in the Listing Rules). As such, Shanghai Pharmaceuticals Holding is an associate of SIIC and a connected person of the Company.

The Board believes that the project management services agreement will allow the Group to leverage on its expertise and experience in property development in the PRC to broaden its earnings base.

For further information about the provision of project management services with Shanghai Pharmaceuticals Holding, please refer to the announcement of the Company dated 5 November 2020.

During the year ended 31 December 2020, SIUD Shanghai Construction of Management started to render the service.

(iv) Connected transaction in relation to provision of project management services with Shanghai Biomedical Pharmaceuticals

On 19 November 2020, SIUD Shanghai Construction & Management, a wholly-owned subsidiary of the Company, entered into the project management services agreement with Shanghai Biomedical Pharmaceuticals following completion of a tender process organised by a bidding agency appointed by Shanghai Biomedical Pharmaceuticals. Pursuant to the project management services agreement, SIUD Shanghai Construction & Management agrees to provide Shanghai Biomedical Pharmaceuticals with project management services for the construction of Phase One of the Shanghai Pharmaceutical and Biomedical Industrial Hub (上藥生物醫藥產業基地建設項目(一期)), located at 92 Zhangjiang Road, Pudong New Area,Shanghai (上海市浦東新區張江路92號), with a total construction area of approximately 126,253 square metres for a total management fee of RMB20 million.

Shanghai Biomedical Pharmaceuticals is a wholly-owned subsidiary of Shanghai Pharmaceutical (Group), which in turn is a non-wholly owned subsidiary of SIIC Shanghai. SIIC (being the controlling shareholder of the Company as defined in the Listing Rules) is the authorised representative exercising state-owned shareholder's right over SIIC Shanghai. As such, Shanghai Biomedical Pharmaceuticals is an associate of SIIC and a connected person of the Company.

The Board believes that the project management services agreement will allow the Group to leverage on its expertise and experience in property development in the PRC to broaden its earnings base.

For further information about the provision of project management services with Shanghai Biomedical Pharmaceuticals, please refer to the announcement of the Company dated 19 November 2020.

During the year ended 31 December 2020, SIUD Shanghai Construction of Management has not started to render the service yet.

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

As at 31 December 2020, substantial shareholders and other persons (other than the directors and chief executives of the Company) who had interests or short positions in the shares and underlying shares of the Company which were notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO and entered in the register required to be kept by the Company pursuant to Section 336 of the SFO, or otherwise notified to the Company were as follows:

Ordinary shares of HK$0.04 each of the Company

Name of substantial shareholders	Capacity	Number of shares of the Company held	Approximate % of the issued share capital of the Company
SIHL	Held by controlled corporation	2,111,229,080(L)[1,2,3]	43.93%
SIIC	Held by controlled corporation	3,026,863,977(L)[1,2,3,4]	62.98%

Notes:

1. L denotes long positions.

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

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

4. SIIC, through Shanghai Investment Holdings Limited (a subsidiary of SIIC) held approximately 55.13% of the shares of SIHL. Therefore, SIIC is deemed or taken to be interested in the 2,111,229,080 shares of the Company held by SIHL for the purpose of the SFO. On the other hand, SIIC is also deemed or taken to be interested in the 915,634,897 shares of the Company held by its subsidiaries, namely SIIC Trading Company Limited, Shanghai Industrial Financial Holdings (Hong Kong) Company Limited, SIIC CM Development Limited, SIIC Capital (B.V.I.) Limited and Shanghai Investment Holdings Limited.

Save as disclosed herein, as at 31 December 2020, the Company had not been notified by any persons (other than the Directors and chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of SFO.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's five largest customers comprised approximately 3.1% of the Group's total revenue for the year ended 31 December 2020 and the sales attributable to the Group's largest customer were approximately 0.7% of the Group's total revenue for the year ended 31 December 2020.

The aggregate purchases attributable to the Group's five largest suppliers comprised approximately 47.9% of the Group's total purchases and the purchases of the year ended 31 December 2020 attributable to the Group's largest supplier were approximately 25.7% of the Group's total purchases for the year ended 31 December 2020.

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 2020.

AUDITOR

The financial statements for the year ended 31 December 2020 of the Group have been audited by Messrs. Deloitte Touche Tohmatsu who will retire and being eligible, offering itself for re-appointment. A resolution for the reappointment of Messrs. Deloitte Touche Tohmatsu as the auditor of the Company will be proposed at the 2021 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 Xiong resigned as the vice chairman of the Board, the President, an executive Director and a member of the Investment Appraisal Committee with effect from 15 January 2021; and

(b) Mr. Tang Jun is appointed as the President, an executive Director and a member of the Investment Appraisal Committee with effect from 15 January 2021.

DONATIONS

During the year ended 31 December 2020, the Group made charitable donations of RMB1,313,000 (equivalent to approximately HK$1,476,000).

APPRECIATION

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

By order of the Board of
Shanghai Industrial Urban Development Group Limited
Huang Haiping
Chairman

Hong Kong, 29 March 2021

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 114 to 223, which comprise the consolidated statement of financial position as at 31 December 2020, 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 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
We identified the valuation of investment properties as a key audit matter due to significance of its balance to the consolidated statement of financial position and estimation uncertainty associated with determining the fair value of investment properties. As disclosed in Note 16 to the consolidated financial statements, the fair value of the Group's investment properties of approximately HK$17,825,877,000 as at 31 December 2020 with the fair value loss of approximately HK$156,824,000 recognised in the consolidated statement of profit or loss and other comprehensive income for the year. The fair value of the Group's investment properties as at 31 December 2020 has been arrived at on the basis of valuation carried out by an independent qualified professional valuer not connected to the Group (the "Valuer"). Details of the valuation techniques and significant unobservable inputs used in the valuations are disclosed in Note 16 to the consolidated financial statements. The fair value is dependent on certain significant unobservable inputs that involve judgment and estimation made by the management of the Group together with the Valuer, including, among other factors, reversionary yield and adjustments to transaction prices.	Our procedures in relation to the valuation of the investment properties included: • Evaluating the competence, capabilities and objectivity of the Valuer; • Discussing with the Valuer and the management of the Group on the valuation process to understand the performance of property markets, significant assumptions adopted and data used in the valuations; • Discussing with the Valuer to understand whether the Group's investment properties were valued on a consistent basis using the same methodologies; • Evaluating the reasonableness of the methodologies adopted in the valuation models; and • Assessing the reasonableness of the significant unobservable inputs used in the valuation models by checking, on a sample basis, the publicly available information and comparing the data used in the valuations to entity-specific historical information.

Key audit matter	How our audit addressed the key audit matter
Assessing the net realisable value ("NRV") of properties held-for-sale ("PHFS")	
We identified assessing the NRV of the Group's PHFS as a key audit matter because certain of such PHFS, which are not located in first-tier cities, such as Beijing and Shanghai, in the People's Republic of China (the "PRC"), are more sensitive to changes in economic conditions and local government policy in the PRC. Accordingly, there is a risk that carrying value of such PHFS is lower than its NRV. Besides, estimation uncertainty is associated with determining the NRV of the PHFS. As disclosed in Note 25 to the consolidated financial statements, the Group has PHFS of approximately HK$7,381,047,000 as at 31 December 2020 of which an amount of approximately HK$2,265,540,000 relates to PHFS which are located in cities other than first-tier cities in the PRC and have no pre-sale agreements entered into by the Group (the "Concerned PHFS"). An impairment loss of approximately HK$88,731,000 in respect of the Concerned PHFS is recognised in the consolidated statement of profit or loss and other comprehensive income for the year. The management of the Group determined the NRV of the Concerned PHFS as at 31 December 2020 by reference to the valuation reports prepared by the Valuer (the "Valuation Report"). The valuation is dependent on certain significant unobservable inputs that involve judgment and estimation made by the management of the Group together with the Valuer including, among other factors, the nature of each property, its location and the prevailing market prices.	Our procedures in relation to the valuation of the Concerned PHFS included: • Understanding and evaluating the appropriateness of the inventory provision policy adopted and assessing whether the provision policy is implemented properly and consistently with the basis adopted in prior years; • Challenging the forecasted property selling prices for those PHFS located in first-tier cities in the PRC as estimated by the management of the Group with reference to publicly available information and checking, on a sample basis, the pre-sale agreements entered into by the Group during the year, if applicable; • Obtaining the Valuation Report of the Concerned PHFS from the management of the Group; • Evaluating the competence, capabilities and objectivity of the Valuer; • Discussing with the Valuer and the management of the Group on the valuation process to understand the performance of property markets, significant assumptions adopted and data used in the valuations; • Evaluating the reasonableness of the methodologies adopted in the valuation models; and • Assessing the reasonableness of the significant unobservable inputs used in the valuation models by checking, on a sample basis, the publicly available information and comparing the data used in the valuations to entity-specific historical information.

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Wong Yan Wah.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

29 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	NOTES	2020 HK$'000	2019 HK$'000
Revenue	5		
Goods and services		**5,694,014**	7,833,886
Leases		**662,718**	750,020
Total revenue		**6,356,732**	8,583,906
Cost of sales		**(4,159,355)**	(4,907,514)
Gross profit		**2,197,377**	3,676,392
Other income	7	**181,413**	192,252
Other expenses, gains and losses, net	8	**29,680**	(16,095)
Fair value (loss) gain on investment properties, net	16	**(156,824)**	210,191
Distribution and selling expenses		**(255,593)**	(254,730)
General and administrative expenses		**(413,694)**	(341,464)
Gain on disposal of a subsidiary	36	**637,666**	—
Finance costs	9	**(702,595)**	(728,561)
Share of results of associates	20	**338,967**	7,146
Profit before tax		**1,856,397**	2,745,131
Income tax	10	**(1,115,433)**	(1,525,433)
Profit for the year	11	**740,964**	1,219,698
Other comprehensive income (expense) for the year			
Items that will not be reclassified to profit or loss:			
Exchange differences on translation from functional currency to presentation currency		**1,493,960**	(355,064)
Fair value (loss) gain on equity instruments at fair value through other comprehensive income, net of tax		**(19,679)**	5,687
Fair value loss on revaluation of properties, net of tax		**—**	(13,813)
Other comprehensive income (expense) for the year		**1,474,281**	(363,190)
Total comprehensive income for the year		**2,215,245**	856,508

	NOTE	2020 HK$'000	2019 HK$'000
Profit for the year attributable to:			
Owners of the Company		**521,765**	600,292
Non-controlling interests		**219,199**	619,406
		740,964	1,219,698
Total comprehensive income for the year attributable to:			
Owners of the Company		**1,345,529**	391,032
Non-controlling interests		**869,716**	465,476
		2,215,245	856,508
Earnings per share			
Basic (HK cents)	15	**10.86**	12.48
Diluted (HK cents)	15	**10.86**	12.48

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	NOTES	2020 HK$'000	2019 HK$'000
Non-current assets			
Investment properties	16	**17,825,877**	14,803,258
Property, plant and equipment	17	**2,286,082**	2,105,869
Right-of-use assets	18	**232,024**	246,768
Intangible assets	19	**60,584**	57,047
Interests in associates	20	**1,687,818**	1,241,434
Interests in joint ventures	21	**2,506,533**	615,213
Amount due from a related company	30	**154,713**	—
Equity instruments at fair value through other comprehensive income	22	**134,224**	160,208
Pledged bank deposits	23	**8,704**	176,749
Other receivables, prepayment and deposit	26	**1,795,501**	735,302
Deferred tax assets	34	**252,246**	394,706
		26,944,306	20,536,554
Current assets			
Inventories	24	**2,242**	2,497
Properties under development for sale and properties held-for-sale	25	**29,238,947**	28,952,836
Trade and other receivables	26	**1,414,021**	674,933
Amounts due from related companies	30	**12**	336,499
Prepaid income tax and land appreciation tax		**214,871**	320,841
Financial assets at fair value through profit or loss	27	**3,464**	3,342
Restricted and pledged bank deposits	23	**57,392**	504,740
Bank balances and cash	28	**9,550,663**	9,111,782
		40,481,612	39,907,470
Current liabilities			
Trade and other payables	29	**6,745,691**	5,900,740
Amounts due to related companies	30	**528,337**	689,723
Pre-sale proceeds received on sales of properties	31	**11,351,177**	6,004,601
Bank and other borrowings	32	**3,668,189**	5,426,344
Lease liabilities	33	**64,811**	67,385
Income tax and land appreciation tax payables		**2,089,637**	2,840,367
Dividend payable		**16,234**	14,169
Dividend payable to non-controlling shareholders		**—**	284,081
		24,464,076	21,227,410
Net current assets		**16,017,536**	18,680,060
Total assets less current liabilities		**42,961,842**	39,216,614

	NOTES	2020 HK$'000	2019 HK$'000
Non-current liabilities			
Deferred revenue	29	**20,176**	4,853
Amounts due to related companies	30	**–**	285,508
Bank and other borrowings	32	**14,079,077**	11,285,958
Lease liabilities	33	**110,738**	161,201
Deferred tax liabilities	34	**3,238,389**	3,697,468
		17,448,380	15,434,988
		25,513,462	23,781,626
Capital and reserves			
Share capital	35	**192,253**	192,253
Reserves		**14,174,078**	13,057,300
Equity contributable to owners of the Company		**14,366,331**	13,249,553
Non-controlling interests		**11,147,131**	10,532,073
		25,513,462	23,781,626

The consolidated financial statements on pages 114 to 223 were approved and authorised for issue by the Board of Directors on 29 March 2021 and are signed on its behalf by:

HUANG HAIPING
DIRECTOR

YE WEIQI
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Attributable to owners of the Company														
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000 (note (i))	Share-based payments reserve HK$'000	Other revaluation reserve HK$'000 (note (ii))	Property revaluation reserve HK$'000	Investment revaluation reserve HK$'000	Statutory reserve HK$'000	Shareholder's contribution/ merger reserve HK$'000 (note (iii))	Other reserve HK$'000 (note (iv))	Exchange reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2019	192,439	9,514,684	266,336	31,892	52,526	–	36,045	543,398	2,159,430	(47,317)	108,443	202,816	13,060,692	10,315,114	23,375,806
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	600,292	600,292	619,406	1,219,698
Exchange differences on translation from functional currency to presentation currency	–	–	–	–	–	–	–	–	–	–	(198,803)	–	(198,803)	(156,261)	(355,064)
Fair value gain on equity instruments at fair value through other comprehensive income, net of tax	–	–	–	–	–	–	3,356	–	–	–	–	–	3,356	2,331	5,687
Revaluation of properties upon inception of sublease arrangement	–	–	–	–	–	(13,813)	–	–	–	–	–	–	(13,813)	–	(13,813)
Total comprehensive (expense) income for the year	–	–	–	–	–	(13,813)	3,356	–	–	–	(198,803)	600,292	391,032	465,476	856,508
Reduction of share capital of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	–	(18,911)	(18,911)
Partial disposal of interest in a subsidiary (Note 30(ii)(b))	–	–	–	–	–	–	–	–	–	–	–	–	–	27,226	27,226
Dividends recognised as distributions (Note 50)	–	–	(197,250)	–	–	–	–	–	–	–	–	–	(197,250)	–	(197,250)
Dividends declared to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	–	(256,832)	(256,832)
Transfer	–	–	–	–	–	–	–	111,892	–	–	–	(111,892)	–	–	–
Transfer upon liquidation of a subsidiary	–	–	–	–	–	–	–	–	–	–	(7,987)	7,987	–	–	–
Repurchase and cancellation of ordinary shares (Note 35)	(186)	(4,718)	–	–	–	–	–	–	–	–	–	–	(4,904)	–	(4,904)
Transaction costs attributable to repurchase and cancellation of ordinary shares	–	(17)	–	–	–	–	–	–	–	–	–	–	(17)	–	(17)
At 31 December 2019	192,253	9,509,949	69,086	31,892	52,526	(13,813)	39,401	655,290	2,159,430	(47,317)	(98,347)	699,203	13,249,553	10,532,073	23,781,626
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	521,765	521,765	219,199	740,964
Exchange differences on translation from functional currency to presentation currency	–	–	–	–	–	–	–	–	–	–	835,375	–	835,375	658,585	1,493,960
Fair value loss on equity instruments at fair value through other comprehensive income, net of tax	–	–	–	–	–	–	(11,611)	–	–	–	–	–	(11,611)	(8,068)	(19,679)
Total comprehensive (expense) income for the year	–	–	–	–	–	–	(11,611)	–	–	–	835,375	521,765	1,345,529	869,716	2,215,245
Transfer to distributable reserve (note (v))	–	(600,000)	600,000	–	–	–	–	–	–	–	–	–	–	–	–
Acquisition of an addition interest in a subsidiary (note (iv))	–	–	–	–	–	–	–	–	–	(30,566)	–	–	(30,566)	(76,486)	(107,052)
Disposal of a subsidiary (Note 36)	–	–	–	–	–	–	–	–	–	–	–	–	–	(92,577)	(92,577)
Transfer upon disposal of a subsidiary	–	–	–	–	–	–	–	–	–	–	(14,134)	14,134	–	–	–
Dividends recognised as distributions (Note 50)	–	–	(197,059)	–	–	–	–	–	–	–	–	–	(197,059)	–	(197,059)
Dividends declared to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	–	(309,252)	(309,252)
Lapse of share options (Note 37)	–	–	–	(31,892)	–	–	–	–	–	–	–	31,892	–	–	–
Transfer	–	–	–	–	–	–	–	252,001	–	–	–	(252,001)	–	–	–
Capital injection from non-controlling shareholders without change in shareholdings	–	–	–	–	–	–	–	–	–	–	–	–	–	224,770	224,770
Release upon liquidation of a subsidiary	–	–	–	–	–	–	–	(2,714)	–	–	–	1,588	(1,126)	(1,113)	(2,239)
At 31 December 2020	192,253	8,909,949	472,027	–	52,526	(13,813)	27,790	904,577	2,159,430	(77,883)	722,894	1,016,581	14,366,331	11,147,131	25,513,462

Notes:

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

(ii) Other revaluation reserve comprises the difference between the fair value, net of deferred tax, and the carrying amount of additional interest in associates being acquired and become subsidiaries of the Company. This reserve will be recognised in 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.

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

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

(iv) Other reserve represents a premium contributed by the owners of the Company on acquiring additional interests in non-wholly owned subsidiaries of the Company. It comprises of (i) the acquisition of the remaining 1.0% interest in 上海世界貿易商城有限公司 ("Shanghai World Trade") from a non-controlling shareholder subsequent to the acquisition of Continental Land Development Limited and its partially owned subsidiary, namely Shanghai World Trade, in the People's Republic of China (the "PRC") and (ii) the acquisition of the remaining 20% interest in 瀋陽向明長益置業有限公司 ("瀋陽向明") from a non-controlling shareholder. These acquisitions, without changing the Group's control over these entities, were accounted for as equity transactions. The difference between the cash consideration and the Group's acquired share of fair value of net assets held by the non-controlling shareholders was recognised directly in equity as other reserve and attributable to owners of the Company.

