上海實業控股有限公司
SHANGHAI INDUSTRIAL HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 363)

ANNOUNCEMENT OF 2016 ANNUAL RESULTS

BUSINESS REVIEW

The Board of Directors of Shanghai Industrial Holdings Limited (the "**Company**") is pleased to announce the audited annual results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2016. The Group's net profit amounted to HK$2,903 million, representing a year-on-year increase of 2.7% as compared to last year. The increase was mainly attributable to stable profitability growth for the year of our infrastructure facilities and consumer products businesses. The Group's total revenue amounted to HK$22,132 million, representing a year-on-year increase of 12.4%.

During the year, the market was extremely volatile domestically and overseas with rapid changes in the global political and economic environment. Against this scenario, the Board and the management of the Group have made considerable efforts to integrate its financing activities and business operations and continued to focus on its principal businesses - infrastructure facilities, real estates and consumer products. These core businesses have also been further strengthened to improve operational efficiency. In addition, the Group has achieved stable growth for its business segments through developing new business arenas and enhancing its internal control. Capitalizing on activities in the capital market, the Group has also increased mergers and acquisitions activities and completed a number of material projects, building an excellent asset structure and laying a solid foundation for its long-term development.

The Board of Directors has recommended a final dividend of HK46 cents (2015: HK45 cents) per share for 2016. Together with an interim dividend of HK36 cents (2015: HK36 cents) per share and a special dividend of HK10 cents per share paid during the year, total dividends for the year amounted to HK92 cents (2015: HK81 cents) per share.

INFRASTRUCTURE FACILITIES

During the year, the infrastructure facilities business contributed a profit of HK$1,397 million to the Group, representing an increase of 22.9% over last year and accounting for 43.4% of the Group's

Net Business Profit*. Maintaining its growth momentum for the year, the Group added a number of quality assets to its toll roads and water services businesses through capital injection from the parent company and external acquisitions. Such acquisitions are expected to improve the profitability of the infrastructure sector in the coming years.

Toll roads

As at the end of September 2016, the Group further enhanced the asset portfolio of its infrastructure business and acquired 23.0584% interests of Ningbo Hangzhou Bay Bridge Development Co., Ltd. ("**Hangzhou Bay Bridge**") indirectly held by the parent company at a consideration of HK$1,803 million. This connected transaction has been approved unanimously by the independent shareholders of the Company at an extraordinary general meeting and was completed by the end of 2016. In line with the development strategy for the toll roads business of the Group, the acquisition of the project is expected to increase the contribution of toll road revenues and enhance operating profits from the infrastructure sector. The toll revenue and traffic flow of the Hangzhou Bay Bridge increased 11.15% and 8.07% year on year respectively in 2016.

The Hangzhou Bay Bridge is one of the world's longest ocean-crossing bridge spanning across the Hangzhou Bay sea area in China, connecting Haiyan district, Jiaxing City in the north and Cixi district, Ningbo City in the south of Zhejiang Province of the PRC. An important road network in the eastern coastal region of China connecting Shanghai and Ningbo, the Hangzhou Bay Bridge falls within the grade of expressway with dual six-lane expressways which is approximately 35.673 kilometres long with a designed speed of 100 kilometres per hour. Ancillary facilities including two service areas, one sea observation deck, one toll station and one monitoring station are available on the bridge. The Hangzhou Bay Bridge commenced operation in May 2008 with an operating period of 25 years until 30 April 2033.

Apart from the above acquisition, the Group's three toll roads in Shanghai saw stable operation and brought steady cash flow to the Group each year. Overall growth in traffic flow and toll revenue was maintained during the year. The operation of roads was kept in order with safety and soundness despite huge passenger flows during holidays. The key operating data of our three toll roads in 2016 are as follows:

Toll roads	Net profit from project company	Changes	Toll revenue	Changes	Traffic flow (vehicle journeys)	Changes
Jing-Hu Expressway (Shanghai Section)	HK$307 million	+4.6%	HK$690 million	+5.0%	53.97million	+15.6%
Hu-Kun Expressway (Shanghai Section)	HK$400 million	+8.3%	HK$1,027 million	-0.3%	54.60 million	+6.9%
Hu-Yu Expressway (Shanghai Section)	HK$176 million	+1.5%	HK$525 million	-1.6%	43.59 million	+9.9%
Total	**HK$883 million**	**+5.6%**	**HK$2,242 million**	**+1.0%**	**152 million**	**+10.7%**

Jing-Hu Expressway (Shanghai Section) recorded rapid growth due to the overall growth in car traffic and the high year-on-year growth in traffic flow of the Jiamin station. The toll revenue for the expressway also increased, benefiting from adjustments to mileage charge for toll expressways in Shanghai which began in mid-July 2015. During the year, the north section of Shanghai Jiamin Elevated Highway was extended to the Hu-Xiang Expressway. Along with this, the lane layout and traffic optimization for the expressway were also completed at the same time. An electronic toll collection (ETC) lane to the urban area of Jiading was added, helping to improve the road capability and solve traffic jams especially at road junctions. Smooth road operation was thus ensured. As ETC traffic flow accounted for a high proportion of the traffic at the Jiangqiao toll station, the project company also improved and transformed ETC lanes to maximize their functions. In addition to ensuring safe operations of the roads, special repairing was carried out and consolidation of slopes to bridges and roadbed slopes were conducted to effectively improve the quality of roads. The project company will continue to pay attention to changes in traffic flow at Jiamin Elevated Highway and other toll stations and streamline job assignments for toll collectors to further reduce operating costs in the following year.

Hu-Kun Expressway (Shanghai Section) maintained stable growth in traffic flow during the year as a result of such favourable factors as continuous good weather throughout the year, an increase in travelling passengers and a steady increase in traffic volume for small passenger cars during holidays. Enhanced toll operation management by the company, such as the implementation of measures throughout the year to prevent traffic jams and ensure smooth operation also contributed to the growth. As a result, the operation of the expressway remained stable, safe and orderly during the year, with no major traffic jams and accidents during major holidays and the G20 Hangzhou Summit. In addition, the project company also conducted well-targeted maintenance work to enhance the repairing and maintenance system and strengthened the management of mechanical and electronic equipment and facilities in accordance with the annual plans and ensured the normal operation of the roads, equipment and facilities. It also strengthened management on safety standards during the year to implement safety responsibilities, strengthen the safety awareness of its staff and improve the capacity on risks prevention and control.

Benefiting from continuous growth in motor vehicle parc and increases in travelling, the traffic flow of Hu-Yu Expressway (Shanghai Section) recorded steady growth in traffic flow. With the development of the urban area of Qingpu, traffic flow at the toll station in the area saw rapid growth resulting in relatively serious traffic jams during holidays. During the year, the project company improved and transformed the station in order to overcome such situation. While improving car capacity at the exit square, it also added variable lanes and allowed two toll stations for one car lane, which ensured smooth traffic operation at the road junctions and significantly reduced traffic jams. In addition, thanks to the positive contributions brought by competitions on solving traffic jams, the average traffic operation of all lanes increased 19.55% during peak hours. The construction of the new Jiudu Road toll station and the renovation of the ramp of Huting North Road were under smooth progress, both of which have commenced full operation at the end of June, 2016. As a result of continuous growth in road traffic flow, repairing on ancillary facilities to bridges was conducted during the year and newly constructed intelligence systems on road maintenance were put into service to further improve maintenance standards.

Water services

During the year, the Group further acquired quality water service assets, strengthening its water treatment capacity and enhancing the quality of its assets. While stabilizing its market share, the Group will continue to invest more resources in water services projects and enter capital markets in different regions when opportunities arise to further expand the size of its business.

In October 2016, a wholly-owned subsidiary of the Company and wholly-owned subsidiaries of SIIC Environment Holdings Limited ("**SI Environment**") acquired 20.2344% and 32.6562% shareholding interests totalling 52.8906% in Longjiang Environmental Protection Group Co., Ltd. ("**Longiang Environmental**") for a cash consideration of RMB518 million and RMB836 million respectively. In addition to the 42.1094% shareholding interests already held by the Group, the new acquisitions brought its total shareholding interests in Longjiang Environmental to 95%, which will be consolidated into the Group's account. In February 2017, a wholly-owned subsidiary of the Company and an independent third party signed an agreement for the indirect acquisition of 12 million shares of Longjiang Environmental for a consideration of RMB96 million, representing a 3.75% shareholding interests in Longjiang Environmental. With the completion of the transaction, the Group now holds 98.75% shareholding interests in Longjiang Environmental.

