SHANGHAI ZENDAI PROPERTY LIMITED

上 海 証 大 房 地 產 有 限 公 司 *

(Incorporated in Bermuda with limited liability)

(Stock Code: 0755)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2015

		Year ended at 31 December	
		2015	2014
	Notes	***HK$'000***	*HK$'000*
Revenue	*4*	**1,787,475**	1,579,612
Cost of sales	*6*	**(1,603,216)**	(1,418,616)
Gross profit		**184,259**	160,996
Other income and gains	*5*	**98,177**	86,781
Selling and marketing expenses	*6*	**(139,159)**	(136,879)
Administrative expenses	*6*	**(405,676)**	(445,057)
Change in fair value of investment properties		**4,476**	70,128
Share of results of associates		**(104,737)**	(152,510)
Share of results of joint ventures		**(103,854)**	(62,826)
Finance costs	*7*	**(586,375)**	(436,723)
Loss before income tax		**(1,052,889)**	(916,090)
Income tax credit	*8*	**2,441**	422,622
Loss for the year		**(1,050,448)**	(493,468)
Loss for the year attributable to:			
– Owners of the Company		**(957,138)**	(438,468)
– Non-controlling interests		**(93,310)**	(55,000)
		(1,050,448)	(493,468)
Loss per share			
– Basic	*10*	**HK(6.43) Cents**	HK(2.95) Cents
– Diluted	*10*	**HK(6.43) Cents**	HK(2.95) Cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

		Year ended at 31 December	
		2015	2014
	Notes	***HK$'000***	*HK$'000*
Loss for the year		**(1,050,448)**	(493,468)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(606,691)**	(145,192)
Release of other revaluation reserve on disposal of properties for sales held by an associate		**(6,435)**	(462)
Item that will not be reclassified subsequently to profit or loss:			
Share of other comprehensive income of investments accounted for using the equity method		**33,980**	–
Other comprehensive income for the year, net of tax		**(579,146)**	(145,654)
Total comprehensive income for the year		**(1,629,594)**	(639,122)
Total comprehensive income attributable to:			
– Owners of the Company		**(1,518,752)**	(581,800)
– Non-controlling interests		**(110,842)**	(57,322)
Total comprehensive income for the year		**(1,629,594)**	(639,122)

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2015

		As at 31 December	
		2015	2014
	Notes	***HK$'000***	*HK$'000*
Non-current assets			
Property, plant and equipment		**618,109**	689,491
Investment properties		**2,719,578**	2,886,730
Land use rights		**570,663**	625,700
Goodwill		**35,490**	37,362
Investment in associates		**131,719**	182,808
Investment in joint ventures		**1,178,596**	1,341,952
Deferred income tax assets		**20,273**	–
Available-for-sale financial assets		**63,701**	67,259
Pledged bank deposits		**238,806**	253,404
Total non-current assets		**5,576,935**	6,084,706
Current assets			
Properties under development and completed properties held-for-sale		**9,250,562**	8,502,063
Inventories		**3,848**	4,060
Trade and other receivables	*11*	**403,064**	556,517
Deposits for properties under development		**581,494**	1,604,306
Amounts due from associates		**1,048,960**	1,296,084
Amounts due from joint ventures		**1,522,993**	1,303,617
Available-for-sale financial assets		**2,176**	2,648
Amounts due from related companies		**–**	11,571
Amounts due from minority owners of subsidiaries		**30,090**	31,770
Pledged bank deposits		**939,701**	522,021
Tax prepayments		**90,584**	110,526
Entrusted loan receivables		**–**	126,072
Cash and cash equivalents		**1,629,164**	1,098,074
		15,502,636	15,169,329
Assets of disposal group classified as held-for-sale		**263,513**	–
Total current assets		**15,766,149**	15,169,329
TOTAL ASSETS		**21,343,084**	21,254,035

		As at 31 December	
		2015	2014
	Notes	***HK$'000***	*HK$'000*
Equity attributable to owners of the Company			
Share capital		**297,587**	297,587
Reserves		**2,739,012**	3,265,695
Retained earnings		**1,396,288**	2,353,426
Equity attributable to owners of the Company		**4,432,887**	5,916,708
Non-controlling interests		**216,182**	360,234
Total equity		**4,649,069**	6,276,942
Non-current liabilities			
Amounts due to minority owners of subsidiaries		**829,214**	1,868,381
Borrowings and loans		**5,584,283**	4,550,096
Deferred income tax liabilities		**450,794**	578,549
Other payables		**191,322**	152,246
Total non-current liabilities		**7,055,613**	7,149,272
Current liabilities			
Trade, notes and other payables	*12*	**1,072,188**	1,362,617
Receipts in advance from customers		**1,140,506**	1,635,641
Amount due to joint ventures		**1,156,769**	929,777
Amounts due to related companies		**–**	34,646
Amounts due to minority owners of subsidiaries		**104,645**	115,730
Borrowings and loans		**5,667,208**	3,337,768
Tax payables		**455,727**	411,642
		9,597,043	7,827,821
Liabilities of disposal group classified as held for sale		**41,359**	–
Total current liabilities		**9,638,402**	7,827,821
Total liabilities		**16,694,015**	14,977,093
TOTAL EQUITY AND LIABILITIES		**21,343,084**	21,254,035

NOTES

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and available-for-sale financial assets, which are carried at fair value.

The preparation of the consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

2.1 New and amended standards adopted by the Group

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2015.

Amendment to HKAS 19 on contributions from employees or third parties to defined benefit plans. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits.

Amendments from annual improvements to HKFRSs – 2010 – 2012 Cycle, on HKFRS 8, 'Operating segments', HKAS 16, 'Property, plant and equipment' and HKAS 38, 'Intangible assets' and HKAS 24, 'Related party disclosures'.

Amendments from annual improvements to HKFRSs – 2011 – 2013 Cycle, on HKFRS 3, 'Business combinations', HKFRS 13, 'Fair value measurement' and HKAS 40, 'Investment property'.

The adoption of amendments has no material impact to the Group.

2.2 New Hong Kong Companies Ordinance (Cap.622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

2.3 New and amended standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

HKFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of HKFRS 9 was issued in July 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

Contemporaneous documentation is still required but is different to that currently prepared under HKAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is yet to assess HKFRS 9's full impact.

HKFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces HKAS 18 'Revenue' and HKAS 11 'Construction contracts' and related interpretations. HKFRS 15 is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group is in the process of assessing the impact of HKFRS 15 on financial statements.

Amendment to HKAS 27 "Equity method in separate financial statements" allows entities to use equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Amendment to HKAS 27 is effective for an entity's annual HKFRS financial statements for a period beginning on or after 1 January 2016, with earlier application permitted. The Group is assessing the amendment's full impact.