(v) Pursuant to the special resolution passed on 18 May 2020, the Company transferred an amount of HK$600,000,000 from the share premium account to the contributed surplus account which increased the distributable reserve of the Company for making distributions to its shareholders.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	2020 HK$'000	2019 HK$'000
OPERATING ACTIVITIES		
Profit before tax	**1,856,397**	2,745,131
Adjustments for:		
Fair value loss (gain) on investment properties, net	**156,824**	(210,191)
Depreciation on property, plant and equipment	**139,936**	138,460
Depreciation of right-of-use assets	**36,137**	40,603
Gains on disposal of property, plant and equipment	**(543)**	(788)
Finance costs	**702,595**	728,561
Interest income	**(117,205)**	(155,657)
Dividend income from equity instruments at fair value through other comprehensive income	**(1,113)**	(19,049)
Fair value changes of financial assets at fair value through profit or loss, net	**81**	(596)
Gain on disposal of a subsidiary	**(637,666)**	—
Impairment losses recognised on properties held-for-sale	**88,731**	—
Share of results of associates	**(338,967)**	(7,146)
Unrealised foreign exchange (gain) loss	**(69,463)**	5,973
Operating cash flows before movements in working capital	**1,815,744**	3,265,301
Increase in inventories, properties under development for sale and properties held-for-sale	**(854,877)**	(70,350)
Increase in trade and other receivables	**(253,512)**	(207,666)
Increase in trade and other payables	**668,183**	654,386
Increase in amounts due to related companies	**839**	4,464
Increase (decrease) in pre-sale proceeds received on sales of properties	**4,707,888**	(423,047)
Guarantee deposit paid for the auction of a parcel of land	**(534,569)**	—
Cash from operations	**5,549,696**	3,223,088
Income tax paid	**(2,301,131)**	(2,004,693)
Net cash from operating activities	**3,248,565**	1,218,395

	NOTES	2020 HK$'000	2019 HK$'000
INVESTING ACTIVITIES			
Net proceed from disposal of a subsidiary	36	603,426	—
Payments for acquisition of parcels of land		(511,813)	(600,254)
Purchase of property, plant and equipment		(13,914)	(155,147)
Proceeds from disposal of property, plant and equipment		1,531	33,189
Proceeds from refund of capital of equity instruments at fair value through other comprehensive income		7,741	14,066
Development costs paid for investment properties		(174,506)	(53,341)
Investments in joint ventures		(1,753,203)	—
Investment in an associate		(16,928)	—
Decrease (increase) in restricted and pledged bank deposits		621,068	(591,520)
Advances to related companies		(154,724)	(341,270)
Repayments from related companies		338,088	310,087
Deposit paid for acquisition of an associate		(484,607)	—
Repayment of loan receivables		8,991	11,344
Dividends received from equity instruments at fair value through other comprehensive income		1,113	19,049
Dividends received from an associate	20	5,507	4,169
Interest received		117,205	155,657
Net cash used in investing activities		(1,405,025)	(1,193,971)
FINANCING ACTIVITIES			
Proceeds from new bank and other borrowings		10,717,744	6,042,057
Repayments of bank and other borrowings		(10,563,966)	(4,372,992)
Repayments of lease liabilities		(64,896)	(69,447)
Advances from related companies		305,242	343,074
Repayments to related companies		(526,297)	(237,954)
Payments on repurchase of ordinary shares		—	(4,904)
Transaction costs attributable to repurchase and cancellation of ordinary shares		—	(17)
Capital injection from non-controlling shareholders		224,770	—
Transaction costs attributable to issue of advanced bonds and medium term notes		(8,630)	(11,665)
Dividend paid to non-controlling shareholders		(594,673)	(138,886)
Dividend paid		(194,994)	(195,188)
Payment for acquisition of an additional interest in a subsidiary		(107,052)	—
Distribution to a non-controlling shareholder after reduction of share capital of a subsidiary		—	(18,911)
Distribution after liquidation of a subsidiary		(2,239)	—
Interest paid		(1,135,063)	(1,179,493)
Net cash (used in) from financing activities		(1,950,054)	155,674

CONSOLIDATED STATEMENT OF CASH FLOWS

	2020 HK$'000	2019 HK$'000
Net (decrease) increase in cash and cash equivalents	**(106,514)**	180,098
Cash and cash equivalents at the beginning of the year	**9,111,782**	9,127,828
Effect of foreign exchange rate changes	**545,395**	(196,144)
Cash and cash equivalents represented by bank balances and cash at the end of the year	**9,550,663**	9,111,782

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. GENERAL INFORMATION

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

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in the consolidated financial statements.

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

Amendments to HKFRSs that are mandatorily effective for the current year (Continued)

Impacts on application of Amendments to HKFRS 3 Definition of a Business

The Group has applied the amendments for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis.

The amendments had no impact on the consolidated financial statements but may impact future periods should the Group make any acquisition.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments[1]
Amendment to HKFRS 16	Covid-19-Related Rent Concessions[4]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020[2]

1 Effective for annual periods beginning on or after 1 January 2023
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 June 2020
5 Effective for annual periods beginning on or after 1 January 2021

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

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

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

Amendment to HKFRS 16 Covid-19-Related Rent Concessions

The amendment is effective for annual reporting periods beginning on or after 1 June 2020.

The amendment introduces a new practical expedient for lessees to elect not to assess whether a Covid-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the Covid-19 that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 *Leases* if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs. The Group has not received any Covid-19-related rent concessions since 1 June 2020 and up to the end of the reporting period. In the opinion of the management of the Group, the impact about application of this amendment to the Group cannot be estimated as at 31 December 2020.

Amendments to HKFRS 3 Reference to the Conceptual Framework

The amendments:

- update a reference in HKFRS 3 Business Combinations so that it refers to the Conceptual Framework for Financial Reporting 2018 issued in June 2018 (the "Conceptual Framework") instead of Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting 2010 issued in October 2010);
- add a requirement that, for transactions and other events within the scope of HKAS 37 Provisions, Contingent Liabilities and Contingent Assets or HK(IFRIC)-Int 21 Levies, an acquirer applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and
- add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The Group will apply the amendments prospectively to business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

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

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

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform — Phase 2

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 *Interest Rate Benchmark Reform — Phase 2* relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements and disclosure requirements applying HKFRS 7 *Financial Instruments: Disclosures* to accompany the amendments regarding modifications and hedge accounting.

- **Modification of financial assets, financial liabilities and lease liabilities.** A practical expedient is introduced for modifications required by the reform (modifications required as a direct consequence of the interest rate benchmark reform and made on an economically equivalent basis). These modifications are accounted for by updating the effective interest rate. All other modifications are accounted for using the current HKFRSs requirements. A similar practical expedient is proposed for lessee accounting applying HKFRS 16;

- **Hedge accounting requirements.** Under the amendments, hedge accounting is not discontinued solely because of the interest rate benchmark reform. Hedging relationships (and related documentation) are required to be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Amended hedging relationships should meet all qualifying criteria to apply hedge accounting, including effectiveness requirements; and

- **Disclosures.** The amendments require disclosures in order to allow users to understand the nature and extent of risks arising from the interest rate benchmark reform to which the Group is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from interbank offered rates to alternative benchmark rates, and how the entity is managing this transition.

As at 31 December 2020, the Group has several Hong Kong Interbank Offered Rate ("HIBOR") bank and other borrowings which may be subject to interest rate benchmark reform. The Group expects no significant gains or losses should the interest rate benchmark for these loans change resulting from the reform on application of the amendments.

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

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that HKFRS 16 (since 1 January 2019) or HKAS 17 (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value for the purposes of measuring inventories in HKAS 2 "Inventories" or value in use for the purposes of impairment assessment in HKAS 36 "Impairment of Assets".

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

3.1 Basis of preparation of consolidated financial statements (Continued)

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

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.

3.2 Significant accounting policies

Basis of consolidation

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

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

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

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

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

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

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

3.2 Significant accounting policies (Continued)

Basis of consolidation (Continued)

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

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

Changes in the Group's interests in existing subsidiaries

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

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

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

Business combinations or asset acquisitions

Optional concentration test

Effective from 1 January 2020, the Group can elect to apply an optional concentration test, on a transaction- by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

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

3.2 Significant accounting policies (Continued)

Business combinations or asset acquisitions (Continued)

Asset acquisitions

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

Business combinations

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

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting issued in October 2010).

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);

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

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

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

3.2 Significant accounting policies (Continued)

Business combinations or asset acquisitions (Continued)

Business combinations (Continued)

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

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

When the consideration transferred by the Group in a business combination includes 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. 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 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 with the corresponding gain or loss being recognised in profit or loss.

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

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

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

3.2 Significant accounting policies (Continued)

Merger Accounting for business combination involving businesses under common control

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

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

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

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

Acquisition of a subsidiary not constituting a business

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

Investments in associates and joint ventures

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

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

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

3.2 Significant accounting policies (Continued)

Investments in associates and joint ventures (Continued)

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

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

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

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

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

3.2 Significant accounting policies (Continued)

Investments in associates and joint ventures (Continued)

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.

Revenue from contracts with customers

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

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

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

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

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

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

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

3.2 Significant accounting policies (Continued)

Revenue from contracts with customers (Continued)

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

Output method

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

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

Existence of significant financing component

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

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

Incremental costs of obtaining a contract

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

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

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

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

3.2 Significant accounting policies (Continued)

Leases

Definition of a lease

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

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

The Group as a lessee

Allocation of consideration to components of a contract

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

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

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

Leases of low-value assets

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

Right-of-use assets

The cost of right-of-use asset includes:

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

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

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Right-of-use assets (Continued)

Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

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

Refundable rental deposits

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

Lease liabilities

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

The lease payments include:

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

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

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

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

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

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Lease modifications

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

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

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

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

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as a lessor

Classification and measurement of leases

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

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Variable lease payments for operating leases that depend on an index or a rate are estimated and included in the total lease payments to be recognised on a straight-line basis over the lease term. Variable lease payments that do not depend on an index or a rate are recognised as income when they arise.

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

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessor (Continued)

Classification and measurement of leases (Continued)

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

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

Refundable rental deposits

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

Sublease

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

Lease modification

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

Investment properties

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

Investment properties also include leased properties which are being recognised as right-of-use assets upon application of HKFRS 16 and subleased by the Group under operating leases.

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

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

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

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

3.2 Significant accounting policies (Continued)

Investment properties (Continued)

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

Property, plant and equipment

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

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

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

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

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

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

3.2 Significant accounting policies (Continued)

Intangible assets acquired in a business combination

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

Subsequent to initial recognition, intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

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

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

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

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

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

3.2 Significant accounting policies (Continued)

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

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

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

Inventories

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

Inventories used in hotel operations

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

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

Properties under development for sale which are intended to be sold upon completion of development and properties held-for-sale are classified as current assets. Except for the leasehold land element which is measured at cost model in accordance with the accounting policies of right-of-use assets upon the application of HKFRS 16, properties under development for sale and properties held-for-sale are carried at the lower of cost and net realisable value. Cost is determined on a specific identification basis including allocation of the related development expenditure incurred and, where appropriate, borrowing costs capitalised. Net realisable value represents the estimated selling price for the properties less estimated cost to completion and costs necessary to make the sales.

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

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

3.2 Significant accounting policies (Continued)

Inventories (Continued)

Properties under development for sale and properties held-for-sale (Continued)

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

Financial instruments

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

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

Effective interest method

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

Financial assets

Classification and subsequent measurement of financial assets

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

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

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

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application of HKFRS 9/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an investment in other comprehensive income if that investment in equity instrument is neither held-for-trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or

- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

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

(i) Amortised cost and interest income

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

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

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(ii) Equity instruments designated as at FVTOCI

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

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

(iii) Financial assets at FVTPL

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

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

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

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

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

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

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

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

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

(i) Significant increase in credit risk

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

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

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

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

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

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

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

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

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

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

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

(i) Significant increase in credit risk (Continued)

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

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

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

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

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

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

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

(iv) Write-off policy

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

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

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

(v) Measurement and recognition of ECL

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

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

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

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

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

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

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

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets

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

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

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

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

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

Financial liabilities

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

Financial guarantee contracts

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

- the amount of the loss allowance determined in accordance with HKFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

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

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Derecognition of financial liabilities

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

Non-substantial modifications of financial liabilities

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

Retirement benefit costs

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

Short-term benefits

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

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

Share-based payments

Equity-settled share-based payment transactions

Share options granted to employees

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

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

When share options are exercised, the amount previously recognised in share-based payments 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-based payments reserve will be transferred to retained profits.

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

3.2 Significant accounting policies (Continued)

Taxation

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

Current tax

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

Deferred tax

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

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

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

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

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

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

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

3.2 Significant accounting policies (Continued)

Taxation (Continued)

Deferred tax (Continued)

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

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

Current and deferred tax for the year

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

Government grants

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

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

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

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

3.2 Significant accounting policies (Continued)

Borrowing costs

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

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

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

Foreign currencies

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

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

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

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

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).

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgment in applying accounting policies

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

Deferred taxation on investment properties

For the purpose of measuring deferred taxation arising from investment properties that are measured using the fair value model, the management of the Group has reviewed the Group's investment property portfolios and concluded that certain of the Group's investment properties are held under a business model which objective is to consume substantially all of the economic benefits embodied in the investment properties over time rather than through sale. Therefore, in measuring the Group's deferred taxation on these investment properties, the management of the Group has determined the presumption that the carrying amount of these investment properties are recovered entirely through sale is rebutted. As at 31 December 2020, the carrying amount of these investment properties is approximately HK$10,681,647,000 (2019: HK$9,339,321,000). For the investment properties on which the 'sale' presumption is not rebutted, the Group has further recognised deferred taxes on changes in their fair values in relation to the PRC's land appreciation tax, which is the additional tax to be charged if a property in the PRC is recovered through sale. As at 31 December 2020, the carrying amount of these investment properties is approximately HK$7,144,230,000 (2019: HK$5,463,937,000).

Details about the Group's investment properties and deferred taxation in relation to changes in fair value of investment properties are set out in Notes 16 and 34 respectively.

Key sources of estimation uncertainty

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

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

Key sources of estimation uncertainty (Continued)

Net realisable value of properties held-for-sale

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

The Group's properties held-for-sale are located in various cities, including first-tier cities such as Beijing and Shanghai, in the PRC. The properties held-for-sale located in cities other than the first-tier cities in the PRC are more sensitive to change in economic conditions and local government policy in the PRC. As at 31 December 2020, the carrying amount of properties held-for-sale is approximately HK$7,381,047,000 (2019: HK$6,633,624,000), of which an amount of approximately HK$2,265,540,000 (2019: HK$1,859,299,000) is properties located in cities other than first-tier cities in the PRC and has no pre-sale agreements entered into by the Group. Details about the Group's properties held-for-sale are set out in Note 25. During the year ended 31 December 2020, an impairment loss of approximately HK$88,731,000 in respect of properties held-for-sale located in cities other than first-tier cities in the PRC is recognised in profit or loss.

Estimation of fair value of investment properties

Investment properties are stated at fair value based on the valuation performed by independent professional qualified valuers not connected to the Group (the "Valuer"). The determination of the fair value involves certain assumptions of market conditions which are set out in Note 16.

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

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

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

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

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 rents for similar properties in the same location and condition, and using reversionary yield that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

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

Key sources of estimation uncertainty (Continued)

Estimation of fair value of investment properties (Continued)

In relying on the valuation reports prepared by the Valuer, the management of the Group has exercised the judgment and is satisfied that the method of valuation is reflective of the current market conditions. Whilst the Group considers valuations of the Group's investment properties are the best estimates, the ongoing Covid-19 pandemic has resulted in greater market volatility depending on how the Covid-19 pandemic may progress and evolve, which have led to higher degree of uncertainties in respect of the valuations in the current year. Changes to these assumptions, including the potential risk of any market violation, policy, geopolitical and social changes or other unexpected incidents as a result of change in macroeconomic environment and travel restrictions within the PRC, would result in changes in the fair values of the Group's investment properties and the corresponding adjustments to the amount of gain or loss reported in the consolidated statement of profit or loss and other comprehensive income.

The carrying amount of investment properties as at 31 December 2020 is approximately HK$17,825,877,000 (2019: HK$14,803,258,000). The fair value of these investment properties may be higher or lower depending on the future market conditions.

5. REVENUE

(i) Disaggregation of revenue from contracts with customers:

	2020 **HK$'000**	2019 HK$'000
Types of goods or services		
Sales of properties	**5,478,845**	7,536,760
Hotel operations	**208,527**	290,232
Property management	**6,642**	6,894
Total	**5,694,014**	7,833,886
Timing of revenue recognition		
A point in time	**5,478,845**	7,536,760
Over time	**215,169**	297,126
	5,694,014	7,833,886

All the revenue of the Group generated from contracts with customers are originated in the PRC.

5. REVENUE (CONTINUED)

(ii) Performance obligations for contracts with customers

Revenue from sales of properties

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

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

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

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

Revenue from hotel operations

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

Service income from property management

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

5. REVENUE (CONTINUED)

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

The Group has elected to apply the practical expedient under HKFRS 15 for not disclosing the information of remaining performance obligations which are part of a contract that has an original expected duration of one year or less; or from satisfaction of which the Group recognises revenue in the amount, which the Group has the right to invoice, that corresponds directly with the value to the customers of the Group's performance completed to date. The transaction price allocated to the remaining performance obligations where the aforementioned practical expedients are not applicable as at 31 December 2020 is HK$9,038,180,000 (2019: HK$8,721,180,000), which relates to contract sales of properties. This amount represents the revenue expected to be recognised by the Group in the future when it satisfies the remaining performance obligations and around 73% (2019: 47%) of this balance is expected to be recognised as revenue within one year.

(iv) Leases

	2020 **HK$'000**	2019 HK$'000
Total revenue arising from operating leases:		
Lease payments that are fixed	**662,718**	750,020

The outbreak of Covid-19 and the subsequent quarantine measures as well as the travel restrictions imposed by many countries have had negative impacts to the global economy, business environment and directly and indirectly affect the operations of the Group. The Group stopped its on-site pre-sale activities of the properties, limited its hotel operations and slowed down the delivery of completed properties from January 2020 to March 2020 due to the mandatory government quarantine measures imposed by the PRC government in an effort to constrain the spread of the pandemic. On the other hand, the PRC government announced some financial measures and supported for corporates to overcome the negative impacts arising from the pandemic and it also requested lessors to reduce or waive the rentals to tenants for the purpose of relieving their financial pressure. Since the second quarter of the year ended 31 December 2020, the operations of the Group resumed gradually due to the continuous improvement of the pandemic in the PRC. As such, the financial position and performance of the Group were affected to certain extent in different aspects, including decrease in revenue from sales of properties, hotel operations and leases.

6. SEGMENT INFORMATION

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

The Group's operations are located in the PRC. All revenue and non-current assets, except for certain property and equipment, of the Group are generated from and located in the PRC. No revenue from a single customer contributed 10% or more of the Group's revenue for the years ended 31 December 2020 and 2019.

7. OTHER INCOME

	2020 HK$'000	2019 HK$'000
Interest income on bank deposits	101,577	152,430
Other interest income	15,628	3,227
Rental income from property, plant and equipment	20,610	3,564
Dividend income from equity instruments at FVTOCI	1,113	19,049
Income from marketing and exhibition activities	656	2,149
Government grants (note)	15,550	9,159
Others	26,279	2,674
	181,413	192,252

Note: During the year ended 31 December 2020, the Group obtained government grants of approximately HK$464,000 in respect of Covid-19-related subsidies which relates to Employment Support Scheme provided by the Hong Kong government.

8. OTHER EXPENSES, GAINS AND LOSSES, NET

	2020 HK$'000	2019 HK$'000
Net foreign exchange gain (loss) (note (i))	71,335	(6,339)
Fair value changes of financial assets at FVTPL, net	(81)	596
Gains on disposal of property, plant and equipment	543	788
Others (note (ii))	(42,117)	(11,140)
	29,680	(16,095)

Notes:

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

(ii) During the year ended 31 December 2020, the Group, under the request of the local government in Shanghai in the PRC, carried out improvement works on external walls of certain affordable housings sold by the Group in previous years. Accordingly, the Group incurred an one-off expense of approximately HK$39,598,000 (2019: nil) in performing such improvement works.

9. FINANCE COSTS

	2020 HK$'000	2019 HK$'000
Interests on bank and other borrowings	**1,178,348**	1,213,754
Interests on lease liabilities	**4,157**	2,164
Total finance costs	**1,182,505**	1,215,918
Less: Amounts capitalised into properties under development for sale	**(479,910)**	(487,357)
	702,595	728,561

Borrowing costs capitalised during the year arising on the general borrowing pool are calculated by applying a capitalisation rate of 4.01% (2019: 4.44%) per annum to expenditure on qualifying assets.