As a leading enterprise in the water services industry in Heilongjiang, Longjiang Environmental is principally engaged in the business of development and operation of environmental protection related projects and operation and construction of water supply network. Currently, there are 41 projects under operation or construction. It has a total water treatment and planned supply daily capacity of 355 tonnes and sludge handling design daily capacity of 1,330 tonnes. The acquisition represents an important move in respect of the Group's investment in the water services industry in the Northeast China region. Having progressively increased its shareholdings in Longjiang Environmental and invested in the water services industry of the Heilongjiang Province, the Group believes that the move can increase its market share and enhance its position in the water and environmental protection industry in China.

The Group has strived to increase the scale of its investment in water and environmental operations to accelerate its growth. In January 2017, the Company and SI Environment entered into an agreement to subscribe for 350,000,000 new shares in SI Environment at a placement price of S$0.63 per placement share. As at the date of this report, the Company owned approximately 37.57% of SI Environment. Upon completion, the Company will indirectly hold approximately 45.95% of SI Environment's enlarged issued share capital while SI Environment will remain a subsidiary of the Company upon completion. The Company considers that the subscription of such shares and the increase in shareholdings in SI Environment is in line with the Group's development strategy to expand its infrastructure facilities business. The acquisition is now pending approval from independent shareholders at a special general meeting to be held by SI Environment.

In addition, the Company, through its wholly-owned subsidiary, and Canvest Environmental Protection Group Company Limited ("**Canvest Environmental**"), a company listed in Hong Kong, entered into an agreement in February 2017, pursuant to which it will subscribe for 300,000,000 new ordinary shares of Canvest Environmental at HK$3.50 per share. The total investment is HK$1,050 million and the transaction was completed. Considering that SI Environment holds

2.42% of Canvest Environmental's enlarged issued share capital, the Group will now hold 15.28% of Canvest Environmental's enlarged issued share capital, and has nominated a non-executive director in Canvest Environmental. Both parties will work together strategically to expand the waste-to-energy businesses.

As a leading waste-to-energy enterprise, Canvest Environmental is principally engaged in the development, construction, management and operation of waste-to-energy plants. It currently owns 12 waste-to-energy projects, nine of which are in Guangdong Province, two in Guangxi Zhuang Autonomous Regions and one in Guizhou Province. The increase in the shareholding interests of Canvest Environmental is a significant move in the adjustment of the investment strategy in solid waste projects in the infrastructure sector of the Company. The Group will make better use of its internal resources and brand to invest in the solid waste market and develop and build solid waste investment projects in future.

SI Environment

SI Environment recorded a revenue of RMB2,648 million for 2016, representing a significant year-on-year growth of 46.8%. The increase in revenue was mainly attributable to the municipal construction revenue increase from the newly constructed BOT projects (such as the reconstruction project in Hanxi, Wuhan and phase III of the water treatment project in Meihu, Huizhou) and revenue contributions from the newly acquired Yiyang water supply and Longjiang Environmental projects. Profit for the year increased by 26.2% year-on-year to RMB455 million, mainly due to profit contributions from the newly constructed BOT projects and the newly acquired Shanghai Fudan Water Engineering and Technology Co., Ltd. ("**Fudan Water**") and Longjiang Environmental as well as its existing projects. As at the end of 2016, SI Environment has treated over 10,000,000 tonnes of water. Going forward, the Group will continue to invest in sewage treatment and solid waste projects and other environmental protection-related projects and will move forward the construction of existing operations and implement measures to upgrade the size and profitability of its projects. Suitable acquisition projects with strategic significance will be sought.

As mentioned above, SI Environment acquired a total of 32.6562% shareholding interests in Longjiang Environmental in October 2016. As it has held 25.3125% shareholding interests, SI Environment now holds a total of 57.9687% shareholding interests in Longjiang Environmental. The transactions are expected to increase the profit contribution of Longjiang Environmental to SI Environment. In addition, another wholly-owned subsidiary of SI Environment signed an equity transfer agreement in September 2016. It acquired 60% shareholding interests in Ranhill Water (Hong Kong) Limited ("**Ranhill Water**") with RMB273.9 million. Ranhill Water has operated ten sewage treatment plants in Jiangxi, Anhui and Henan provinces in China with a total designed daily sewage treatment capacity of 260,000 tonnes.

In April 2016, Fudan Water and the Commission of Housing and Urban-Rural Development of Suizhou City entered into a franchise agreement, pursuant to which the newly constructed project will have a sewage treatment daily capacity of 50,000 tonnes and the quality of water generated will reach class I A of the Integrated Sewage Discharge Standard. The total investment for the project is approximately RMB99.98 million with a franchise period of 25 years. In July, Fudan Water increased its investments in Henan Zhonghui Joint Investment Co., Ltd. with RMB308.07 million. It held 75% interest in the company after the capital increase. Currently, the company has operated three projects with a total designed daily sewage treatment capacity of 100,000 tonnes and a total designed daily sludge treatment capacity of 400 tonnes. In August, Fudan Water increased its investments in Wulian New Energy Environmental Protection and Power Generation Co., Ltd. with RMB45 million. It held 90% interest in the company after the capital increase. The company has obtained the franchise for waste-to-energy power generation from the People's Government of Wulian County with a total designed daily capacity of 600 tonnes.

In March 2016, Taizhou Kaidi Sewage Treatment Co., Ltd., a wholly-owned subsidiary of SI Environment, entered into a franchise agreement on the phase I sewage treatment plant in the Coastal Chemical Medicine Park in Zhejiang Province and its ancillary pipe network project. The long-term plan of the project is to reach a daily sewage treatment capacity of 50,000 tonnes, beginning from a daily capacity of 12,500 tonnes now to 25,000 tonnes. The current project will be reconstructed to enhance the quality of water generated to class II of the Integrated Sewage Discharge Standard. The total consideration of the project is tentatively set at RMB162 million with a franchise period up to July 2028.

General Water of China

General Water of China Co., Ltd. ("**General Water of China**") recorded a revenue of HK$1,942 million for the year with a year-on-year increase of 8.6%. Net profits amounted to HK$182 million, a year-on-year increase of 71.5%. As at the end of 2016, the company owned 30 water supply facilities and 27 sewage treatment plants with a total daily capacity of 6,632,500 tonnes, among which, water production daily capacity totalled 4,265,000 tonnes and daily sewage treatment capacity was 2,367,500 tonnes, and two reservoirs with a gross storage tank volume of 182.32 million tonnes and a pipe network of 6,030 kilometres in total. General Water of China has been awarded the Top 10 Most Influential Enterprises in China's Water Industry for the 13th consecutive year.

During the year, General Water of China has formulated new marketing strategies "To deepen regional operations" and assigned regional professionals in Wenzhou, Huzhou, Shenzhen, Bengbu, Suzhou, Xiangtan, Xiangyang, Suifenhe and other cities to track and put into place respective programmes there. In addition, a development model that capitalizes on "regional links and expansion" has been implemented. Besides successfully winning the bidding for a PPP (public-private-partnership) programme in Bianbei, Suzhou City, Anhui Province, the company also made satisfactory achievements in Hunan, Zhejiang and other provinces. The development of Phase II of wastewater treatment programme in Huzhou, the alteration and expansion of the sewage treatment project in Xiangtan and other projects were also under smooth progress. All key regions altogether achieved a new daily capacity of 800,000 tonnes. While deepening the operation in current markets, the company also actively expanded into new regional markets.

In January, General Water of China established a PPP (public-private-partnership) joint venture for the investment in the Suzhou Bianbei sewage treatment plant and its ancillary pipe network project with a total investment of approximately RMB310 million. General Water of China contributed a registered capital of RMB100 million, accounting for 80% equity interest. The total investment in the construction of the Bianbei phase I sewage treatment project is RMB125 million with a daily capacity of 50,000 tonnes. The total investment in the ancillary drainage facilities (including sewage pipe network and pump stations) is RMB185 million with a pipe network of 99.61 kilometres and three sewage treatment pump stations.

