深圳控股有限公司
SHENZHEN INVESTMENT LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00604)

2016 FINAL RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

- During the year, the Group achieved a revenue of HK$21,354.0 million, representing an increase of 15.9% over the same period of last year; the profit for the year attributable to the shareholders was HK$3,170.6 million, representing an increase of 10.5% over the same period of last year. If excluding the net effects on the changes in fair value of investment properties attributable to the Group, gain on a bargain purchase, provision for litigation and provision of land projects in third- and fourth-tier cities, net profit attributable to the shareholders was HK$2,614.9 million, representing an increase of 21.1% over the same period of last year.

- The overall gross profit margin was 38.7%, representing an increase of 4.1 percentage points over the same period of last year; in which, the gross profit margin of sales on property development was 41.3%, representing an increase of 4.4 percentage points over the same period of last year.

- During the year, the Group achieved contracted sales of RMB19.1 billion, representing an increase of 20% over the same period of last year.

- As of 31 December 2016, the cash and bank balance (including restricted cash) was HK$12,063.7 million, and the net gearing ratio (including all interest-bearing liabilities) was 38.9%.

- The Board recommends the payment of a final dividend of HK10.00 cents per share for year 2016. To celebrate the 20th anniversary of the Company's listing on Hong Kong Stock Exchange and to appreciate the long-term support of the shareholders, the Board also recommends the payment of a special dividend of HK5.00 cents per share. Together with the interim dividend of HK7.00 cents per share already paid, the total dividend for the whole year will amount to HK22.0 cents per share.

The board of directors (the "Board") of Shenzhen Investment Limited (the "Company") is pleased to present the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2016 together with the comparative figures for the year ended 31 December 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
for the year ended 31 December 2016

	Notes	**2016**	2015
		HK$'000	*HK$'000*
Revenue	*4*	**21,353,993**	18,428,172
Cost of sales		**(13,083,234)**	(12,053,688)
Gross profit		**8,270,759**	6,374,484
Other income and gains	*4*	**832,342**	615,289
Increase in fair value of equity investments at fair value through profit or loss, net		**870**	580
Increase in fair value of investment properties		**1,204,139**	1,082,176
Recognition of change in fair value of completed properties held for sale/properties under development upon transfer to investment properties		**654,516**	432,102
Selling and distribution expenses		**(362,224)**	(483,087)
Administrative expenses		**(956,298)**	(867,298)
Other operating expenses		**(1,656,121)**	(542,978)
Finance costs	*5*	**(838,167)**	(708,484)
Share of profits less losses of joint ventures and associates		**1,142,976**	607,845
Profit before taxation	*6*	**8,292,792**	6,510,629
Income tax expense	*7*	**(4,821,911)**	(3,423,377)
Profit for the year		**3,470,881**	3,087,252
Attributable to:			
Equity shareholders of the Company		**3,170,581**	2,868,796
Non-controlling interests		**300,300**	218,456
		3,470,881	3,087,252
Earnings per share	*8*		
Basic		**HK42.36 cents**	HK40.56 cents
Diluted		**HK42.35 cents**	HK40.56 cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2016

	2016	2015
	HK$'000	*HK$'000*
Profit for the year	**3,470,881**	3,087,252
Other comprehensive income for the year		
Items that may be reclassified subsequently to profit or loss:		
Available-for-sale investments:		
– Changes in fair value	**(10,785)**	(6,261)
– Income tax effect	**2,696**	1,565
	(8,089)	(4,696)
Share of other comprehensive income of joint ventures and associates	**(235,432)**	(175,080)
Exchange differences on translation of foreign operations	**(2,918,015)**	(1,767,065)
	(3,161,536)	(1,946,841)
Items that will not be reclassified to profit and loss:		
Share of other comprehensive income of joint ventures and associates	**–**	(72)
	–	(72)
Other comprehensive income for the year, net of tax	**(3,161,536)**	(1,946,913)
Total comprehensive income for the year	**309,345**	1,140,339
Attributable to:		
Equity shareholders of the Company	**170,542**	1,038,058
Non-controlling interests	**138,803**	102,281
	309,345	1,140,339

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**31 December 2016** **HK$'000**	31 December 2015 HK$'000
Non-current assets			
Property, plant and equipment		**3,844,311**	4,144,176
Prepaid land lease payments		**36,083**	40,355
Goodwill		**322,240**	322,542
Investment properties		**22,807,211**	20,908,173
Interests in associates		**3,994,821**	3,838,027
Interests in joint ventures		**3,300,931**	3,037,310
Available-for-sale investments		**112,985**	123,684
Other long term assets		**3,188,483**	1,778,889
Breeding biological assets		**–**	7,075
Deferred tax assets		**1,954,441**	1,386,915
Total non-current assets		**39,561,506**	35,587,146
Current assets			
Trading biological assets		**8,136**	9,576
Completed properties held for sale		**7,514,657**	9,031,517
Properties under development		**35,292,229**	30,311,525
Inventories		**93,354**	98,803
Trade receivables	*10*	**322,506**	528,154
Prepayments, deposits and other receivables		**1,684,928**	1,696,026
Equity investments at fair value through profit or loss		**4,566**	3,696
Restricted cash		**2,204,157**	4,110,729
Cash and cash equivalents		**9,859,526**	9,708,046
Total current assets		**56,984,059**	55,498,072

	Notes	**31 December 2016** **HK$'000**	31 December 2015 HK$'000
Current liabilities			
Interest-bearing bank and other borrowings		**5,288,454**	5,274,153
Trade payables	*11*	**1,116,432**	1,013,126
Other payables and accruals		**17,023,915**	13,920,890
Due to the immediate holding company		**1,270,755**	158,301
Due to the ultimate holding company		**2,850,880**	3,816,007
Tax payable		**8,755,178**	6,494,559
Total current liabilities		**36,305,614**	30,677,036
Net current assets		**20,678,445**	24,821,036
Total assets less current liabilities		**60,239,951**	60,408,182
Non-current liabilities			
Interest-bearing bank and other borrowings		**14,468,791**	16,100,940
Deferred income		**27,375**	32,088
Due to the immediate holding company		**752,362**	348,894
Due to the ultimate holding company		**–**	965,897
Deferred tax liabilities		**8,770,489**	7,391,297
Total non-current liabilities		**24,019,017**	24,839,116
Net assets		**36,220,934**	35,569,066
Capital and reserves			
Share capital		**18,281,191**	17,478,481
Reserves		**14,529,622**	15,847,384
Total equity attributable to equity shareholders of the Company		**32,810,813**	33,325,865
Non-controlling interests		**3,410,121**	2,243,201
Total equity		**36,220,934**	35,569,066

1 CORPORATE INFORMATION

Shenzhen Investment Limited (the "Company") is a limited liability company incorporated in Hong Kong. The registered office of the Company is located at 8th Floor, New East Ocean Centre, 9 Science Museum Road, Kowloon, Hong Kong. The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are described in note 3.

In the opinion of the directors, the immediate holding company of the Company is Shum Yip Holdings Company Limited ("Shum Yip Holdings", 深業(集團)有限公司), which is a private company incorporated in Hong Kong. The ultimate holding company of the Company is 深業集團有限公司("Shum Yip Group"), which is a state-owned company established in Shenzhen, the People's Republic of China (the "PRC").

2 BASIS OF PREPARATION

The financial information relating to the years ended 31 December 2016 and 2015 included in this preliminary announcement of annual results 2016 do not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap.622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap.622) and will deliver the financial statements for the year ended 31 December 2016 in due course.

The Company's auditor has reported on the financial statements of the Group for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap.622).

The statutory financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and accounting principles generally accepted in Hong Kong. The statutory financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance. The statutory financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The consolidated financial statements for the year ended 31 December 2016 comprise the Company and its subsidiaries and the Group's interests in associates and joint ventures.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

- investment properties;
- leasehold land and buildings within property, plant and equipment;
- financial instruments classified as available-for-sale investments or as equity investments at fair value through profit or loss;
- biological assets; and
- contingent consideration payable within "due to the immediate holding company".

3 SEGMENT REPORTING

The Group manages its businesses by business units, which are organised based on their products and services. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following five reportable segments:

(a) the property development segment engages in the development of residential, industrial and commercial properties;

(b) the property investment segment invests in residential, industrial and commercial properties for their rental income potential;

(c) the property management segment engages in the management of both properties developed by the Group and external parties;

(d) the manufacture segment engages in the manufacture and sale of industrial and commercial products; and

(e) the "others" segment comprises, principally, the hotel operations, manufacture and sale of aluminum alloy products and agricultural products, design and construction of gardens and other businesses.