10. INCOME TAX

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

	2020 HK$'000	2019 HK$'000
Current tax:		
PRC Enterprise Income Tax ("EIT") (note (i))	**705,082**	976,087
PRC Land Appreciation Tax ("LAT")	**809,922**	1,357,185
PRC withholding tax on dividend income	**45,290**	32,637
	1,560,294	2,365,909
Overprovision in prior years:		
PRC EIT and PRC withholding tax on dividend income (note (ii))	**(812)**	(7,387)
PRC LAT (note (ii))	**(19,347)**	—
	(20,159)	(7,387)
Deferred tax (Note 34)	**(424,702)**	(833,089)
Income tax for the year	**1,115,433**	1,525,433

10. INCOME TAX (CONTINUED)

Notes:

(i) During the year ended 31 December 2020, EIT of approximately HK$151,354,000 was provided for the gain on disposal of the Group's entire equity interest in a subsidiary, namely Hunan Qianshuiwan (defined in Note 29), incorporated in the PRC, by a resident company of the Group. The EIT provided was calculated at 25% on the difference between the consideration received by the seller and the seller's investment cost on this subsidiary after taking into account of the tax loss brought forward. Details of the disposal are set out in Note 36.

(ii) During the year ended 31 December 2020, the Group recognised an overprovision of the PRC EIT of approximately HK$812,000 (2019: underprovision of the PRC EIT of approximately HK$15,035,000) and an overprovision of the PRC LAT of approximately HK$19,347,000 (2019: nil) upon completion of tax clearance procedures by certain PRC subsidiaries with their respective tax authorities. Also, during the year ended 31 December 2019, the Group recognised an overprovision of withholding tax of approximately HK$22,422,000 in respect of dividend income received by a Hong Kong resident company from the PRC subsidiaries in previous years.

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

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

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 BVI, the Group is not subject to any income tax in BVI in respect of both years.

10. 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:

	2020 HK$'000	2019 HK$'000
Profit before tax	1,856,397	2,745,131
Tax at PRC EIT rate of 25%	464,099	686,283
Tax effect of share of results of associates	(84,742)	(1,787)
Tax effect of expenses not deductible for tax purposes	236,058	77,065
Tax effect of income not taxable for tax purposes	(7,285)	(2,429)
Tax effect of tax losses not recognised	228,128	132,618
Utilisation of tax losses previously not recognised	(21,979)	(8,140)
Derecognition of deferred tax liabilities due to reduction in tax rate of PRC LAT for certain properties sold	(353,813)	(410,983)
Provision for PRC LAT for the year	809,922	1,357,185
Tax effect of PRC LAT deductible for PRC EIT	(197,644)	(339,296)
Overprovision of PRC EIT and PRC withholding tax on dividend income in prior years	(812)	(7,387)
Overprovision of PRC LAT in prior years	(19,347)	—
Effect of different tax rates of subsidiaries operating in Hong Kong	(509)	14,829
Deferred tax on PRC LAT in respect of investment properties	11,212	(5,162)
PRC withholding tax on dividend income	45,290	32,637
Others	6,855	—
Income tax for the year	1,115,433	1,525,433

11. PROFIT FOR THE YEAR

	2020 HK$'000	2019 HK$'000
Profit for the year has been arrived at after charging (crediting):		
Depreciation for property, plant and equipment	141,814	139,699
Less: Depreciation capitalised into properties under development for sale	(1,878)	(1,239)
	139,936	138,460
Depreciation of right-of-use assets	36,137	40,603
Total depreciation and amortisation	176,073	179,063
Gross rental income from investment properties	(662,718)	(750,020)
Less: Direct operating expenses incurred for investment properties that generated rental income during the year	245,438	264,143
	(417,280)	(485,877)
Directors' remuneration (Note 12)	7,634	10,784
Other staff costs		
Salaries, wages and other benefits	266,331	270,438
Retirement benefit scheme contributions	20,094	34,335
Total staff costs	294,059	315,557
Less: Staff costs capitalised into properties under development for sale	(85,635)	(82,985)
	208,424	232,572
Auditors' remuneration	5,774	6,616
Cost of properties held-for-sale recognised as an expense	3,513,017	3,774,585
Impairment losses recognised on properties held-for-sale (included in cost of sales)	88,731	—
Share of tax of associates (included in share of results of associates)	331,114	2,197

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the eleven (2019: eleven) directors of the Company, including the chief executive, are as follows:

For the year ended 31 December 2020

		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. Huang Haiping (notes (iii) and (vii))	–	–	–	–	–
Mr. Zeng Ming (notes (ii) and (v))	–	28	42	–	70
Mr. Zhou Xiong (notes (iv) and (v))	–	67	80	–	147
Mr. Lou Jun (note (vii))	–	–	–	–	–
Mr. Fei Zuoxiang (note (ii))	–	1,178	–	–	1,178
Mr. Ye Weiqi	–	1,926	–	–	1,926
Mr. Zhong Tao	–	2,593	–	–	2,593
Independent non-executive directors:					
Mr. Doo Wai Hoi, William	430	–	–	–	430
Mr. Fan Ren Da, Anthony	430	–	–	–	430
Mr. Li Kai Fai, David	430	–	–	–	430
Mr. Qiao Zhigang	430	–	–	–	430
Total	1,720	5,792	122	–	7,634

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

For the year ended 31 December 2019

		Other emoluments			
	Fees HK$'000	Salaries and other allowances HK$'000	Retirement benefit scheme contributions HK$'000	Equity-settled share-based payments HK$'000 (note (i))	Total emoluments HK$'000
Executive directors:					
Mr. Zeng Ming (notes (ii) and (v))	—	—	83	—	83
Mr. Zhou Xiong (notes (iv) and (v))	—	—	79	—	79
Mr. Lou Jun (note (vii))	—	—	—	—	—
Mr. Fei Zuoxiang (note (ii))	—	2,120	—	—	2,120
Ms. Huang Fei (note (vi))	—	1,732	—	—	1,732
Mr. Ye Weiqi	—	2,050	—	—	2,050
Mr. Zhong Tao	—	2,970	30	—	3,000
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
Mr. Qiao Zhigang	430	—	—	—	430
Total	1,720	8,872	192	—	10,784

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. Zeng Ming and Mr. Fei Zuoxiang resigned as executive directors of the Company on 18 May 2020.

iii. Mr. Huang Haiping was appointed as an executive director of the Company on 18 May 2020.

iv. Mr. Zhou Xiong has resigned as an executive director of the Company on 15 January 2021 and his vacancy has been replaced by Mr. Tang Jun on the same date.

v. The emoluments for Mr. Zeng Ming and Mr. Zhou Xiong for both years were primarily borne by SIHL.

vi. Ms. Huang Fei retired as an executive director of the Company on 1 September 2019.

vii. The emoluments for Mr. Huang Haiping and Mr. Lou Jun for both years were borne by SIIC.

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

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

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

During the years ended 31 December 2020 and 2019, Mr. Huang Haiping and Mr. Zeng Ming were also the chief executive of the Company respectively. Their emoluments disclosed above include those for services rendered by them as the chief executive.

During the years ended 31 December 2020 and 2019, 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.

13. FIVE-HIGHEST PAID EMPLOYEES

For the year ended 31 December 2020, of the five individuals with the highest emoluments in the Group, two (2019: four) are directors of the Company whose emoluments are included in the disclosures in Note 12. The emoluments of the remaining three (2019: one) individual are as follows:

	2020	2019
	HK$'000	HK$'000
Salaries and other allowances	**4,919**	1,841

The emoluments of that individual are within the following band:

	2020	2019
HK$1,500,001 to HK$2,000,000	**3**	1

During the years ended 31 December 2020 and 2019, no emoluments have been paid by the Group to the five employees with the highest emoluments as an inducement to join or upon joining the Group or as compensation for loss of office.

14. EMPLOYEE RETIREMENT BENEFITS

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

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

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

15. EARNINGS PER SHARE

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

Earnings

	2020 HK$'000	2019 HK$'000
Earnings for the purposes of calculating basic and diluted earnings per share:		
Profit for the year attributable to owners of the Company	521,765	600,292

Number of shares

	2020 '000	2019 '000
Weighted average number of ordinary shares for the purposes of calculating basic and diluted earnings per share	4,806,323	4,809,596

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.

16. INVESTMENT PROPERTIES

The Group leases out various commercial and residential properties including offices, shopping malls, stores, mart, exhibition hall, car park units and service apartments under operating leases with rentals payable monthly. The leases typically run for an initial period of one to twenty years and the lessees have the option to extend the lease beyond initial agreed period but it is subject to mutual agreement between the Group and the lessees. The extension option is subject to market review clauses in the event the lessee exercises the option.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

16. INVESTMENT PROPERTIES (CONTINUED)

	2020 HK$'000	2019 HK$'000
FAIR VALUE		
At 1 January	14,803,258	12,002,506
Subsequent expenditure	174,506	53,341
Acquisition (note (i))	—	517,845
Addition under sublease arrangement of leased properties	—	7,383
Fair value (loss) gain on investment properties, net	(156,824)	210,191
Transfer to property, plant and equipment (note (ii))	(188,506)	—
Transfer from properties held-for-sale (note (iii))	2,279,612	2,235,045
Exchange realignment	913,831	(223,053)
At 31 December	17,825,877	14,803,258
Unrealised (losses) gains on revaluation of investment properties included in profit or loss for the year	(156,824)	210,191

Notes:

(i) During the year ended 31 December 2019, the Group acquired a parcel of land in Shanghai Xuhui District in the PRC, where residential properties would be developed for earning rentals, at a consideration of approximately RMB456,480,000 (equivalent to approximately HK$517,845,000) which was prepaid by the Group in prior year.

(ii) During the year ended 31 December 2020, certain units of an investment property of the Group located in Shanghai in the PRC were arranged for own use and served as office premises of the Group due to the needs of expansion of business. Accordingly, investment properties with fair value of approximately HK$188,506,000 were transferred to property, plant and equipment.

(iii) During the year ended 31 December 2020, the management of the Group changed the intention from selling the apartments and commercial units of several property projects to lease them out for rentals. Accordingly, properties held-for-sale with carrying amount of approximately HK$2,279,612,000 (2019: HK$2,235,045,000) was transferred to investment properties upon inception of lease agreements with the tenants during the year. A net fair value gain of approximately HK$38,607,000 (2019: nil) in respect of these properties is recognised in the profit or loss.

The investment properties of the Group comprises of completed properties and a property currently under development.

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

16. INVESTMENT PROPERTIES (CONTINUED)

The fair values of the Group's investment properties as at 31 December 2020 and 2019 have been arrived at on the basis of valuations carried out on the respective dates by Cushman & Wakefield Limited ("CWL"), an independent qualified professional valuer not connected to the Group. CWL has appropriate qualification and recent experience in the valuation of similar properties in the relevant locations. The address of CWL is 27th Floor, One Island East, Taikoo Place, 18 Westland Road, Quarry Bay, Hong Kong. The Group's investment properties are valued individually on market value basis, which conforms to HKIS Valuation Standards 2020 Edition published by Hong Kong Institute of Surveyors. The fair value is arrived at by reference to comparable sales transactions available in the relevant markets and, where appropriate, using investment approach which capitalises the net rental income derived from the existing tenancies with due allowance for the reversionary potential of the properties.

In estimating the fair value of the investment properties, the management of the Group has considered that the highest and best use of the properties is their current use. The fair values of certain investment properties have been adjusted to exclude prepaid or accrued operating lease income to avoid double counting.

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

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

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

16. INVESTMENT PROPERTIES (CONTINUED)

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

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

Description	Fair value as at 31 December 2020 HK$'000	31 December 2019 HK$'000	Valuation techniques	Key unobservable inputs	Range of key unobservable inputs	Relationship of unobservable key inputs to fair value
Commercial — offices and related car park units in various locations	**5,022,229**	3,761,857	Investment approach	For offices: Reversionary yield derived from market rent and transaction price of comparable properties in the same location	2020: 4.5% to 6.75% 2019: 4.75%–6.75%	The higher the reversionary yield, the lower the fair value
			Direct comparison approach	For car park units: Price per unit	2020: RMB194,338 to RMB295,190 per unit 2019: RMB200,000 per unit	The higher the price per unit, the higher the fair value
Commercial — shopping malls, stores, mart and the related car park units in various locations	**11,599,667**	9,988,815	Investment approach	For shopping malls, stores and mart: Reversionary yield derived from market rent and transaction price of comparable properties in the same location	2020: 3.5% to 7.75% 2019: 3.5%–7.75%	The higher the reversionary yield, the lower the fair value
			Direct comparison approach	For car park units: Price per unit	2020: RMB104,200 to RMB189,400 per unit 2019: RMB110,000 to RMB189,000 per unit	The higher the price per unit, the higher the fair value
Commercial — exhibition hall in Shanghai	**270,848**	260,626	Investment approach	Reversionary yield derived from market rent and transaction price of comparable properties in the same location	2020: 5.25% 2019: 5.25%	The higher the reversionary yield, the lower the fair value
Residential — a detached villa, service apartments and a parcel of land in various locations	**933,133**	791,960	Investment approach	For a detached villa: Reversionary yield derived from market rent and transaction price of comparable properties in the same location	2020: 3.5% 2019: 3.5%	The higher the reversionary yield, the lower the fair value
			Direct comparison approach	For service apartments: Price per unit	2020: RMB11,143 to RMB11,429 per unit 2019: RMB11,052 to RMB11,382 per unit	The higher the price per unit, the higher the fair value
			Direct comparison and cost approach	For a parcel of land commenced construction for service apartments: Price per unit	2020: RMB24,100 to RMB27,810 2019: N/A	The higher the price per unit, the higher the fair value
			Direct comparison approach	For a parcel of land yet commenced construction for service apartments: Price per unit	2020: N/A 2019: RMB20,182 to RMB27,250 per unit	The higher the price per unit, the higher the fair value
	17,825,877	14,803,258				

As at 31 December 2020, certain of the investment properties of the Group with carrying amount of approximately HK$9,655,218,000 (2019: HK$8,616,868,000 are pledged as collaterals for bank borrowings.

17. PROPERTY, PLANT AND EQUIPMENT

	Hotel buildings and improvements HK$'000	Hotel furniture and equipment HK$'000	Other buildings HK$'000	Leasehold improvements HK$'000	Other furniture and equipment HK$'000	Motor vehicles HK$'000	Office premises HK$'000	Construction in progress HK$'000	Total HK$'000
COST									
At 1 January 2019	1,993,370	158,140	522,609	51,154	61,609	49,858	–	75,950	2,912,690
Additions	1,365	1,809	–	6,270	19,083	440	–	126,180	155,147
Disposals	(562)	(1,068)	(57,508)	(3,453)	(4,499)	(4,968)	–	–	(72,058)
Transfer	116,859	–	–	–	–	–	–	(116,859)	–
Exchange realignment	(37,586)	(2,805)	(8,431)	(627)	(1,584)	(858)	–	(703)	(52,594)
At 31 December 2019	2,073,446	156,076	456,670	53,344	74,609	44,472	–	84,568	2,943,185
Additions	1,353	586	–	–	8,320	1,674	–	1,981	13,914
Disposals	(1,895)	(919)	–	–	(3,087)	(5,077)	–	–	(10,978)
Transfer	–	–	–	–	–	–	–	–	–
Transferred from investment properties (Note 16)	–	–	–	–	–	–	188,506	–	188,506
Disposal of a subsidiary (Note 36)	–	–	(12,255)	–	(446)	(1,927)	–	–	(14,628)
Exchange realignment	131,535	9,659	27,945	2,160	6,145	2,652	5,127	2,621	187,844
At 31 December 2020	2,204,439	165,402	472,360	55,504	85,541	41,794	193,633	89,170	3,307,843
ACCUMULATED DEPRECIATION									
At 1 January 2019	478,615	72,789	66,961	48,497	45,368	39,810	–	–	752,040
Provided for the year	104,671	6,882	8,572	2,110	14,184	3,280	–	–	139,699
Eliminated on disposals	(562)	(968)	(25,993)	(3,453)	(3,860)	(4,821)	–	–	(39,657)
Exchange realignment	(10,287)	(1,365)	(920)	(597)	(890)	(707)	–	–	(14,766)
At 31 December 2019	572,437	77,338	48,620	46,557	54,802	37,562	–	–	837,316
Provided for the year	105,823	7,348	8,185	2,642	14,889	1,741	1,186	–	141,814
Eliminated on disposals	(1,717)	(877)	–	–	(3,066)	(4,330)	–	–	(9,990)
Disposal of a subsidiary (Note 36)	–	–	(4,852)	–	(389)	(1,853)	–	–	(7,094)
Exchange realignment	42,744	5,149	3,332	2,153	4,075	2,194	68	–	59,715
At 31 December 2020	719,287	88,958	55,285	51,352	70,311	35,314	1,254	–	1,021,761
CARRYING AMOUNTS									
At 31 December 2020	1,485,152	76,444	417,075	4,152	15,230	6,480	192,379	89,170	2,286,082
At 31 December 2019	1,501,009	78,738	408,050	6,787	19,807	6,910	–	84,568	2,105,869

17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

Hotel buildings and improvements	20–25 years
Hotel furniture and equipment	5–15 years
Other buildings	Over the term of the lease
Leasehold improvements	5 years
Other furniture and equipment	3–10 years
Motor vehicles	5–10 years
Office premises	30 years

As at 31 December 2020, certain of the property, plant and equipment of the Group with carrying amount of approximately HK$192,379,000 (2019: nil) are pledged as collaterals for bank borrowings.

18. RIGHT-OF-USE ASSETS

	Leasehold land HK$'000	Leased properties (note (i)) HK$'000	Total HK$'000
At 31 December 2020			
Carrying amounts	199,431	32,593	232,024
At 31 December 2019			
Carrying amounts	193,838	52,930	246,768
For the year ended 31 December 2020			
Depreciation charge	6,080	30,057	36,137
For the year ended 31 December 2019			
Depreciation charge	6,260	34,343	40,603

	2020 **HK$'000**	2019 HK$'000
Total cash outflow for leases (note (ii))	**69,053**	71,611
Additions to right-of-use assets	**8,045**	54,300

Notes:

(i) The leased properties include office premises and apartment units.

(ii) Total cash outflow for leases included the repayment of lease liabilities and interest paid.

19. INTANGIBLE ASSETS

	Trademark HK$'000
COST	
At 1 January 2019	57,980
Exchange realignment	(933)
At 31 December 2019	57,047
Exchange realignment	3,537
At 31 December 2020	60,584

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 will renew the trademarks continuously and has the ability to do so at minimal cost. Various studies including product life cycle studies, market, competitive and environment trends, and brand extension opportunities have been performed by the management of the Group, which supports that the trademarks have no foreseeable limit to the period over which the trademarked products are expected to generate net cash flows for the Group. As a result, the trademarks are considered by the management of the Group as having an indefinite useful life because they are expected to contribute to net cash inflows indefinitely. The trademarks will not be amortised until their useful lives are determined to be finite. Instead, they are tested for impairment annually and whenever there is an indication that it may be impaired.

For the purpose of impairment testing, trademarks with indefinite useful life set out above have been allocated to the individual cash-generating unit ("CGU") which refers to SUD. During the year ended 31 December 2020, the management of the Group determines that there is no impairment (2019: 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.