Since the beginning of the flood season, Huzhou has seen sufficient rainfalls and the flood control has become serious. As at the end of December, the reservoir in Tiger Lake has released a total of 8,605 cubic metres, which gave full play on the flood control function of the reservoir and has ensured safety in flood control. During the year, the project of General Water of China on the reservoir project in Tiger Lake, Huzhou, passed safety verifications on the dam of the reservoir conducted by a committee consisting of irrigation specialists in the Zhejiang Province and Huzhou City and was appraised as a "Class I" dam. The sludge drying and waste incineration project under General Water of China, the first semi-dried sludge treatment production line in the PRC, has completed trial run and begun commercial operation.

NEW BUSINESS ARENA

As at the end of 2016, Shanghai Galaxy Investment Co., Ltd. ("**Shanghai Galaxy**") and SIIC Aerospace Galaxy Energy (Shanghai) Co., Ltd. ("**Galaxy Energy**") controlled under it had wholly owned eleven photovoltaic power generation projects in the PRC, with total assets reaching 560MW, representing an increase of 50MW from last year. After Shanghai Galaxy and Galaxy Energy completed the acquisition of the Shenzhou photovoltaic power generation project (30MW) in Bayan and Longyang photovoltaic power generation project (20MW) in Gannan in the fourth quarter, they entered initially into the photovoltaic power generation market in Heilongjiang, which resulted in a more rational allocation of their assets. At present, each power generation station has been connected to grids. The annual accumulated power generation for the photovoltaic power generation stations held reached 557 million kWh, representing an increase of 65% year-on-year, maintaining a rapid growth momentum.

In January this year, each of the two shareholders of Shanghai Galaxy made a further capital contribution of RMB150 million to the company which was in proportion to their shareholdings, to finance the future development of the company. During the year, the company's various photovoltaic power generation station projects had completed the application for additional subsidies in renewable energy price, of which six projects obtained the governmental subsidy qualification in electricity price, and the assets in an aggregate of 410MW are listed into the subsidy catalogue for renewable energy, representing 73% of all projects.

REAL ESTATE

During the year, the real estate segment recorded a profit of HK$752 million, representing a decline of 15.4% over last year and accounting for 23.3% of the Group's Net Business Profit*. The reduction in profit was mainly attributable to extra profits recorded for the disposal of 10% interest in the Four Season Hotel Shanghai during the last financial year. When this factor is excluded, the segment's actual profit increased 2.5% as compared to last year.

SI Development

Against a rapidly developing domestic real estate market, Shanghai Industrial Development Co., Ltd. ("**SI Development**") adhered to its working principles which require the company to make a commitment "To optimize its structure, to focus on key developments, to enhance the quality of its portfolio and to promote its development". During the year, the company capitalized on opportunities arising from the real estate market and the capital market to improve the quality of its asset and inventory structures. Efforts were made to upgrade its principal business and to promote the development of emerging industries. Focus was made on the development and construction of key projects and plans were developed to prevent operational risks, resulting in remarkable progress in the development of its projects and bringing the company's overall performance to a new level.

In 2016, SI Development recorded a net profit amounted to RMB592 million, representing a year-on-year increase of 13.9%; revenue amounted RMB6,489 million, a decrease of 2.0%. Contract sales for the year amounted to RMB10,994 million, arising from such projects as Shanghai Bay (Phase III), He Villa and Sea County in Qingpu, Shanghai, Flos Granti in Jinshan, Shanghai, United 88 (Residential) in Changning, Shanghai, Shanghai International Art Centre in Qingpu, Shanghai, Lake Villa in Suzhou, International Chinese City in Shaoxing, International Beer City in Qingdao, Sea Palace in Quanzhou, Shanghai Bay in Huzhou, Hi-Shanghai in Chengdu and Fensheng Times Building in Changsha, etc., accounting for a gross floor area of 745,400 square meters. Rental income for the year amounted to approximately HK$318 million.

SI Development has followed through with its sales principles which emphasize the need "to compete for the best launching date, to ensure successful sales and to strive for rewarding returns." With flexible marketing strategies, the company has been able to revitalize the inventories of its developments and achieved record high in sales and contracted amount of both over RMB10,000 million during the year. As at the end of the year, SIIC Lake City in Qingpu and Flos Granati in Jinshan were among the top 50 projects in Shanghai in terms of the total areas sold in 2016. While accelerating the pace of its sales, the company has focused its efforts on improving the quality of its projects and introduced specific requirements on green development and meticulous management. The application of technologies on green buildings was emphasized to provide a more comfortable and environmentally-friendly environment during the construction period. During the year, International Beer City in Qingdao received a national "two star" design certification on green buildings. Beer City T3 received a LEED gold-level certification. Quanzhou C-6-2 public facilities received a pre-certified LEED gold-level certification and the C-8-2 public facilities received a "two star" design certification on green buildings.

As at 22 January 2016, the private placement of SI Development was completed, raising a total proceed of RMB3,902 million. As a result, the proportion of the Company's shareholding in SI Development was diluted from 63.65% to 48.60%, while SI Development remains as a subsidiary of the Company. The transactions for the acquisition of a 100% equity interest in Shanghai Investment Co., Ltd. and the equity interests of Shanghai SIIC-Long Chuang Smarter Energy Technology Co., Ltd. ("**SIIC Longchuang**") (which accounted for 69.7849% interest upon capital injection) were satisfactorily completed.

In March, SI Development seized a rare window period in the bond market and issued a phase-II corporate bond package with an issuance size of RMB1,000 million, setting a new record in the minimum interest rate of similar bond issuance at the same period with a coupon rate of 3.23%. This has helped further reduce the medium- and long-term capital cost and improved the financial structure of the company. In September and October of the same year, a proposal on the conversion of the interim capital reserve into its share capital (at a ratio of 3 shares for every 10 shares) was approved, resulting in the conversion of a total of 426 million shares to the share capital for its shareholders, raising the total share capital to 1,845 million shares. While enhancing its share capital, the company has also been able to share its operating rewards with investors, laying a solid foundation for the sustainable development of its activities in the capital market.

While SI Development's principal business is in real estates, it also focused on building a model for the upgrading of "Real estate + X" and has actively explored opportunities for diversification. For the International Beer City project in Qingdao, after the moving in of the Pudong Development Bank, the regional headquarters of Minsheng Bank and Qingdao Fund Centre, its self-owned T3 floor attracted many listed financial and trade companies and global top 500 enterprises. It has firmly consolidated its strategic position of being the core financial city in Qingdao. The grand opening of the Parkson Lion Plaza and the all-weather sports ground further improved the comprehensive ancillary facilities of the Beer City project, and interactively added recurring value to its business building and real estate operations, resulting in encouraging project sales. For its Honghou North Bund project, SI Development and the globally-renowned Nederlander Worldwide Entertainment established a joint cultural company to build the first Broadway music theatre in Shanghai and lay a solid foundation for the cultural operation of projects in the North Bund and their subsequent development. In regard to the shared-office space projects, the WE+ business expanded rapidly, covering 13 key cities across the country. Such business has officially expanded into the overseas markets during the fourth quarter of the year with the building of WE+ spaces in the U.S. and Finland. The company has also embarked on the first shared-office services platform in China and built a wired "WE+ Enterprise Services Mall" to provide more valued-added services for enterprises operating in the premises. Launching these projects is expected to enhance the company's future potential profitability.

SI Urban Development

Profits attributable to shareholders of Shanghai Industrial Urban Development Group Limited ("**SI Urban Development**") were HK$522 million for the year, representing a year-on-year increase of 0.9%. Total revenue amounted to HK$5,491 million, representing an increase of 41.8% over last year. Properties delivered during the year accounted for a total gross floor area of approximately 364,000 square meters, and mainly included such projects as Urban Cradle in Shanghai, Shanghai Jing City, Originally in Xi'an and Royal Villa in Kunshan. Contracted sales of SI Urban Development increased 13.1% year on year to RMB6,600 million, exceeding its sales target of RMB5,300 million set in the beginning of the year. The gross floor area of contracted sales was approximately 356,000 square meters, increasing 18.7% year on year and mainly included Urban Cradle, Grand Mansion in Shanghai and Originally in Xi'an. Rental income for the year amounted to HK$666 million.