Amendments to HKAS 1 "Disclosure initiative" clarify guidance in HKAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. Although the amendments do not require specific changes, they clarify a number of presentation issues and highlight that preparers are permitted to tailor the format and presentation of the financial statements to their circumstances and the needs of users. An entity shall apply those amendments to HKAS 1 for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The Group is assessing the amendment's full impact.

There are no other HKFRSs or HK (IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

3. SEGMENT REPORTING

Management has determined the operating segments based on the internal reports reviewed by the Board, being the major body in making operation decisions, for assessing the operating performance and resources allocation.

The Board considers the business primarily on the basis of the types of goods and services supplied by the Group. The Group is currently mainly organized into three operating segments which comprise (i) sales of properties; (ii) hotel operations; and (iii) properties rental, management and agency services.

The Board assesses the performance of the operating segments based on a measure of adjusted profit or loss before income tax. Certain income and expenses are not allocated to the operating segments as they are not included in the measure of the segments' results that is used by the Board for assessment of segment performance.

Total segment assets mainly exclude pledged bank deposits and head office and corporate assets, all of which are managed on a centralised basis.

Total segment liabilities mainly exclude unallocated borrowings and loans and unallocated head office and corporate liabilities, all of which are managed on a centralised basis.

Transactions between segments are carried out at arm's length. The revenue from external parties reported to the Board is measured in a manner consistent with that in the consolidated income statement.

Segment information is presented below:

(a) Information about reportable segment revenue, profit or loss before income tax and other information

	Sales of properties		Hotel operations		Properties rental, management and agency services		Others		Total	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Reportable segment revenue from external sales	**1,184,009**	990,358	**198,406**	173,852	**402,904**	406,452	**2,156**	8,950	**1,787,475**	1,579,612
Reportable segment (loss)/ profit before income tax	**(327,994)**	(503,224)	**(109,280)**	(113,396)	**59,007**	172,690	**(337)**	(359)	**(378,604)**	(444,289)
Other information										
Bank interest income	**22,022**	37,699	**8**	–	**5,712**	2,208	**–**	–	**27,742**	39,907
Interest income from entrusted loan receivables	**9,455**	10,972	**–**	–	**–**	–	**–**	–	**9,455**	10,972
Depreciation of property, plant and equipment	**6,114**	5,051	**28,758**	29,940	**2,715**	2,201	**–**	–	**37,587**	37,192
Amortisation of land use rights	**–**	–	**21,941**	22,986	**–**	–	**–**	–	**21,941**	22,986
Change in fair value of investment properties	**–**	–	**–**	–	**4,476**	70,128	**–**	–	**4,476**	70,128
Share of results of associates	**–**	(70,551)	**(104,737)**	(81,959)	**–**	–	**–**	–	**(104,737)**	(152,510)
Share of results of joint ventures	**(103,854)**	(62,826)	**–**	–	**–**	–	**–**	–	**(103,854)**	(62,826)
(Loss)/gain on sale of property, plant and equipment	**(248)**	1,016	**–**	–	**–**	–	**–**	–	**(248)**	1,016
Gain on disposal of subsidiaries	**18,016**	–	**–**	–	**562**	–	**–**	–	**18,578**	–
Gain on disposal of investment properties	**–**	–	**–**	–	**1,927**	6,866	**–**	–	**1,927**	6,866
Reportable segment assets	**15,755,482**	15,654,268	**1,097,313**	1,488,335	**3,227,671**	3,259,945	**155**	1,403	**20,080,621**	20,403,951
Amounts included in the measure of segment assets:										
Additions to non-current assets (i)	**2,597**	182,530	**83**	303,356	**6,613**	3,738	**–**	–	**9,293**	489,624
Investment in associates	**56,067**	–	**75,652**	182,808	**–**	–	**–**	–	**131,719**	182,808
Investment in joint ventures	**1,165,776**	1,303,374	**–**	–	**12,820**	38,578	**–**	–	**1,178,596**	1,341,952
Reportable segment liabilities	**14,415,530**	12,694,265	**50,526**	28,753	**333,921**	465,812	**550**	1,462	**14,800,527**	13,190,292

(i) Amounts comprise additions to investment properties, property, plant and equipment and land use rights.

(b) Reconciliation of reportable segment profit or loss, assets and liabilities

	Year ended 31 December	
	2015	2014
	HK$'000	*HK$'000*
Reportable segment loss before income tax	**(378,604)**	(444,289)
Unallocated bank interest income	**529**	2,253
Unallocated interest income from other receivables	**–**	1,900
Other revenue	**–**	4,950
Dividend income from available-for-sale financial assets	**2,704**	1,695
Finance costs	**(586,375)**	(436,723)
Unallocated head office and corporate expenses	**(56,212)**	(45,876)
Share-based-payments	**(34,931)**	–
Loss before income tax	**(1,052,889)**	(916,090)

	As at 31 December	
Assets	**2015**	2014
	HK$'000	*HK$'000*
Reportable segment assets	**20,080,621**	20,403,951
Pledged bank deposits	**1,178,507**	775,425
Head office and corporate assets	**83,956**	74,659
Total assets	**21,343,084**	21,254,035

	As at 31 December	
Liabilities	**2015**	2014
	HK$'000	*HK$'000*
Reportable segment liabilities	**14,800,527**	13,190,292
Borrowings and loans	**1,876,669**	1,769,427
Unallocated head office and corporate liabilities	**16,819**	17,374
Total liabilities	**16,694,015**	14,977,093

(c) Geographical information

The Group's operations are principally located in the PRC, Hong Kong and South Africa.

The following table provides an analysis of the Group's revenue from external customers and non-current assets other than financial instruments and deferred tax assets ("specified non-current assets").

	Revenue from external customers Year ended 31 December		Specified non-current assets As at 31 December	
	2015	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
PRC	**1,750,285**	1,478,157	**5,129,781**	5,625,346
Hong Kong	**2,156**	8,950	**–**	–
South Africa	**35,034**	92,505	**124,374**	138,697
	1,787,475	1,579,612	**5,254,155**	5,764,043

4. REVENUE

Revenue representing the aggregate of proceeds from sales of properties, and amounts received and receivable from the hotel operations, properties rental, management and agency income is summarised as follows:

	Year ended at 31 December	
	2015	2014
	HK$'000	*HK$'000*
Sales of properties	**1,184,009**	990,358
Hotel operations	**198,406**	173,852
Properties rental, management and agency income	**402,904**	406,452
Others	**2,156**	8,950
	1,787,475	1,579,612

5. OTHER INCOME AND GAINS

	Year ended at 31 December	
	2015	2014
	HK$'000	*HK$'000*
Bank interest income	**28,271**	42,160
Interest income from other receivables	**13,603**	1,900
Interest income from entrusted loans receivables	**9,455**	10,972
Rental income *(a)*	**8,724**	6,830
Gain on disposal of investment properties	**1,927**	6,866
Gain on disposal of subsidiaries	**18,578**	–
Dividend income from available-for-sale financial assets	**2,704**	1,695
Government grants	**–**	4,597
Others	**14,915**	11,761
Total	**98,177**	86,781

(a) Rental income was derived from leases of certain office units included in properties for sales, which the Group intends to sell.