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets exclude deferred tax assets, restricted cash, cash and cash equivalents, equity investments at fair value through profit or loss and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, an amount due to the ultimate holding company, tax payable, an amount due to the immediate holding company, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax from continuing operations. The adjusted profit before tax from continuing operations is measured consistently with the Group's profit before tax except that interest income, finance costs, dividend income, fair value gains from the Group's financial instruments as well as head office and corporate expenses are excluded from such measurement.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

2016	Property development *HK$'000*	Property investment *HK$'000*	Property management *HK$'000*	Manufacture *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment revenue:						
Sales to customers	17,807,883	764,802	1,556,802	298,050	926,456	21,353,993
Intersegment sales	–	17,402	50,997	–	60,553	128,952
	17,807,883	782,204	1,607,799	298,050	987,009	21,482,945
Reconciliation						
Elimination of intersegment sales						(128,952)
Revenue						21,353,993
Segment results before increase in fair value of investment properties	4,764,075	956,650	124,634	38,403	1,342,067	7,225,829
Increase in fair value of investment properties	–	1,204,139	–	–	–	1,204,139
Recognition of change in fair value of completed properties held for sale upon transfer to investment properties	–	97,375	–	–	–	97,375
Recognition of change in fair value of properties under development upon transfer to investment properties	–	557,141	–	–	–	557,141
Segment results after increase in fair value of investment properties	4,764,075	2,815,305	124,634	38,403	1,342,067	9,084,484
Reconciliation						
Elimination of intersegment results						(124,874)
Interest income						263,938
Fair value gain on financial instruments, net						870
Corporate and other unallocated expenses						(93,459)
Finance costs						(838,167)
Profit before tax						8,292,792
Segment assets	52,519,669	25,025,456	275,089	157,525	4,050,420	82,028,159
Reconciliation						
Corporate and other unallocated assets						14,517,406
Total assets						96,545,565
Segment liabilities	15,444,021	3,119,732	717,452	95,614	3,563,389	22,940,208
Reconciliation						
Corporate and other unallocated liabilities						37,384,423
Total liabilities						60,324,631
Other segment information:						
Depreciation	61,406	25,285	19,867	3,612	70,437	180,607
Amortisation of prepaid land lease payments	–	–	–	–	1,065	1,065
Share of profits less losses of associates and joint ventures	56,650	490,256	–	–	596,070	1,142,976
Write-down of properties under development	503,499	–	–	–	–	503,499
Write-down of completed properties held for sale	353,754	–	–	–	–	353,754
Interests in associates	2,426,225	95,931	309	15,133	1,457,223	3,994,821
Interests in joint ventures	3,118,267	–	11,052	–	171,612	3,300,931
Capital expenditure*	10,993,203	579,551	18,641	3,389	66,092	11,660,876

2015	Property development *HK$'000*	Property investment *HK$'000*	Property management *HK$'000*	Manufacture *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment revenue:						
Sales to customers	15,056,911	789,473	1,369,006	430,800	781,982	18,428,172
Intersegment sales	–	7,060	25,913	–	148,154	181,127
	15,056,911	796,533	1,394,919	430,800	930,136	18,609,299
Reconciliation						
Elimination of intersegment sales						(181,127)
Revenue						18,428,172
Segment results before increase in fair value of investment properties	4,853,632	610,977	84,901	11,438	(58,830)	5,502,118
Increase in fair value of investment properties	–	1,082,176	–	–	–	1,082,176
Recognition of change in fair value of completed properties held for sale upon transfer to investment properties	–	432,102	–	–	–	432,102
Segment results after increase in fair value of investment properties	4,853,632	2,125,255	84,901	11,438	(58,830)	7,016,396
Reconciliation						
Elimination of intersegment results						(30,621)
Interest income						344,594
Dividend income and unallocated gains						27,066
Fair value gain on financial instruments, net						580
Corporate and other unallocated expenses						(138,902)
Finance costs						(708,484)
Profit before tax						6,510,629
Segment assets	48,747,765	22,729,484	162,570	184,983	3,924,577	75,749,379
Reconciliation						
Corporate and other unallocated assets						15,335,839
Total assets						91,085,218
Segment liabilities	16,624,958	1,057,481	623,955	39,371	499,493	18,845,258
Reconciliation						
Corporate and other unallocated liabilities						36,670,894
Total liabilities						55,516,152
Other segment information:						
Depreciation	66,968	17,927	10,903	8,403	51,735	155,936
Amortisation of prepaid land lease payments	–	–	–	–	1,309	1,309
Share of profits less losses of associates and joint ventures	344,054	207,355	10,507	–	45,929	607,785
Write-down of properties under development	118,272	–	–	–	–	118,272
Write-down of completed properties held for sale	254,118	–	–	–	–	254,118
Interests in associates	3,592,512	80,084	3,791	15,133	146,507	3,838,027
Interests in joint ventures	2,878,888	–	24,822	–	133,600	3,037,310
Capital expenditure*	6,094,347	816,255	5,792	18,913	8,600	6,943,907

* Capital expenditure consists of additions to property, plant and equipment, investment properties, properties under development, completed properties held for sale and acquisition of subsidiaries.

As the Group generates substantially all of its revenue from customers domiciled in Mainland China and most of its non-current assets are located in Mainland China, no geographical information is presented.

4 REVENUE, OTHER INCOME AND GAINS

Revenue, represents proceeds from the sale of properties, commercial and industrial goods, rental income, management fee income and others.

An analysis of revenue, other income and gains is as follows:

	2016	2015
	HK$'000	*HK$'000*
Revenue		
Sale of properties	**17,807,883**	15,056,911
Gross management fee income	**1,556,802**	1,369,006
Gross rental income from investment properties	**764,802**	789,473
Sale of commercial and industrial goods	**298,050**	430,800
Others	**926,456**	781,982
	21,353,993	18,428,172
Other income and gains		
Bank interest income	**80,370**	72,526
Interest income from joint ventures	**95,658**	191,723
Interest income from independent third parties	**87,910**	80,345
Gain on a bargain purchase	**526,249**	–
Gain on disposal of investment properties	**4,081**	26,302
Gain on disposal of subsidiaries	**3,599**	–
Government grant	**14,704**	10,175
Others	**19,771**	234,218
	832,342	615,289

5 FINANCE COSTS

	2016	2015
	HK$'000	*HK$'000*
Interest on:		
Bank loans	**775,154**	1,015,533
Other borrowings	**242,418**	139,641
Loans from the ultimate holding company	**202,325**	214,268
Loans from the immediate holding company	**26,861**	–
Loans from fellow subsidiaries	**–**	7,575
Loans from non-controlling shareholders	**14,049**	7,705
Total interest expense on financial liabilities not at fair value through profit or loss	**1,260,807**	1,384,722
Less: Interest expense capitalised into properties under development	**(422,640)**	(676,238)
	838,167	708,484

6 PROFIT BEFORE TAXATION

The Group's profit before tax is arrived at after charging/(crediting):

(a) Cost of sales

	2016	2015
	HK$'000	*HK$'000*
Cost of properties and inventories sold	**10,455,681**	9,842,550
Cost of services provided	**2,627,553**	2,211,138
	13,083,234	12,053,688

(b) Staff costs

	2016	2015
Wages and salaries	**1,198,107**	965,971
Equity-settled share option expense	**11,823**	24,171
Pension scheme contributions	**112,098**	94,665
	1,322,028	1,084,807

(c) Other items

	2016	2015
Amortisation of prepaid land lease payments	**1,065**	1,309
Depreciation	**180,607**	155,936
Impairment losses		
– trade receivables	**9,150**	844
– other receivables	**1,401**	3,264
	10,551	4,108
Reversal of impairment losses of trade receivables	**(1,601)**	(157)
Write-down of inventories		
– properties under development	**503,499**	118,272
– completed properties held for sale	**353,754**	254,118
– others	**4,876**	–
	862,129	372,390
Minimum lease payments under operating leases in respect of land and buildings	**21,017**	27,597
Net foreign exchange gain	**(10,582)**	(7,883)
Rental income on investment properties less direct operating expenses of HK$115,200,000 (2015: HK$98,224,000)	**(649,602)**	(691,249)
Changes in fair value of contingent consideration payable to the immediate holding company	**34,620**	33,136
Loss on disposal of property, plant and equipment	**4,836**	–
Auditor's remuneration	**5,250**	5,270

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

The provision for Hong Kong Profits Tax for 2016 is calculated at 16.5% (2015: 16.5%) of the estimated assessable profits for the year.

No provision for Hong Kong Profits Tax was made as the Group has no assessable profits arising in or derived from Hong Kong for the year.

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

Under the relevant income tax law, the PRC subsidiaries are subject to corporate income tax ("CIT") at a statutory rate of 25% on their respective taxable income during the year.

PRC Land Appreciation Tax ("LAT") is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including amortisation of land use rights, borrowing costs and all property development expenditures.