In January 2016, SI Urban Development, through its 59%-owned subsidiary, Shanghai Urban Development (Holdings) Co., Ltd. ("**Shanghai Urban Development**"), signed an agreement on its withdrawal from the Green Carbon Fund, to indirectly dispose of its 35% interest in U Center. In May, Shanghai Urban Development further disposed of its remaining 40% interest in U Center in Shanghai through public bidding. Both transactions were now completed. A total pre-tax gain of approximately RMB2,000 million was recorded by Shanghai Urban Development. SI Urban Development has thus successfully realized the hidden value of its project and was able to optimize its strategic portfolio for its investment properties.

In April, SI Urban Development entered into a cooperation framework agreement with Shanghai Electric Power Construction Co., Ltd. ("**Shanghai Electric Power**") and Power China Real Estate Group Ltd. ("**Power China Real Estate**"), under which the three parties will leverage their respective advantages, to explore jointly potential opportunities in quality real estate investments, focusing on Shanghai and other first tier cities in China and other major cities along the Yangtze River Delta region. A large comprehensive construction enterprise with abundant land reserves in Shanghai, Shanghai Electric Power and Power China Real Estate are members of Power Construction Corporation of China, acting as its main platform for the development of the real estate sector with real estate development and operation as their core business.

In August, Shanghai Urban Development issued a six-year corporate bond package in the mainland for a principal amount of RMB1,700 million with a coupon rate of 3.9% to qualified Chinese investors through private issuance. According to the terms of the bond, Shanghai Urban Development has the right to raise the coupon rate and investors have the right to sell the bonds to Shanghai Urban Development upon a maturity date of three years from the date of issuance. In November, SI Urban Development signed another three-year term loan financing with a sum of RMB3,000 million with a loan interest rate of approximately 3.8%. The proceeds will be used for the repayment of shareholders' loans of the company which was denominated in foreign currencies. The two financing arrangements in the second half of the year has helped further reduce the financial cost of the SI Urban Development. It will also optimize the current debt structure reduce the impact of the fluctuation of the RMB exchange rate on the company.

The topping out of T2 and T3 buildings of TODTOWN Phase 1 (Residential) of SI Urban Development was formally completed in September 2016. This shows that the development commenced since June 2014 has been able to achieve the schedule of its phased objective targets. The residential portion of the development is expected to be launched in the second quarter of 2017. TODTOWN is the first comprehensive metro superstructure development project in the mainland located at the sub-center of Shanghai and adjacent to key railways. The project was jointly developed by SI Urban Development, Sun Hung Kai Properties Limited and the Shanghai government, and represents one of the key projects of SI Urban Development in 2017.

In September 2016, a wholly-owned subsidiary of SI Urban Development acquired Contemporary Art Villas and Contemporary Splendour Villas, both residential villa projects located in the Minhang District, Shanghai, the PRC, at a total purchase price of RMB2,350 million, with a total site area of 116,308 sq.m. and 120,512 sq.m., respectively. The transaction for the development was completed in October, 2016. So far, Phases 1 and II (including 126 residences) of Contemporary Art Villas and Phase I (including 82 residences) of Contemporary Splendour Villas have been built.

Further phases of the projects are still under planning. Through this acquisition, SI Urban Development further enhanced its quality land reserves at a reasonable cost and successfully consolidated its strategy of extending its presence in the Shanghai district. The company will focus on the asset operation of its existing quality projects in the future and will strive to realize sustainable profitability of projects under it at reasonable cycles. At the same time, it will continue to explore acquisition opportunities in Shanghai and other core first- and second-tier cities in China and strive to expand its reserves of quality projects.

CONSUMER PRODUCTS

The consumer products business contributed a profit of HK$1,075 million during 2016, representing an increase of 2.5% over last year and accounting for 33.3% of the Group's Net Business Profit*. In view of rapid changes in the development of the global tobacco industry, the Group has actively sought for breakthroughs for its tobacco business, having stabilized its operations and profit for the year. Meanwhile, our printing business has successfully coped with changes in the tobacco and wine markets in China and the needs required for the transformation of the company. As a result, the company has successfully turned around the unfavorable conditions in the first half year and achieved better results against targets established for the whole year.

Tobacco

In 2016, Nanyang Brothers Tobacco Company, Limited ("**Nanyang Tobacco**") recorded a revenue and net profit of HK$3,203 million and HK$971 million respectively, representing an increase of 2.8% and 4.4%. Total sales volume of tobacco recorded a year-on-year increase of 0.5%. During the year, facing changes in the external environment, Nanyang Tobacco has committed to implement and follow objectives and measures established at the beginning of the year: "stabilization of sales volume, adjustment and optimization of structure, technological innovation and steady development". The company's operating efficiency continued to maintain the vantage of successive growth in total sales volume, sales revenue and net profit.

During the year, Nanyang Tobacco actively consolidated its existing market share, and the proportion of sales for exquisite products and general products remained sound and stable. For Hong Kong and Macau, by focusing on brand and quality, the company managed to maintain and stabilize sales for the high-end consumer base; for the duty free market, it achieved breakthroughs seeking new sales target in the European market, and launching its products mainly at the airport duty free shops. This further promoted its brand value. The company also expanded its duty free retail points in the South American market, Japan and the United States; Overseas, "Double Happiness" saw satisfactory growth in markets, including the South American, North American, the Middle East and African markets. Nanyang Tobacco also developed new markets in Central Asia under the national strategy of "One Belt and One Road", and has further expanded its "Double Happiness" tourism product series. Its "Double Happiness Commemorative Edition for Central Asia" became a highlight product at the border cooperation center between China and Kazakhstan.

During the year, Nanyang Tobacco continued to strengthen its technological transformation to maintain its leading position technologically. It completed the installation and commissioning of all equipment for expansion work of cut tobacco storage cabinet to accommodate new flexible feeding technology projects, scheduled to be completed in the second quarter of the year. The equipment for cigarette logistic works has commenced to be installed, and it is expected to be put into production in the third quarter of the year. Other projects are in progress as planned.

Printing

The Wing Fat Printing Company, Limited ("**Wing Fat Printing**") recorded a revenue of HK$1,217 million for the year, representing a year-on-year increase of 9.6%. The company's consolidated gross profit margin was 33.7%, up with 6 percentage points as compared to last year; net profit amounted to HK$128 million, which basically remained the same as last year. During the year, Wing Fat Printing continued to consolidate and modify its traditional business, and developed plans to overcome unfavourable factors in the current tobacco industry in China, including destocking, increasing competitions, rising raw material and labour costs as well as a decrease in income from financial investments and associated companies. As the exquisite-moulded fiber packaging box manufacturing base was built as scheduled, and commenced operation in the third quarter, scale-production of exquisite-moulded fiber products has made a significant contribution to the results of the company and achieved better operational efficiency in the second half of the year. Not only has this offset the impact from the decline in performance of the traditional business, but has also enabled the company to make a big leap forward for its strategic transformation.

Wing Fat Printing has set a strategic objective of transforming its traditional business into a new mode of operation - "a transforming development propelled by two wheels". Under this direction, the company will focus on the development of consumer electronic products integrated packaging business while bolstering the potential of its traditional business. The company will continue to build up a more diversified customer base and turn itself into a strategic supplier and service provider for the delivery of integrated solutions on exquisite packaging products to its customers.

** Net profit excluding net corporate expenses*

PROSPECTS

The Group will continue to streamline the management of its infrastructure business and make considerable efforts to constrain cost and increase efficiency. Plans will also be made to promote the integration of its financing activities and business operations in order to enhance capital return. For the water services business, we will continue to promote acquisitions and mergers in an orderly manner through capital operation to further increase its asset size while continuing to explore new business areas.

For real estates, the Group has laid a firm foundation for this business by restructuring and revitalization of its assets over the past few years. Following rapid developments of the mainland market in 2016, the real estate market is expected to face challenges such as potential regulatory policies imposed on the real estate sector and fluctuations in the capital markets in Europe and the

United States in the coming year. Under the circumstances, the Group will carefully monitor the pace of its development, further revitalize its assets and accelerate the operation and efficiency of its commercial assets platform. It will also expand the size of emerging industries to create higher returns for the Company.

Nanyang Tobacco will maintain its leading position in technology, strengthen its internal management, control cost, and prevent exchange risk. Wing Fat Printing will strive to lift service standards and profitability of its traditional cigarette and wine packaging businesses, and at the same time enhancing its market expansion capability, R&D capability and investment returns for its new exquisite-moulded fiber business.