6. EXPENSES BY NATURE

Expenses by nature comprise cost of sales, selling and marketing expenses and administrative expenses as follows:

	Year ended at 31 December	
	2015	2014
	HK$'000	*HK$'000*
Cost of properties sold	**1,403,906**	1,016,214
Business tax and levis	**106,942**	81,746
Impairment of properties under development and completed properties held-for-sale	**92,368**	320,656
Employee benefit expense	**214,887**	173,347
Auditors' remuneration – audit service	**5,060**	4,095
Consulting and service expenses	**37,927**	44,146
Depreciation and amortisation charge	**59,528**	60,178
Advertising costs	**50,907**	36,309
Operating lease payments	**10,449**	12,782
Hotel operating expenses	**61,057**	65,814
Other expenses	**105,020**	185,265
Total	**2,148,051**	2,000,552

7. FINANCE COSTS

	Year ended at 31 December	
	2015	2014
	HK$'000	*HK$'000*
Interest expense:		
– Bank borrowings	**630,128**	520,512
– Other borrowings	**316,858**	171,445
Less: amounts capitalized in properties under development at a capitalization rate of 7.97% (2014: 7.68%) per annum	**(360,611)**	(255,234)
FINANCE COSTS – NET	**586,375**	436,723

8. INCOME TAX CREDIT

The amount of tax credit in the consolidated income statement represents:

	Year ended at 31 December	
	2015	2014
	HK$'000	*HK$'000*
Current Income Tax:		
– PRC enterprise income tax	**(2,651)**	193,120
– PRC land appreciation tax	**117,197**	(614,101)
Deferred income tax	**(116,987)**	(1,641)
	(2,441)	(422,622)

Hong Kong Profits Tax

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits in Hong Kong for the years ended 31 December 2015 and 2014.

PRC Enterprise Income Tax

These PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (2014: 25%) during the year ended 31 December 2015.

Land Appreciation Tax ("LAT")

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including costs of land and development and construction expenditures, with an exemption provided for property sales of ordinary residential properties (普通標準住房) if their appreciation values do not exceed 20% of the sum of total deductible items. Certain property development projects are subjected to LAT which is calculated based on deemed levying rates of their revenue under the approved taxation method if the specific circumstances as approved by the local tax authority are met and the companies have been de-registered or the approval has exceeded three years whichever is earlier.

The tax credit for the year can be reconciled to the loss before income tax per the consolidated income statement as follows:

	Year ended at 31 December	
	2015	2014
	HK$'000	*HK$'000*
Loss before income tax	**(1,052,889)**	(916,090)
Tax calculated domestic rates applicable in countries concerned	**(220,373)**	(221,003)
Tax effect of share of results of associates	**26,184**	38,128
Tax effect of share of results of joint ventures	**25,964**	15,707
Effect of higher tax rate for LAT in the PRC	**87,898**	(460,576)
Tax effect of expenses not deductible for tax purposes	**31,954**	22,736
Tax effect of gains not taxable for tax purposes	**(19,032)**	(64,814)
Tax effect of tax losses not recognised	**152,431**	236,973
Utilisation of tax losses previously not recognised	**(24,853)**	–
(Reversal)/provision of withholding tax on dividend	**(55,763)**	4,415
(Over)/under provision in respect of prior years	**(6,851)**	5,812
Tax credit	**(2,441)**	(422,622)

9. DIVIDENDS

No dividend was proposed for the years ended 31 December 2015 and 2014.

10. LOSS PER SHARE

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

	Year ended 31 December	
	2015	2014
	HK$'000	*HK$'000*
Loss		
Loss attributable to owners of the Company	**(957,138)**	(438,468)
Number of shares		
Weighted average number of ordinary shares in issue (thousands)	**14,879,352**	14,879,352
	HK Cents	*HK Cents*
Basic and diluted loss per share	**(6.43)**	(2.95)

The computation of diluted loss per share does not assume the exercise of the Company's outstanding share options as the Company take a significant loss during the year ended 31 December 2015 and 2014. Taking share options into consideration will lead to anti-dilution effect on loss per share.

11. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2015	2014
	HK$'000	*HK$'000*
Trade receivables *(a)*	**26,363**	77,656
Refundable deposits for potential acquisition of land use rights	**–**	16,868
Deposits	**24,285**	25,247
Prepayments for business tax and others	**168,748**	239,437
Consideration receivables on disposal of subsidiaries	**119,403**	126,072
Other receivables	**64,265**	71,237
	403,064	556,517

As at 31 December 2015 and 2014, the majority of the Group's trade and other receivables are dominated in RMB.

The Group generally grants no credit period to its customers on sales of properties, except for certain significant transactions where credit terms or settlement schedules are negotiated on an individual basis.

(a) The ageing analysis of trade receivables at the end of reporting period is as follows:

	As at 31 December	
	2015	2014
	HK$'000	*HK$'000*
Current *(i)*	**14,962**	65,978
Less than 1 month past due	**2,404**	2,897
1 to 3 months past due	**2,118**	3,012
More than 3 months but less than 12 months past due	**4,482**	3,085
More than 12 months past due	**2,397**	2,684
Amount past due but not impaired *(ii)*	**11,401**	11,678
	26,363	77,656

(i) The current balance neither past due nor impaired related to a number of customers for whom there was no recent history of default.

(ii) The balance of HK$11,401,000 (2014: HK$11,678,000) was past due but not impaired. The Group recognised impairment loss on individual assessment based on the accounting policies. The Directors consider the balance would be recoverable.

12. TRADE, NOTES AND OTHER PAYABLES

	As at 31 December	
	2015	2014
	HK$'000	*HK$'000*
Trade payables *(a)*	**677,113**	913,620
Consideration payable for acquisition of land use rights	**162,969**	162,332
Other payables and accruals	**423,428**	438,911
	1,263,510	1,514,863
Less: non-current liabilities		
Consideration payable for acquisition of land use rights	**(153,417)**	(152,246)
Others	**(37,905)**	–
	1,072,188	1,362,617

(a) The ageing analysis of trade payables at the end of reporting period is as follows:

	As at 31 December	
	2015	2014
	HK$'000	*HK$'000*
Current or less than 1 month	**392,367**	733,405
1 to 3 months	**84,438**	20,016
More than 3 months but less than 12 months	**124,856**	53,824
More than 12 months	**47,471**	46,531
	649,132	853,776
Retention money	**27,981**	59,844
	677,113	913,620

The trade payables mainly represent accrued construction costs payable to contractors. The amounts will be paid upon the completion of cost verification process between the contractors and the Group.