	2016	2015
	HK$'000	*HK$'000*
Current tax:		
Mainland China CIT	**2,326,349**	1,633,155
Withholding tax on dividend	**139,402**	130,174
LAT in Mainland China	**3,190,927**	1,937,337
Deferred tax		
Mainland China CIT	**(561,709)**	(34,520)
Withholding tax on dividend	**4,968**	35,651
LAT in Mainland China	**(278,026)**	(278,420)
Total tax charge for the year	**4,821,911**	3,423,377

8 EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of HK$3,170,581,000 (2015: HK$2,868,796,000) and the weighted average of 7,484,946,956 ordinary shares (2015: 7,073,029,529) in issue during the year, calculated as follows:

(a) Weighted average number of ordinary shares

	Number of shares	
	2016	2015
Issued ordinary shares at 1 January	**7,384,016,988**	6,656,055,289
Effect of shares issued	**–**	375,944,444
Effect of shares issued in respect of scrip dividends	**97,856,506**	–
Effect of share options exercised	**3,073,462**	41,029,796
Weighted average number of ordinary shares at 31 December	**7,484,946,956**	7,073,029,529

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of HK$3,170,581,000 (2015: HK$2,868,796,000) and the weighted average number of ordinary shares of 7,486,167,671 shares (2015: 7,073,647,254), calculated as follows:

Weighted average number of ordinary shares (diluted)

	Number of shares	
	2016	2015
Weighted average number of ordinary shares at 31 December	**7,484,946,956**	7,073,029,529
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	**1,220,715**	617,725
	7,486,167,671	7,073,647,254

9 DIVIDENDS

	2016	2015
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
Final dividend declared for 2015 – HK13.00 cents per share (2015: declared for 2014 – HK13.00 cents per share) (i)		
Scrip shares	**751,256**	4,846
Cash	**208,666**	954,759
	959,922	959,605
Interim – HK7.00 cents (2015: HK3.00 cents) per ordinary share (ii)		
Scrip shares	**15,733**	–
Cash	**519,151**	221,521
	534,884	221,521
Dividends proposed after the end of the reporting period		
Final dividend of HK10.00 cents (2015: final dividend of HK13.00 cents) per ordinary share (iii)	**764,916**	959,922
Special dividend of HK5.00 cents (2015: special dividend of nil) per ordinary share (iii)	**382,458**	–
	1,147,374	959,922

(i) The declared final dividend of HK13.00 cents per share for the year ended 31 December 2015 was paid in August 2016. The declared final dividend of HK13.00 cents per share for the year ended 31 December 2014 was paid in August 2015.

(ii) On 29 August 2016, the board of directors declared an interim dividend of HK7.00 cents per share. The shareholders were given the option of receiving such dividend wholly in cash, or wholly in new fully paid share(s) of the Company in lieu of cash, or partly in cash and partly in the form of scrip shares.

(iii) On 27 March 2017, the board of directors recommends a final dividend of HK10.00 cents per share and a special dividend of HK5.00 cents per share for the year ended 31 December 2016 (2015: final dividend of HK13.00 cents per share and special dividend of nil). The proposed final and special dividends will be paid in cash but shareholders will be given the option of receiving such dividend wholly in cash, or wholly in new fully paid share(s) of the Company in lieu of cash, or partly in cash and partly in the form of scrip shares. The proposed final and special dividends for the year are subject to the approval of the Company's shareholders at the forthcoming annual general meeting and has not been recognised as a liability at the end of the reporting period.

10 TRADE RECEIVABLES

	2016	2015
	HK$'000	*HK$'000*
Trade receivables	**357,498**	562,412
Less: allowance for doubtful debts	**(34,992)**	(34,258)
	322,506	528,154

Under normal circumstances, the Group does not grant any credit terms to its customers for the sale of properties. The Group seeks to maintain strict control over its outstanding receivables and to minimise credit risk. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the end of the reporting period, based on the contract date and net of provision, is as follows:

	2016	2015
	HK$'000	*HK$'000*
Within one year	**310,256**	513,645
One to two years	**12,250**	14,509
	322,506	528,154

11 TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2016	2015
	HK$'000	*HK$'000*
Within one year	**570,813**	518,661
One to two years	**235,977**	315,539
Two to three years	**226,082**	140,049
Over three years	**83,560**	38,877
	1,116,432	1,013,126

12 CAPITAL COMMITMENTS

The Group had the following commitments at the end of the reporting period:

	2016	2015
	HK$'000	*HK$'000*
Commitments in respect of acquisition of land and buildings, and development costs attributable to properties under development:		
Contracted, but not provided for	**5,997,713**	7,786,034

13 CONTINGENT LIABILITIES

As at 31 December 2016, the Group has given guarantees to a maximum extent of approximately HK$7,869,258,000 (2015: HK$8,857,658,000) to banks for housing loans extended by the banks to the purchasers of the Group's properties.

Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage loans together with any accrued interest and penalty owed by the defaulted purchasers to banks. The Group is then entitled to take over the legal title of the related properties. The Group's guarantee period commences from the date of grant of the relevant mortgage loan and ends after the buyer of the Group's properties obtained the individual property ownership certificate.

The directors consider that in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage loans together with any accrued interest and penalty and therefore no provision has been made in connection with the guarantees.

14 PLEDGE OF ASSETS

Bank loans amounting to HK$638,225,000 (2015: HK$1,917,604,000) were secured by certain of the Group's assets as below:

(i) land and buildings in Mainland China with a net carrying amount of approximately HK$678,753,000 (2015: HK$728,180,000);

(ii) completed properties held for sale with a net carrying amount of approximately nil (2015: HK$66,738,000);

(iii) properties under development with a net carrying amount of approximately HK$95,858,000 (2015: HK$615,389,000); and

(iv) investment properties with a net carrying amount of approximately HK$777,095,000 (2015: HK$1,884,717,000).

In addition, Shum Yip Group, the ultimate holding company, has guaranteed certain of the Group's bank loans of HK$3,771,012,000 as at 31 December 2016 (2015: HK$4,534,160,000).

15 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. As the Group has not completed its assessment, further impacts may be identified in due course and will be taken into consideration when determining whether to adopt any of these new requirements before their effective date and which transitional approach to take, where there are alternative approaches allowed under the new standards.

HKFRS 9, Financial instruments

HKFRS 9 will replace the current standard on accounting for financial instruments, HKAS 39, Financial instruments: Recognition and measurement. HKFRS 9 introduces new requirements for classification and measurement of financial assets and calculation of impairment of financial assets. On the other hand, HKFRS 9 incorporates without material changes the requirements of HKAS 39 for recognition and derecognition of financial instruments and the classification of financial liabilities. Expected impacts of the new requirements on the Group's financial statements are as follows:

(a) Classification and measurement

HKFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss (FVTPL) and (3) fair value through other comprehensive income (FVTOCI) as follows:

- The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. If a debt instrument is classified as FVTOCI then effective interest, impairments and gains/losses on disposal will be recognised in profit or loss.

- For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVTOCI. If an equity security is designated as FVTOCI then only dividend income on that security will be recognised in profit or loss. Gains, losses and impairments on that security will be recognised in other comprehensive income without reclassification.

Based on the preliminary assessment, the Group expects that its financial assets currently measured at amortised cost and FVTPL will continue with their respective classification and measurements upon the adoption of HKFRS 9.

With respect to the Group's financial assets currently classified as "available-for-sale", these are investments in equity securities which the Group may classify as either FVTPL or irrevocably elect to designate as FVTOCI (without recycling) on transition to HKFRS 9. The Group has not yet decided whether it will irrevocably designate these investments as FVTOCI or classify them as FVTPL. Either classification would give rise to a change in accounting policy as the current accounting policy for available-for-sale equity investments is to recognise fair value changes in other comprehensive income until disposal or impairment, when gains or losses are reclassified to profit or loss. This change in policy will have no impact on the Group's net assets and total comprehensive income but will impact on reported performance amounts such as profit and earnings per share.

The classification and measurement requirements for financial liabilities under HKFRS 9 are largely unchanged from HKAS 39, except that HKFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's own credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). The Group currently does not have any financial liabilities designated at FVTPL and therefore this new requirement may not have any impact on the Group on adoption of HKFRS 9.

(b) Impairment

The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised.

Instead, an entity is required to recognise and measure expected credit losses as either 12- month expected credit losses or expected credit losses throughout the duration, depending on the asset and the facts and circumstances. This new impairment model may result in an earlier recognition of credit losses on the Group's trade receivables and other financial assets.

However, a more detailed analysis is required to determine the extent of the impact.

HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18, Revenue, which covers revenue arising from sale of goods and rendering of services, and HKAS 11 Construction contracts, which specifies the accounting for revenue from construction contracts.