Finally, on behalf of the Board of Directors, I wish to thank our shareholders and business partners for their continued patronage and support to the Group, and extend my sincere gratitude to our management team and staff members for their dedication and contributions in the development of our business.

Wang Wei
Chairman
Hong Kong, 29 March 2017

FINAL DIVIDEND

The Board of Directors has recommended a final dividend of HK46 cents per share (2015: HK45 cents per share). Together with the interim dividend of HK36 cents per share (2015: HK36 cents per share) and the special dividend of HK10 cents paid during the year, total dividends for the year ended 31 December 2016 amounted to HK92 cents per share (2015: HK81 cents per share).

Subject to approval by the Shareholders at the Annual General Meeting, the final dividend will be paid on or about Friday, 9 June 2017 to Shareholders whose names appear on the register of members of the Company on Monday, 29 May 2017.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held at the Conference Room of the Company at 26th Floor, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong on Monday, 22 May 2017 at 3:00 p.m. (the "**Annual General Meeting**"). Notice of the meeting will be despatched to the shareholders in mid-April 2017 and will be made available at the HKExnews website of The Hong Kong Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") at *www.hkexnews.hk* and the website of the Company at *www.sihl.com.hk* accordingly.

CLOSURE OF REGISTER OF MEMBERS

Annual General Meeting

For the purpose of determining Shareholders' eligibility to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Wednesday, 17 May 2017 to Monday, 22 May 2017, both days inclusive, during which period no transfer of shares will be effected. As such, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Secretaries Limited of 22nd Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:30 p.m. on Tuesday, 16 May 2017.

Final Dividend

For the purpose of determining Shareholders' entitlement to the final dividend, the register of members of the Company will be closed on Monday, 29 May 2017. No transfer of shares will be effected on that day. As such, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Secretaries Limited of 22nd Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:30 p.m. on Friday, 26 May 2017.

REVIEW OF ANNUAL RESULTS

The Audit Committee has reviewed the Company's consolidated annual results for the year ended 31 December 2016.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") for the year ended 31 December 2016, except for the deviation from E.1.2 of the CG Code as described below. An independent non-executive Director, also being the chairman of the Nomination Committee and Remuneration Committee of the Company at that time, was unable to attend the annual general meeting of the Company held on 26 May 2016 due to a business engagement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

In February 2013, Tong Jie Limited, a wholly-owned subsidiary of the Company, issued zero coupon convertible bonds with a principal amount of HK$3,900,000,000 (the "**Convertible Bonds**"). On 18 February 2016, certain bondholders exercised their redemption option and the Company redeemed and cancelled a principal amount of HK$3,437,000,000 of the Convertible Bonds, representing approximately 88.13% of the initial principal amount of the bonds in accordance with the terms and conditions of the Convertible Bonds. Subsequently in June 2016, the Company repurchased further Convertible Bonds with a principal amount of HK$108,000,000.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

PUBLICATION OF THE ANNUAL REPORT

The Annual Report 2016 will be despatched to the Shareholders in mid-April 2017 and will be made available at the HKExnews website of the Stock Exchange at *www.hkexnews.hk* and the website of the Company at *www.sihl.com.hk* accordingly.

BOARD OF DIRECTORS

As at the date of this announcement, the Board of Directors of the Company comprises four Executive Directors, namely Mr. Wang Wei, Mr. Zhou Jun, Mr. Xu Bo and Mr. Xu Zhan; four Independent Non-Executive Directors, namely, Prof. Woo Chia-Wei, Mr. Leung Pak To, Francis, Mr. Cheng Hoi Chuen, Vincent and Mr. Yuen Tin Fan, Francis.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	**2016**	2015
		HK$'000	HK$'000
			(restated)
Revenue	*3*	**22,131,758**	19,693,682
Cost of sales		**(14,460,588)**	(12,432,790)
Gross profit		**7,671,170**	7,260,892
Net investment income		**731,408**	998,095
Other income, gains and losses		**888,455**	(103,517)
Selling and distribution costs		**(1,070,256)**	(892,956)
Administrative and other expenses		**(2,307,635)**	(1,792,938)
Finance costs		**(1,426,982)**	(1,613,526)
Share of results of joint ventures		**214,147**	178,208
Share of results of associates		**73,030**	80,225
Net gain on disposal of assets through disposal of interests in subsidiaries/disposal of interests in subsidiaries and associates		**2,725,933**	1,648,502
Profit before taxation		**7,499,270**	5,762,985
Income tax expense	*4*	**(2,659,370)**	(2,071,025)
Profit for the year	*5*	**4,839,900**	3,691,960
Profit for the year attributable to			
- Owners of the Company		**2,903,030**	2,826,764
- Non-controlling interests		**1,936,870**	865,196
		4,839,900	3,691,960
		HK$	HK$
Earnings per share	*7*		
- Basic		**2.673**	2.605
- Diluted		**2.639**	2.500

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	2016	2015
	HK$'000	HK$'000
		(restated)
Profit for the year	**4,839,900**	3,691,960
Other comprehensive (expense) income		
Items that may be subsequently reclassified to profit or loss		
Exchange differences arising on translation of foreign operations		
- subsidiaries	**(2,594,309)**	(2,025,001)
- joint ventures	**(248,214)**	(139,336)
- associates	**(255,669)**	(161,519)
Fair value change on available-for-sale investments held by subsidiaries	**27,469**	183,750
Reclassification on disposal of available-for-sale investments held by subsidiaries	**(66)**	(26,020)
Reclassification of translation reserve upon disposal of associates	**(11,106)**	-
Reclassification of translation reserve upon disposal of interests in other subsidiaries	**-**	1,965
Other comprehensive expense for the year	**(3,081,895)**	(2,166,161)
Total comprehensive income for the year	**1,758,005**	1,525,799
Total comprehensive income for the year attributable to		
- Owners of the Company	**760,325**	1,484,156
- Non-controlling interests	**997,680**	41,643
	1,758,005	1,525,799

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2016

	Note	**31.12.2016**	31.12.2015	1.1.2015
		HK$'000	HK$'000	HK$'000
			(restated)	(restated)
Non-Current Assets				
Investment properties		**18,619,278**	15,362,596	15,979,200
Property, plant and equipment		**4,388,915**	4,312,097	4,661,883
Prepaid lease payments – non-current portion		**243,135**	262,995	283,248
Toll road operating rights		**9,812,934**	11,319,899	12,633,146
Goodwill		**809,347**	572,855	-
Other intangible assets		**7,325,733**	3,918,690	1,964,974
Interests in joint ventures		**3,467,597**	3,334,796	3,351,253
Interests in associates		**3,378,695**	4,436,017	4,428,332
Investments		**1,170,084**	1,192,559	1,005,180
Receivables under service concession arrangements – non-current portion		**12,489,936**	5,870,222	4,379,747
Deposits paid on acquisition of a subsidiary/ property, plant and equipment		**139,974**	622,009	171,727
Other non-current receivables		**58,732**	194,872	-
Deferred tax assets		**458,621**	417,094	413,095
		62,362,981	51,816,701	49,271,785
Current Assets				
Inventories		**45,899,422**	52,844,091	53,298,120
Trade and other receivables	*8*	**9,242,575**	10,652,663	7,512,760
Prepaid lease payments – current portion		**5,293**	5,982	6,143
Investments		**226,967**	444,187	490,200
Receivables under service concession arrangements – current portion		**244,374**	166,658	137,176
Amounts due from customers for contract work		**710,079**	82,135	87,499
Prepaid taxation		**503,469**	200,844	218,195
Pledged bank deposits		**430,853**	362,252	742,973
Short-term bank deposits		**309,705**	1,314,414	469,736
Bank balances and cash		**31,312,457**	26,810,766	27,087,806
		88,885,194	92,883,992	90,050,608
Assets classified as held for sale		**-**	-	691,728
		88,885,194	92,883,992	90,742,336