13. CLOSURE OF REGISTER OF MEMBERS

As no final dividend will be proposed for the year, it was not necessary to close the register of members of the Company.

CHAIRMAN'S STATEMENT

Financial Results

The board of directors (the "Directors") of Shanghai Zendai Property Limited (the "Company") hereby announces the annual results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2015 (the "year" or "year under review").

During the year under review, the new projects acquired by the Group from 2012 to 2014 started presale successively and are expected to be delivered to buyers in 2017. Therefore, the turnover for the year was mainly attributable to the sales and delivery of pre-existing properties.

During the year under review, turnover of the Group amounted to approximately HK$1,787,475,000, representing an increase of 13% against approximately HK$1,579,612,000 for the same period in 2014. The turnover of the Group for the year was mainly attributed to:

- Delivery of residential and commercial properties in Shanghai Mandarin Palace and Xizhen Thumb Plaza

- Delivery of residential properties in Langfang, Haimen and Qingdao Thumb Plaza

Loss attributable to shareholders of the Company (the "Shareholders") was approximately HK$957,138,000, an increase of 118% as compared with the same period last year (loss for the same period last year: HK$438,468,000). Basic loss per share of the Company (the "Share") was HK$6.43 cents (basic loss per share for the same period last year: HK$2.95 cents). The substantial increase in loss of the Group for the year as compared with the same period last year was mainly due to:

- a reversal of land appreciation tax of HK$524,977,000 was recorded in the previous year, while no such reversal was recorded in the current year;

- an increase in financial cost due to increased borrowings; and

- the pre-sale of projects in 2015 of the Group are not yet delivered and cannot be recognized as turnover, and the turnover and the gross profit for the year under review were insufficient to cover the charges and expenses.

Business Review

In February 2015, Smart Success Capital Limited, indirectly controlled by China Orient Asset Management (International) Holding Limited ("China Orient International"), acquired 50.03% equity interests in the Company and became its controlling shareholder, opening a new chapter in the development of the Group. As at 31 December 2015, Smart Success Capital Limited held 48.16% of the issued shares of the Company.

During the year under review, under the stimulus of both monetary and industry policies, property market throughout the country has been gradually picking up. As an integrated real estate developer, the Group has the capability of developing both residential and commercial properties and endeavours to focus on key development regions including Shanghai and Nanjing. The Group strategically steps up its development efforts in areas of the first and second tier cities with great development potential, while gradually withdrawing its business from the third and fourth tier cities. During the year, the Group acquired six parcels of land with a total area of 110,489 square metres in Gulou District, Nanjing at a consideration of approximately RMB4.5 billion through tender, thereby increasing its land reserve in Nanjing. In the meantime, the Group also disposed of 46% equity interests in 廊坊市証合泰房地產開發有限公司 (Langfang Zhenghetai Property Development Limited*), which is in line with its strategy of withdrawing from the third and fourth tier cities.

The land and property projects acquired by the Group from 2012 to 2014, including "Himalayas Center" and "Riverside Thumb Plaza" in Nanjing, commenced pre-sale in April and December 2015 respectively, representing a main source of growth in turnover of the Group in the future.

COMMERCIAL PROPERTY PROJECTS IN CHINA

Shanghai

Shanghai Zendai Thumb Plaza

Shanghai Zendai Thumb Plaza (the "Plaza") is an integrated commercial complex in a prime location near Shanghai's Century Park and the Lujiazui financial district. As at 31 December 2015, the Group still owned 40,333 square metres of commercial space and 430 underground car-parking spaces in the Plaza. As at 31 December 2015, more than 93% of the commercial space in the Plaza had been leased. Rental income recognised during the year was approximately RMB48,008,000 (equivalent to approximately HK$59,637,000).

Radisson Blu Hotel Pudong Century Park

The Group's five-star Radisson Blu Hotel Pudong Century Park is located in the Plaza. The 18-storey hotel boasts a gross floor area of 31,530 square metres and 361 guest rooms, a four-storey ancillary building and one level of basement. It is managed under the "Radisson Blu" brand by Carlson Companies. During the year under review, the average occupancy rate of the hotel was 62%, and total income of the hotel reached approximately RMB107,316,000 (equivalent to approximately HK$133,312,000), approximating to the income of last year.

Zendai Xizhen Thumb Plaza

The Group owns a parcel of land with an area of approximately 140,099 square metres in the tourist district of Zhujiajiao Town, Qingpu District, Shanghai. It is to be developed as Zendai Xizhen Thumb Plaza comprising mid-range to high-end residential properties, retail shops, resort villas and resort hotel in two phases, with a total gross floor area of approximately 169,004 square metres.

Phase I has a gross floor area of approximately 98,478 square metres, which will be comprised of residential properties (40,945 square metres) and commercial areas (57,533 square metres). The Group intends to recruit tenants for the commercial areas, including large international cinemas, mid-range to high-end restaurants and supermarkets. During the year under review, a total residential saleable areas of 1,719 square metres were sold, generating a total contract value of RMB21,015,000 (equivalent to approximately HK$26,106,000). Residential and commercial areas of 6,614 square metres and 1,261 square metres were delivered respectively during the year and a total contract value of RMB109,850,000 (equivalent to approximately HK$136,460,000) and RMB25,319,000 (equivalent to approximately HK$31,452,000) were recognised as turnover respectively. As at 31 December 2015, total residential and commercial saleable areas of 18,847 square metres and 11,995 square metres had been sold respectively, generating a total contract value of RMB341,659,000 (equivalent to approximately HK$533,045,000) and RMB313,054,000 (equivalent to approximately HK$388,887,000) respectively.

Construction of Phase II with a gross floor area of approximately 70,525 square metres commenced in the fourth quarter of 2013, with resort villas (46,155 square metres) and a resort hotel (24,370 square metres) to be erected and expected to be completed in 2016. The construction of the resort hotel has currently been suspended due to change of planning. The resort villas have started pre-sale in November 2014, and total saleable areas of 18,511 square metres were sold during the year under review, generating a total contract value of RMB267,148,000 (equivalent to approximately HK$331,861,000). As at 31 December 2015, a saleable area of 24,424 square metres had been sold, generating a total contract value of RMB384,079,000 (equivalent to approximately HK$477,117,000).

Shanghai Himalayas Center

The Group's 45%-owned Shanghai Zendai Himalayas Center is located in the heart of Pudong, Shanghai. Designed by Arata Isozaki, an internationally acclaimed architect, it is a landmark within the Pudong New District. The Zendai Himalayas Center is an amalgam of the Jumeirah Himalayas Hotel Shanghai, shopping centre and other auxiliary facilities (comprising the DaGuan Theatre and the Himalayas Art Museum). The project occupies a site area of 28,893 square metres with a total gross floor area of approximately 162,207 square metres (including underground car-parking space of 26,287 square metres).