The Group is currently assessing the impacts of adopting HKFRS 15 on its financial statements.

Based on the preliminary assessment, the Group has identified the following areas which are likely to be affected:

(a) Timing of revenue recognition

Currently, revenue arising from construction contracts and the provision of services is recognised over time, whereas revenue from the sale of goods is generally recognised when the risks and rewards of ownership have passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. HKFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

(a) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(b) When the entity's performance creates or enhances an asset (for example construction in progress) that the customer controls as the asset is created or enhanced;

(c) When the entity's performance does not create an asset with an alternative use to the entity and the entity is entitled to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

As a result of this change from the risk-and-reward approach to the contract-by-contract transfer-of-control approach, it is possible that once the Group adopts HKFRS 15 some of the Group's property development activities that are currently recognised at a point in time may meet the HKFRS 15 criteria for revenue recognition over time. This will depend on the terms of the sales contract and the enforceability of any specific performance clauses in that contract, which may vary depending on the jurisdiction in which the contract would be enforced. It is also possible that for the remainder of the Group's contracts the point in time when revenue is recognised may be earlier or later than under the current accounting policy. However, further analysis is required to determine whether this change in accounting policy may have a material impact on the amounts reported in any given financial reporting period.

(b) Significant financing component

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance or in arrears.

Currently, the Group would only apply such a policy when payments are significantly deferred, which is currently not common in the Group's arrangements with its customers.

Currently, the Group does not apply such a policy when payments are received in advance.

Advance payments are common when residential properties are marketed by the Group while the property is still under construction. In this situation, the Group may offer buyers a discount compared to the sales price payable, provided the buyer agrees to pay the balance of the purchase price early.

Currently, the revenue from property sales is recognised when the property is complete, measured at the amount received from the customer, irrespective of whether the customer pays early or on completion. However, under HKFRS 15 such advance payment schemes are likely to be regarded as including a financing component.

The Group is in the process of assessing whether this component in the Group's advance payment schemes would be significant to the contract and therefore whether, once HKFRS 15 is adopted, the transaction price would need to be adjusted for the purposes of recognising revenue. Any adjustment to the transaction price under HKFRS 15, if considered necessary, would result in interest expense being recognised while the construction work is still in progress to reflect the effect of the financing benefit obtained from the customers, with a corresponding increase to revenue on sale of properties recognised when control of the completed property is transferred to the customer.

(c) Sales with a right of return

Currently when the customers are allowed to return the products, the Group estimates the level of returns and makes an adjustment against revenue and cost of sales.

The Group expects that the adoption of HKFRS 15 will not materially affect how the Group recognises revenue and cost of sales when the customers have a right of return.

However, the new requirement to recognise separately a return asset for the products expected to be returned will impact the presentation in the consolidated statement of financial position as the Group currently adjusts the carrying amounts of inventory for the expected returns, instead of recognising a separate asset.

HKFRS 16, Leases

Currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. The Group will perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

The directors consider the adoption of HKFRS 16 will not have a material effect on the Group's consolidated financial statements because the Group's future minimum lease payments under non-cancellable operating leases at 31 December 2016 was insignificant to the Group.

16 REVIEW OF RESULTS

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2016 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other 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 HKICPA and consequently no assurance has been expressed by the auditor.

CHAIRMAN STATEMENT

The 2016 PRC real estate market was complex and volatile. In the first half year, with the direction of destocking policy, the first and second-tier cities saw a pickup both in terms of trading prices and volumes while the third- and fourth-tier cities saw a recovery in the real estate market. Although cities including Shanghai and Shenzhen have implemented their moderate macro-control policies in March, factors like supply-and-demand fundamentals and funds have continuously pushed up the property prices of the first- and certain second-tier cities, which brought the market with a number of record high land transactions and higher market risk accordingly. In October, all major cities have further implemented a series of strict controlling measures to suppress the overheating real estate market. Accordingly, the real estate markets in first- and second-tier cities cooled down substantially, with severe decline in transaction volume, and strong wait-and-see atmosphere in the market.

The Group has seized the prime time during the first half year and proactively promoted its property sales and disinvestment of the projects in the third- and fourth-tier cities, in order to achieve its annual target in advance and gain a satisfactory performance in spite of the most stringent market controlling measures.

2016 RESULTS

During the year, the Group achieved a turnover of HK$21,354.0 million, representing an increase of 15.9% over the same period of last year. Net profit for the year attributable to the shareholders was HK$3,170.6 million, representing an increase of 10.5% over the same period of last year. If excluding the net effects on the changes in fair value of investment properties attributable to the Group, gain on a bargain purchase, provision for litigation and provision of land projects in third- and fourth-tier cities, net profit attributable to the shareholders was HK$2,614.9 million, representing an increase of 21.1% over the same period of last year. Basic earnings per share were HK42.36 cents, representing an increase of 4.4% over the same period of last year. The Board recommends the payment of a final dividend of HK10.00 cents per share for year 2016. To celebrate the 20th anniversary of the Company's listing on Hong Kong Stock Exchange and to appreciate the long-term support of the shareholders, the Board also recommends the payment of a special dividend of HK5.00 cents per share. The proposed final dividend and special dividend will be paid in cash, with scrip dividend alternative. Together with the interim dividend of HK7.00 cents per share already paid, the total dividend for the whole year will amount to HK22.00 cents per share.

Satisfactory Sales Results

The Group captured the surge of market and capitalized on its diverse product mix and superior product quality. It had basically completed in the first nine months contracted sales of its major projects through close to the market marketing activities such as bulk sale of properties, and thus effectively avoided the impact of the national macro-controlling measures in October. In 2016, the Group achieved contracted sales of RMB19.1 billion, representing an increase of 19.8% over the same period of last year, of which, the contribution from Shenzhen projects of the Group with higher gross profit margin accounted for approximately 77%. The Group outperformed the annual target for contracted sales of RMB18.5 billion, and its core projects including Shum Yip UpperHills, Shum Yip Dongling and Shum Yip Zhongcheng all recorded satisfactory sales results.

Further Intensification of the Development in Shenzhen and Expansion of Future Resources through Strategic Cooperation

During a high momentum market period, the Group remained calm and no land was acquired at high price through public listing-for-sale during the year, and instead, through strategic cooperation, urban redevelopment etc., further accelerated the development of quality land resources in Shenzhen. During the year, the Group acquired 50% equity interest of the first phase of Shenzhen International Qianhai project, with a gross floor area (GFA) of approximately 52,900 square meters, at the consideration of RMB1.12 billion. The Group made effective progress in the development of potential projects in Pingshan and Guangming New Districts. During the year, the Group, together with the parent company, strengthened communication with local governments of various districts of Shenzhen to successfully obtain the qualification of general coordinator for certain zones reform projects covering an area of nearly 10 square kilometers in Bagualing, Chegongmiao, High-tech Park, Xin'an and Nantou Ancient Town, which was beneficial for the Group to compete for more urban redevelopment resources in Shenzhen. In addition, Shum Yip Group, the parent company, signed a strategic cooperation agreement with Shenzhen Media Group (SZMG) and reached an understanding on the joint development of potential projects in regions such as Futian District, Nanshan District, Luohu District and Longhua District. These strategic cooperations shall establish a new channel for the Group to acquire new resources and quality land in Shenzhen going forward.

Further implementation steps in disposal of projects in the third- and fourth-tier cities

The pickup of real estate market in the third- and fourth-tier cities has created a favorable condition for the disposal of projects in the third- and fourth-tier cities of the Group. During the year, the Group has reached agreements with local governments and decided to sell back the undeveloped lands of approximately 620,000 square meters located at Heyuan to the local governments. More measures will be adopted by the Group to revitalize its assets effectively, optimize land structure and reduce operational risk.

Fruitful results achieved in attracting commercial tenants in UpperHills

The commercial projects of the Shum Yip UpperHills under the Group successfully attracted commercial tenants. In December 2016, the first three-in-one project of MUJI in the world, combining flagship shop, restaurant and hotel, was set up in the Shum Yip UpperHills. Till now, the occupancy rate of commercial area of the Shum Yip UpperHills is 60%, with more than 300 shops planned covering food and beverages, retail, design, life experiences and other aspects, and an approximately 40% of which are brands newly arriving in Shenzhen. "Shenzhen International Consumer Electronics Exhibition and Trade Center" led by the Shenzhen government was officially established in Shum Yip UpperHills during the year. The center is positioned as an exhibition and trading platform for high-end international consumer electronic products at LOFT-D area and part of the commercial area in Shum Yip UpperHills spanning a total of 50,000 square meters of industrial space as its core, featuring the three major elements of technology, innovation and fashion and gradually introducing big domestic and foreign high-end consumer electronic brands. The establishment of "Shenzhen International Consumer Electronics Exhibition and Trade Center" and the innovation for commercial design and attracting commercial investment, shall enrich the forms and categories of businesses for Shum Yip UpperHills and enhance the appeal to consumers of multi-level and innovative enterprises.