	Note	**31.12.2016**	31.12.2015	1.1.2015
		HK$'000	HK$'000	HK$'000
			(restated)	(restated)
Current Liabilities				
Trade and other payables	*9*	**14,665,883**	22,592,958	24,357,415
Customer deposits from sales of properties		**14,776,557**	7,410,541	5,415,008
Amounts due to customers for contract work		**23,879**	24,998	30,681
Taxation payable		**4,207,441**	3,386,361	3,763,484
Bank and other borrowings		**8,553,493**	10,977,611	18,456,862
Convertible bonds		**32,722**	3,681,843	-
		42,259,975	48,074,312	52,023,450
Liabilities associated with assets classified as held for sale		**-**	-	28
		42,259,975	48,074,312	52,023,478
Net Current Assets		**46,625,219**	44,809,680	38,718,858
Total Assets less Current Liabilities		**108,988,200**	96,626,381	87,990,643
Capital and Reserves				
Share capital		**13,633,449**	13,615,889	13,527,827
Reserves		**23,282,840**	22,415,745	21,743,656
Equity attributable to owners of the Company		**36,916,289**	36,031,634	35,271,483
Non-controlling interests		**25,556,228**	19,261,616	18,203,768
Total Equity		**62,472,517**	55,293,250	53,475,251
Non-Current Liabilities				
Provision for major overhauls		**82,077**	72,294	78,934
Bank and other borrowings		**37,595,994**	33,957,371	23,562,297
Convertible bonds		**-**	-	3,826,613
Deferred tax liabilities		**8,837,612**	7,303,466	7,047,548
		46,515,683	41,333,131	34,515,392
Total Equity and Non-Current Liabilities		**108,988,200**	96,626,381	87,990,643

Notes:

(1) GENERAL

The financial information relating to the years ended 31 December 2016 and 2015 included in this announcement does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these 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).

Scope of work of Messrs. Deloitte Touche Tohmatsu

The figures in respect of the Group’s consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2016 as set out in the results announcement have been agreed by the Group’s auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu 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 (the “**HKICPA**”) and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the results announcement.

(2) BASIS OF PREPARATION AND RESTATEMENTS

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA. The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

(i) MERGER ACCOUNTING AND RESTATEMENTS

The Group accounts for all its business combinations involving entities under common control using the principles of merger accounting in accordance with Accounting Guideline 5 “Merger Accounting for Common Control Combinations” (“**AG 5**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

In September 2016, the Group, through a wholly owned subsidiary, S.I. Infrastructure Holdings Limited, completed the acquisition of 100% equity interest in Yield Express Limited (“**Yield Express**”) from SIIC and transferred a related shareholder’s loan, at a total cash consideration of HK$1,803,000,000.

Yield Express, through its wholly owned subsidiaries, holds approximately 23.06% equity interest in 寧波市杭州灣大橋發展有限公司 ("**Hangzhou Bay Bridge**"), which principally engages in the investment, operation and management of the bridge and its ancillary facilities.

In applying AG 5 to the acquisition of Yield Express, the consolidated statements of financial position of the Group as at 1 January 2015 and 31 December 2015 have been restated to include the assets and liabilities of Yield Express and its subsidiaries (collectively referred to as the "**Yield Express Group**") as if they were within the Group on that date. The consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended 31 December 2015 have also been restated to include the financial performance, changes in equity and cash flows of the Yield Express Group as if they were within the Group since 1 January 2015.

(ii) APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

Amendments to HKFRSs that are mandatorily effective for current year

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time in the current year:

Amendments to HKFRS 11	Accounting for Acquisitions of Interest in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments [1]
HKFRS 15	Revenue from Contracts with Customers and the Related Amendments [1]
HKFRS 16	Leases [2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions [1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts [1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [3]

Amendments to HKAS 7	Disclosure Initiative [4]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses [4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle[5]

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

Application of HKFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. The Group's available-for-sale investments, including those currently stated at cost less impairment, will either be measured as fair value through profit or loss or be designated as fair value through other comprehensive income (subject to fulfilment of the designation criteria). In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost. It is not practicable to provide a reasonable estimate of the effect until a detailed review has been completed.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have an impact on the amounts reported as the timing of revenue recognition may be affected and the amounts of revenue recognised are subject to variable consideration constraints, and more disclosures relating to revenue is required. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review. In addition, the application of HKFRS 15 in the future may result in more disclosures in the consolidated financial statements.

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

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

(3) SEGMENT INFORMATION

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating segment:

For the year ended 31 December 2016

	Infrastructure facilities	Real estate	Consumer products	Unallocated	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE					
Segment revenue - external sales	**5,274,746**	**12,777,693**	**4,079,319**	**-**	**22,131,758**
Segment operating profit (loss)	**1,922,357**	**3,004,067**	**1,298,846**	**(312,128)**	**5,913,142**
Finance costs	**(280,431)**	**(1,132,872)**	**(3,153)**	**(10,526)**	**(1,426,982)**
Share of results of joint ventures	**214,147**	**-**	**-**	**-**	**214,147**
Share of results of associates	**105,615**	**(34,259)**	**1,674**	**-**	**73,030**
Net gain on disposal of assets through disposal of interests in subsidiaries/disposal of interests in other subsidiaries and an associate	**308,565**	**2,395,035**	**22,333**	**-**	**2,725,933**
Segment profit (loss) before taxation	**2,270,253**	**4,231,971**	**1,319,700**	**(322,654)**	**7,499,270**
Income tax expense	**(452,181)**	**(1,980,444)**	**(228,786)**	**2,041**	**(2,659,370)**
Segment profit (loss) after taxation	**1,818,072**	**2,251,527**	**1,090,914**	**(320,613)**	**4,839,900**
Less: segment profit attributable to non-controlling interests	**(420,796)**	**(1,499,948)**	**(16,126)**	**-**	**(1,936,870)**
Segment profit (loss) after taxation attributable to owners of the Company	**1,397,276**	**751,579**	**1,074,788**	**(320,613)**	**2,903,030**

For the year ended 31 December 2015

	Infrastructure facilities	Real estate	Consumer products	Unallocated	Consolidated
	HK$'000 (restated)	HK$'000	HK$'000	HK$'000 (restated)	HK$'000 (restated)
REVENUE					
Segment revenue - external sales	4,348,739	11,455,908	3,889,035	-	19,693,682
Segment operating profit (loss)	1,834,639	2,585,050	1,254,899	(205,012)	5,469,576
Finance costs	(244,724)	(1,321,978)	(2,915)	(43,909)	(1,613,526)
Share of results of joint ventures	178,208	-	-	-	178,208
Share of results of associates	102,763	(26,461)	3,923	-	80,225
Net gain on disposal of interests in other subsidiaries and an associate	-	1,648,502	-	-	1,648,502
Segment profit (loss) before taxation	1,870,886	2,885,113	1,255,907	(248,921)	5,762,985
Income tax expense	(388,331)	(1,491,739)	(193,603)	2,648	(2,071,025)
Segment profit (loss) after taxation	1,482,555	1,393,374	1,062,304	(246,273)	3,691,960
Less: segment profit attributable to non-controlling interests	(345,889)	(505,407)	(13,900)	-	(865,196)
Segment profit (loss) after taxation attributable to owners of the Company	1,136,666	887,967	1,048,404	(246,273)	2,826,764

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating segment:

At 31 December 2016

	Infrastructure facilities	**Real estate**	**Consumer products**	**Unallocated**	**Consolidated**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Segment assets	**42,239,453**	**99,269,022**	**7,011,509**	**2,728,191**	**151,248,175**
Segment liabilities	**14,914,247**	**64,397,622**	**859,800**	**8,603,989**	**88,775,658**

At 31 December 2015

	Infrastructure facilities	Real estate	Consumer products	Unallocated	Consolidated
	HK$'000 (restated)	HK$'000	HK$'000	HK$'000 (restated)	HK$'000 (restated)
Segment assets	32,541,210	98,589,637	6,786,259	6,783,587	144,700,693
Segment liabilities	8,721,349	67,393,771	765,268	12,527,055	89,407,443

(4) INCOME TAX EXPENSE

	2016	2015
	HK$'000	HK$'000
Current tax		
- Hong Kong	**187,738**	222,119
- PRC Land appreciation tax ("**PRC LAT**")	**902,936**	789,271
- PRC Enterprise income tax ("**PRC EIT**") (including PRC withholding tax of HK$4,918,000 (2015: HK$4,353,000))	**1,872,731**	1,225,661
	2,963,405	2,237,051
Under(over)provision in prior years		
- Hong Kong	**539**	(2,112)
- PRC LAT (note i)	**(6,234)**	(15,481)
- PRC EIT (including overprovision of PRC withholding tax of HK$13,970,000 (2015: HK$6,046,000)) (note ii)	**(24,055)**	(43,130)
	(29,750)	(60,723)
Deferred taxation for the year	**(274,285)**	(105,303)
	2,659,370	2,071,025

notes:

(i) The Group recognised an overprovision of PRC LAT during the years ended 31 December 2015 and 2016, upon completion of tax clearance procedures by certain PRC subsidiaries with the respective tax authorities.