20. INTERESTS IN ASSOCIATES

	2020 HK$'000	2019 HK$'000
Unlisted shares, at cost	**1,324,291**	1,231,026
Share of post-acquisition results, net of dividends received	**363,527**	10,408
	1,687,818	1,241,434

20. INTERESTS IN ASSOCIATES (CONTINUED)

As at 31 December 2020 and 2019, the Group has interests in the following associates:

Name of associate	Form of entity	Place of incorporation/ registration and operation	Issued and fully paid share capital/ registered capital	Proportion of ownership interest: The Group's effective interest 2020	The Group's effective interest 2019	Held by a subsidiary 2020	Held by a subsidiary 2019	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
上海華天置業有限公司 ("Shanghai Shentian")	Sino-foreign joint venture	The PRC	RMB2,850,000,000	**20.7%**	20.7%	**35%**	35%	Property development
上海地產北部投資發展有限公司	Limited liability company	The PRC	RMB250,000,000	**20.7%**	20.7%	**35%**	35%	Property development
上實(上海)醫療美容醫院有限公司 ("Shanghai Healthcare")	Limited liability company	The PRC	RMB150,000,000	**19%**	–	**19%**	–	Medical and healthcare consultation services

On 22 January 2020, the Group entered into a subscription agreement with, among others, SIIC Financial Leasing Co., Ltd 上實融資租賃有限公司 ("SIIC Financial Leasing"), which is an associate of the Company's controlling shareholder. Pursuant to the subscription agreement the Group conditionally agreed to subscribe for 20.0% of the enlarged register capital of SIIC Financial Leasing by injecting approximately RMB407,942,000 in cash to SIIC Financial Leasing. SIIC Financial Leasing is an integrated credit provider based in Shanghai. Its business includes providing finance to regional governments and its platform companies to fund their projects in local infrastructure, water supply and construction of rail transportation as well as providing automobile financing to individual customers. In December 2020, the condition precedents for completion of the acquisition as set out in the subscription agreement were fulfilled. Accordingly, the Group made a payment of approximately RMB407,942,000 in late December 2020. As at 31 December 2020, the injection payment made by the Group of approximately HK$484,607,000 is recognised as a deposit paid for acquisition of an associate. Details of this transaction are set out in the Company's announcement and circular on 22 January 2020 and 25 August 2020 respectively. On 6 January 2021, the acquisition has been completed after SIIC Financial Leasing received the amount and completed the capital injection verification process.

During the year ended 31 December 2020, 上實城開(上海)大健康管理有限公司 ("SIUD Health Management"), being an indirect wholly-owned subsidiary of the Company, established an entity, namely Shanghai Healthcare, with the other two parties, 上海華氏資產經營有限公司 ("Shanghai Huashi") and 上海凌風醫療管理有限公司 ("Shanghai Lingfeng Medical"). SIUD Health Management, Shanghai Huashi and Shanghai Lingfeng owned as to 19%, 30% and 51% on Shanghai Healthcare respectively and all these investors are indirect subsidiaries under SIIC. As at 31 December 2020, SIUD Health Management made the first installment of the capital injection of RMB14,250,000 (equivalent to approximately HK$16,928,000) into Shanghai Healthcare. SIUD Health Management exercises significant influence over Shanghai Healthcare in view that (i) the shareholders meetings, in which operational and investment plans, annual budgets and dividend distribution, etc will be reviewed and approved, require presence of at least two-thirds of the shareholders; and (ii) certain significant matters including but not limited to policy marking through the amendments to the articles of association require the consent of at least two-thirds of the shareholders. Accordingly, Shanghai Healthcare is regarded as an associate of the Group. Details about the Group's investment in this entity are set out in the Company's announcement on 30 October 2020.

20. INTERESTS IN ASSOCIATES (CONTINUED)

Summarised financial information of material associates

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

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

	2020 HK$'000	2019 HK$'000
Shanghai Shentian		
Non-current assets	1,325	1,290
Current assets (note)	5,817,757	8,320,899
Non-current liabilities	—	(472,371)
Current liabilities	(1,422,631)	(4,661,898)
Net assets	4,396,451	3,187,920
Revenue	4,209,453	—
Profit and total comprehensive income for the year	956,319	—

Note: The balance mainly comprises land and construction costs relating to properties under development for sale and properties held-for-sale. The development plan of Shanghai Shentian's property project was approved by the respective government departments in the PRC and the construction commenced during the year ended 31 December 2014. The pre-sale activities for certain phases were carried out continuously since year 2018 and the constructions were completed by phases since early of year 2019. During the year ended 31 December 2020, certain properties of this property project were delivered and the remaining properties are expected to deliver from 2023 onwards.

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

	2020 HK$'000	2019 HK$'000
Net assets of Shanghai Shentian	4,396,451	3,187,920
Proportion of the Group's ownership interest in Shanghai Shentian	35%	35%
Carrying amount of the Group's interest in Shanghai Shentian	1,538,758	1,115,772

20. INTERESTS IN ASSOCIATES (CONTINUED)

Aggregate information of associates that are not individually material

	2020 HK$'000	2019 HK$'000
The Group's share of profit	**4,255**	7,146
Dividends received from an associate during the year	**5,507**	4,169
Aggregate carrying amount of the Group's interests in these associates	**149,060**	125,662

21. INTERESTS IN JOINT VENTURES

	2020 HK$'000	2019 HK$'000
Unlisted shares, at cost	**2,506,533**	615,213
Share of post-acquisition results	**—**	—
	2,506,533	615,213

Details of the Group's joint ventures 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: The Group's effective interest 2020	The Group's effective interest 2019	Held by a subsidiary 2020	Held by a subsidiary 2019	Held by a joint venture (note) 2020	Held by a joint venture (note) 2019	Principal activity
上海莘至城置業有限公司 ("Shenzhicheng")	Limited liability company	The PRC	RMB1,100,000,000	**29.5%**	29.5%	**50%**	50%	**–**	–	Property development, property investment and property management
上海諾卓企業管理有限公司 ("Shanghai Nuozhuo")	Limited liability company	The PRC	RMB10,000,000	**29.5%**	29.5%	**50%**	50%	**–**	–	Integrated management service
上海天宇實宏企業發展有限公司 ("Shanghai Tianyu")	Limited liability company	The PRC	RMB4,700,000,000	**21.2%**	21.2%	**5%**	5%	**55%**	55%	Property development
武漢庚城置業有限公司 ("Wuhan Gengcheng")	Limited liability company	The PRC	RMB100,000,000	**28.9%**	–	**49%**	–	**–**	–	Property development

Note: The joint venture is Shanghai Nuozhuo.

21. INTERESTS IN JOINT VENTURES (CONTINUED)

On 25 December 2020, SUD entered into a cooperation agreement (the "Cooperation Agreement") with Zhonggeng Property Group Co., Ltd. 中庚置業集團有限公司 ("Zhonggeng Group"), Wuhan Zhonggeng Shencheng Industrial Co., Ltd. 武漢中庚申城實業有限公司 ("Wuhan Zhonggeng"), a wholly-owned subsidiary of Zhonggeng Group, and Wuhan Gengcheng, being the project company, for the formation of the joint venture to acquire the land use rights of and to develop the Wuhan site located at Yangluo Economic Development Zone in Wuhan in the PRC 中國武漢市陽邏經濟開發區. The project company succeeded in the bidding of such land use rights at a consideration of approximately RMB1,329,000,000. Pursuant to the terms of the Cooperation Agreement, the project company is owned as to 49% by SUD and 51% by Wuhan Zhonggeng and all matters of the project company are required unanimous approval from its shareholders and the board of directors. SUD is committed to invest a total sum of approximately RMB434,852,000 by installments with the last payment to be made on or before 30 April 2021. As at 31 December 2020, an amount of approximately RMB130,237,000 (equivalently to approximately HK$154,713,000) was made by SUD, in form of a shareholder loan, to Wuhan Gengcheng.

Summarised financial information of material joint ventures

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

All of the Group's joint ventures are accounted for using the equity method in the consolidated financial statements.

Shenzhicheng

	2020 **HK$'000**	2019 HK$'000
Non-current assets (note)	**1,550,450**	1,204,386
Current assets	**47,017**	26,066
Non-current liabilities	**(290,064)**	—
Current liabilities	**(679)**	(26)
Net assets	**1,306,724**	1,230,426

Note: The balance as at 31 December 2020 mainly comprises of land and development costs (2019: land cost) relating to properties under development for rentals.

	2020 **HK$'000**	2019 HK$'000
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**27,216**	24,427
Non-current financial liabilities (excluding trade and other payables)	**290,064**	—

21. INTERESTS IN JOINT VENTURES (CONTINUED)

Summarised financial information of material joint ventures (Continued)

Shenzhicheng (Continued)

	2020 HK$'000	2019 HK$'000
Revenue	–	–
Profit and other comprehensive income for the year	–	–

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

	2020 HK$'000	2019 HK$'000
Net assets of Shenzhicheng	1,306,724	1,230,426
Proportion of the Group's ownership interest in Shenzhicheng	50%	50%
Carrying amount of the Group's interest in Shenzhicheng	653,362	615,213

Shanghai Nuozhuo

	2020 HK$'000	2019 HK$'000
Non-current assets (note)	3,136,137	–
Current assets	25	569,463
Current liabilities	(25)	(569,463)
Net assets	3,136,137	–

Note: The balance as at 31 December 2020 mainly comprises of investment cost in Shanghai Tianyu.

	2020 HK$'000	2019 HK$'000
The above amounts of assets include the following:		
Cash and cash equivalents	25	–

21. INTERESTS IN JOINT VENTURES (CONTINUED)

Summarised financial information of material joint ventures (Continued)

Shanghai Nuozhuo (Continued)

	2020 HK$'000	2019 HK$'000
Revenue	–	–
Profit and other comprehensive income for the year	3	–

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

	2020 HK$'000
Net assets of Shanghai Nuozhuo	3,136,137
Proportion of the Group's ownership interest in Shanghai Nuozhuo	50%
Carrying amount of the Group's interest in Shanghai Nuozhuo	1,568,069

Aggregate information of joint ventures that are not individually material

	2020 HK$'000	2019 HK$'000
The Group's share of profit	–	–
Aggregate carrying amount of the Group's interests in these joint ventures	285,102	–

22. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020 HK$'000	2019 HK$'000
Equity securities:		
— Listed in the PRC (note (i))	91,994	101,588
— Unlisted (note (ii))	42,230	58,620
	134,224	160,208

22. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

Notes:

(i) The above listed equity investments represent the Group's equity interest in an entity listed in the PRC. These investments are not held-for-trading. Instead, they are held for long-term strategic purpose. The management of the Group elected to designate these investments as equity instruments at FVTOCI as they believe that recognising short-term fluctuations in fair value of these investments in profit or loss is not consistent with the Group's strategy of holding these investments for long-term strategic purpose and realising their performance potential in the long run.

(ii) The above unlisted equity investments represent the Group's equity interest in several private entities established in the PRC. The management of the Group elected to designate these investments at FVTOCI as they believe that these investments will benefit the Group in long run through realisation or receiving steady dividends. The Group engaged GW Financial Advisory Services Limited, an independent qualified professional valuer not connected to the Group, to determine the fair values of the Group's certain unlisted equity investments and the carrying amount of these investments is approximately HK$39,564,000 (2019: HK$54,257,000). Details of the valuation for these investments are set out in Note 40.

23. RESTRICTED AND PLEDGED BANK DEPOSITS

Restricted bank deposits

The restricted bank deposits of approximately HK$40,254,000 (2019: nil) represents a frozen portion of pre-sale proceeds received on sales of affordable housings to the public under the instruction of the local government in Shanghai in the PRC. The amount is calculated based on a pre-agreed percentage on the pre-sale proceeds received and required to transfer to the escrow account regularly.

Pledged bank deposits

The Group has entered into agreements with certain banks with respect to mortgage loans provided for buyers of the Group's property units and has made deposits as security to and given guarantees on mortgage loans provided for the buyers by these banks under the agreements. Pursuant to the terms of agreements, upon default in payments of mortgage instalments by these buyers, the Group is liable to repay to the banks the remaining outstanding mortgage principals together with accrued interest and penalty owed by the defaulted buyers, after netting off the pledged bank deposits, and the Group is entitled to take over the legal title and possession of the related properties. These pledged bank deposits of approximately HK$21,197,000 (2019: HK$190,419,000), and the related guarantees, will be released when the property title deeds of the buyers are pledged to banks as security for respective mortgage loans. As at 31 December 2020, deposits of approximately HK$14,068,000 (2019: HK$15,152,000), which are expected to be released within twelve months, are classified as current assets. The remaining balances of approximately HK$7,129,000 (2019: HK$175,267,000), which are expected to be released more than one year after the property title deeds are passed to the buyers, are classified as non-current assets. These pledged bank deposits carry a variable interest rate at 0.35% (2019: 0.50%) per annum as at 31 December 2020. Details of the mortgage guarantees are set out in Note 43.

Pledged bank deposits also include deposits of approximately HK$4,645,000 (2019: HK$491,070,000) pledged to banks to secure bank borrowings granted to the Group. As at 31 December 2020, deposits of approximately HK$3,070,000 (2019: HK$489,588,000) with maturity of less than twelve months, are classified as current assets. As at 31 December 2020, deposits of approximately HK$1,575,000 (2019: HK$1,482,000) with maturity of more than one year, are classified as non-current assets. These pledged bank deposits carry interest at fixed interest rates ranging from 1.8% to 3.0% (2019: 1.8% to 3.0%) per annum as at 31 December 2020 and will be released upon the settlement of relevant bank borrowings.

24. INVENTORIES

	2020 HK$'000	2019 HK$'000
Hotel operations		
Finished goods — food and beverage and others	2,242	2,497

25. PROPERTIES UNDER DEVELOPMENT FOR SALE AND PROPERTIES HELD-FOR-SALE

	2020 HK$'000	2019 HK$'000
Property development		
Properties under development for sale	21,857,900	22,319,212
Properties held-for-sale	7,381,047	6,633,624
	29,238,947	28,952,836

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 2020, an amount of approximately HK$5,115,507,000 (2019: HK$3,765,253,000) is properties located in first-tier cities, such as Beijing and Shanghai, in the PRC and an amount of approximately HK$2,265,540,000 (2019: HK$2,868,371,000) are properties located in cities other than first-tier cities in the PRC, of which an amount of approximately HK$2,265,540,000 (2019: HK$1,859,299,000) has no pre-sale agreements entered into by the Group.

The net realisable value of the Group's properties held-for-sale, which are not located in first-tier cities in the PRC and have no pre-sale agreements entered into by the Group, as at 31 December 2020 has been arrived at on the basis of valuations carried out by CWL. CWL has appropriate qualification and recent experience in the valuation of similar properties in the relevant locations. The Group's properties held-for-sale are valued individually on market value basis, which conforms to HKIS Valuation Standards 2020 Edition published by Hong Kong Institute of Surveyors. The net realisable value of the Group's properties held-for-sale is arrived at by reference to comparable sales transactions available in the relevant markets with adjustments according to nature of each property, its location and the prevailing market prices.

During the year ended 31 December 2020, an impairment loss of approximately HK$88,731,000 in respect of properties held-for-sale located in cities other than first-tier cities in the PRC is recognised in profit or loss.

As at 31 December 2020, properties held-for-sale of approximately HK$501,673,000 (2019: HK$828,514,000) are carried at net realisable value.

As at 31 December 2020, properties under development for sale of approximately HK$14,264,522,000 (2019: HK$20,586,158,000) are not expected to be realised within one year.

As at 31 December 2020, properties under development for sale of approximately HK$7,166,465,000 (2019: HK$4,483,418,000) are pledged as collaterals for bank borrowings. As at 31 December 2019, properties held-for-sale of approximately HK$645,466,000 were pledged as collaterals for bank borrowings.

26. TRADE AND OTHER RECEIVABLES, PREPAYMENT AND DEPOSIT

	2020 HK$'000	2019 HK$'000
Other receivables, prepayment and deposit recognised as non-current assets		
Loan receivables (note (ii))	—	9,239
Prepayments for acquisition of parcels of land (note (iii))	1,310,894	726,063
Deposit paid for acquisition of an associate (Note 20)	484,607	—
	1,795,501	735,302
Trade and other receivables recognised as current assets		
Trade receivables		
— contracts with customers	1,924	2,236
— lease receivables	13,424	14,019
	15,348	16,255
Less: Loss allowance	(288)	(271)
	15,060	15,984
Other receivables (note (i))	347,281	226,832
Advance payments to contractors	15,205	26,173
Prepaid other taxes (note (v))	461,630	364,719
Guarantee deposit paid for the auction of a parcel of land (note (iv))	534,569	—
Deposits and prepayments	40,276	41,225
	1,414,021	674,933

Notes:

(i) Other receivables mainly comprise of various warranty deposits placed with the relevant government bodies in respect of properties under development for sale, properties held-for-sale and properties being sold. Included in current other receivables as at 31 December 2020, there is an amount of RMB8,260,000 (equivalent to approximately HK$9,812,000) (2019: RMB8,000,000 (equivalent to approximately HK$8,949,000)) which represents current portion of loans advanced to a subsidiary of a former tenant of one of the Group's investment properties (the "Borrower") through an entrusted loan agreement administrated by a trust company, and the amount is repayable on 31 December 2021 (2019: 31 December 2020). The loan carries fixed interest at a rate of 5% per annum.

(ii) As at 31 December 2019, included in non-current other receivables, there were loan receivables of RMB8,260,000 (equivalent to approximately HK$9,239,000) which represented non-current portion of loans advanced to the Borrower and was repayable on 31 December 2021. The loan carried fixed interest at a rate of 5% per annum. The loan is secured by the registered share capital of the immediate and intermediate holding companies of the Borrower and is also guaranteed by the entity controlled by the beneficial owner of the Borrower for a maximum amount of RMB25,000,000. These companies are principally engaged in commercial properties management.

26. TRADE AND OTHER RECEIVABLES, PREPAYMENT AND DEPOSIT (CONTINUED)

Notes: (Continued)

(iii) In previous year, the Group entered into a land use right transfer contract with Shanghai Minhang Land Bureau to acquire a parcel of land in Shanghai in the PRC for the development of residential properties held for earning rentals at a consideration of RMB649,100,000 of which amounts of RMB519,280,000 and RMB129,820,000 were paid during the years ended 31 December 2019 and 2018 respectively. The Group paid the deed tax of RMB25,761,000 for the land use right transfer contract during the year ended 31 December 2020. As at 31 December 2020, the total amount of approximately RMB674,861,000 (equivalent to approximately HK$801,688,000) (2019: RMB649,100,000 (equivalent to approximately HK$726,063,000)) paid by the Group is recognised as prepayment for the acquisition as the Group had not obtained the land use right certificate. In January 2021, the Group has obtained this certificate.

On 17 September 2020, the Group entered into a land use right transfer contract with Shanghai Minhang Land Bureau to acquire a parcel of land in Shanghai in the PRC for the development of commercial buildings, hotels and food and beverage businesses at a consideration of RMB428,650,000. As at 31 December 2020, the amount of RMB428,650,000 (equivalent to approximately HK$509,206,000) paid by the Group is recognised as prepayment for the acquisition as the Group had not obtained the land use right certificate. Up to the date of the consolidated financial statements are authorised for issue, the Group has obtained the land use right certificate.

(iv) The balance represents a guarantee deposit of RMB450,000,000 paid for the auction of a parcel of land in Tianjin in the PRC for a potential residential project. This deposit is refundable upon completion of the auction and entering into the land use right transfer contract. As at 31 December 2020, the Group won the auction but has not entered into the land use right transfer contract yet. Up to the date of the consolidated financial statements are authorised for issue, the Group has not entered into the land use right transfer contract yet.

(v) Prepaid other taxes comprise of prepayments for urban real estate tax, city maintenance and construction tax, business tax and value-added tax.

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

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

	2020 **HK$'000**	2019 HK$'000
Within 90 days	**11,850**	1,348
Within 91–180 days	**133**	1,138
Over 180 days	**3,077**	13,498
	15,060	15,984

26. TRADE AND OTHER RECEIVABLES, PREPAYMENT AND DEPOSIT (CONTINUED)

Ageing of trade receivables which are past due

	2020 HK$'000	2019 HK$'000
Within 91–180 days	133	1,138
Over 180 days	3,077	13,498
	3,210	14,636

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

Movement in the loss allowance for trade receivables

	2020 HK$'000	2019 HK$'000
At 1 January	271	737
Written-off as uncollectible	(5)	(466)
Exchange realignment	22	—
At 31 December	288	271

As at 31 December 2020, certain lease receivables with carrying amount of approximately HK$10,207,000 (2019: HK$9,888,000) are pledged as collaterals for bank borrowings.