The Jumeirah Himalayas Hotel Shanghai, a luxury five-star hotel managed by the Jumeirah Hotel Group from Dubai, is the Jumeirah Hotel Group's first hotel in Asia Pacific. The hotel boasts a gross floor area of 60,452 square metres, providing 393 guest rooms. Enjoying a favourable location, the hotel is adjacent to the Shanghai New International Expo Center which connects with No. 7 metro line and is within walking distance to the maglev station. The average occupancy rate of the hotel during the year under review was 69%, generating a total income of approximately RMB193,673,000 (equivalent to approximately HK$240,588,000), representing an increase of 7% as compared with the same period last year. The high quality environment and service of the Jumeirah Himalayas Hotel Shanghai won acclaims across the industry. In 2015, the hotel was rated as the Best Artistic Hotel by IMEROM Magazine, named as the Best Ctrip Business Hotel, rated as the Best Hotel SPA by "City Weekly", voted the Best Wedding Hotel by "Weekend on the Go", honored the Golden Pillow Award – Top 10 Most Popular Business Hotel by "21st Century Business Herald", named as the best MICE Hotel by "China City Travel" Magazine and was listed in the 100 Best Hotels by "Travel+Leisure" Magazine.

During the year under review, around 77% of the commercial space of the shopping centre in the Zendai Himalayas Center with a leasable area of 23,362 square metres was leased, generating a rental income of approximately RMB40,632,000 (equivalent to approximately HK$50,475,000).

Nanjing

Nanjing Himalayas Center

The Group is planning to develop the G15 land parcel in a prime location around Nanjing South Train Station into Himalayas Center with a site area of approximately 93,526 square metres and an expected total gross floor area of approximately 622,588 square metres, marking an important advance in the Group's implementation of the development of "Himalayas Integrated Commercial Projects". The project will be developed in three phases.

The first phase of the project has a gross floor area of approximately 186,737 square metres, including 56,772 square metres of service apartments, 4,801 square metres of commercial space, 37,117 square metres of office building, 21,776 square metres of hotel and 66,271 square metres of underground car-park. The first phase with a total saleable area of 92,227 square metres, including 53,998 square metres of service apartments, 3,189 square metres of commercial space and 35,040 square metres of office building, commenced pre-sale in April 2015. During the year under review, total saleable areas of service apartments, commercial space and office building of 14,536 square metres, 3,143 square metres and 6,315 square metres were sold respectively, generating a total contract value of RMB257,662,000 (equivalent to approximately HK$320,077,000), RMB124,302,000 (equivalent to approximately HK$154,412,000) and RMB102,925,000 (equivalent to approximately HK$127,857,000) respectively. The top up work of the hotel has been completed and the specific program for decoration and design is now in progress.

The second phase of the project, covering a gross floor area of approximately 208,220 square metres, is intended to be developed into service apartments, a commercial complex, commercial streets and office buildings, including 52,248 square metres of service apartments, 22,347 square metres of commercial space, 50,211 square metres of office building and 83,414 square metres of underground car-park. Construction of the second phase commenced in the third quarter of 2014 and it is expected to start selling in the first half of 2016.

The third phase of the project, covering a gross floor area of approximately 227,631 square metres, is intended to be developed into service apartments, a commercial complex and office buildings, including 13,195 square metres of service apartments, 86,334 square metres of commercial space, 57,100 square metres of office building and 71,002 square metres of underground car-park. Construction of the third phase commenced in the third quarter of 2015 and it is expected to start selling in the first half of 2017.

The First Phase of "Riverside Thumb Plaza" in Nanjing

The Group owns a parcel of land located at the west of Rehe Road and the north of Shiqiao Road, Gulou District, Nanjing, Jiangsu Province. The land with a site area of approximately 13,220 square metres is planned to be developed into an integrated complex comprising apartments and commercial space with a gross floor area of approximately 84,770 square metres, including 78,548 square metres of apartments and 6,222 square metres of commercial space. Construction of the project commenced in June 2014 and pre-sale was started in December 2015, with a total saleable area of 83,784 square metres, comprising 78,548 square metres of apartments and 5,236 square metres of commercial space. During the year under review, a total saleable area of 23,740 square metres of apartments was sold, generating a total contract value of RMB561,563,000 (equivalent to approximately 697,594,000).

The Second Phase of "Riverside Thumb Plaza" in Nanjing

The Group owns another parcel of land located at the west of Rehe Road and the north of Shiqiao Road, Gulou District, Nanjing, Jiangsu Province. The land with a site area of approximately 26,318 square metres is planned to be developed into an integrated complex comprising apartments and commercial space with a gross floor area of approximately 165,585 square metres, including 153,140 square metres of apartments and 12,445 square metres of commercial space. Construction of the project commenced in March 2015 and pre-sale is expected to begin in the second half of 2016.

Other Cities

Qingdao Zendai Thumb Plaza

Qingdao Zendai Thumb Plaza is located in the central business area, Haier Road in Qingdao City, Shandong Province, the PRC. The project has a site area of approximately 38,092 square metres with a total gross floor area occupying approximately 213,059 square metres. It includes retail shops (68,129 square metres), a hotel (29,593 square metres), service apartments (70,066 square metres) and a car-park (45,271 square metres).

During the year under review, a total saleable area of service apartments of 7,689 square metres was sold, generating a total contract value of RMB104,339,000 (equivalent to approximately HK$129,614,000). During the year, an area of 6,627 square metres was delivered and a total contract value of RMB88,954,000 (equivalent to approximately HK$110,502,000) was recognised as turnover. As at 31 December 2015, a total saleable area of 53,462 square metres had been sold, generating a contract value of RMB791,307,000 (equivalent to approximately HK$982,990,000).

As at 31 December 2015, around 93% of the commercial space (leasable area of which was 50,151 square metres) was leased, generating a rental income of RMB33,297,000 (equivalent to approximately HK$41,363,000) during the year.

Himalayas Qingdao Hotel, located in the Qingdao Zendai Thumb Plaza, is managed by the Group's own hotel management company under the Group's "Himalayas" brand. The average occupancy rate of the hotel during the year was 57%, generating a total income of RMB42,457,000 (equivalent to approximately HK$52,742,000).

Zendai Nantong Yicheng Thumb Plaza

Zendai Nantong Yicheng Thumb Plaza has a total site area of 281,912 square metres. Shanghai Zendai owns 50% interest in the land parcel and is to assume a leading role in the management of the project. Due to its prime location, the project has been included in the "Key Cultural Industry Projects in Nantong City" and "Key Development Projects in Chongchuan District". The project occupies a total gross floor area of approximately 279,076 square metres (including car-parking space and ancillary facilities of 77,143 square metres).