(ii) The Group recognised an overprovision of PRC EIT during the year ended 31 December 2016 and an overprovision of PRC EIT during the year ended 31 December 2015, upon obtaining a tax clearance from the tax authority for disposal of a PRC subsidiary.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

The Group's subsidiaries in the PRC are subject to PRC EIT at a rate of 25% for both years, except for two (2015: one) PRC subsidiaries which are qualified as High New Technology Enterprises and enjoy a preferential tax rate of 15% for the current year. The preferential tax rate is applicable for three years until 2016 and 2018, respectively, and subject to approval for renewal.

PRC LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sale of properties less deductible expenditures including cost of land use rights, borrowing costs and all qualified property development expenditures.

(5) PROFIT FOR THE YEAR

	2016 HK$'000	2015 HK$'000 (restated)
Profit for the year has been arrived at after charging:		
Amortisation of toll road operating rights (included in cost of sales)	**809,009**	776,386
Amortisation of other intangible assets (included in cost of sales)	**206,108**	129,981
Depreciation of property, plant and equipment	**365,693**	335,644
Release of prepaid lease payments	**7,484**	7,809
Compensation expense in relation to settlement of a legal case	**-**	127,708
Impairment loss on bad and doubtful debts	**55,156**	17,497
Impairment loss on goodwill	**38,235**	-
Impairment loss on properties held for sale	**224,631**	31,911
Impairment loss on inventories, other than properties	**4,475**	1,340
Net foreign exchange loss (included in other income, gains and losses)	**271,164**	664,559
Net loss on disposal/written off of property, plant and equipment	**762**	-
Agreed payment in relation to withdrawal from a legal case	**-**	78,954
Research expenditure	**1,829**	4,238
Share of PRC EIT of joint ventures (included in share of results of joint ventures)	**58,467**	51,246
Share of PRC EIT of associates (included in share of results of associates)	**13,876**	51,583
and after crediting other income, gains and losses as follows:		
Gain on land resumption (note)	**209,999**	-
Increase in fair value of investment properties	**305,450**	96,402
Reversal of impairment loss on bad and doubtful debts	**2,719**	1,726
Reversal of impairment loss on properties held for sale upon subsequent sale	**-**	35,068
Reversal of impairment loss on other receivables	**6,277**	3,357
Net gain on disposal/written off of property, plant and equipment	**-**	40,202

note: During the year ended 31 December 2016, a piece of land with a carrying amount of RMB30,780,000 (equivalent to HK$35,958,000) held by the Group was resumed by the relevant government department of Shanghai of the PRC for a compensation of RMB210,510,000 (equivalent to HK$245,957,000). The difference between the compensation received and the carrying amount is recognised as other income.

(6) DIVIDENDS

	2016	2015
	HK$'000	HK$'000
Dividends recognised as distribution during the year:		
2016 interim dividend of HK36 cents (2015: 2015 interim dividend of HK36 cents) per share	**391,163**	390,906
2016 special dividend of HK10 cents (2015: Nil) per share	**108,657**	-
2015 final dividend of HK45 cents (2015: 2014 final dividend of HK45 cents) per share	**488,633**	488,834
	988,453	879,740

The final dividend of HK46 cents per share in respect of the year ended 31 December 2016, amounting to approximately HK$499.8 million in total, has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

(7) EARNINGS PER SHARE

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

	2016	2015
	HK$'000	HK$'000 (restated)
Earnings:		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	**2,903,030**	2,826,764
Effect of dilutive potential ordinary shares		
- interest on convertible bonds, net of tax	**1,318**	148,185
Earnings for the purpose of diluted earnings per share	**2,904,348**	2,974,949

	2016	2015
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,086,074,031**	1,085,105,421
Effect of dilutive potential ordinary shares		
- convertible bonds	**14,632,298**	104,758,634
- share options of the Company	**-**	342,090
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,100,706,329**	1,190,206,145

The computation of diluted earnings per share does not assume:

(i) the exercise of certain of the Company's outstanding options as the exercise price of those options was higher than the average market price for the corresponding period; and

(ii) the exercise of options issued by Shanghai Industrial Urban Development Group Limited ("**SI Urban Development**"), a listed subsidiary of the Group, because the exercise price of those options was higher than the average market price for the corresponding period.

(8) TRADE AND OTHER RECEIVABLES

	2016	2015
	HK$'000	HK$'000
		(restated)
Trade receivables	**1,774,114**	1,107,214
Less: allowance for doubtful debts	**(86,254)**	(43,395)
	1,687,860	1,063,819
Other receivables	**7,554,715**	9,588,844
Total trade and other receivables	**9,242,575**	10,652,663

The Group generally allows credit periods ranging from 30 days to 180 days to its trade customers, other than property buyers. For property sales, due to the nature of business, the Group generally grants no credit period to property buyers. The following is an aged analysis of trade receivables, net of allowance for doubtful debts, presented based on the invoice date, which approximates the respective revenue recognition dates.

	2016	2015
	HK$'000	HK$'000
Within 30 days	**511,349**	319,988
Within 31 – 60 days	**255,866**	182,919
Within 61 – 90 days	**324,616**	139,289
Within 91 – 180 days	**170,387**	180,503
Within 181 – 365 days	**158,327**	170,670
Over 365 days	**267,315**	70,450
	1,687,860	1,063,819

(9) TRADE AND OTHER PAYABLES

	2016	2015
	HK$'000	HK$'000
		(restated)
Trade payables	**4,085,857**	3,708,254
Consideration payables for acquisition of subsidaries	**398,413**	4,796,929
Deposits received for identifying investment projects	**-**	1,633,628
Other payables	**10,181,613**	12,454,147
Total trade and other payables	**14,665,883**	22,592,958

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

	2016	2015
	HK$'000	HK$'000
Within 30 days	**869,497**	743,706
Within 31 – 60 days	**391,452**	557,495
Within 61 – 90 days	**256,090**	755,497
Within 91 – 180 days	**603,626**	562,363
Within 181 – 365 days	**868,971**	683,017
Over 365 days	**1,096,221**	406,176
	4,085,857	3,708,254

FINANCIAL REVIEW

I. Analysis of Financial Results

1. Revenue

In 2016, the revenue amounted to approximately HK$22,131.76 million, representing a year-on-year increase of 12.4%, mainly due to the increase of property sales booked in the real estate business as compared to last year.

The year-on-year increase in revenue of the infrastructure facilities business was attributable to the increase in revenue of SI Environment by approximately HK$860.27 million as it started to consolidate the revenue of Fudan Water upon completion of the acquisition in May 2015 and Longjiang Environmental upon completion of the acquisition of additional interest in October 2016 respectively. In addition, a year-on-year increase in construction income was recorded.

The increase in revenue of the real estate business was attributable to a rise in property sales booked in the real estate business as compared to last year, together with the consolidation of sales of SIIC Longchuang upon completion of acquisition by SI Development in early 2016, which added HK$1,321.79 million in revenue to the real estate business as compared to last year.

During the year, growth in revenue of Nanyang Tobacco was maintained while the moulded fibre packaging business of Wing Fat Printing has commenced production. Therefore, the revenue from consumer products business increased by approximately 4.9%.