Sound Financial Position Maintained

The Group continued to maintain a good sales proceeds collection and strengthened fund integrated planning and management to maintain a low level of gearing ratio. As of 31 December 2016, net gearing ratio (including all interest-bearing liabilities) of the Group was 38.9%.

OUTLOOK

Since October 2016, Shenzhen is under the most rigid and comprehensive control in the real estate industry. The macro controlling policies involve limitations on purchase, loan, and pricing, and tighter financing conditions on developers and stringent requirements of examination upon completion of projects and design and planning, etc. In 2017, Shenzhen real estate market is entering into a new adjustment period, which is full of challenges. With the effects of macro-controlling policies, both supply and demand curtail, seeing a substantial decrease in transaction volume and a relatively stable price. The Group considers that Shenzhen, as an innovation center of the PRC, is a city with strong competitive advantages and attractive to outsiders. Thus, fundamentals such as huge demand for properties and lack of land resources will strongly support the real estate market in Shenzhen growing healthily. We believe that quality assets at core areas of Shenzhen have long-term value. Therefore, the Group will target at maintaining stable sales and realizing the long-term value of assets when it prepares and implements its 2017 sales scheme.

On property sales, in 2017, the Group has an annual saleable value of approximately RMB31 billion, of which, the saleable value in Shenzhen accounts for over 80%. The contracted sales targets for 2017 is RMB19.1 billion, remaining the same as last year. During the period of implementing macro-controlling policies, the government may adopt various measures, which may bring further uncertainties to the transaction volume and prices of real estates. The Group will follow closely with the trend of policy and adjust its sales strategies, to optimize its structure of saleable products and reduce risk resulting from controlling measures.

The Group will keep seeking opportunities to acquire land projects in Shenzhen proactively. On the one hand, the Group will deepen its cooperation with its parent company; on the other hand, the Group will continue to implement the cooperation with state-owned enterprises, such as Shenzhen Media Group, Shenzhen Metro, Shenzhen Bus Group and Shenzhen Press Group, and to make great efforts to increase resources for new projects in Shenzhen. The Group will capture the opportunity of certain old urban redevelopment projects and capitalize on the advantage of being the coordinator in zones reform. Through improving the communication and coordination with district governments, and leveraging on its professional abilities of introducing industries, comprehensive operation and arranging public space and ancillary facilities, the Group strives to acquire more resources to develop quality areas.

The Group will pay close attention to opportunities in other key first-tier and second-tier cities. The Group has established a strategic cooperation relationship with Shenzhen Capital Group Co., Ltd. and Suzhou Industrial Park Trirun Investment Holding Group Co., Ltd. (蘇州工業區兆潤投資控股集團有限公司), respectively, earlier, trying to expand park resources in areas such as Nanjing and Suzhou through setting up joint funds, jointly developing parks and other ways of cooperation.

With the PRC real estate market reaching a stage of assets stabilization and retention, the ability of asset operating will become the key competitiveness of the property developers. The Group continues to establish an operation service platform, to enhance its standard of operating services and to go ahead on its path of strategic transformation. Currently, its three main operation service centers, namely commercial management operation center, wisdom park operation center and residential property services have been basically integrated. In 2017, the newly established commercial management operating center has made use of the opening ceremony of the commercial portion of Shum Yip UpperHills to lift its professional operation standard. Through introducing new brands and new elements, combining retail and servicing experiences, and integrating culture of arts with innovative design, the center has provided consumers with special life experiences. By integrating resources and upgrading value-added services of the park, its wisdom park operation platform will benefit from scale of economy and thus its operation efficiency and brand effect will both be enhanced. Its residential property services platform will strive to provide comprehensive and considerate services to its customers. The Group will put great efforts in improving its operation efficiency and standards of services, promoting the formation of light asset business, and adding value to its key assets.

In the next five years, with the vision of "Leader in Value Creation for City Spaces", the Group will continue to firmly focus on Shenzhen and its strategic development of exploring Shenzhen. While maintaining a steady growth in the size of developments and sales, the Group will intensify its development in Shenzhen, enlarge moderately the scale of its investment property, optimize its investment properties portfolio, achieve high-efficiency operation, and seek higher asset quality and level of return continuously. By building an operation and service platform with core competitiveness and capitalizing on building a strategic cooperation platform and the "Urban Dreams" platform with outstanding innovative enterprises, the Group captures its advantages of urban upgrading capability and strengthens its strategic coordination and operational capability, to enhance its brand effect and provide comprehensive value-added service to its customers, building a urban space with enhanced value in park, commercial and residential areas.

I believe that, through unremitting efforts, the Group will be able to achieve a balance between scale expansion and value enhancement in the next five years and a constant optimization of the structure of land reserves and assets. At the same time, we will spur with long accumulation on a well-grounded strategy for transformation and upgrading in branding to achieve a sound and sustainable development of the Company and create better benefits and return for shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Results

The 2016 PRC real estate market was complex and volatile. In the first half year, benefiting from the destocking policy, the first and second-tier cities saw a pickup both in terms of trading prices and volumes while the third- and fourth-tier cities saw accelerated destocking process. With the rise in property prices, a number of record high land transactions emerged in land market, which brought higher market risk accordingly. In October, the major cities intensively introduced a series of stringent control policies for real estate, where the control policies in Shenzhen were particularly stringent. Affected by the control, the trend of property prices are stabilizing gradually.

During the year, the Group has seized the time and proactively promoted its projects sales and disinvestment of the lands in the third- and fourth-tier cities. Despite the stringent control policies, the Group still achieved its annual target in advance and gained a satisfactory performance.

For the year ended 31 December 2016, the Group achieved a turnover of HK$21,354.0 million, representing an increase of 15.9% over the same period of last year. Gross profit margin was 38.7%, representing an increase of 4.1 percentage points over the same period of 2015. The Group achieved a net profit attributable to shareholders of HK$3,170.6 million, representing an increase of 10.5% over the same period of last year. If excluding the net effects on the changes in fair value of investment properties attributable to the Group, gain on a bargain purchase, provision for litigation and provision of land projects in third- and fourth-tier cities, net profit attributable to equity shareholders was HK$2,614.9 million, representing an increase of 21.1% over the same period of last year. Basic earnings per share were HK42.36 cents, representing an increase of 4.4% over the same period of last year.

Property Development Business

The Group seized the rising opportunities in market, and actively promoted the sales of several major projects in Shenzhen. Leveraging on a diversified product mix and superior product quality, the Group completed the sale of its main projects substantially prior to the control in early October through marketing means close to market such as bulk sale, and exceeded its full year sales target. In addition, the Group strengthened the management over the progress of projects to ensure the successful completion of the key projects and achieved satisfactory operating results.

Sales Revenue Booked: During the year, the Group recorded property sales of approximately 922,000 sq.m. (excluding the interests attributable to the Group in its two material associates and one material joint venture), representing an increase of 15% over the same period of last year, and achieved a net revenue from property sales of approximately RMB15,230.8 million (equivalent to HK$17,807.9 million) representing an increase of approximately 18% over the same period of last year. The gross profit margin of property development and sales was 41.3%, representing an increase of 4.4 percentage points over the same period of last year. The percentage of those Shenzhen projects with high gross profit in total sales revenue booked during the year was 72.1%. During the year, the average gross profit margin for Shenzhen projects of the Group was approximately 49.9%, whereas those for other first-tier cities, second-tier cities and third-tier cities, being approximately 36.1%, 31.8% and 11%, respectively.

Property Sales Booked in 2016

Property Name	Type	Sales Area (sq.m.)	Net Sales (RMB million)	Unit Price (RMB/ sq.m.)
Wanlin Lake	Residential/villa/shop	23,578	151	6,404
Rui Cheng	Residential	107,351	451	4,201
Noah Mountain Forest	Villa	622	3	4,823
Splendid City	Residential	90,602	324	3,576
Garden Hill	Villa	928	9	9,698
European Garden	Residential/shop	2,017	22	10,907
Shanglin Garden	Residential	62,327	283	4,541
Nanhu Rose Bay	Residential/villa/shop	12,088	138	11,416
Yihu Rose Garden	Residential/shop	16,302	60	3,681
Guanlan Rose Garden	Office building	7,056	147	20,833
Guanlan Rose Pavilion	Residential	53,312	1,265	23,728
Shum Yip Zhongcheng	Office building	20,154	1,101	54,629
Shum Yip City	Residential	98,879	672	6,796
Yundonghai	Villa	12,825	95	7,407
Saina Bay	Residential/villa/shop	27,949	111	3,972
Jiangyue Bay	Residential/shop	39,183	703	17,941
Boxing Building	Office building	4,426	133	30,050
Bolong Building	Office building	10,617	299	28,162
Royal Spring Garden North Villa	Villa	10,018	95	9,483
Shum Yip UpperHills North	Residential	22,396	1,755	78,362
Shum Yip UpperHills South	Office building	111,758	6,207	55,540
Ma'anshan Shum Yip Huafu	Residential	135,026	646	4,784
Changzhou Shum Yip Huafu	Residential	50,800	333	6,555
Others	Residential	2,162	82	
Parking place sales*	Parking place	–	146	
Total		**922,376**	**15,231**	

*Note**: A total of 1,060 parking lots were sold.

