SHANGHAI ZENDAI PROPERTY LIMITED

上 海 証 大 房 地 產 有 限 公 司*

(Incorporated in Bermuda with limited liability)

(Stock code: 755)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2016

		Year ended 31 December	
		2016	2015
	Notes	***HK$'000***	*HK$'000*
Revenue	*4*	**1,943,579**	1,787,475
Cost of sales	*6*	**(1,628,257)**	(1,603,216)
Gross profit		**315,322**	184,259
Other income and gains	*5*	**105,200**	98,177
Selling and marketing expenses	*6*	**(154,138)**	(139,159)
Administrative expenses	*6*	**(551,314)**	(405,676)
Change in fair value of investment properties		**50,471**	4,476
Share of results of associates		**(70,698)**	(104,737)
Share of results of joint ventures		**(69,633)**	(103,854)
Finance costs	*7*	**(533,772)**	(586,375)
Loss before income tax		**(908,562)**	(1,052,889)
Income tax (expense)/credit	*8*	**(213,666)**	2,441
Loss for the year		**(1,122,228)**	(1,050,448)
Loss for the year attributable to:			
– Owners of the Company		**(1,034,703)**	(957,138)
– Non-controlling interests		**(87,525)**	(93,310)
		(1,122,228)	(1,050,448)
Loss per share			
– Basic	*10*	**HK(6.95) Cents**	HK(6.43) Cents
– Diluted	*10*	**HK(6.95) Cents**	HK(6.43) Cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	Year ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
Loss for the year	**(1,122,228)**	(1,050,448)
Other comprehensive loss		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**(155,216)**	(606,691)
Release of exchange differences on disposal of foreign operations	**(32,485)**	–
Release of other revaluation reserve on disposal of properties for sales held by an associate	**–**	(6,435)
	(187,701)	(613,126)
Item that will not be reclassified subsequently to profit or loss:		
Share of other comprehensive income of investments accounted for using the equity method	**–**	33,980
Other comprehensive loss for the year, net of tax	**(187,701)**	(579,146)
Total comprehensive loss for the year	**(1,309,929)**	(1,629,594)
Total comprehensive loss attributable to:		
– Owners of the Company	**(1,213,570)**	(1,518,752)
– Non-controlling interests	**(96,359)**	(110,842)
Total comprehensive loss for the year	**(1,309,929)**	(1,629,594)

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2016

		As at 31 December	
		2016	2015
	Note	***HK$'000***	*HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**667,845**	618,109
Investment properties		**2,918,991**	2,719,578
Land use rights		**501,459**	570,663
Goodwill		**–**	35,490
Investment in associates		**55,549**	131,719
Investment in joint ventures		**1,058,657**	1,178,596
Deferred income tax assets		**31,078**	20,273
Available-for-sale financial assets		**59,529**	63,701
Pledged bank deposits		**–**	238,806
Total non-current assets		**5,293,108**	5,576,935
Current assets			
Properties under development and completed properties held-for-sale		**9,464,908**	9,250,562
Inventories		**3,314**	3,848
Trade and other receivables	*11*	**769,719**	403,064
Deposits for properties under development		**46,419**	581,494
Amounts due from associates		**975,241**	1,048,960
Amounts due from joint ventures		**291,795**	1,522,993
Available-for-sale financial assets		**–**	2,176
Amounts due from minority owners of subsidiaries		**–**	30,090
Pledged bank deposits		**1,429,233**	939,701
Tax prepayments		**171,584**	90,584
Cash and cash equivalents		**709,864**	1,629,164
		13,862,077	15,502,636
Assets of disposal group classified as held-for-sale		**2,080,568**	263,513
Total current assets		**15,942,645**	15,766,149
TOTAL ASSETS		**21,235,753**	21,343,084

CONSOLIDATED BALANCE SHEET – CONTINUED

		As at 31 December	
		2016	2015
	Note	***HK$'000***	*HK$'000*
EQUITY			
Equity attributable to owners of the Company			
Share capital		**297,587**	297,587
Reserves		**2,550,947**	2,739,012
Retained earnings		**395,565**	1,396,288
		3,244,099	4,432,887
Non-controlling interests		**27,289**	216,182
Total equity		**3,271,388**	4,649,069
LIABILITIES			
Non-current liabilities			
Borrowings and loans		**1,656,661**	5,584,283
Deferred income tax liabilities		**394,674**	450,794
Other payables		**159,023**	191,322
Amounts due to minority owners of subsidiaries		**–**	829,214
Total non-current liabilities		**2,210,358**	7,055,613
Current liabilities			
Trade, notes and other payables	*12*	**1,744,789**	1,072,188
Receipts in advance from customers		**3,915,663**	1,140,506
Amounts due to joint ventures		**997,074**	1,156,769
Amounts due to minority owners of subsidiaries		**659,403**	104,645
Borrowings and loans		**7,431,994**	5,667,208
Tax payables		**622,681**	455,727
		15,371,604	9,597,043
Liabilities of disposal group classified as held-for-sale		**382,403**	41,359
Total current liabilities		**15,754,007**	9,638,402
Total liabilities		**17,964,365**	16,694,015
TOTAL EQUITY AND LIABILITIES		**21,235,753**	21,343,084

NOTES

1. BASIS OF PREPARATION

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

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

2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

2.1 New and amended standards adopted by the Group

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2016:

- Clarification of acceptable methods of depreciation and amortisation – Amendments to HKAS 16 and HKAS 38

- Annual improvements to HKFRSs 2012 – 2014 cycle, and

- Disclosure initiative – amendments to HKAS 1.