2. Profit Contribution from Each Business

Net profit from the infrastructure facilities business for the year was approximately HK$1,397.28 million, accounting for 43.4% of Net Business Profit, and representing a year-on-year increase of 22.9%. While the traffic flow of the three expressways recorded a growth ranging from 6.9% to 15.6% attributable to a number of factors, including growth in the number of vehicles, fine weather, a higher number of tourists during holidays and adjustments to the mileage charge for the toll expressways in Shanghai. The result of toll road operation achieved a year-on-year increase of 5.6% due to an approximate 6% depreciation of RMB, which offset part of the increase in toll revenue. In addition, the share of Hangzhou Bay Bridge's profit for the full year increased by HK$23.78 million year-on-year as merger accounting was adopted following the completion of the acquisition of 23.06% interest at the end of 2016. Water services business recorded an increase of 78.1% in profit, which was mainly attributable to the fair value gain on revaluation from Longjiang Environmental of HK$130.02 million. Profit attributable to shareholders of SI Environment increased by 26.2%, driven by profit contributions from newly acquired projects, but part of its profit contributions to the Group were offset by the dilution of equity interests and depreciation of RMB, and recorded a year-on-year increase of 13.1%. General Water of China recorded growth in operating profit and gain on disposal of the Xianyang project, with a year-on-year increase of 71.5% in profit contribution.

The real estate business recorded a profit of HK$751.58 million, accounting for 23.3% of Net Business Profit, and representing a decrease of approximately HK$136.39 million over 2015. The decrease was mainly due to gain on disposal of the remaining 10% interests in Four Seasons Hotel last year. Property sales booked by SI Urban Development increased during the year. However, gain on disposal of project interests dropped, resulting in a flat year-on-year profit contribution. Profit attributable to shareholders of SI Development for the year increased 13.9%. However, the equity interests in SI Development were diluted to 48.6% following the completion of new share placement, resulting in a decline in profit contribution.

The consumer products business recorded a net profit of HK$1,074.79 million for the year, accounting for 33.3% of Net Business Profit, and representing a year-on-year increase of 2.5%. The business of Nanyang Tobacco remained stable contributing to a year-on-year increase in net profit by 4.4%. Profit from the moulded fibre packaging business, which commenced production in the year, offset the decrease in profit caused by various factors, including destocking of tobacco industry, intensified competition and rise in material and labour costs.

3. Profit before Taxation

(1) Gross profit margin

Compared to 2015, gross profit margin decreased by 2.2 percentage points, mainly due to an increase in proportion of construction income with relatively lower profit margin in the infrastructure facilities business, which in turn resulted in a decrease of approximately 5.0 percentage points in the overall gross profit margin of the infrastructure facilities business. Meanwhile, the proportion of property sales booked with lower margin also increased, and the gross profit margin for consumer products businesses remained stable.

(2) Other income, gains and losses

Despite the continual depreciation of Renminbi during the year, foreign exchange loss significantly dropped due to the significant decrease in foreign currency debts.

(3) Net gain on disposal of assets through disposal of interests in subsidiaries/disposal of interests in subsidiaries and associates

The net gain for the year was mainly attributable to a profit before tax of HK$2,725.93 million from the completion of disposal of 35% assets and all the remaining equity interests in Longcheng project and a fair value gain on revaluation from Longjiang Environmental. The net gain for last year was mainly attributable to a profit before tax of HK$1,195.24 million and HK$452.37 million from the disposal of a 100% equity interests in Qiao Island Project and a 100% equity interests in Yanjiao Project, respectively.

.

4. Dividends

The Board of Directors has proposed a final dividend of HK46 cents per share. Together with an interim dividend of HK36 cents and a special dividend of HK10 cents per share, the total dividend amounted to HK92 cents per share for 2016 (2015: HK81 cents per share). Annual dividend payout ratio is 34.4% (2015: 31.1%).

II. Financial Position of the Group

1. Capital and Equity attributable to Owners of the Company

The Company had a total of 1,086,565,600 shares in issue as at 31 December 2016, increasing by 715,000 shares, compared with 1,085,850,600 shares as at the end of 2015.

Equity attributable to owners of the Company reached HK$36,916.29 million as at 31 December 2016, and the increase was attributable to the net profit after deducting the dividend actually paid during the year.

2. Indebtedness

(1) Borrowings

SIHL Finance Limited, a wholly-owned subsidiary of the Company, signed a HK$3 billion or US dollar equivalent dual-currency club loan in May 2016, of which HK$1.5 billion or US dollar equivalent dual-currency are of a term of 3 years and the remaining HK$1.5 billion or US dollar equivalent dual-currency are of a term of 5 years. The facility was used for the early repayment of a syndicated loan of totally HK$3.0 billion or US dollar equivalent dual-currency due in 2017 and 2019 respectively. In November 2016, a bank loan of HK$1.3 billion was signed and was for the purpose of general working capital.

As at 31 December 2016, the total borrowings of the Group including bank borrowings, other borrowings and convertible bonds amounted to approximately HK$46,235.88 million (31 December 2015: HK$48,684.33 million), of which 67.9% (31 December 2015: 62.0%) was unsecured credit facilities. The proportions of US dollars, Renminbi and HK dollars of total borrowings were 3%, 84% and 13% (31 December 2015: 9%, 69% and 22%) respectively.

(2) Pledge of assets

The following assets were pledged by the Group to banks to secure banking facilities granted by these banks to the Group:

(a) investment properties with an aggregate carrying value of HK$11,585,060,000 (31 December 2015: HK$12,613,259,000);

(b) leasehold land and buildings with an aggregate carrying value of HK$906,567,000 (31 December 2015: HK$1,569,254,000);

(c) plant and machineries with an aggregate carrying value of HK$20,218,000 (31 December 2015: HK$25,529,000);

(d) one (31 December 2015: one) toll road operating right with a carrying value of HK$2,415,929,000 (31 December 2015: HK$2,778,489,000);

(e) receivables under service concession arrangements with an aggregate carrying value of HK$9,179,515,000 (31 December 2015: HK$2,440,439,000);

(f) properties under development held for sale with an aggregate carrying value of HK$5,644,075,000 (31 December 2015: HK$8,279,494,000);

(g) properties held for sale with an aggregate carrying value of HK$16,233,000 (31 December 2015: HK$1,541,220,000);

(h) trade receivables with an aggregate carrying value of HK$63,968,000 (31 December 2015: HK$188,229,000); and

(i) bank deposits with an aggregate carrying value of HK$430,853,000 (31 December 2015: HK$362,252,000).

(3) Contingent liabilities

As at 31 December 2016, the guarantees given to banks by the Group in respect of banking facilities utilised by an entity controlled by State-owned Assets Supervision and Administration Commission of Shanghai Xuhui District, property buyers and joint ventures amounted to approximately HK$163.02 million, HK$4,926.28 million and HK$1,779.63 million (31 December 2015: HK$263.91 million, HK$2,553.96 million and HK$1,029.71 million) respectively.

3. Capital Commitments

As at 31 December 2016, the Group had capital commitments mainly contracted for business development and investments in fixed assets of HK$5,831.65 million (31 December 2015: HK$5,526.29 million). The Group had sufficient internal resources and / or through loan markets for the finance of its capital expenditures.

4. Bank Deposits and Short-term Investments

As at 31 December 2016, bank balances and short-term investments held by the Group amounted to HK$32,053.02 million (31 December 2015: HK$28,487.43 million) and HK$226.97 million (31 December 2015: HK$444.19 million) respectively. The proportions of US dollars and other currencies, Renminbi and HK dollars of bank balances were 3%, 88% and 9% (31 December 2015: 4%, 73% and 23%) respectively. Short-term investments mainly consisted of investments such as Hong Kong and PRC listed shares.

While having sufficient working capital and a healthy interest cover, the Group is monitoring the market situation and respective funding requirements on a regular basis for business developments, and will seek opportunities to optimize its capital structure should the need arises.

III. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, the following events took place:

1. In January 2017, the Company entered into a subscription agreement with SI Environment, pursuant to which the Company has agreed to subscribe for, and SI Environment has agreed to allot and issue an aggregate of 350,000,000 new shares in SI Environment at a placement price of S$0.63 per placement share. Upon completion, the Company will indirectly hold an aggregate of 1,197,688,226 shares in SI Environment, representing approximately 45.95% of SI Environment's enlarged share capital. This will be accounted for as an equity transaction.

2. In February 2017, the Company through its indirect wholly owned subsidiary ("**the Subscriber**"), entered into a subscription agreement with Canvest Environmental, a company listed on the Stock Exchange, pursuant to which the Subscriber conditionally agreed to subscribe, and Canvest Environmental conditionally agreed to issue 300,000,000 shares of Canvest Environmental at a price of HK$3.5 per share. Up to the date of announcement, this subscription is completed and Canvest Environmental will be accounted for as an associate using equity method.