Details of impairment assessment of trade and other receivables are set out in Note 39.

27. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 HK$'000	2019 HK$'000
Listed securities held-for-trading		
— Equity securities listed in the PRC	3,464	3,342

28. BANK BALANCES AND CASH

Bank balances which comprise of saving deposits and fixed deposits with maturity less than three months carry interest at market rates ranging from 0.35% to 3.00% (2019: 0.35% to 3.00%) per annum.

Included in the bank balances, there are amounts of approximately HK$5,025,000 (2019: HK$5,579,000) and HK$91,635,000 (2019: HK$72,128,000) that are denominated in United States Dollars ("US$") and HK$ respectively which are foreign currency of respective companies of the Group.

29. TRADE AND OTHER PAYABLES AND DEFERRED REVENUE

	2020 HK$'000	2019 HK$'000
Trade and other payables recognised as current liabilities		
Trade payables	1,953,441	1,236,195
Bills payables	—	632,627
Accrued expenditure on properties under development for sale	2,597,353	2,595,930
Amounts due to former shareholders of the Company's former subsidiaries (note (i))	166,828	158,364
Rental deposits and receipt in advance from tenants	212,231	239,239
Interest payable	138,366	90,924
Payables to the Shanghai government department (note (ii))	502,189	197,887
Deposit received on the disposal of a subsidiary (note (iii))	—	213,758
Accrued charges and other payables	388,836	459,012
Other taxes payables (note (iv))	786,447	76,804
	6,745,691	5,900,740
Deferred revenue recognised as non-current liabilities		
Deferred revenue (note (v))	20,176	4,853

Notes:

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

(ii) The amount represents the receipts of approximately HK$1,462,052,000 (2019: HK$1,376,684,000) from the buyers of affordable housings which are collected on behalf of the Shanghai government department and but are not repaid at the end of the reporting period, net of receivables of approximately HK$959,863,000 (2019: HK$1,178,797,000) for the construction and other related costs and the agreed profit margin for the affordable housings. The amount is repayable on demand. During the year ended 31 December 2020, none (2019: HK$340,329,000) was repaid to Shanghai government department.

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

Notes: (Continued)

(iii) As at 31 December 2019, the amount represented a deposit of RMB191,100,000 (equivalent to approximately HK$213,758,000) received pursuant to the disposal of Hunan Qianshuiwan Xiangya Garden Co., Ltd 湖南淺水灣湘雅溫泉花園有限公司 ("Hunan Qianshuiwan"), a partially owned subsidiary of the Company. On 8 April 2018, the Group entered into an equity transfer agreement (the "Agreement") with Hengda Real Estate Group Changsha Zhiye Company Limited 恒大地產集團長沙置業有限公司 ("Hengda Changsha"), being a non-controlling shareholder of Hunan Qianshuiwan, in relation to the disposal of the Group's entire equity interest in Hunan Qianshuiwan, at a cash consideration of RMB637,000,000 (equivalent to approximately HK$755,008,000) which comprised of RMB191,100,000 (the "Initial Payment") for disposal of the equity interest in Hunan Qianshuiwan and RMB445,900,000 for settlement of intercompany balances. According to the terms set out in the Agreement, completion of the disposal would take place when the consideration was fully settled. Following the completion of the disposal, the Group would cease to have control in Hunan Qianshuiwan. Hengda Changsha was a non-controlling shareholder of Hunan Qianshuiwan and this disposal was a related party transaction.

In previous years, the disposal was not completed and a consideration of RMB445,900,000 remained outstanding. Also, the Group received a summons issued by a court in the PRC that Hengda Changsha pleaded with the court to grant orders to rescind the Agreement and enforced the Group to return the Initial Payment and the earnest money of RMB10,000,000 to Hengda Changsha due to the potential substantial loss that Hengda Changsha would suffer in relation to potential compensation as result of a decision handed down by a court in the PRC against Hunan Qianshuiwan. The Group, after taking the advice from the PRC's legal advisor, initiated respective legal actions against Hengda Changsha during the year ended 31 December 2019. On 4 March 2020, the Group received the judgment from Hunan Higher People's Court 湖南省高級人民法院 (the "Higher Court") which was favourable to the Group. After that, Hengda Changsha submitted the appeal (the "Appeal") to The Supreme People's Court of The PRC 中華人民共和國最高人民法院 (the "SPC").

During the year ended 31 December 2020, the Group and Hengda Changsha reached consensus on proceeding the disposal and finally led to the completion. Accordingly, the deposit received of RMB191,100,000 (equivalent to approximately HK$220,359,000) was released and included in the calculation of the gain on disposal of this subsidiary. Details of the update of this case during the year and the calculation of the gain on disposal of this subsidiary are set out in Note 36.

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

(v) The balance as at 31 December 2020 mainly comprises of approximately HK$15,627,000 (2019: nil) which represents the deferred portion of the government's subsidies in relation to the development of rental market for residential properties in the PRC.

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

	2020 HK$'000	2019 HK$'000
Within 30 days	**886,849**	805,946
Within 31–180 days	**395,267**	631,708
Within 181–365 days	**325,188**	276,219
Over 365 days	**346,137**	154,949
	1,953,441	1,868,822

Included in trade and other payables, there is an amount of approximately HK$21,788,000 (2019: HK$19,977,000) denominated HK$ which is the foreign currency of respective companies of the Group.

30. AMOUNTS DUE FROM (TO) RELATED COMPANIES

The Group had the following balances with related parties:

	Notes	2020 HK$'000	2019 HK$'000
Amount due from a related company recognised in non-current assets:			
— A joint venture	(ii)(a)	**154,713**	—
Amount due from a related company recognised in current assets:			
— Joint ventures	(ii)(a)	**12**	336,499
Amounts due to related companies recognised in current liabilities:			
— Xuhui SASAC and entities controlled by Xuhui SASAC	(i)(a)	**233,271**	220,605
— A non-controlling shareholder	(i)(b)	**59,491**	41,539
— Non-controlling shareholders	(ii)(b)	**191,742**	386,224
— SIHL	(iii)	**28,148**	26,505
— Associates	(iv)	**15,685**	14,850
		528,337	689,723
Amounts due to related companies recognised in non-current liabilities:			
— Entities controlled by Xuhui SASAC	(i)(a)	**—**	223,714
— A non-controlling shareholder	(i)(b)	**—**	61,794
		—	285,508

Notes:

(i)(a) 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 2019, there was an aggregated amount of RMB200,000,000 (equivalent to approximately HK$223,714,000), which represented loans advanced from entities controlled by Xuhui SASAC through entrusted loan agreements administrated by banks, carrying fixed interest rate ranging 7.5% per annum to 9.0% per annum and were repayable in June 2021. During the year ended 31 December 2020, the balance was repaid in full.

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

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

Notes: (Continued)

(i)(b) The entire amount due to a non-controlling shareholder is non-trade in nature and unsecured.

Included in the amount due to a non-controlling shareholder as at 31 December 2020, there is an amount of RMB50,079,000 (equivalent to approximately HK$59,491,000) (2019: RMB55,243,000 (equivalent to approximately HK$61,794,000)), which represents a loan advanced from a non-controlling shareholder. This loan carries an interest rate at 108% of three year's People's Bank of China Benchmark Lending Rate ("PBOC Rate") per annum at the date of borrowing and it is repayable on 12 July 2021. During the year ended 31 December 2020, a portion of the balance was repaid.

The remaining balance was interest-free and repayable within one year.

(ii)(a) The entire amounts due from joint ventures are non-trade in nature and unsecured.

During the year ended 31 December 2019, the Group established joint ventures, namely Shanghai Nuozhuo and Shanghai Tianyu, with other investors for the purpose of bidding a parcel of land situated at Xuhui District in Shanghai in the PRC. Shanghai Tianyu is the project company for the bidding of the land. The Group holds 5% equity interest in Shanghai Tianyu directly and 27.5% equity interest in Shanghai Tianyu indirectly through Shanghai Nuozhuo. A refundable guarantee deposit of RMB925,600,000 was required to secure for the bidding of the land and it was contributed by the shareholders of Shanghai Tianyu according to their respective shareholdings. Accordingly, the Group advanced RMB46,280,000 (equivalent to approximately HK$51,767,000) and RMB254,540,000 (equivalent to approximately HK$284,732,000) to Shanghai Tianyu and Shanghai Nuozhuo respectively. During the year ended 31 December 2020, Shanghai Tianyu successfully bidded the land and the amounts were repaid to the Group.

In December 2020, the Group advanced an amount of approximately RMB130,127,000 (equivalent to approximately HK$154,713,000) at a guaranteed return of 8% per annum to Wuhan Gengcheng for its acquisition of parcels of land in Wuhan in the PRC. In the opinion of the management of the Group, the amount will not be repaid in 12 months from the end of the reporting period.

(ii)(b) The amounts due to non-controlling shareholders of the Group's subsidiaries are non-trade in nature and unsecured.

Included in the amounts due to non-controlling shareholders as at 31 December 2020, there is an amount of RMB150,086,000 (equivalent to approximately HK$178,292,000), which represents interest-free loans advanced from a non-controlling shareholder. These interest-free loans include an aggregate amount of RMB104,486,000 (equivalent to approximately HK$124,122,000) which are loans brought forward from previous years. Certain of these loans are repayable on demand and the remaining loans are repayable within 6 months from the end of the reporting period. Subsequent to the end of the reporting period, the Group received a legal letter from this non-controlling shareholder about the repayment of these loans. The Group is currently seeking legal advice from its external legal adviser. In the opinion of the management of the Group, this event has no material impact to the consolidated financial statements for the year ended 31 December 2020.

Included in the amounts due to non-controlling shareholders as at 31 December 2019, there was an amount of RMB104,486,000 (equivalent to approximately HK$116,875,000), which represented interest-free loans advanced from a non-controlling shareholder and repayable in a year by batches with last payments in December 2020. These interest-free loans included an aggregate amount of RMB92,486,000 (equivalent to approximately HK$103,452,000) which were loans brought forward from previous years with extension of repayment date to 31 December 2020 and cessation of interest bearing. During the year ended 31 December 2019, an amount of RMB24,000,000 (equivalent to approximately HK$27,226,000), which was a loan brought forward from previous years, was converted to the non-controlling shareholder's contribution to the relevant subsidiary of the Group, upon mutual agreement between the Group and the non-controlling shareholder.

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

(iii) The amounts are due to the Group's intermediate holding company (i.e. SIHL) and are non-trade in nature, interest-free and repayable on demand.

(iv) The amounts are trade in nature, unsecured and interest-free. The Group is granted an average credit period of 30 days for the balances.

31. PRE-SALE PROCEEDS RECEIVED ON SALES OF PROPERTIES

Pre-sale proceeds received on sales of properties are contract liabilities in relation to sale and purchase agreement entered into with property buyers. These proceeds are advance payments received on sales of property units and recognised as liabilities throughout the property construction period. These proceeds are recognised as revenue when the property buyers obtain control of the completed properties. The Group normally receives 30% to 100% of the contract value as pre-sale proceeds from property buyers when they sign the sale and purchase agreement. The following table shows how much of the revenue recognised in the current year relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in prior periods.

	2020 **HK$'000**	2019 HK$'000
Revenue recognised that was included in the balance of "pre-sale proceeds received on sales of properties" at the beginning of the year	**5,981,236**	5,024,018

For properties under development for sale, the Group typically provides guarantees to banks in connection with the property buyers' mortgage loans to finance their purchase of the properties for an amount up to 70% of the total purchase price of the property. If a property buyer defaults on the payment of its mortgage during the term of the guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount under the loan and any accrued interest thereon. Under such circumstances, the Group is able to retain the property buyer's deposits and sell the property to recover any amounts paid by the Group to the bank. Unless there is significant drop in the market price, which is remote, the Group would not be in a significant loss position in selling those properties out.

32. BANK AND OTHER BORROWINGS

	2020 HK$'000	2019 HK$'000
Bank borrowings	**7,824,925**	9,190,100
Other borrowings (note (ii))	**9,922,341**	7,522,202
	17,747,266	16,712,302
Analysed as:		
Secured bank borrowings (note (i))	**2,914,676**	4,907,102
Unsecured bank and other borrowings	**14,832,590**	11,805,200
	17,747,266	16,712,302
Carrying amount repayable:		
Within one year	**3,668,189**	5,426,344
More than one year, but not exceeding two years	**5,149,451**	3,242,916
More than two years, but not exceeding five years	**7,342,856**	6,902,203
Over five years	**1,586,770**	1,140,839
	17,747,266	16,712,302
Less: Amount due within one year shown under current liabilities	**(3,668,189)**	(5,426,344)
Amount due after one year (note (iii))	**14,079,077**	11,285,958
Floating rate		
— expiring within one year	**2,332,683**	3,190,916
— expiring beyond one year	**6,540,803**	6,997,754
Fixed rate		
— expiring within one year	**1,335,504**	2,235,428
— expiring beyond one year	**7,538,276**	4,288,204
	17,747,266	16,712,302

32. BANK AND OTHER BORROWINGS (CONTINUED)

Notes:

(i) Assets that are pledged as collaterals to secure bank borrowings are as follows:

	2020 HK$'000	2019 HK$'000
Properties under development for sale	**7,166,465**	4,483,418
Properties held-for-sale	**—**	645,466
Investment properties	**9,655,218**	8,616,868
Property, plant and equipment	**192,379**	—
Pledged bank deposits	**4,645**	491,070
Trade receivables	**10,207**	9,888
	17,028,914	14,246,710

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

	2020 HK$'000	2019 HK$'000
Advanced bonds — 2015 (note (a))	**2,099,073**	2,009,477
Advanced bonds — 2016 (note (b))	**—**	615,213
Advanced bonds — 2019 (note (c))	**1,363,224**	1,282,055
Advanced bonds — 2020 (note (d))	**2,783,552**	—
Medium term notes — 2018 (note (e))	**1,186,518**	1,115,645
Medium term notes — 2019 (note (f))	**1,184,423**	1,113,098
Borrowings from SIHL Finance Limited (note (g))	**1,163,000**	1,163,000
Others (note (h))	**142,551**	223,714
	9,922,341	7,522,202

(a) The advanced bonds — 2015 represent bonds issued by SUD and listed on the Shanghai Stock Exchange during the year ended 31 December 2015. The bonds are unsecured and have maturity of seven years falling due on 6 November 2022. The bonds carry a fixed interest rate at 4.47% per annum for the first five years and 4.47% per annum plus a premium determined by SUD for the last two years. The bondholders 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 bonds. The bonds, net of transaction costs, carry an effective interest rate at 4.71% per annum. During the year ended 31 December 2020, the principal amount of RMB33,000,000 (equivalently to approximately HK$37,087,000) was redeemed by the bondholders.

(b) The advanced bonds — 2016 represent bonds issued by SUD and listed on the Shanghai Stock Exchange during the year ended 31 December 2016. The bonds are unsecured and have maturity of six years falling due on 30 August 2022. The bonds carry a 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 bonds. The bonds, net of transaction costs, carry an effective interest at 4.12% per annum. In August 2019, SUD redeemed certain portion of the bonds. As at 31 December 2019, the principal amount of the outstanding bonds was RMB550,000,000. During the year ended 31 December 2020, SUD redeemed the outstanding bonds.

32. BANK AND OTHER BORROWINGS (CONTINUED)

Notes: (Continued)

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

(c) The advanced bonds — 2019 represent bonds issued by SUD and listed on the Shanghai Stock Exchange during the year ended 31 December 2019. The bonds are unsecured and have maturity of four years falling due on 23 August 2022. The bonds have principal amount of RMB1,150,000,000 and carry a fixed interest rate at 3.95% per annum. Transaction costs of approximately RMB4,340,000 (equivalent to approximately HK$4,923,000) were directly deducted from the carrying amount of the bonds. The bonds, net of transaction costs, carry an effective interest rate at 4.09% per annum.

(d) The advanced bonds — 2020 represent two batches of bonds issued by SUD and listed on the Shanghai Stock Exchange during the year ended 31 December 2020. The bonds are unsecured and have maturity of three years falling due in year ending 31 December 2023. One batch of bonds, which will mature on 18 September 2023, were issued at the principal amount of RMB1,800,000,000 and carry a fixed interest rate at 4.07% per annum (the "Bond A"). Transaction costs of approximately RMB5,604,000 (equivalent to approximately HK$6,298,000) were directly deducted from the carrying amount of the Bond A. The Bond A, net of transaction costs, carries an effective interest rate at 4.18% per annum. The other batch of bonds, which will mature on 18 June 2023, were issued at the principal amount of RMB550,000,000 and carry a fixed interest rate at 3.49% per annum (the "Bond B"). Transaction costs of approximately RMB2,075,000 (equivalent to approximately HK$2,332,000) were directly deducted from the carrying amount of the Bond B. The Bond B, net of transaction costs, carries an effective interest rate at 3.62% per annum.

(e) The medium term notes — 2018 represent notes issued by SUD and listed on the Shanghai Stock Exchange during the year ended 31 December 2018. The notes are unsecured and have maturity of three years falling due on 18 October 2021. The notes have principal amount of RMB1,000,000,000 and carry a fixed interest rate at 4.60% per annum. Transaction costs of approximately RMB4,245,000 (equivalent to approximately HK$5,030,000) were directly deducted from the carrying amount of the notes. The notes, net of transactions costs, carry an effective interest rate at 4.75% per annum.

(f) The medium term notes — 2019 represent notes issued by SUD and listed on the Shanghai Stock Exchange during the year ended 31 December 2019. The notes are unsecured and have maturity of three years falling due on 11 June 2022. The notes have principal amount of RMB1,000,000,000 and they carry a fixed interest rate at 4.00% per annum. Transaction costs of approximately RMB5,943,000 (equivalent to approximately HK$6,742,000) were directly deducted from the carrying amount of the notes. The notes, net of transactions costs, carry an effective interest rate at 4.21% per annum.

(g) On 6 May 2019 and 12 August 2019, the Group entered into loan agreements with SIHL Finance Limited, a subsidiary of SIHL, for two unsecured borrowings at the principal amounts of HK$423,000,000 and HK$740,000,000 respectively. The borrowing with principal amount of HK$423,000,000 carried variable interest at 3 months Hong Kong Interbank Offered Rate ("HIBOR") plus a premium of 2.4% per annum and had maturity date on 17 May 2020. The borrowing with principal amount of HK$740,000,000 carried a variable interest rate at 3 months HIBOR plus a premium of 2.2% per annum and had maturity date on 12 August 2020. Upon the maturity dates, these borrowings of HK$423,000,000 and HK$740,000,000 were extended to 17 May 2021 and 12 August 2021 respectively with interest rates remained unchanged.

32. BANK AND OTHER BORROWINGS (CONTINUED)

Notes: (Continued)

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

(h) In January 2015, the Group entered into a loan facility agreement with an independent third party. Pursuant to the loan facility agreement, the Group was granted a RMB denominated loan facility of RMB200,000,000, which carried a fixed interest rate at 9% per annum. The loan facility could be drawn down in any amount and at any time from the date of the loan facility agreement and it was unsecured and administrated by a bank. During the year ended 31 December 2016, loans with aggregated amount of RMB200,000,000 were drawn down by the Group and would mature during May 2017 to June 2018. On 20 April 2017 and 5 December 2020, the Group and the lender entered into loan extension agreements respectively. Pursuant to the agreements, the maturity dates for the loans of RMB80,000,000 and RMB120,000,000 were extended to 3 May 2020 and 5 December 2020 respectively and the fixed interest rate was revised to 7.5% per annum. As at 31 December 2020, the loan of RMB120,000,000 (equivalent to approximately HK$142,551,000) remained outstanding because the Group has a dispute with a non-controlling shareholder of a group entity regarding the arrangement of providing additional capital to that entity. The Group is currently seeking advice from its external legal adviser. In the opinion of the management of the Group, this event has no material impact to the consolidated financial statements for the year ended 31 December 2020.