Construction of the project is divided into three phases. The first phase is a leasable commercial plaza with a gross floor area of approximately 38,737 square metres, of which 82% had been leased as at 31 December 2015. The second phase is an ancillary residential project with a total gross floor area of approximately 73,944 square metres. As at 31 December 2015, a total saleable area of 67,233 square metres (including 38,887 square metres of multi-storey apartments, 26,109 square metres of town houses and 2,237 square metres of detached houses) of the residential project had been sold, generating a total contract value of RMB771,219,000 (equivalent to approximately HK$958,036,000), of which areas of 1,684 square metres of multi-storey apartments and 473 square metres of detached houses were sold respectively during the year, generating a total contract value of RMB13,140,000 (equivalent to approximately HK$16,323,000) and RMB11,800,000 (equivalent to approximately HK$14,658,000). During the year under review, an area of 8,905 squares metres of residential properties (including 7,617 square metres of multi-storey apartments and 1,288 square metres of town houses) was delivered, generating a total contract value of

RMB79,215,000 (equivalent to approximately HK$98,404,000). The third phase is to cover a total area of approximately 142,909 square metres (with an underground area of 53,150 square metres), comprising a commercial area of 60,979 square metres (with an underground area of 21,000 square metres) in Phase 2 of Old Town, and a commercial area of 14,967 square metres and residential area of approximately 66,963 square metres (with an underground area of 32,150 square metres) in Old Town, New Port. The construction of Old Town, New Port commenced in May 2014 with the top up work completed by the end of 2015 while the construction of Phase 2 of Old Town currently has not commenced yet.

Yangzhou Commercial Project

The Group has an integrated project for commercial, cultural, leisure and entertainment use in the heart of Yangzhou City, the construction of which has completed, including 12 blocks and 243 units with a gross floor area of approximately 20,089 square metres. As at 31 December 2015, the remaining area of 17,881 square metres was used for rental purposes.

Project in Chenmai County, Hainan Province

The Group owns 60% interest in a parcel of land in Chenmai County, Hainan Province with a site area of 1,309,563 square metres. The land is intended to be developed into a leisure-related commercial and residential property, including hotels, villas and other related facilities.

A Parcel of Land in Jingyue Economic Development Zone, Changchun City, Jilin Province

The Group was planning to develop a parcel of land in Changchun City, Jilin Province into a commercial property comprising retail shops, offices and service apartments. The project, with a site area of approximately 17,354 square metres, will comprise a total gross floor area of approximately 119,351 square metres, including 8,467 square metres of commercial space, 87,679 square metres of office space and 23,205 square metres of an underground car-park. The project was transferred to other party pursuant to an agreement signed by the Group in January 2016 and the transaction was completed in February 2016.

RESIDENTIAL PROJECTS IN CHINA

Shanghai

Mandarin Palace

"Mandarin Palace", the Group's premium residential project in Shanghai, comprises 56 villas with a total saleable area of approximately 43,447 square metres. The project was developed in two phases. The first phase comprises 47 villas with a total saleable area of 33,636 square metres, the construction of which was completed in 2011 and were all delivered. The second phase comprises 9 villas with a total saleable area of 9,811 square metres which were all sold out. During the year under review, area of 5,311 square metres was delivered, generating a contract value of RMB284,736,000 (equivalent to approximately HK$353,709,000).

Nanjing

Imperial Lake International Project in Xuanwu District

On 17 November 2015, a wholly-owned subsidiary of the Group participated an auction organised by a court for asset disposal and won the bid, pursuant to which the Group acquired 465 residential units in Xuanwu District, Nanjing, Jiangsu Province, the PRC at a consideration of RMB343,580,000 (equivalent to approximately HK$410,245,000). The transaction is expected to be completed in the first half of 2016. The project of the 465 residential units, which are completed units with a total saleable area of 26,306 square metres, will be launched into the market after fine decoration in mid 2016.

Other Cities

"Zendai Garden-Riverside Town" in Haimen

The "Zendai Garden-Riverside Town" project in Haimen, Jiangsu Province comprises two parcels of land occupying a total site area of 1,389,021 square metres.

The first parcel is to be developed in two parts.

"Dong Zhou Mansion", the first part of the first parcel, is being developed in two phases with Phase I offering 52 villas which were all sold out. Phase II of the "Dong Zhou Mansion" is to be developed into 94 villas with a total gross floor area of approximately 82,202 square metres, the construction of which already commenced in February 2014 and pre-sale permit is expected to be obtained on the first half of 2016, and is expected to be completed in 2017.

"Multiflora Garden", the second part of the first parcel, is being developed in three phases into an integrated residential area comprising low density town houses. Phases I and II offer a total of 212 units with a saleable area of approximately 57,232 square metres which were all sold out. As at 31 December 2015, an area of 4,523 square metres remained undelivered. Phase III has a saleable area of approximately 91,817 square metres. As at 31 December 2015, a total saleable area of 61,832 square metres had been sold, generating a total contract value of RMB381,268,000 (equivalent to approximately HK$473,625,000). During the year, a total saleable area of approximately 4,091 square metres was sold, generating a total contract value of RMB22,050,000 (equivalent to approximately HK$27,391,000). During the year, an area of 3,876 square metres was delivered and a total contract value of RMB21,155,000 (equivalent to approximately HK$26,280,000) was recognised as turnover in the year.

The second parcel of land is being developed into residential properties and ancillary commercial space in phases.

The first phase, Qinghua Garden Ecological Houses, occupies a site area of approximately 42,070 square metres with a saleable area of approximately 56,169 square metres. As at 31 December 2015, a cumulative area of 50,084 square metres had been sold, generating a total contract value of RMB224,761,000 (equivalent to approximately HK$279,206,000). An area of 1,373 square metres was sold during the year, generating a total contract value of RMB5,667,000 (equivalent to approximately HK$7,040,000). During the year under review, an area of 5,233 square metres was delivered and a total contract value of RMB21,097,000 (equivalent to approximately HK$26,207,000) was recognised as turnover.

The Phase II, Shui Qing Mu Hua Garden, with a site area of 157,717 square metres, is to be developed into small high-rise residential properties with ancillary commercial space in two sections with a saleable area of approximately 194,088 square metres. The first section offers a saleable area of 81,394 square metres. As at 31 December 2015, an area of 63,117 square metres had been sold, generating a total contract value of RMB291,313,000 (equivalent to approximately HK$361,880,000). During the year, an area of 10,230 square metres was sold, generating a total contract value of RMB45,890,000 (equivalent to approximately HK$57,006,000). An area of 19,684 square metres involving a contract value of RMB91,086,000 (equivalent to approximately HK$114,447,000) was delivered. The second section offers a saleable area of approximately 112,694 square metres, which will be developed by stages, the pre-sale permit of the first stage was obtained in July 2015, while the whole second stage will be completed in 2018.

The Phase III, named as Spanish Exotic Street with a site area of 5,319 square metres, has been developed into a commercial plaza with a saleable area of 4,155 square metres.