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

2.2 New and amended standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

HKFRS 9, 'Financial instruments'

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

While the Group has yet to undertake a detailed assessment of the classification and measurement of financial assets, ‘trade and other receivables’ would appear to satisfy the conditions for classification as at amortized costs and hence there will be no change to the accounting for these assets. Accordingly, the Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

There will be no impact on the Group’s accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortized cost, debt instruments measured at fair value through other comprehensive income, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. The adoption of HKFRS 9 is expected to have no material impact to the Group.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group’s disclosures about its financial instruments particularly in the year of the adoption of the new standard.

HKFRS 9 must be applied for financial years commencing on or after 1 January 2018. Based on the transitional provisions in the completed HKFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety. The Group does not intend to adopt HKFRS 9 before its mandatory date.

HKFRS 15, ‘Revenue from contracts with customers’

HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

At this stage, the Group is not able to estimate the impact of the new rules on the Group’s financial statements. The Group will make more detailed assessments of the impact over the next twelve months.

HKFRS 15 is mandatory for financial years commencing on or after 1 January 2018. At this stage, the Group does not intend to adopt the standard before its effective date.

HKFRS 16, 'Leases'

HKFRS 16 will result in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK$237,343,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

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

3. SEGMENT REPORTING

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

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

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

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

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

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

Segment information is presented below:

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

	Sales of properties		**Hotel operations**		**Properties rental, management and agency services**		**Others**		**Total**	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Reportable segment revenue from external sales	**1,379,662**	1,184,009	**190,371**	198,406	**373,546**	402,904	**–**	2,156	**1,943,579**	1,787,475
Reportable segment (loss)/profit before income tax	**(367,406)**	(327,994)	**(73,454)**	(109,280)	**127,559**	59,007	**–**	(337)	**(313,301)**	(378,604)
Other information										
Bank interest income	**18,662**	22,022	**4**	8	**1,352**	5,712	**–**	–	**20,018**	27,742
Interest income from entrusted loan receivables	**–**	9,455	**–**	–	**–**	–	**–**	–	**–**	9,455
Depreciation of property, plant and equipment	**11,370**	6,114	**35,026**	28,758	**2,154**	2,715	**–**	–	**48,550**	37,587
Amortisation of land use rights	**–**	–	**21,045**	21,941	**–**	–	**–**	–	**21,045**	21,941
Change in fair value of investment properties	**–**	–	**–**	–	**50,471**	4,476	**–**	–	**50,471**	4,476
Share of results of associates	**3,301**	–	**(73,999)**	(104,737)	**–**	–	**–**	–	**(70,698)**	(104,737)
Share of results of joint ventures	**(69,633)**	(103,854)	**–**	–	**–**	–	**–**	–	**(69,633)**	(103,854)
Loss on sale of property, plant and equipment	**(416)**	(248)	**–**	–	**–**	–	**–**	–	**(416)**	(248)
Gain on disposal of subsidiaries	**44,985**	18,016	**–**	–	**3,748**	562	**–**	–	**48,733**	18,578
Gain on disposal of investment properties	**–**	–	**–**	–	**8,199**	1,927	**–**	–	**8,199**	1,927
Reportable segment assets	**15,762,819**	15,755,482	**818,855**	1,097,313	**3,105,449**	3,227,671	**–**	155	**19,687,123**	20,080,621
Amounts included in the measure of segment assets:										
Additions to non-current assets *(i)*	**12,689**	2,597	**132,646**	83	**463,968**	6,613	**–**	–	**609,303**	9,293
Investment in associates	**55,549**	56,067	**–**	75,652	**–**	–	**–**	–	**55,549**	131,719
Investment in joint ventures	**1,058,657**	1,165,776	**–**	–	**–**	12,820	**–**	–	**1,058,657**	1,178,596
Reportable segment liabilities	**13,684,178**	14,415,530	**79,824**	50,526	**297,751**	333,921	**–**	550	**14,061,753**	14,800,527

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

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

	Year ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
Reportable segment loss before income tax	**(313,301)**	(378,604)
Unallocated bank interest income	**68**	529
Dividend income from available-for-sale financial assets	**4,380**	2,704
Finance costs	**(533,772)**	(586,375)
Unallocated head office and corporate expenses	**(46,530)**	(56,212)
Share-based-payments	**(19,407)**	(34,931)
Loss before income tax	**(908,562)**	(1,052,889)