(iii) As at 31 December 2020, included in the Group's other borrowings are amounts of approximately HK$7,430,272,000 (2019: HK$4,126,011,000) 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:

	2020	2019
Effective interest rate:		
Fixed-rate borrowings	**4.15%–7.50%**	4.75%–7.50%
Variable-rate borrowings	**3.80%–6.51%**	3.80%–6.51%

Included in bank and other borrowings, there is an amount of approximately HK$1,463,000,000 (2019: HK$1,163,000,000) denominated in HK$ which is the foreign currency of respective companies of the Group.

33. LEASE LIABILITIES

	2020 HK$'000	2019 HK$'000
Lease liabilities payable:		
Within one year	**64,811**	67,385
Within a period of more than one year but not more than two years	**4,507**	58,222
Within a period of more than two years but not more than five years	**102,970**	98,247
Within a period of more than five years	**3,261**	4,732
	175,549	228,586
Less: Amount due for settlement within twelve months shown under current liabilities	**(64,811)**	(67,385)
Amount due for settlement after twelve months under non-current liabilities	**110,738**	161,201

33. LEASE LIABILITIES (CONTINUED)

The lease liabilities are denominated in currency other than the functional currency of the relevant group entity are set out below:

	HK$ against RMB HK$'000
As at 31 December 2020	**5,511**
As at 31 December 2019	10,460

34. 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 properties under development for sale and properties held-for-sale HK$'000	Revaluation of investment properties HK$'000	Fair value adjustment on hotel properties HK$'000	Accrued expenses HK$'000	LAT deferred tax HK$'000	Leases HK$'000	Undistributed earnings of the PRC entities HK$'000	Others HK$'000	Total HK$'000
At 1 January 2019	(1,987,837)	(2,333,563)	(17,978)	222,948	(56,709)	–	(65,550)	42,727	(4,195,962)
Credit (charge) to profit or loss for the year	742,124	(45,606)	–	114,769	17,792	(491)	–	4,501	833,089
Debit to OCI upon fair value changes of equity instruments at FVTOCI	–	–	–	–	–	–	–	(1,896)	(1,896)
Exchange realignment	24,123	41,317	318	(5,545)	753	7	1,158	(124)	62,007
At 31 December 2019	(1,221,590)	(2,337,852)	(17,660)	332,172	(38,164)	(484)	(64,392)	45,208	(3,302,762)
Credit (charge) to profit or loss for the year	641,699	(39,026)	–	(223,899)	9,211	(1,177)	–	37,894	424,702
Credit to OCI upon fair value changes of equity instruments at FVTOCI	–	–	–	–	–	–	–	6,560	6,560
Disposal of a subsidiary (Note 36)	61,883	–	–	–	–	–	–	–	61,883
Exchange realignment	(37,943)	(144,684)	(1,095)	7,831	(1,841)	(97)	(3,993)	5,296	(176,526)
At 31 December 2020	(555,951)	(2,521,562)	(18,755)	116,104	(30,794)	(1,758)	(68,385)	94,958	(2,986,143)

34. DEFERRED TAXATION (CONTINUED)

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

	2020 HK$'000	2019 HK$'000
Deferred tax assets	252,246	394,706
Deferred tax liabilities	(3,238,389)	(3,697,468)
	(2,986,143)	(3,302,762)

As at 31 December 2020, the Group has unused tax losses of approximately HK$3,588,813,000 (2019: HK$3,569,287,000) available for offset against future profits, which are subject to the confirmation from Hong Kong Inland Revenue Department and the respective PRC tax authorities. No deferred tax asset was recognised in respect of such losses due to the unpredictability of future profit streams of respective group entities. During the year ended 31 December 2020, tax losses of approximately HK$805,070,000 (2019: HK$317,140,000) were expired. Included in unrecognised tax losses, there are losses of approximately HK$3,259,081,000 (2019: HK$3,239,556,000) that will expire in various dates in the next five years. Other losses may be carried forward indefinitely.

Under the EIT law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. No deferred taxation was provided in the consolidated financial statements in respect of temporary differences of approximately HK$9,509,412,000 (2019: HK$8,672,276,000) 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.

35. SHARE CAPITAL

	Number of shares '000	Amount HK$'000
Ordinary shares of HK$0.04 each		
Authorised:		
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	10,000,000	400,000
Issued and fully paid:		
At 1 January 2018, 31 December 2018 and 1 January 2019	4,810,973	192,439
Shares repurchased and cancelled	(4,650)	(186)
At 31 December 2019, 1 January 2020 and 31 December 2020	4,806,323	192,253

35. SHARE CAPITAL (CONTINUED)

During the year ended 31 December 2019, the Company repurchased its own ordinary shares through the Stock Exchange as follows:

Date of repurchase	Number of ordinary shares of HK$0.04 each '000	Price per share Highest HK$	Price per share Lowest HK$	Aggregate consideration paid (excluding transaction costs) HK$'000	Transaction costs HK$'000
30 August 2019	2,200	1.12	1.12	2,467	9
26 September 2019	1,000	1.02	1.00	1,009	3
27 September 2019	1,150	1.00	0.97	1,131	4
3 October 2019	300	0.99	0.99	297	1
	4,650			4,904	17

The above ordinary shares were cancelled during the year ended 31 December 2019.

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

36. GAIN ON DISPOSAL OF A SUBSIDIARY

Disposal of Hunan Qianshuiwan

Saved as disclosed in Note 29 (iii), during the second half of the year ended 31 December 2020, the Group and Hengda Changsha reached settlement in respect of the Appeal and entered into a settlement agreement (the "Disposal Settlement Agreement"). Pursuant to Disposal Settlement Agreement, Hengda Changsha undertook, among others, to continue to perform the Agreement on or before 30 October 2020. On 25 August 2020, the SPC issued a consent judgment (the "Disposal Consent Judgment") in respect of the Disposal Settlement Agreement in accordance with the stipulations of the Civil Procedure Law of the PRC 中華人民共和國民事訴訟法 (the "Civil Procedure Law"). Immediately after the Disposal Consent Judgment took effect after being signed by both parties, the Appeal would terminate accordingly. In addition, the Group also entered into a settlement agreement with Evergrande Real Estate Group Limited 恒大地產集團有限公司 ("Evergrande Holdco") (the "Evergrande Settlement Agreement"), being the sole shareholder of Hengda Changsha, pursuant to which Evergrande Holdco, agreed, among others, to guarantee the payment obligations of Hengda Changsha under the Disposal Consent Judgment. Details of the terms included in the Disposal Settlement Agreement and the Evergrande Settlement Agreement are set out in the Company's announcement on 26 August 2020. Following Hengda Changsha performed all of its payment obligations under the Disposal Consent Judgment, and the Group completed its obligations for preparation of completion under the Agreement and the Disposal Consent Judgment, the Group ceased to have any effective control over Hunan Qianshuiwan since 29 December 2020.

36. GAIN ON DISPOSAL OF A SUBSIDIARY (CONTINUED)

Disposal of Hunan Qianshuiwan (Continued)

The net assets of Hunan Qianshuiwan at the date of disposal are as follows:

	HK$'000
Consideration:	
Cash received (note)	605,267
Deposit received (Note 29)	220,359
	825,626
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	7,534
Pledged bank deposits	1,107
Properties under development for sale and properties held-for-sale	482,182
Trade and other receivables	119,466
Prepaid income tax and land appreciation tax	7,584
Bank balances and cash	1,841
Trade and other payables	(17,551)
Amount due to a non-controlling shareholder	(240,273)
Pre-sale proceeds received on sales of properties	(1,990)
Deferred tax liabilities	(61,883)
Income tax and land appreciation tax payables	(17,480)
Net assets disposed of	280,537
Gain on disposal of Hunan Qianshuiwan:	
Total consideration	825,626
Net assets disposed of	(280,537)
Non-controlling interest disposal of	92,577
Gain on disposal of a subsidiary	637,666
Net cash outflow arising on the disposal:	
Cash received	605,267
Less: bank balances and cash disposed of	(1,841)
	603,426

Note: The cash received comprises of the remaining consideration of RMB445,900,000 (equivalent to approximately HK$514,172,000) and total default interests of approximately RMB79,000,000 (equivalently to approximately HK$91,095,000) pursuant to the Disposal Consent Judgment.

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 2019, the number of shares of the Company in respect of which options had been granted and remained outstanding under the Scheme of the Company was 27,750,000, representing 0.58% 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 2020	Lapsed during the year	Outstanding at 31 December 2020	Exercisable period	Exercised price per share (subject to anti-dilutive adjustment)
Directors	24 September 2010	**21,000,000**	**(21,000,000)**	**–**	24 September 2010 – 23 September 2020	2.98
Employees	24 September 2010	**6,750,000**	**(6,750,000)**	**–**	24 September 2010 – 23 September 2020	2.98
Exercisable at the end of the year				**–**		
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 2019	Lapsed during the year	Outstanding at 31 December 2019	Exercisable period	Exercised price per share (subject to anti-dilutive adjustment)
Directors	24 September 2010	21,000,000	–	21,000,000	24 September 2010 – 23 September 2020	2.98
Employees	24 September 2010	6,750,000	–	6,750,000	24 September 2010 – 23 September 2020	2.98
Exercisable at the end of the year				27,750,000		
Weighted average exercise price		2.98	–	2.98		

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.

On 23 September 2020, the outstanding share options expired and the balance of share-based payments reserve of HK$31,892,000 was transferred to retained profits in the consolidated statement of changes in equity.

38. CAPITAL RISK MANAGEMENT

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

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

The management of the Group actively and regularly reviews the capital structure. As part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital. The Group has a target gearing ratio of not more than 100% determined as the proportion net debt, which includes and bank and other borrowings less bank balances and cash and restricted and pledged bank deposits to equity. As at 31 December 2020, the gearing ratio of the Group is 31.9% (2019: 29.1%). Based on recommendations of the management of the Group, the Group will balance its overall capital structure through new shares issue, and share buy-backs as well as the issue of new debt or the redemption of existing debts.

39. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2020 HK$'000	2019 HK$'000
Financial assets		
Financial assets at FVTPL	**3,464**	3,342
Equity instruments at FVTOCI	**134,224**	160,208
Financial assets at amortised cost	**10,513,684**	10,381,827
Financial liabilities		
Amortised cost	**21,202,387**	20,163,648

b. Financial risk management objectives and policies

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

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

39. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

Market risk

(i) Currency risk

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

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

	Assets		Liabilities	
	2020	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000
US$	**5,025**	5,579	**–**	–
HK$	**91,635**	72,128	**1,484,788**	1,182,977

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% (2019: 5%) increase and decrease in RMB against the relevant foreign currencies. 5% (2019: 5%) is the sensitivity rate used when reporting foreign currency risk internally and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items. A negative number below indicates a decrease in post-tax profit where RMB strengthen 5% (2019: 5%) against US$ and HK$ respectively. For a 5% (2019: 5%) weakening of RMB against US$ and HK$ respectively, there would be an equal and opposite impact on the result.

	US$ (i)		HK$ (ii)	
	2020	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000
Impact for post-tax profit for the year	**(251)**	(279)	**69,658**	55,542

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

(ii) This is mainly attributable to the exposure to certain bank balances, certain bank and other borrowing and certain trade and other payables denominated in HK$.

39. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank and other borrowings (see Note 32), amounts due to a non-controlling shareholder (see Note 30), pledged bank deposits and bank balances. It is the Group's policy to keep its bank borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group is also exposed to fair value interest rate risk in relation to fixed-rate other borrowings, amounts due to entities controlled by Xuhui SASAC (see Note 30), interest-bearing other receivables, amount due from a joint venture (see Note 30), bank balances and restricted and pledged bank deposits. The Group currently does not enter into any hedging instrument for fair value interest rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group cash flow interest rate risk is mainly concentrated on the fluctuations of the PBOC Rate and HIBOR arising from the Group's RMB and HK$ denominated bank and other 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 (2019: 100) basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 (2019: 100) basis point higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2020 would have decreased/increased by approximately HK$57,616,000 (2019: HK$55,486,000) assuming interest of approximately HK$21,146,000 (2019: HK$33,221,000) are capitalised into qualifying assets.

(iii) Other price risk

The Group is exposed to equity price risk arising from changes in the fair value of its financial assets at FVTPL and equity instruments at FVTOCI (both listed and unlisted).

No sensitivity analysis on other price risk is presented for the financial assets at FVTPL and unlisted equity instruments at FVTOCI as the management of the Group considers a reasonable possible change to the fair value of these financial instruments will not have a significant effect to the Group's profit or loss and investment revaluation reserve respectively.

The sensitivity analysis below has been determined assuming that the change in prices had occurred at the end of the reporting period and had been applied to the exposure to price risk for the Group's listed equity instrument at FVTOCI at that date.

39. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(iii) Other price risk (Continued)

A 10% (2019: 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 2020, if the price of the listed equity instruments at FVTOCI had been 10% higher/lower and all other variables were held constant, the Group's investment revaluation reserve, net of tax, would have increased/decreased by approximately HK$4,071,000 (2019: HK$4,495,000) as a result of the changes in fair value of listed equity instruments at FVTOCI.

Credit risk and impairment assessment

As at 31 December 2020, other than those financial assets whose carrying amounts best represent the maximum exposure to credit risk, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from the amount of contingent liabilities in relation to financial guarantees provided by the Group as disclosed in Note 43(a). The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets and financial guarantee contracts.

The Group's credit risk is primarily attributable to its trade and other receivables, amounts due from related companies, restricted and pledged bank deposits and bank balances.

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

The credit risk on bank balances and restricted and pledged bank deposits is limited because the counterparties are banks with good reputation and having high credit ratings assigned by international credit rating agencies. There has been no recent history of default in relation to these banks and thus the risk of default is regard as low.

In order to minimise the credit risk on trade and other receivables and amounts due from related companies, the management of the Group implements monitoring procedures to ensure that follow-up action is taken to recover overdue debts and reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate allowance are made for irrecoverable amounts on trade and other receivables (including lease receivables). In this regard, the management of the Group considers that the credit risk on trade and other receivables (including lease receivables) are significantly reduced. The Group applies simplified approach on trade receivables and lease receivables and 12m ECL on other receivables to assess for lifetime ECL prescribed by HKFRS 9. To measure the ECL on trade and other receivables (including lease receivables), they are assessed individually on the recoverability based on historical settlement records, past experience, and also the available and supportive forward-looking information. The management of the Group believes that there is no material credit risk inherent in the Group's outstanding balances of trade and other receivables (including lease receivables).

39. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which account for 100% (2019: 100%) of the total trade and other receivables (including lease receivables) as at 31 December 2020. The management of the Group closely monitors the subsequent settlement of trade and other receivables (including lease receivables) and financial positions of related companies and debtors which the Group made advancements. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

In relation to the guarantees provided by the Group to secure obligations of the buyers of the property units for the repayment of their mortgage loans, if there is a default in repayment by these buyers, the Group is responsible for repaying the outstanding mortgage loans together with any accrued interests and penalties owed by the defaulted buyers to banks. Under such circumstances, the Group is able to retain the customer's deposits, take over the ownership of the relevant properties and sell the properties to recover any amounts paid by the Group to banks. In this regard, the management of the Group considers that the Group's credit risk on such guarantees is significantly reduced. Details disclosure of these guarantees are set out in Note 43(a).

The Group's exposure to credit risk is mainly influenced mainly by the characteristics of each individual customer rather than the industry or country in which the customers operate and therefore significant concentration of credit risk arises when the Group has significant exposure to any individual customer. At the end of the reporting period, the Group has no significant concentration of credit risk within its business including property development, property investment, hotel operations and property management.

The Group's credit risk position on other receivables are closely monitored by the management of the Group.

Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2020, the Group had available unutilised overdraft and bank borrowings facilities of approximately HK$3,770,110,000 (2019: HK$1,469,036,000).

39. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

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

	Weighted average interest rate %	On demand or less than 1 year HK$'000	1–2 years HK$'000	2–5 years HK$'000	More than 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 2020 HK$'000
2020							
Non-derivative financial liabilities							
Trade and other payables	N/A	2,926,784	–	–	–	2,926,784	2,926,784
Amounts due to related companies	N/A	528,337	–	–	–	528,337	528,337
Bank and other borrowings	4.02	4,628,820	5,608,472	8,551,426	1,612,522	20,401,240	17,747,266
Financial guarantee contracts issued							
Maximum amount guaranteed (Note 43(a))	N/A	3,170,493	–	–	–	3,170,493	–
		11,254,434	5,608,472	8,551,426	1,612,522	27,026,854	21,202,387
Lease liabilities	4.75	64,811	4,946	118,709	4,370	192,836	175,549

	Weighted average interest rate %	On demand or less than 1 year HK$'000	1–2 years HK$'000	2–5 years HK$'000	More than 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 2019 HK$'000
2019							
Non-derivative financial liabilities							
Trade and other payables	N/A	2,476,115	–	–	–	2,476,115	2,476,115
Amounts due to related companies	2.3	689,723	298,324	–	–	988,047	975,231
Bank and other borrowings	4.08	5,647,739	3,512,936	9,568,189	1,161,605	19,890,469	16,712,302
Financial guarantee contracts issued							
Maximum amount guaranteed (Note 43(a))	N/A	3,454,511	–	–	–	3,454,511	–
		12,268,088	3,811,260	9,568,189	1,161,605	26,809,142	20,163,648
Lease liabilities	4.75	70,586	63,885	113,267	5,055	252,793	228,586

39. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the financial guarantee arrangement if the counterparty to the guarantee claims the amount. Based on expectations made by the management of the Group, at the end of the reporting period, it is not likely any amount may be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty to guarantee who exercises the right to claim. It is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

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

40. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

Some of the Group's financial instruments are measured at fair value for financial reporting purposes. In estimating the fair value, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engaged an independent qualified professional valuer to perform the valuation. The management of the Group works closely with the valuer to establish the appropriate valuation techniques and inputs to the model.

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

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

	Fair value		Fair value	Valuation techniques	Significant
Financial assets	2020	2019	hierarchy	and inputs	unobservable inputs
Financial assets at FVTPL	**Listed equity securities in the PRC — HK$3,464,000**	Listed equity securities in the PRC — HK$3,342,000	Level 1	Quoted bid prices in an active market	N/A
Equity instruments at FVTOCI	**Listed equity securities in the PRC — HK$91,994,000**	Listed equity securities in the PRC — HK$101,588,000	Level 1	Quoted bid prices in an active market	N/A
	Unlisted equity securities in the PRC — HK$42,230,000	Unlisted equity securities in the PRC — HK$58,620,000	Level 3	Adjusted net asset value method under cost approach	Discount factor of 10.6% (2019: 4.6%)

40. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

(ii) Reconciliation of Level 3 fair value measurement

	Unlisted equity securities classified as equity instruments at FVTOCI HK$'000
At 1 January 2019	78,192
Change in fair value recognised in OCI	(4,381)
Refund of capital	(14,066)
Exchange realignment	(1,125)
At 31 December 2019	58,620
Change in fair value recognised in OCI	(11,202)
Refund of capital	(7,741)
Exchange realignment	2,553
At 31 December 2020	42,230

In the opinion of the management of the Group, there was no material change in fair value of unlisted equity instruments at FVTOCI during the years ended 31 December 2020 and 2019. Besides, no material impact on the fair value of these instruments is expected given 5% increase or decrease of the discount factor. Therefore, no sensitivity analysis for these level 3 instruments are presented.

There were no transfer between instruments in Level 1, 2 and 3 in both years.

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

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

The management of the Group considers that the carrying amounts of other financial assets and financial liabilities carried at amortised cost approximate their respective fair values.