The Phase IV, named as "Thumb Plaza" with a site area of 18,919 square metres, is to be developed into a commercial plaza with a total gross floor area of 45,514 square metres, the construction of which commenced in April 2012 and was completed in the second half of 2015.

Two parcels of land at Longhe Industrial Zone, Langfang, Hebei Province

The Group held 73% of equity interests of Langfang Zhenghetai Property Development Limited in Langfang which owns two parcels of land at Longhe Industrial Zone, Langfang, Hebei Province. The first parcel of land with an area of 105,535 square metres will be developed into an integrated complex with high-end residential properties, commercial space and offices. The second parcel of land with a site area of 45,492 square metres will be developed into a residential property with a gross floor area of 121,484 square metres.

A contract and supplemental contract were signed by the Group in July and October 2015 respectively, pursuant to which 46% equity interests in Langfang Zhenghetai Property Development Limited held by the Group was sold to an independent third party at a consideration of RMB80,000,000 (equivalent to approximately HK$95,522,000). The equity transfer transaction was completed in October 2015.

A parcel of Land in Yantai Development Zone

The Group and 煙台開發區宏遠物業有限公司(Yantai Hong Yuan Property Company Limited*) entered into a cooperation agreement to develop "Yantai Thumb Project" located at E-9 District, Yantai Development Zone, Yantai, Shandong Province, pursuant to which Shanghai Zendai holds 70% equity interests in the "Yantai Thumb Project". The project occupies an area of 26,476 square metres and is still under planning stage.

Land Parcels in Inner Mongolia Autonomous Region

The Group owns two parcels of land in Dongsheng Kangbashi New Area, Ordos City, Inner Mongolia Autonomous Region, the PRC, with a total site area of 248,118 square metres. The two land parcels are intended to be developed into villas in phases with a planned saleable area of 122,890 square metres. The project was suspended due to the changes of market conditions.

OVERSEAS PROJECTS

Residential project in New Zealand

Top Harbour Limited, a company incorporated in New Zealand and in which the Group holds 45% equity interests, owns a parcel of land in Whangaparaoa Peninsula, Auckland, New Zealand with an area of approximately 320,000 square metres. The site is about 25 kilometres away from downtown Auckland and is intended to be developed as high-end residential development. The Group entered into an agreement in November 2014 to sell all equity interests in the project company. Completion of the transaction is subject to the approval and consent by the Overseas Investment Office of New Zealand and is expected to take place in the first half of 2016.

Modderfontein New City Smart City Project in Johannesburg, South Africa

The Group has a real estate development project located in Johannesburg, South Africa. The project is favourably located in Modderfontein, which is situated between Sandton and OR Tambo International Airport in Johannesburg, comprising certain land parcels and buildings with an area of approximately 1,600 hectares. The Modderfontein project will be developed into a new central city in Johannesburg, comprising nine major function areas, namely central business district, international convention and exhibition centre, international residential community, trade logistics parks, light industrial parks, recreation centre, pension and retirement community, integrated education area and sports centre. The Group is now establishing a planning framework for the project, which is expected to develop in phases and will take more than 15 years to complete.

During the year, the Group commenced the development of the land parcels located at Longlake of approximately 2,906,000 square metres (the "Longlake Project"). The Longlake Project will be developed in phases and comprises of saleable land area of approximately 1,542,000 square metres for residential, commercial and industrial uses.

PROSPECTS

Given the PRC central government's efforts in promoting the urbanization policy, coupled with the successive interest rate cuts by the People's Bank of China and the easing of credit threshold, as well as the implementation of the targeted measures on real estate inventory reduction, it is expected that the future development of the property market will remain stable.

In 2016, the Group will further consolidate its development strategy to gradually withdraw from the third and fourth tier cities while expanding its land bank moderately in the first and second tier cities. In particular, the Group will step up its development efforts in core strategic areas including Nanjing in order to fully capitalise on the market demand in such areas.

Since Nanjing links with Shanghai to the east and Hefei to the west, with the accelerating integration of the cities in the Yangtze River Delta region, closer ties between the cities have been fostered and their comprehensive competitiveness has been gradually increased. The successive opening of Shanghai-Nanjing, Beijing-Shanghai and Nanjing-Hangzhou high-speed railways has effectively speeded up the integration process in the Yangtze River Delta region, meanwhile new development opportunities have sprung up in Nanjing, the hub of the high speed railways. In January 2016, Jones Lang LaSalle released the City Development Momentum Index 2016, and Nanjing was again listed among the world's top 20 cities, together with Shanghai, Beijing and Shenzhen.

In view of this, Shanghai Zendai's strategic blueprint in Nanjing will also be implemented comprehensively. Nanjing Himalayas Center, a project strategically located at Nanjing South Station which is one of the three urban centres in Nanjing, Nanjing Riverside Thumb Plaza, a project located at the dynamic Gulou Riverside District which connects Nanjing and Yangtze River Delta Region, together with the 465 residential units located at Xuanwu District, Nanjing which was acquired by the Group at the end of 2015 via judicial auction, will become important sources of income to the Group in the next few years.

The management remains cautiously optimistic on the long-term prospects of the industry and will accelerate the development and sales of its development projects through making use of its own advantages and leveraging on the national network and business resources of China Orient International. The synergistic effect brought by China Orient International will also enhance the position of the Group in the real estate industry in China.

In addition, Shanghai Zendai will also seek to continue to develop suitable projects through cooperation to explore capital resources, reduce capital investment at early stage and facilitate projects development. At the same time, the Group will seize the market and increase its market share through reasonably capitalising on the advantage of its brand awareness in various areas, with a view to creating more values and earning returns for the Group and shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operations

The Group continued to sustain loss for the year ended 31 December 2015 due primarily to the increase in finance cost and the small amount of turnover and gross profit which were insufficient to cover the charges and expense. The turnover of the year were mainly attributable to the sales and delivery of pre-existing residential and commercial projects.

The Nanjing Himalayas Center and "Riverside Thumb Plaza" in Nanjing projects, which were acquired and developed by the Group from 2012 to 2014 were offered to market for pre sales during the year under review and achieved a satisfactory result. It was expected when these projects together with other projects in Nanjing acquired during the year were delivered in the near future, the operation results of the Group will be significantly improved.

Liquidity, Financial Resources, Capital Structure and Gearing

As at 31 December 2015 the Group had a healthy financial position with net assets value of HK$4,649 million (2014: approximately HK$6,277 million). Net current assets amounted to approximately HK$6,128 million (2014: approximately HK$7,342 million) with current ratio decreased from 1.94 times in 2014 to approximately 1.64 times in 2015. The Group adopted relatively prudent financial policy and closely monitored its cash flow. As at 31 December 2015, the Group had consolidated borrowings and loans of approximately HK$11,251 million in which HK$5,667 million was repayable within one year and HK$5,584 million was repayable more than one year. As at 31 December 2015, the Group's bank balances and cash were approximately HK$1,629 million. The gearing ratio of the Group increased from 1.38 times in 2014 to 2.42 times in 2015 (basis: total of amounts due to related companies, bank loans and other borrowings dividend by shareholders' funds).