Contracted sales: During the year, the Group realized contracted sales area of approximately 896,000 sq.m., and contracted sales revenue of approximately RMB19.1 billion, representing a significant increase of 19.8% over the same period of last year.

Contracted Sales in 2016

Project Name	**City**	**Type**	**Sales Area** *(sq.m.)*	**Sales** *(RMB million)*	**Unit Price** *(RMB/sq.m.)*
Shum Yip UpperHills	Shenzhen	Complex	152,817	9,270	60,661
Shum Yip Dongling	Shenzhen	Complex	56,352	3,479	61,737
Ma'anshan Shum Yip Huafu	Ma'anshan	Residential	169,955	921	5,419
Guanlan Rose Garden	Shenzhen	Complex	31,149	660	21,189
Shum Yip City	Shunde	Residential	78,317	658	8,402
Jinshazhou	Guangzhou	Residential	24,371	602	24,702
Changzhou Shum Yip Huafu	Changzhou	Residential	62,673	446	7,116
Garden Hill	Huizhou	Residential	59,902	365	6,093
Rui Cheng	Changsha	Residential	71,844	346	4,816
Royal Spring Garden	Chaohu	Residential	14,402	159	11,040
Shanglin Garden	Taizhou	Residential	27,686	150	5,418
Wanlin Lake	Huizhou	Residential	18,832	135	7,169
Splendid City	Jiangyan	Residential	33,304	123	3,693
Saina Bay	Heyuan	Residential	23,555	110	4,670
Nanhu Rose Bay	Wuhan	Residential	8,785	110	12,521
Tanglang City*	Shenzhen	Complex	2,784	109	39,152
Yundonghai	Sanshui	Residential	12,213	88	7,205
Qingshuihe Auto Park	Shenzhen	Warehouse/ Commercial	2,633	84	31,903
Yihu Rose Garden	Chengdu	Residential	18,715	79	4,221
European City	Dongguan	Residential	4,840	53	10,950
Terra Building	Shenzhen	Industrial/ Commercial	170	10	58,824
Noble Times	Shenzhen	Residential	252	10	39,683
Noah Mountain Forest	Changsha	Residential	622	4	6,431
Shum Yip Zhongcheng	Shenzhen	Complex	20,154	1,168	57,954
Total			**896,327**	**19,139**	**21,353**

Note:* Tanglang City project was co-developed with Shenzhen Metro Group, as to 50% owned by the Group, and it is accounted based on equity method.

Project development: During the year, the Group had a new construction area of approximately 412,000 sq.m., and a completed area of approximately 1,020,000 sq.m.

New Construction Projects in 2016

Project Name	**City**	**Type**	**Total GFA** *(sq.m.)*	**Saleable area** *(sq.m.)*
Building 5&6 of Yihu Rose Garden Phase 1.1	Chengdu	Residential	17,761	14,400
Shum Yip Dongling Land Plot 04-01 (Huangbeiling Project)	Shenzhen	Commercial (Including Hotel & Office)	76,733	54,089
Rui Cheng Phase 3.1	Changsha	Residential	73,433	49,189
Chaohu North Phase 3	Chaohu	Residential	5,721	5,617
Wanlin Lake Phase 9 (Wanlin Lake South)	Huizhou	Residential	74,427	54,390
Shanglin Garden Phase 1.2	Taizhou	Residential	106,405	105,573
Chaohu North Phase 4.1	Chaohu	Residential	4,853	4,727
Qianhai 19-06-06 Project	Shenzhen	Residential	52,900	52,900
Total			**412,233**	**340,885**

Completed Projects in 2016

Project Name	**City**	**Type**	**Total GFA** *(sq.m.)*	**Saleable area** *(sq.m.)*
Ruicheng Phase 2.1	Changsha	Residential	123,778	87,115
Splendid City Phase 2.2	Taizhou	Residential	100,807	96,325
Shum Yip City Phase 3.1B	Shunde	Residential	115,006	73,411
Shanglin Garden Phase 1.1	Taizhou	Residential	153,801	91,693
Shum Yip Zhongcheng (Land Plot 05-03)	Shenzhen	Complex	24,659	20,154
Guanlan Rose Garden & Pavilion	Shenzhen	Complex	164,200	113,147
Shum Yip UpperHills South Office T2 (Low-tower)	Shenzhen	Complex	153,018	121,351
Chaohu North Phase 2	Chaohu	Residential	13,102	10,937
Qingshuihe Auto Park Phase 3	Shenzhen	Warehouse/ Commercial	36,102	15,070
Ma’anshan Shum Yip Huafu Phase 3.1	Ma’anshan	Residential	135,965	107,713
Total			**1,020,438**	**736,916**

Land Reserves

New Projects: On 20 December 2016, Shum Yip Land Company Limited ("SY Land"), a wholly-owned subsidiary of the Company, entered into an agreement with Shenzhen International Qianhai Real Estate (Shenzhen) Co., Ltd and Shenzhen International Qianhai Investment and Management (Shenzhen) Co., Ltd, pursuant to which, SY Land agreed to, through capital increase, make a capital contribution of RMB1.12 billion to acquire 50% equity interests of Shenzhen International Qianhai Real Estate (Shenzhen) Co., Ltd., which in turn enabled SY Land to own 50% interests of the Qianhai 19-06-06 Project owned by Shenzhen International. In respect of settlement of the above consideration, RMB560 million had been paid in December 2016 pursuant to the agreement, and the remaining will be paid by 31 December 2018. The project is located at Block 6, Unit 19 of Qianhai Shenzhen-Hong Kong Cooperation Zone (前海深港合作區十九單元06街坊) in Shenzhen. The project occupies a land site area of approximately 12,491 square meters with total gross floor area of 52,900 square meters, among which, GFA of the residential and commercial parts are 50,000 square meters and 2,900 square meters, respectively. The project has commenced construction at the end of 2015, and is expected to commence sales in 2018. We will capitalize on our own experience and advantages in development and operation of commercial, residential and complex properties, targeting to improving project quality and space value.

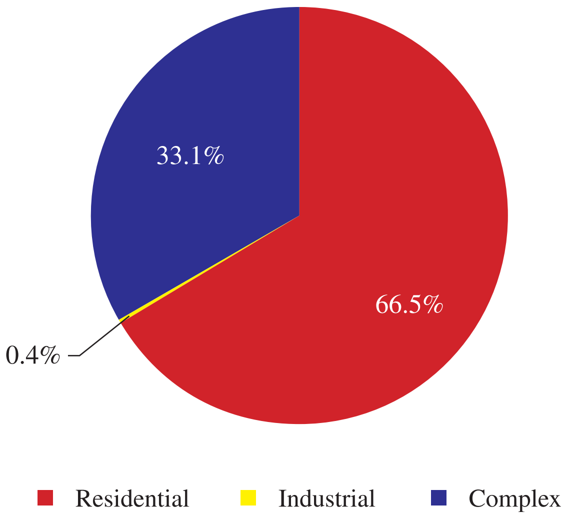
Disposal of inefficient land projects: During the year, the Group made attempt on various measures with focus on promoting the disposal of projects in third- and fourth-tier cities. In January 2016, the Group and relevant department of the Heyuan government reached an agreement under which the local government would resume approximately 620,000 square meters of undeveloped land and would return the land premium to the Company after the land is sold through public listing-for-sale. The Group has made a provision of approximately HK$857.3 million during the year ended 31 December 2016 for its projects in third-and fourth-tier cities.

As of the end of December 2016, the Group owned land reserves with an aggregate planned GFA of approximately 7.859 million sq.m. (among which the Group was interested in 7.239 million sq.m.) and a capacity building area of 5.99 million sq.m. (among which the Group was interested in 5.485 million sq.m.), among which, the projects under construction had a total planned GFA of approximately 3.596 million sq.m. (among which the Group was interested in 3.326 million sq.m.) and a capacity building area of 2.651 million sq.m. (among which the Group was interested in 2.438 million sq.m.).