41. CAPITAL COMMITMENTS

	The Group 2020 HK$'000	2019 HK$'000
Expenditure contracted for but not provided for in the consolidated financial statements		
— additions in properties under development for sale	**8,909,476**	8,826,760
— capital contribution into joint ventures	**—**	1,708,613
— capital contribution into a joint venture	**361,861**	—
	9,271,337	10,535,373

The Group's share of the capital commitments made jointly with the other joint investor relating to its joint venture, Wuhan Gengcheng, but not recognised at the end of the reporting period is as follows:

	2020 HK$'000	2019 HK$'000
Commitment of capital contribution for the acquisition of a parcel of land	**773,592**	—

42. OPERATING LEASES

The Group as lessor

Property rental income earned during the year is approximately HK$662,718,000 (2019: HK$750,020,000). Certain of the Group's investment properties have committed tenants for the next two to ten years with an option to renew the lease after that date at which time all terms are renegotiated.

Undiscounted lease payments receivable on lease are as follows:

	2020 HK$'000	2019 HK$'000
Within one year	**618,200**	629,598
In the second year	**481,228**	424,095
In the third year	**341,072**	330,116
In the fourth year	**202,364**	244,062
In the fifth year	**160,004**	149,207
After five years	**401,584**	396,527
	2,204,452	2,173,605

43. CONTINGENT LIABILITIES

(a) Corporate guarantees

	2020 HK$'000	2019 HK$'000
Guarantees given to banks in respect of banking facilities utilised by:		
— property buyers	**2,746,402**	3,055,182
— an associate	**424,091**	399,329
	3,170,493	3,454,511

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

The Group entered into agreements with certain banks with respect to mortgage loans provided to buyers of the Group's property units and made deposits as security to and gave guarantees on mortgage loans provided to the buyers by these banks under the agreements. The management of the Group considers that the possibility of default of repayment of the mortgage loans by the relevant buyers is remote and, in case of the default, the net realisable value of the related properties withheld by the Group can recover the repayment of the outstanding mortgage principals together with the accrued interests and penalties. Accordingly, no ECL under HKFRS 9 has been made in the consolidated financial statements for these guarantees.

Guarantee given to banks in respect of banking facilities utilised by an associate of the Group

The Group entered into an agreement with a bank to provide a corporate guarantee with respect to the bank borrowing granted to an associate of the Group. As at 31 December 2020, the maximum liability of the Company under such guarantee was the outstanding amount of the bank loan to the associate of RMB357,000,000 (equivalent to approximately HK$424,091,000) (2019: RMB357,000,000 (equivalent to approximately HK$399,329,000)).

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

43. CONTINGENT LIABILITIES (CONTINUED)

(b) Litigation

As set out in the Company's announcement dated 1 October 2018, Hunan Qianshuiwan, being a non-wholly owned subsidiary of the Group, commenced legal proceedings against XiangYa School of Medicine, Central South University 中南大學湘雅醫學院 ("Xiangya") and Hunan Shangdi Property Development Co., Ltd. 湖南上地置業發展有限公司 ("Shangdi") (Xiangya and Shangdi collectively referred to as the "Defendants") (the "Litigation") in previous years claiming, among others, the return of the surety money to the Group and damages and to seek a ruling from the court to release the parties from a series of agreements entered into between the Group and the Defendants in relation to a proposed residential real estate development on a parcel of land (the "Land") located in Changsha (the "Land Development Agreements"). In the course of proceedings, the Group received counterclaims from the Defendants. The Litigation was conducted at different levels of court in the PRC during the years 2010 to 2017 and the judgment rulings were generally in favour of the Group. However, the judgment handed down by the court on 25 September 2018, after the Defendant's appeal, was unfavourable to the Group and the Group was required, among others, to make a compensation of RMB402.8 million to the Defendants, of which RMB22.8 million relating to the developed part of the Land and RMB380 million relating to the undeveloped part of the Land. The Group made appeal to the Higher Court and it was heard on 7 June 2019.

The judgment received from the Higher Court on 4 March 2020 (the "Appeal Judgment") was unfavourable to the Group. The Higher Court ruled that the Land Development Agreements could no longer be performed and while there were breaches committed by both Hunan Qianshuiwan and Shangdi, the fundamental cause was that Hunan Qianshuiwan had changed the development plan without having properly notified the other parties of the termination of the Land Development Agreements, and thereby violating the original intent of the joint development. Pursuant to the Appeal Judgment, (i) the Land Development Agreements should be released with effect from 6 January 2009; (ii) Shangdi shall return to Hunan Qianshuiwan the surety money in the sum of RMB20 million (together with interest accrued from year 2009 to the date of payment); (iii) Hunan Qianshuiwan shall return to Shangdi the earnest money in the sum of RMB10 million (together with interest accrued from 2009 to the date of payment); (iv) Hunan Qianshuiwan is required to pay Shangdi damages in the amount of RMB122 million (together with interest accrued from year 2007 to the date of payment) as compensation for loss of land use rights in respect of the Land.

The Group, after obtaining opinions from the PRC's legal advisors, considered that it had a good ground to make an application for a retrial to repeal the judgment made by the Higher Court and obtain a favourable result to the Group. Accordingly, during the first half of year 2020, Hunan Qianshuiwan, commenced the process to pursue civil procuratorial protest against the judgment to the People's Procuratorates 人民檢察院 for a retrial. In July 2020, the People's Procuratorates accepted the application. Shangdi applied for enforcement of the Appeal Judgment and sealing of the land use rights of the Land. The Intermediate People's Court of Changsha Municipality Hunan 湖南長沙市中級人民法院 issued an execution judgment on 15 July 2020. After that, Hengda Changsha reached a settlement guarantee performance agreement with Shangdi whereby (i) Hengda Changsha shall provide an irrevocable guarantee in favour of Shangdi in respect of Hunan Qianshuiwan's payment obligations of the judgment sum under the Appeal Judgment, (ii) Hengda Changsha agrees to provide an irrevocable guarantee to Hunan Qianshuiwan regarding the payment of an aggregate amount of approximately RMB385.9 million by installments to Shangdi, and (iii) Shangdi shall not in any way obstruct the construction of the development project on the Land. Details of above are set out in the Company's announcement on 26 August 2020.

43. CONTINGENT LIABILITIES (CONTINUED)

(b) Litigation (Continued)

During the second half of year 2020, the Group disposed of Hunan Qianshuiwan to Hengda Changsha and ceased to have any effective control over Hunan Qianshuiwan since 29 December 2020. Accordingly, in the opinion of the management of the Group, after obtaining opinions from the PRC's legal advisors, the Group is no longer liable to the Litigation. Details of the disposal of Hunan Qianshuiwan are set out in Note 36.

44. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Dividend payable HK$'000	Interest payable (Note 29) HK$'000	Bank and other borrowings (Note 32) HK$'000	Amounts due to related companies (Note 30) HK$'000	Lease liabilities (Note 33) HK$'000	Total HK$'000
At 1 January 2019	182,910	54,499	15,395,520	886,336	246,974	16,766,239
Financing cash flows (note)	(334,074)	—	480,071	105,120	(71,611)	179,506
Finance costs recognised (Note 9)	—	—	1,213,754	—	2,164	1,215,918
New leases entered/lease modified	—	—	—	—	54,300	54,300
Transfer	—	37,918	(37,918)	—	—	—
Non-cash transaction (Note 30(ii)(b))	—	—	—	(27,226)	—	(27,226)
Dividend declared	454,082	—	—	—	—	454,082
Foreign exchange translation	(4,668)	(1,493)	(339,125)	(3,849)	(3,241)	(352,376)
At 1 January 2020	298,250	90,924	16,712,302	960,381	228,586	18,290,443
Financing cash flows (note)	(789,667)	—	(985,758)	(221,055)	(69,053)	(2,065,533)
Finance costs recognised (Note 9)	—	—	1,178,348	—	4,157	1,182,505
New leases entered	—	—	—	—	8,045	8,045
Transfer	—	37,142	(37,142)	—	—	—
Non-cash transaction (Note 36)	—	—	—	(240,273)	—	(240,273)
Dividend declared	506,311	—	—	—	—	506,311
Foreign exchange translation	1,340	10,300	879,516	13,599	3,814	908,569
At 31 December 2020	16,234	138,366	17,747,266	512,652	175,549	18,590,067

Note: The financing cash flows represented the net amount of proceeds from bank and other borrowings, advances from related companies, payments of transaction costs for issue of advanced bonds and medium term notes, payments of finance costs, repayments of bank and other borrowings, repayments to related companies and payments of dividend.

45. RELATED PARTY TRANSACTIONS

(a) Transactions with key management personnel

Remuneration for key management personnel of the Group, including amounts paid to the directors of the Company as disclosed in Note 12, is as follows:

	2020 HK$'000	2019 HK$'000
Short-term employee benefits	7,512	10,592
Post-employment benefits	122	192
	7,634	10,784

Total remuneration is included in "total staff costs" (Note 11).

(b) Transactions and balances with related parties

Saved as disclosed in elsewhere in the consolidated financial statements, the Group has following transactions and balances with related parties:

Name of related company	Nature of transactions	2020 HK$'000	2019 HK$'000
Associates	Property agency fees	(17,736)	(49,397)
	Rental income	24	1,483
	Management fee	(3,527)	(3,564)
Non-controlling shareholder of a subsidiary	Management income	28	—
	Management fee	(5,495)	(4,733)
	Property charges	(986)	—
	Rental expense	(783)	(123)
Entities controlled by Xuhui SASAC	Interest expenses	(10,283)	(20,746)
	Management income	2,121	—

Details of the balances with related parties as at 31 December 2020 and 2019 are set out in Note 30.

45. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Government-related entities

The Group itself is part of a larger group of companies under SIIC (SIIC and its subsidiaries are referred to as the "SIIC Group") which is controlled by the PRC government. The management of the Group considers that the Company is ultimately controlled by the PRC government and the Group operates in an economic environment currently predominated by entities controlled, jointly controlled or significantly influenced by the PRC government ("PRC Government Related Entities"). Apart from the transactions with the SIIC Group and Xuhui SASAC which have been disclosed above and in other notes to the consolidated financial statements, the Group also conducts businesses with other PRC Government Related Entities in the ordinary course of business. The Group's saving deposits placements, borrowings and other general banking facilities are placed or entered into with certain banks which are PRC Government Related Entities in its ordinary course of business. In view of the nature of those banking transactions, the management of the Group is of the opinion that separate disclosures would not be meaningful.

In addition, the Group entered into various transactions, including sales, purchases and other operating expenses with other PRC Government Related Entities. In the opinion of the management of the Group, these transactions are considered as individually and collectively insignificant to the operation of the Group during the years ended 31 December 2020 and 2019.

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Name of subsidiary	Place of incorporation/ registration and operation	Particulars of issued and paid-up share capital/registered capital	Percentage of issued share capital/and paid-up registered capital held				Principal activities
			2020		2019		
			Directly	Indirectly	Directly	Indirectly	
深圳鳳凰置業有限公司 (note (i))	The PRC	US$10,000,000	–	82%	–	82%	Property investment
中置(北京)企業管理有限公司 (note (ii))	The PRC	HK$200,000,000	–	100%	–	100%	Investment holding
北京金馬文華園房地產開發有限公司 (note (i))	The PRC	US$12,000,000	–	85%	–	85%	Property development
北京新松房地產開發有限公司 (note (i))	The PRC	RMB190,000,000	–	51.6%	–	51.6%	Property development and property investment
北京市御水苑房地產開發有限責任公司 (note (iii))	The PRC	RMB20,000,000	–	97.5%	–	97.5%	Property development
北京新松置地投資顧問有限公司 (note (iii))	The PRC	RMB30,000,000	–	100%	–	100%	Investment holding
西安中新滻灞歐亞酒店發展有限公司 (note (iii))	The PRC	RMB50,000,000	–	71.5%	–	71.5%	Hotel operations
西安中新永佳房地產開發有限公司 (note (iii))	The PRC	RMB10,000,000	–	71.5%	–	71.5%	Property development

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

Name of subsidiary	Place of incorporation/ registration and operation	Particulars of issued and paid-up share capital/registered capital	Percentage of issued share capital/and paid-up registered capital held 2020 Directly	2020 Indirectly	2019 Directly	2019 Indirectly	Principal activities
西安中新沁園房地產開發有限公司 (note (iii))	The PRC	RMB10,000,000	–	71.5%	–	71.5%	Property development
西安中新華勝房地產開發有限公司 (note (iii))	The PRC	RMB10,000,000	–	71.5%	–	71.5%	Property development
西安中新榮景房地產開發有限公司 (note (iii))	The PRC	RMB10,000,000	–	71.5%	–	71.5%	Property development
西安中新永景房地產開發有限公司(note (iii))	The PRC	RMB10,000,000	–	71.5%	–	71.5%	Property development
湖南淺水灣湘雅溫泉花園有限公司 (notes (iii) and (v))	The PRC	RMB30,000,000	–	–	–	67%	Property development
重慶中華企業房地產發展有限公司 (note (iii))	The PRC	RMB200,000,000	–	100%	–	100%	Property development and property investment
天津中新濱海房地產開發有限公司 (note (ii))	The PRC	HK$100,000,000	–	100%	–	100%	Property development
天津中新華安房地產開發有限公司 (note (ii))	The PRC	RMB240,000,000	–	100%	–	100%	Property development
天津中新華城房地產開發有限公司 (note (ii))	The PRC	RMB80,000,000	–	100%	–	100%	Property investment
天津中新嘉業房地產開發有限公司 (note (ii))	The PRC	RMB120,000,000	–	100%	–	100%	Property development
天津中新信捷房地產開發有限公司 (note (ii))	The PRC	RMB240,000,000	–	100%	–	100%	Property development
天津凱津房地產開發有限公司 (note (iii))	The PRC	RMB210,000,000	–	100%	–	100%	Property development
上海九久廣場投資開發有限公司 (note (iii))	The PRC	RMB226,160,000	–	100%	–	100%	Property investment
上海啟耀房地產開發有限公司 (note (iii))	The PRC	US$12,000,000	–	100%	–	100%	Property development and property investment
上海海輝房地產有限公司 (note (iii))	The PRC	RMB12,000,000	–	100%	–	100%	Property development

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

Name of subsidiary	Place of incorporation/ registration and operation	Particulars of issued and paid-up share capital/registered capital	Percentage of issued share capital/and paid-up registered capital held 2020 Directly	2020 Indirectly	2019 Directly	2019 Indirectly	Principal activities
上海海輝物業管理有限公司 (note (iii))	The PRC	RMB500,000	–	100%	–	100%	Property management
瀋陽向明 (note (i))	The PRC	US$63,750,000	–	100%	–	80%	Property development
北京盈通房地產開發有限公司 (note (i))	The PRC	US$6,000,000	–	67.5%	–	67.5%	Property development
上海城開(集團)有限公司 ("SUD") (note (i))	The PRC	RMB3,200,000,000	–	59%	–	59%	Investment holding and property development
上海萬源房地產開發有限公司 (note (iii))	The PRC	RMB300,000,000	–	53%	–	53%	Property development
上海石龍工業區聯合發展有限公司 (note (iii))	The PRC	RMB20,000,000	–	59%	–	59%	Property development
上海城開(集團)無錫置業有限公司 (note (iii))	The PRC	RMB500,000,000	–	59%	–	59%	Property development
上海城開集團晶實置業有限公司 (note (iii))	The PRC	RMB300,000,000	–	59%	–	59%	Property development
昆山城開房地產開發有限公司 (note (iii))	The PRC	RMB167,000,000	–	53%	–	53%	Property development
Advantage World Investment Limited (note (iv))	BVI	US$100	–	51%	–	51%	Investment holding
上海世界貿易商城有限公司 (note (iii))	The PRC	US$100,000,000	–	51%	–	51%	Property investment
上海城寰企業管理諮詢有限公司 (note (iii))	The PRC	RMB100,000	–	100%	–	100%	Investment holding
上海上投寶旭置業有限公司 (notes (iii) and (vi))	The PRC	RMB100,000,000	–	71.3%	–	100%	Property development
上海上投新虹投資有限公司 (note (iii))	The PRC	RMB50,000,000	–	90%	–	90%	Property development
上海市上投房地產投資有限公司 ("Shangtou Real Estate") (note (iii))	The PRC	RMB770,000,000	–	100%	–	100%	Investment holding

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

Notes:

(i) These companies were established in the PRC in the form of sino-foreign equity joint ventures.

(ii) These companies were established in the PRC in the form of wholly-owned foreign enterprises.

(iii) These companies were established in the PRC in the form of limited liability company.

(iv) This company was established in the BVI in the form of limited liability company.

(v) This company was disposed of during the year ended 31 December 2020. Details are set out in Note 36.

(vi) 70% of the interest of this company was acquired by SUD from Shangtou Real Estate during the year ended 31 December 2020.

The above table only includes those subsidiaries which, in the opinion of the management of the Group, principally affected the results of the Group for the year or formed a substantial portion of the net assets of the Group. To give details of all subsidiaries would, in the opinion of the management of the Group, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year except SUD which has outstanding issued advanced bonds — 2015 of RMB1,800,000,000, advanced bonds — 2019 of RMB1,150,000,000, medium term notes — 2018 RMB1,000,000,000, medium term notes — 2019 of RMB1,000,000,000, the Bond A of RMB1,800,000,000 and the Bond B of RMB550,000,000 (2019: advanced bonds — 2015 of RMB1,800,000,000, advanced bonds — 2016 of RMB550,000,000, advanced bonds — 2019 of RMB1,150,000,000, medium term notes — 2018 of RMB1,000,000,000 and medium term notes — 2019 of RMB1,000,000,000) in which the Group has no interest. Details of these borrowings are set out in Note 32(ii).

47. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2020	2019	**2020 HK$'000**	2019 HK$'000	**2020 HK$'000**	2019 HK$'000
SUD and its subsidiaries	Incorporated and operating in the PRC — Shanghai	**41%**	41%	**185,156**	527,290	**8,333,938**	7,745,818
AWI and its subsidiaries	Incorporated in the BVI and the PRC and operating in the PRC — Shanghai	**49%**	49%	**65,243**	163,242	**2,490,776**	2,359,563
Individually immaterial subsidiaries with non-controlling interests				**(31,200)**	(71,126)	**322,417**	426,692
				219,199	619,406	**11,147,131**	10,532,073

47. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS (CONTINUED)

Summarised financial information in respect of each of the Group's subsidiary that has material non-controlling interests is set out below.

The summarised financial information below represents amounts shown in SUD's consolidated financial statements prepared in accordance with HKFRSs and before intragroup eliminations.

SUD and its subsidiaries

	2020 HK$'000	2019 HK$'000
Non-current assets	**11,059,836**	7,430,706
Current assets	**27,053,288**	25,784,640
Current liabilities	**(8,888,550)**	(8,280,007)
Non-current liabilities	**(11,145,100)**	(7,972,356)
Equity attributable to owners of the Company	**9,745,536**	9,217,165
Non-controlling of SUD	**6,772,321**	6,405,148
Non-controlling interests of SUD's subsidiaries	**1,561,617**	1,340,670

47. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS (CONTINUED)

SUD and its subsidiaries (Continued)

	2020 HK$'000	2019 HK$'000
Revenue	2,984,644	4,478,849
Expenses	(1,790,076)	(1,926,866)
Profit before tax	1,194,568	2,551,983
Profit for the year	392,355	1,175,146
Profit attributable to owners of the Company	207,199	647,856
Profit attributable to the non-controlling interests of SUD	143,986	450,205
Profit attributable to the non-controlling interests of SUD's subsidiaries	41,170	77,085
Profit for the year	392,355	1,175,146
Other comprehensive income attributable to owners of the Company	543,813	72,144
Other comprehensive income (expense) attributable to the non-controlling interests of SUD	185,517	(213,148)
Other comprehensive income (expense) attributable to the non-controlling interests of SUD's subsidiaries	148,866	(37,687)
Other comprehensive income (expense) for the year	878,196	(178,691)
Total comprehensive income attributable to owners of the Company	751,012	720,000
Total comprehensive income attributable to the non-controlling interests of SUD	329,503	237,057
Total comprehensive income attributable to the non-controlling interests of SUD's subsidiaries	190,036	39,398
Total comprehensive income for the year	1,270,551	996,455
Dividends paid to non-controlling interests of SUD	230,389	116,279
Net cash inflow (outflow) from operating activities	503,849	(807,009)
Net cash outflow from investing activities	(1,447,808)	(476,832)
Net cash inflow from financing activities	459,119	247,703
Net cash outflow	(484,840)	(1,036,138)

47. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS (CONTINUED)

The summarised financial information below represents amounts shown in AWI's consolidated financial statements prepared in accordance with HKFRSs and before intragroup eliminations.