Segment Information

Sales of properties

The turnover of this segment for the year which amounted to HK$1,184,009,000 (2014: HK$990,358,000) increased substantially due to more properties were delivered.

Property rental, management and agency services

The turnover of this segment for the year was approximately HK$402,904,000 (2014:HK$406,452,000) which remained stable overall.

Hotel Operations

The turnover of this segment for the year was HK$198,406,000 (2014: HK$173,852,000) increased by 14% mainly due to full year of operation in 2015 as compared to the trial operation of Qingdao Himalayas hotel commenced in March 2014.

Foreign Currency Exposures

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. The Group's cash and cash equivalents are also exposed to such foreign currency risk. The Group currently does not use any derivative contracts to hedge against its exposure to currency risk. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rate.

Employees

As at 31 December 2015, the Group employed approximately 2,075 employees (2014: 2,106 employees) in Hong Kong, South Africa and the PRC. They were remunerated according to the nature of the job and market conditions. Other staff benefits include a mandatory provident fund scheme, local municipal government retirement scheme, insurance and medical insurance and share option scheme.

EVENT SINCE THE END OF THE FINANCIAL YEAR

The important event for the Group since 31 December 2015 is:

As at 31 December 2015, Smart Success Capital Limited held 48.16% of the issued shares of the Company. As disclosed in the Company's announcement dated 26 January 2016, on 25 January 2016, Smart Success Capital Limited signed a purchase and sale agreement in relation to the sale of 4,462,317,519 shares of the Company, representing 29.99% of the issued shares of the Company, to 冉盛置業發展有限公司 (Riswein Real Estate Development Co. Ltd.*) and 中青旅置業（北京）有限公司 (CYTS Real Estate (Beijing) Co. Ltd.*). As at the date of this announcement, the transaction has not yet been completed.

MAJOR ACQUISITION OF ASSETS

(a) On 24 November 2014, the Group succeeded in a bid and signed the share transfer agreement for the purchase of the entire share capital of and the loan receivable from Nanjing Wudaokou Real Estate Co., Ltd. (南京五道口置業有限公司) which owns a parcel of land located in Nanjing, Jiangsu Province, the PRC with a site area of approximately 26,318 square metres which is designated for commercial and office mixed use. The transaction was completed on 7 May 2015, and the purchase consideration is RMB1,043,210,000 (equivalent to approximately HK$1,304,010,000).

(b) On 12 August and 24 August 2015, the Group entered into an equity transfer agreement and a supplementary agreement respectively to acquire the equity interest of 6 companies which holds 6 parcels of land in Gulou District, Nanjing. The aggregate site area of the land parcels was approximately 110,489 and the total consideration for the acquisition was RMB4,513,609,000 (equivalent to approximately HK$5,389,384,000). Details of the acquisitions were disclosed in the Company's announcement dated 25 August 2015. As at the date of this announcement, the acquisitions have not yet been completed.

(c) On 17 November 2015, the Group succeeded in a bid which was open to the public and purchased 465 residential units located in Xuanwu District, Nanjing for a total consideration of RMB343,580,000 (equivalent to approximately HK$410,245,000). The aggregate area of these residential units was approximately 20,591.91 square metres. Details of the acquisitions were disclosed in the Company's announcement dated 19 November 2015. As at the date of this announcement, the acquisitions have not yet been completed.

MAJOR DISPOSAL OF ASSETS

A contract and supplemental contract were signed by the Group in July and October 2015 respectively, pursuant to which 46% equity interests in Langfang Zhenghetai Property Development Limited held by the Group was sold to an independent third party at a consideration of RMB80,000,000 (equivalent to approximately HK$95,522,000). The equity transfer transaction was completed in October 2015.

PLEDGE OF ASSETS

At the end of reporting period, the carrying amounts of following assets of the Group were pledged to secure certain borrowings and loans:

	2015	2014
	HK$'000	*HK$'000*
Property, plant and equipment	**552,307**	605,191
Land use rights	**570,663**	625,700
Investment properties	**2,392,836**	2,576,904
Properties under development and for sales	**3,207,160**	1,716,890
Pledged bank deposits	**1,178,507**	775,425
	7,901,473	6,300,110

CONTINGENT LIABILITIES

As at 31 December 2015, the Group provided guarantees to the extent of approximately HK$208,413,000 (2014: HK$165,447,000) to banks in respect of mortgage loans provided by the banks to customers for the purchase of the developed properties of the Group. These guarantees provided by the Group to the banks would be released upon receiving the property title certificate of the respective properties by the banks from the customers as a pledge for security to the mortgage loans granted.

In the opinion of the directors, the fair value of guarantee contracts is insignificant at initial recognition.

CORPORATE GOVERNANCE

The Company has adopted the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules (the "CG Code") as its own code of corporate governance and has taken careful measures to ensure that the provisions have been duly complied with from time to time. The Directors are of the opinion that the Company has met the code provisions in the Code during the year except the deviations as stipulated below.

Under the code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings of the Company. Due to personal commitments, the following directors did not attend the meetings:

Mr. Xu Xiaoliang, Mr. Gong Ping, Mr. Lo Man Lum, Raymond and Mr. Cao Gaosheng did not attend the annual general meeting of the Company held on 30 June 2015.

Mr. Xu Xiaoliang, Mr. Gong Ping, and Dr. Xu Changsheng did not attend the special general meeting of the Company held on 13 October 2015.

The Company's annual results for the year ended 31 December 2015 has been reviewed by the audit committee of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct for dealing in the securities of the Company by the Directors. Having made specific enquiry of all the Directors, all of them have confirmed that they have complied with the required standard set out in the Model Code during the year ended 31 December 2015.

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

During the year ended 31 December 2015, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet and related notes thereto for the year ended 31 December 2015 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this preliminary announcement.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.zendaifc.com). The 2015 Annual Report of the Company containing the information required by the Listing Rules will be dispatched to the shareholders and made available on the same websites in due course.

On behalf of the board of
Shanghai Zendai Property Limited
Zhang Chenguang
Chairman

Hong Kong, 30 March 2016

As at the date of this announcement, the executive Directors are Mr. Zhang Chenguang, Mr. Zhong Guoxing, Dr. Wang Hao and Ms. Li Li Hua. The non-executive Directors are Mr. Xu Xiaoliang and Mr. Gong Ping. The independent non-executive Directors are Mr. Lai Chik Fan, Mr. Li Man Wai, Mr. Chow, Alexander Yue Nong and Dr. Xu Changsheng.

* *for identification purpose only*