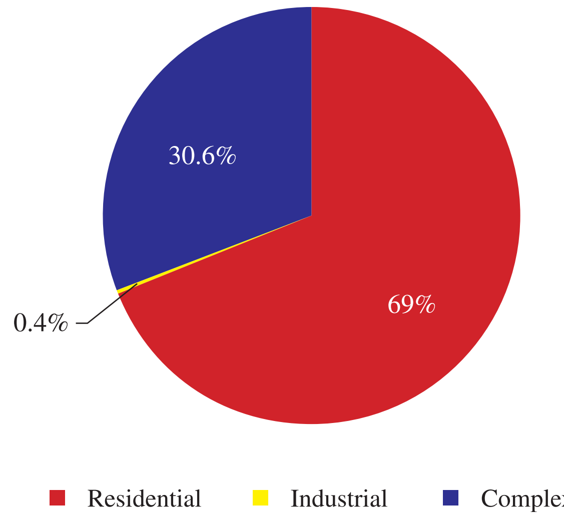
Distribution of Land Reserves (As at 31 December 2016)

Province	City	Planned GFA *(sq.m.)*	Capacity Building Area *(sq.m.)*	Percentage (Capacity Building Area)
Guangdong	Shenzhen	2,651,648	1,873,527	31.3%
	Huizhou	1,147,688	844,010	14.1%
	Shunde Foshan	129,022	105,459	1.8%
	Sanshui Foshan	651,831	464,553	7.8%
Jiangsu	Changzhou	125,939	100,439	1.7%
	Taizhou	749,777	614,784	10.2%
Anhui	Chaohu Hefei	91,409	84,528	1.4%
	Ma'anshan	838,107	652,382	10.9%
Hubei	Wuhan	948,203	806,362	13.4%
Hunan	Changsha	316,638	259,242	4.3%
Sichuan	Chengdu	148,324	125,145	2.1%
Xinjiang	Kashi	59,952	59,952	1.0%
Total		**7,858,538**	**5,990,383**	**100.0%**

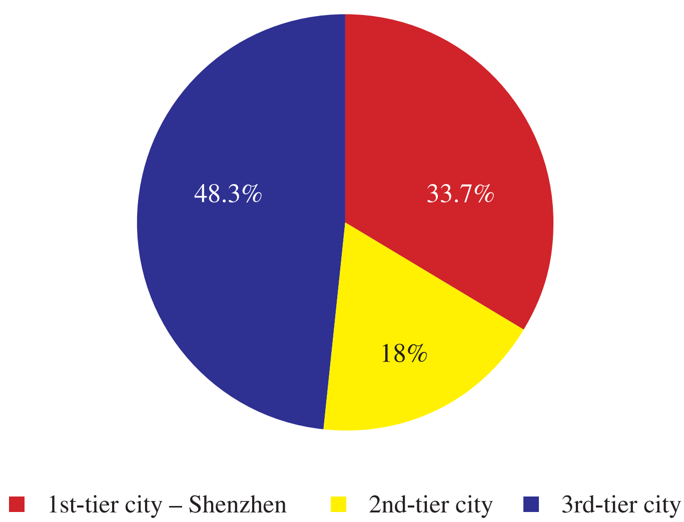
By type – Planned GFA [notes 1 and 3]
(sq.m.)



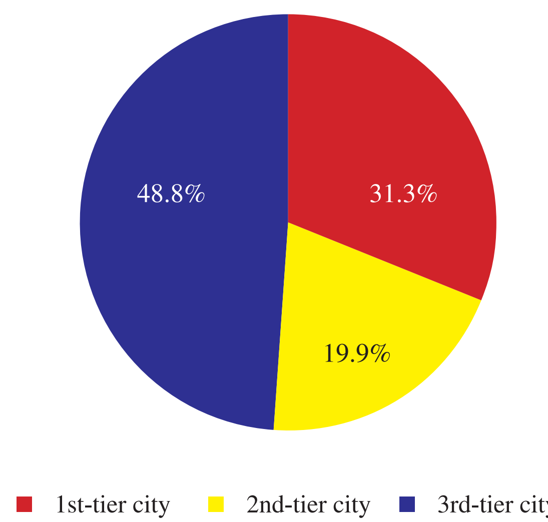
By type – Capacity Building Area [notes 2 and 3]
(sq.m.)



By City – Planned GFA [notes 1 and 3]
(sq.m.)



By City – Capacity Building Area [notes 2 and 3]
(sq.m.)



Notes:

1. Planned GFA: the sum of the gross floor area of all the floors above and under the ground of a single building or buildings within the scope of the land for construction.

2. Capacity building area: the sum of the gross floor area which is used in the calculation of the plot ratio within the land for construction.

3. Excluded the land for Heyuan project and Jiangyan project which have been returned to the local governments.

Completion of Relevant Asset Injection for Shum Yip Dongling

On 11 March 2016, the transaction in respect of the acquisition of approximately 95% equity interests in Fairwind Power Limited from Shum Yip Holdings Company Limited, the parent company of the Company, was passed at the extraordinary general meeting of the Company. Fairwind Power Limited holds the Shum Yip Dongling project located in Luohu District, Shenzhen. The transaction was completed on 15 March 2016. The transaction generated a gain on bargain purchase of HK$526.2 million, which was included in the profit or loss for the year.

Property Investment

As at 31 December 2016, the Group has a total area of above 1,100,000 square meters in investment properties, the majority of which are located in Shenzhen. During the year, the Group recorded rental income of HK$764.8 million, representing a decrease of approximately 3.1% over the same period of last year. The gross profit margin of its property investment business was approximately 84.9%, representing a decrease of 2.9 percentage points over the same period of last year. Thanks to the increase in property value, the Group recorded a revaluation gain in its investment property portfolio of HK$1,204.1 million for the year. In addition, to implement the operating strategy of "developing, sale, holding and management equally", the Group reclassified LOFT-B&C area of Shum Yip UpperHills North from "Properties under development" to "Investment properties" and other certain "Completed properties held for sale" to "Investment properties", which resulted in a revaluation gain of HK$654.5 million. With completion of the projects such as Shum Yip UpperHills and Taifu Square in future, the Group's revenue from, and the scale of, investment properties, will continue to increase.

Property Management

The Group holds six property management companies possessing first class property management qualifications at the national level. The property management team is committed to improving services, supporting the development of real estate business, and helping to enhance the corporate brand. As of the end of the year, the total area of properties under the Group's management was approximately 40 million square meters, covering a variety of property types such as government offices, office buildings, residential communities, villas, and science and technology parks, which are mainly located in the Pearl River and Yangtze River deltas as well as the central region. During the year, the property management business contributed a turnover of approximately HK$1,556.8 million to the Group, representing an increase of approximately 13.7% over the same period of last year.

Hotel Operations

The Group has three hotels in operation and three under construction. Those in operation are Suzhou Marriott Hotel (with 293 guest rooms), Chaohu Shumyip Bantang Hot Spring Hotel (with 20 spring villas) and Holiday Inn Resort Chaohu Hot Spring (with 203 guest rooms). Those under construction are Mandarin Oriental Shenzhen (with 190 guest rooms planned), Shumyip UpperHills Boutique Hotel (with 90 guestrooms planned) and Tanglang City project hotel (with 200 guest rooms planned) which is co-developed with Shenzhen Metro Group.

During the year, the three hotels in operation recorded operating income (included in the segment of other operations) of approximately HK$167.7 million, representing a decrease of 7.8% over the same period of last year.

Manufacturing Business

The Group's manufacturing business mainly represents the LCD manufacturing and metal materials processing and other businesses which have been held by the companies under the Group over the years. During the year, the manufacturing business recorded operating income of approximately HK$298.1 million, representing a decrease of 30.8% over the same period of last year.

Joint Ventures

During the year, Taizhou Shum Yip Investment Development Limited (a 51% owned company of the Group) maintained almost the same results as the corresponding period of last year, and it made a loss contribution of HK$2.0 million to the Group this year. The principal activity of this company is to assist local government in primary land development, while the local government did not make any arrangement to launch such lands during the year. In addition, Shenzhen Langtong Property Development Company Limited (a 50% owned company of the Group) made a net profit contribution of HK$117.0 million to the Group for the year. This company is the project company responsible for developing Shenzhen Tanglang City Project which is co-developed with Shenzhen Metro Group. Shenzhen Tianan Cyber Park (Group) Company Limited, made a net profit contribution of HK$542.5 million to the Group including non-controlling interests, representing an increase of 23.3% over the same period of last year.

Performance of Associates

During the year, the associates invested by the Group performed as expected. Of which, Road King Infrastructure Limited, a listed company in Hong Kong, made a net profit contribution of HK$341.8 million to the Group, representing an increase of 52.5% over the same period of last year. Coastal Greenland Limited, a listed company in Hong Kong, made a net profit contribution of HK$137.2 million to the Group, whereas it made a loss contribution of HK$77.6 million for the same period of last year.