AWI and its subsidiaries

	2020 HK$'000	2019 HK$'000
Non-current assets	**6,784,665**	6,410,610
Current assets	**106,775**	131,270
Current liabilities	**(191,207)**	(197,323)
Non-current liabilities	**(1,617,018)**	(1,529,123)
Equity attributable to owners of the Company	**2,592,439**	2,455,871
Non-controlling interests of AWI	**2,490,776**	2,359,563

47. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS (CONTINUED)

AWI and its subsidiaries (Continued)

	2020 HK$'000	2019 HK$'000
Revenue	355,098	627,435
Expenses	(172,480)	(195,327)
Profit before tax	182,618	432,108
Profit for the year	133,148	333,146
Profit attributable to owners of the Company	67,905	169,904
Profit attributable to the non-controlling interests of AWI	65,243	163,242
Profit for the year	133,148	333,146
Other comprehensive income (expense) attributable to owners of the Company	150,745	(44,116)
Other comprehensive income (expense) attributable to the non-controlling interests of AWI	144,833	(42,386)
Other comprehensive income (expense) for the year	295,578	(86,502)
Total comprehensive income attributable to owners of the Company	218,650	125,788
Total comprehensive income attributable to the non-controlling interests of AWI	210,076	120,856
Total comprehensive income for the year	428,726	246,644
Dividends paid to non-controlling interests of AWI	78,863	22,582
Net cash inflow from operating activities	151,780	201,082
Net cash inflow (outflow) from investing activities	1,311	(274)
Net cash outflow from financing activities	(182,891)	(167,082)
Net cash (outflow) inflow	(29,800)	33,726

48. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2020 HK$'000	2019 HK$'000
Non-current assets		
Investments in subsidiaries	2,405,964	2,405,964
Property and equipment	4,919	6,397
Right-of-use assets	5,260	10,521
Amounts due from subsidiaries	6,538,736	6,597,020
	8,954,879	9,019,902
Current assets		
Amounts due from subsidiaries	10,082,589	9,366,392
Deposit and prepayment	2,480	2,474
Bank balances and cash	67,159	17,063
	10,152,228	9,385,929
Current liabilities		
Other payables and accruals	9,779	9,815
Amount due to intermediate holding company	78,819	78,819
Amounts due to subsidiaries	3,531,795	3,333,014
Bank and other borrowings	1,748,103	2,423,626
Lease liabilities	5,511	5,256
Dividend payable	16,234	14,169
	5,390,241	5,864,699
Net current assets	4,761,987	3,521,230
Total assets less current liabilities	13,716,866	12,541,132
Non-current liabilities		
Bank borrowings	3,136,138	1,636,465
Lease liabilities	—	5,204
	3,136,138	1,641,669
Total assets less total liabilities	10,580,728	10,899,463
Capital and reserves		
Share capital	192,253	192,253
Reserves	10,388,475	10,707,210
	10,580,728	10,899,463

49. STATEMENT OF CHANGES IN EQUITY OF THE COMPANY

	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Share-based payments reserve HK$'000	Exchange reserve HK$'000	Shareholders' contribution HK$'000 (note)	Accumulated losses HK$'000	Total HK$'000
As at 1 January 2019	192,439	9,514,684	266,336	31,892	390,054	2,475,111	(1,629,872)	11,240,644
Profit for the year	–	–	–	–	–	–	63,224	63,224
Exchange difference on translation from functional currency to presentation currency	–	–	–	–	(202,234)	–	–	(202,234)
Total comprehensive (expense) income for the year	–	–	–	–	(202,234)	–	63,224	(139,010)
Repurchase and cancellation of ordinary shares	(186)	(4,718)	–	–	–	–	–	(4,904)
Transaction costs attributable to repurchase and cancellation of ordinary shares	–	(17)	–	–	–	–	–	(17)
Dividends recognised as distributions (Note 50)	–	–	(197,250)	–	–	–	–	(197,250)
As at 31 December 2019	192,253	9,509,949	69,086	31,892	187,820	2,475,111	(1,566,648)	10,899,463
Loss for the year	–	–	–	–	–	–	(758,088)	(758,088)
Exchange difference on translation from functional currency to presentation currency	–	–	–	–	636,412	–	–	636,412
Total comprehensive (expense) income for the year	–	–	–	–	636,412	–	(758,088)	(121,676)
Transfer to distributable reserve	–	(600,000)	600,000	–	–	–	–	–
Dividends recognised as distributions (Note 50)	–	–	(197,059)	–	–	–	–	(197,059)
Lapse of share options (Note 37)	–	–	–	(31,892)	–	–	31,892	–
As at 31 December 2020	192,253	8,909,949	472,027	–	824,232	2,475,111	(2,292,844)	10,580,728

Note: The shareholders' contribution represents contribution from SIHL arising from combination under common control during the year ended 31 December 2011.

50. DIVIDENDS

Dividends recognised as distribution during the year:

	Year ended 31 December	
	2020	2019
	HK$'000	HK$'000
2019 final dividend declared — HK1.8 cents (2019: HK1.8 cents for year 2018)	**86,514**	76,976
2019 special dividend declared — HK2.3 cents (2019: HK2.3 cents for year 2018)	**110,545**	120,274
	197,059	197,250

A final dividend and a special dividend of HK1.8 cents (2019: HK1.8 cents) per ordinary share and HK2.3 cents (2019: HK2.3 cents) per ordinary share respectively, in an aggregate amount of approximately HK$197,059,000 (2019: HK$197,250,000), in respect of the year ended 31 December 2019, were declared and an amount of approximately HK$194,994,000 (2019: HK$195,188,000) was paid during the year ended 31 December 2020.

Subsequent to the end of the reporting period, a final dividend and a special dividend of HK1.9 cents per ordinary share and HK2.4 cents per ordinary share respectively, in respect of the year ended 31 December 2020, has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

51. EVENTS AFTER THE END OF THE REPORTING PERIOD

Saved as disclosed elsewhere in the consolidated financial statements, the Group has the following events subsequent to the end of the reporting period:

(i) The Group has won the bid in a parcel of land in Xian in the PRC for a consideration of approximately RMB1.5 billion and it will be developed into an area with residential and commercial properties. Details for this successful bid for the land are set out in the Company's announcement on 1 March 2021; and

(ii) The Group has acquired a securities brokerage firm in Hong Kong with a cash consideration of HK$56,000,000.

FINANCIAL SUMMARY

	Year ended 31 December				
	2016 HK$'000	2017 HK$'000	2018 HK$'000	2019 HK$'000	**2020 HK$'000**
Revenue	5,490,564	9,372,903	6,977,683	8,583,906	**6,356,732**
Profit before tax	2,585,589	3,306,381	2,824,387	2,745,131	**1,856,397**
Income tax	(1,259,024)	(2,081,971)	(1,554,640)	(1,525,433)	**(1,115,433)**
Profit for the year	1,326,565	1,224,410	1,269,747	1,219,698	**740,964**
Attributable to:					
Owners of the Company	521,888	536,109	573,074	600,292	**521,765**
Non-controlling interests	804,677	688,301	696,673	619,406	**219,199**
	1,326,565	1,224,410	1,269,747	1,219,698	**740,964**

	As at 31 December				
	2016 HK$'000	2017 HK$'000	2018 HK$'000	2019 HK$'000	**2020 HK$'000**
Assets and liabilities					
Total assets	60,136,208	64,477,607	58,990,277	60,444,024	**67,425,918**
Total liabilities	(38,157,202)	(40,280,312)	(35,614,471)	(36,662,398)	**(41,912,456)**
	21,979,006	24,197,295	23,375,806	23,781,626	**25,513,462**
Equity contributable to:					
Owners of the Company	12,544,893	13,767,619	13,060,692	13,249,553	**14,366,331**
Non-controlling interests	9,434,113	10,429,676	10,315,114	10,532,073	**11,147,131**
	21,979,006	24,197,295	23,375,806	23,781,626	**25,513,462**

GLOSSARY OF TERMS

Term used	Brief description
"2021 AGM"	forthcoming annual general meeting of the Company is scheduled to be held on Monday, 24 May 2021
"Adoption Date"	16 May 2013, adoption date of the New Share Option Scheme
"Audit Committee"	audit committee of the Company
"Board"	board of Directors
"China Worldbest"	China Worldbest Group Company Limited (中國華源集團有限公司), a company established in the PRC with limited liability, to which its ultimate beneficial owners, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, are Independent Third Parties
"Code"	code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules
"Company" or "SIUD"	Shanghai Industrial Urban Development Group Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange
"Company Secretary"	company secretary of the Company
"Director(s)"	director(s) of the Company
"Group"	the Company and its subsidiaries
"Independent Third Parties"	independent third parties who are not connected person(s) of the Company and are independent of and not connected with the Company and its connected persons
"Invested Entities"	any entity in which any member of the Group holds any equity interest
"Investment Appraisal Committee"	investment appraisal committee of the Company
"Joint Venture"	SIIC (Shanghai) Medical Cosmetology Hospital Co., Ltd (上實(上海)醫療美容醫院有限公司), a company with limited liability proposed to be incorporated in the PRC by the Joint Venture Partners and to be held as to 51% by Shanghai Lingfeng Medical, 30% by Shanghai Huashi and 19% by SIUD Shanghai Healthcare Management

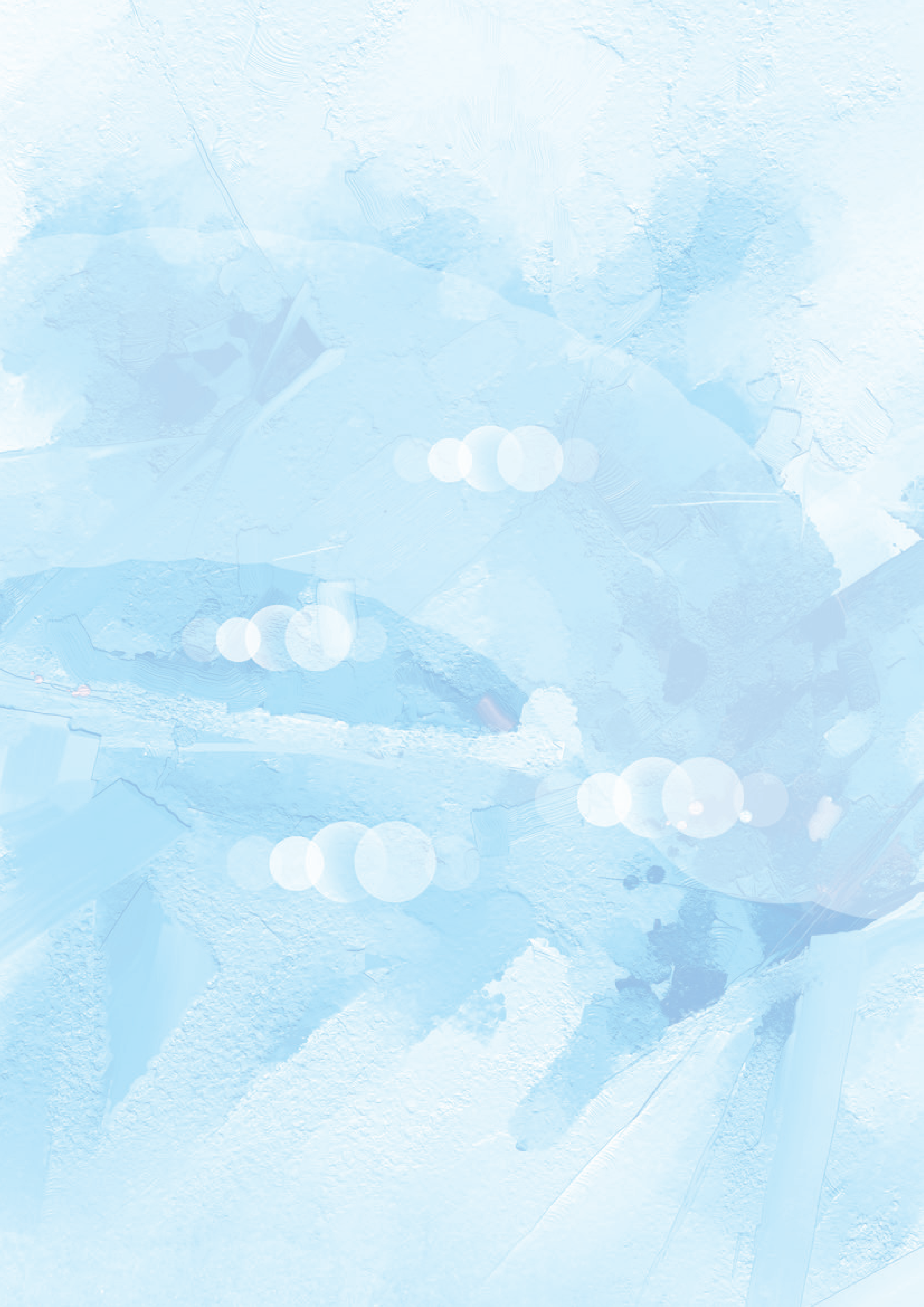
GLOSSARY OF TERMS

Term used	Brief description
"Joint Venture Articles"	the memorandum and articles of association of the Joint Venture to be entered into among the Joint Venture Partners
"Joint Venture Partners"	Shanghai Lingfeng Medical, Shanghai Huashi and SIUD Shanghai Healthcare Management
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Managing JV Partners"	Independent Third Parties including Beijing Zhenchen Asset Management Co., Ltd. (北京真辰資產管理有限公司), Shanghai Zhenchen Industrial Development Co., Ltd. (上海真辰實業發展有限公司), companies established in the PRC and controlled by Mr. Lin Zhen, and Happy Sincere Investment Limited, a company incorporated in Hong Kong with limited liability
"Management Agreement"	the management agreement dated 30 October 2020 and entered into among Shanghai No. 9 People's Hospital and the Joint Venture Partners in respect of the provision of the services of technical management consulting support in relation to hospital management and medical affairs by Shanghai No. 9 People's Hospital to the Joint Venture
"Member(s)"	Duly registered holder(s) from time to time of the share(s) in the capital of the Company
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules of the Stock Exchange
"New Share Option Scheme"	pursuant to ordinary resolutions passed by Shareholders at its annual general meeting held on 16 May 2013, the Company adopted a new share option scheme
"Nomination Committee"	nomination committee of the Company
"PRC"	the People's Republic of China
"Remuneration Committee"	remuneration committee of the Company
"RMB"	Renminbi
"SFO"	Securities and Futures Ordinance (Chapter 571) of the laws of Hong Kong
"Shanghai Biomedical Pharmaceuticals"	Shanghai Biomedical Pharmaceuticals Co., Ltd. (上海上藥生物醫藥有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of Shanghai Pharmaceutical (Group)

Term used	Brief description
"Shanghai Galaxy"	Shanghai Galaxy Investments Co., Ltd. (上海星河數碼投資有限公司), a company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of SIIC as to 10% of its equity interest. The remaining equity interest of Shanghai Galaxy was held as to 45% indirectly by SIHL and 45% by SIIC Shanghai
"Shanghai Huashi"	Shanghai Huashi Asset Management Co., Ltd. (上海華氏資產經營有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of Shanghai Pharmaceutical (Group)
"Shanghai Lingfeng Medical"	Shanghai Lingfeng Medical Management Co., Ltd. (上海凌風醫療管理有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of SIIC
"Shanghai No. 9 People's Hospital"	Shanghai No. 9 People's Hospital Affiliated to Shanghai JiaoTong University, School of Medicine (上海交通大學醫學院附屬第九人民醫院), a public institution registered with the Shanghai Municipal Health Bureau and established in accordance with the laws of the PRC and to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, an Independent Third Party
"Shanghai Pharmaceutical (Group)"	Shanghai Pharmaceutical (Group) Co., Ltd. (上海醫藥(集團)有限公司), a company incorporated in the PRC with limited liability and a 60%-owned subsidiary of SIIC Shanghai. The remaining 40% equity interest of Shanghai Pharmaceutical (Group) is held by China Worldbest, to which its ultimate beneficial owners, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, are Independent Third Parties
"'Shanghai Pharmaceuticals Holding"	Shanghai Pharmaceuticals Holding Co., Ltd. (上海醫藥集團股份有限公司), a joint stock company incorporated in the PRC with limited liability whose A shares are listed on the Shanghai Stock Exchange with stock code 601607 and H shares are listed on the Main Board of the Stock Exchange with stock code 02607
"Shareholder(s)"	holder(s) of share(s) of the Company
"Share Option Scheme"	pursuant to ordinary resolutions passed by Shareholders at its special general meeting held on 12 December 2002, the Company adopted a share option scheme

GLOSSARY OF TERMS

Term used	Brief description
"SIHL"	Shanghai Industrial Holdings Limited, a company incorporated in Hong Kong with limited liability whose shares are listed on the Main Board of the Stock Exchange with a stock code 363. It is a controlling shareholder of the Company
"SIIC"	Shanghai Industrial Investment (Holdings) Company Limited, a company incorporated in Hong Kong with limited liability and a controlling shareholder of the Company
"SIIC Financial Leasing"	SIIC Financial Leasing Co., Ltd. (上實融資租賃有限公司), a company established in the PRC with limited liability
"SIIC Shanghai"	SIIC Shanghai Holdings Co., Ltd.(上海上實(集團)有限公司), a company established in the PRC with limited liability with SIIC as the authorised representative exercising state-owned shareholder's right over it
"SIUD Shanghai Construction & Development"	Shanghai Industrial Urban Development (Shanghai) City Construction and Development Company Limited (上實城開(上海)城市建設開發有限公司), a company established in the PRC with limited liability, a wholly-owned subsidiary of the Company
"SIUD Shanghai Construction & Management"	Shanghai Industrial Urban Development (Shanghai) City Construction and Management Company Limited (上實城開(上海)城市建設管理有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
"SIUD Shanghai Healthcare Management"	Shanghai Industrial Urban Development (Shanghai) Healthcare Management Co., Ltd. (上實城開(上海)大健康管理有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"SUD"	Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司), a company incorporated in the PRC with limited liability and is indirectly owned by the Company as to 59% and by Xuhui SASAC as to 41%
"Xuhui SASAC"	State-owned Assets Supervision and Administration Commission of Shanghai Xuhui District (上海市徐匯區國有資產監督管理委員會), a government authority authorised by and established directly under Shanghai Xuhui District People's Government for supervising and managing state-owned assets in the possession of Xuhui District, including but not limited to, exercising state-owned shareholders' right over SUD and a shareholder holding 41% of the equity interest in SUD



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

Hong Kong Office

Address : 11/F, Henley Building,
5 Queen's Road Central, Central, Hong Kong
Tel : +852 2544 8000
Fax : +852 2544 8004

General Enquiry : info@siud.com
Investor Enquiry : ir@siud.com

Shanghai Office

Address : 14/F, UDIT, No. 355 Hongqiao Road,
Shanghai, China
General Line : +86 021 6447 2222
Fax : +86 021 6448 2699

Website : www.siud.com
Weibo : weibo.com/siud

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