Financing

During the year, the Group focused on integrated financial management to safeguard its business development.

During the year, the Company entered into an agreement with certain banks in Hong Kong in respect of a syndicated transferrable term loan facility in the principal amount up to US$230 million and HK$1,000 million for a period of five years.

As at 31 December 2016, the Group's total bank loans and other borrowings amounted to HK$19,757.3 million (31 December 2015: HK$21,375.1 million), of which HK$15,485.4 million were floating-rate loans, and the remaining were fixed-rate loans. Long-term loans amounted to HK$14,468.8 million, accounting for approximately 73.2% of the total borrowings, and short-term loans were HK$5,288.5 million, accounting for approximately 26.8% of the total borrowings. Borrowings from Hong Kong and overseas capital market amounted to HK$12,942.6 million, representing 65.5% of the total borrowings, and the remaining were borrowings from mainland China, representing 34.5% of the total borrowings. During the year, the average comprehensive interest rate of the Group in respect of its bank loans and other borrowings was about 4.9% per annum.

As at 31 December 2016, the Group's cash and bank balance (including restricted cash) was HK$12,063.7 million (31 December 2015: HK$13,818.8 million) of which approximately 89.1% and 10.9% were denominated in Renminbi and other currencies (mainly in US$ and HK$) respectively.

The Group's assets are mainly denominated in Renminbi. Of the bank loans and other borrowings, 34.5% are denominated in Renminbi, while 65.5% are denominated in HK$ and US$. HK$ is adopted as the reporting currency in the Group's financial statements. The effect of the decrease in RMB exchange rate on the Group's finance will be mainly reflected in the depreciation of the asset and earnings denominated in Renminbi against HK$, the reporting currency. The Group will monitor foreign exchange risk, and consider prudently applying financial instruments to hedge the foreign exchange risk in due time.

As at 31 December 2016, the Group had net assets attributable to equity shareholders of the Company of HK$32,810.8 million (31 December 2015: HK$33,325.9 million). The net gearing ratio (being the difference between total interest-bearing liabilities and cash and bank balance (including restricted cash) divided by net assets (excluding non-controlling interests)) was 23.4% (in case that the liabilities only consisted of bank loans and other borrowings) and 38.9% (in case that the liabilities consisted of loans from shareholders of parent company and all the other interest-bearing liabilities). The gross gearing ratio (being the ratio of total liabilities over total assets) was 62.5%.

Financial Position

HK$ million	**As at 31 December 2016**	**As at 31 December 2015**
Bank loans	19,757.2	21,375.1
Long-term debts	14,468.8	16,100.9
Short-term debts	5,288.5	5,274.2
Floating-rate loans	15,485.4	16,672.7
Cash and bank balance (including restricted cash)	12,063.7	13,818.8
Net gearing ratio with the liabilities including bank loans and other borrowings only	23.4%	22.7%
Net gearing ratio with the liabilities including all interest-bearing liabilities	38.9%	36.5%

Land Appreciation Tax ("LAT")

During the year, the Group recorded a LAT of HK$2,912.9 million, representing 13.6% of turnover. The LAT mainly arose from the apartments and office buildings of Shum Yip UpperHills. The book gross profit margin of the apartments and office buildings of Shum Yip UpperHills was 59% and 48% respectively. As the LAT rate is progressive, the higher the profitability of a project is, the higher LAT rate and the LAT amount is needed to be borne.

Pledge of Assets and Contingent Liabilities

As at 31 December 2016, the Group had total loans of HK$638.2 million (31 December 2015: HK$1,917.6 million) that were pledged with assets (for details, see note 14 to these financial information).

As at 31 December 2016, the Group had provided guarantees to a maximum of HK$7,869.3 million (31 December 2015: HK$8,857.7 million) to banks for housing loans extended by the banks to the purchasers of the Group's properties (for details, see note 13 to these financial information).

In 2015, the Wuhan project of Shum Yip Terra (Holdings) Company Limited ("Terra Company"), a 75.05%-owned subsidiary of the Company, and its wholly-owned subsidiary, Wuhan Shum Yip Terra Property Development Company Limited ("Wuhan Terra Company") was implicated in the criminal investigation due to involvement in the corruption of the local government officials. The People's Procuratorate of Jianli County of Hubei Province has frozen the bank accounts of Wuhan Terra Company amounting to RMB540 million. Wuhan Terra Company received an indictment issued from People's court of Jianli county, Hubei province during the year, and People's Procuratorate of Jianli county, Hubei province raised a prosecution against Wuhan Terra Company and its 3 members of management in the name of crime of offering bribery by entities and the crime of offering bribery to entities. Wuhan Terra Company has engaged professional lawyers to follow up the legal procedures for this case in order to maintain its legal interests. Although the case was at the stage of court proceedings and the final judgment cannot be determined, however, the Company decided to make provision of RMB540 million subject to this case at Wuhan Terra Company level.

Employees and Remuneration Policy

As at 31 December 2016, the Group employed 18,643 employees (2015: 17,995) of whom 39 were stationed in Hong Kong (mainly managerial and finance related personnel), and the rest were in Mainland China. The total remuneration for the year ended 31 December 2016 (excluding remuneration of the Directors) amounted to approximately HK$1,322.0 million (2015: HK$1,084.8 million).

Employee benefits and bonuses are based on their individual performance, the Group's profit condition, benefit level of the industry and the current market condition. The remuneration packages are reviewed on an annual basis to ensure internal equity and its competitiveness in the market. In driving performance, we also grant share options, under the share option scheme of the Group, to employees based on individual performance and the results of the Group.

DIVIDEND

The Board recommends the payment of a final dividend of HK10.00 cents per share for the year ended 31 December 2016 (2015: HK13.00 cents per share) and a special dividend of HK5.00 cents per share (2015: nil), which subject to the approval by the shareholders at the forthcoming annual general meeting of the Company ("Annual General Meeting"), are payable on or about Friday, 18 August 2017 to shareholders whose names appear on the register of members of the Company on Friday, 16 June 2017. Together with the interim dividend of HK7.00 cents per share which was paid on 18 November 2016, the total dividend for the year ended 31 December 2016 amounts to HK22.00 cents per share (2015: HK16.00 cents per share).

The proposed final dividend and special dividend will be paid in cash but shareholders will be given an option to receive new fully paid shares of the Company ("scrip shares") in lieu of cash, or partly in cash and partly in the form of scrip shares (the "Scrip Dividend Scheme").

The Scrip Dividend Scheme is conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in the new shares to be issued under the Scrip Dividend Scheme. A circular containing the details of the Scrip Dividend Scheme together with relevant election form will be sent to shareholders on or around Tuesday, 18 July 2017.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at Academy Room, 1st Floor, InterContinental Grand Stanford Hong Kong, 70 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on Thursday, 8 June 2017 at 10:30 a.m.

CLOSURE OF REGISTER OF MEMBERS

To ascertain the shareholders' entitlement to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Monday, 5 June 2017 to Thursday, 8 June 2017, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the Annual General Meeting, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 2 June 2017.

To ascertain the shareholders' entitlement to the proposed final dividend and special dividend, the register of members of the Company will be closed from Thursday, 15 June 2017 to Friday, 16 June 2017, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend and special dividend, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 14 June 2017.

CORPORATE GOVERNANCE

The Company has applied the principles and complied with all code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year 2016, except for code provision E.1.2 that our Chairman, Dr. LU Hua was not able to attend the annual general meeting of the Company held on 2 June 2016 due to other business commitment. Our President, Mr. HUANG Wei chaired the meeting and, together with the chairman of the audit committee, nomination committee and remuneration committee and other directors, were present to answer the shareholders' questions.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors namely Mr. LI Wai Keung, Mr. WU Wai Chung, Michael and Dr. WONG Yau Kar, David. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal control and financial reporting matters including the review of the 2016 final results and the audited consolidated financial statements for the year ended 31 December 2016.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of its listed securities during the year.

APPRECIATION

We take this opportunity to express our gratitude to our investors and shareholders for their trust and support and to thank our colleagues on the Board and the staff members of the Group for their hard work, loyal service and contributions during the year.

By Order of the Board
SHENZHEN INVESTMENT LIMITED
LU Hua
Chairman

Hong Kong, 27 March 2017

As at the date of this announcement, the Board comprises 9 directors, of which Dr. LU Hua, Mr. HUANG Wei, Mr. MOU Yong and Mr. LIU Chong are the executive directors of the Company, Dr. WU Jiesi and Mr. LIU Shichao are the non-executive directors of the Company and Mr. LI Wai Keung, Mr. WU Wai Chung, Michael and Dr. WONG Yau Kar David are the independent non-executive directors of the Company.