	As at 31 December	
Assets	**2016**	2015
	HK$'000	*HK$'000*
Reportable segment assets	**19,687,123**	20,080,621
Pledged bank deposits	**1,429,233**	1,178,507
Head office and corporate assets	**119,397**	83,956
Total assets	**21,235,753**	21,343,084

	As at 31 December	
Liabilities	**2016**	2015
	HK$'000	*HK$'000*
Reportable segment liabilities	**14,061,753**	14,800,527
Borrowings and loans	**3,856,762**	1,876,669
Unallocated head office and corporate liabilities	**45,850**	16,819
Total liabilities	**17,964,365**	16,694,015

(c) Geographical information

At 31 December 2016 and 31 December 2015, the majority of the Group's revenue and non-current assets other than financial instruments and deferred tax assets are located in the PRC.

The Group has a large number of customers, and there is no significant revenue derived from specific external customers for the year ended 31 December 2016 and 2015.

4. REVENUE

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

	Year ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
Sales of properties	**1,379,662**	1,184,009
Hotel operations	**190,371**	198,406
Properties rental, management and agency income	**373,546**	402,904
Others	**–**	2,156
	1,943,579	1,787,475

5. OTHER INCOME AND GAINS

	Year ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
Bank interest income	**20,086**	28,271
Interest income from other receivables	**–**	13,603
Interest income from entrusted loan receivables	**–**	9,455
Rental income *(a)*	**5,070**	8,724
Gain on disposal of investment properties	**8,199**	1,927
Gain on disposal of subsidiaries	**48,733**	18,578
Dividend income from available-for-sale financial assets	**4,380**	2,704
Government grants	**2,236**	–
Others	**16,496**	14,915
Total	**105,200**	98,177

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

6. EXPENSES BY NATURE

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

	Year ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
Cost of properties sold	**1,564,297**	1,403,906
Business tax and levis	**63,960**	106,942
Impairment of properties under development and completed properties held-for-sale	**–**	92,368
Employee benefit expense	**218,954**	214,887
Auditors' remuneration:		
– Audit services	**3,760**	5,060
– Non-audit services	**950**	–
Consulting and service expenses	**39,968**	37,927
Depreciation and amortisation charge	**69,595**	59,528
Impairment of goodwill	**113,090**	–
Advertising costs	**67,695**	50,907
Impairment of other receivable	**49,943**	–
Operating lease payments	**13,245**	10,449
Maintenance and consumption expenses for hotel business	**66,747**	61,057
Other expenses	**61,505**	105,020
Total	**2,333,709**	2,148,051

7. FINANCE COSTS

	Year ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
Interest expense:		
– Bank borrowings	**570,580**	630,128
– Other borrowings	**454,018**	316,858
Less: amounts capitalized in properties under development at a capitalization rate of 11.49% (2015: 7.97%) per annum	**(490,826)**	(360,611)
FINANCE COSTS – NET	**533,772**	586,375

8. INCOME TAX EXPENSE/(CREDIT)

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

	Year ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
Current Income Tax:		
– PRC enterprise income tax	**53,306**	(2,651)
– PRC land appreciation tax ("LAT")	**206,821**	117,197
Deferred income tax	**(46,461)**	(116,987)
	213,666	(2,441)

Hong Kong Profits Tax

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits in Hong Kong for the years ended 31 December 2016 and 2015.

PRC Enterprise Income Tax

These PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (2015: 25%) during the year ended 31 December 2016.

LAT

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

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

	Year ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
Loss before income tax	**(908,562)**	(1,052,889)
Tax calculated at domestic rates applicable in countries concerned	**(158,522)**	(220,373)
Tax effect of share of results of associates	**17,675**	26,184
Tax effect of share of results of joint ventures	**17,408**	25,964
Effect of higher tax rate for LAT in the PRC	**155,116**	87,898
Tax effect of expenses not deductible for tax purposes	**51,632**	31,954
Tax effect of gains not taxable for tax purposes	**(18,211)**	(19,032)
Tax effect of tax losses not recognised as deferred tax assets	**224,529**	152,431
Utilisation of tax losses previously not recognised	**(61,049)**	(24,853)
Reversal of withholding tax on dividend	**(12,122)**	(55,763)
Over provision in respect of prior years	**(2,790)**	(6,851)
Tax expense/(credit)	**213,666**	(2,441)

9. DIVIDENDS

No dividend was proposed for the years ended 31 December 2016 and 2015.

10. LOSS PER SHARE

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

	Year ended 31 December	
	2016	2015
Loss		
Loss attributable to owners of the Company (HK$'000)	**(1,034,703)**	(957,138)
Number of shares		
Weighted average number of ordinary shares in issue (thousands)	**14,879,352**	14,879,352
Basic and diluted loss per share (HK Cents)	**(6.95)**	(6.43)

Assumed exercise of share options have not been included in the computation of diluted loss per share as they are anti-dilutive for the year ended 31 December 2016 and 2015.

11. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2016	2015
	HK$'000	*HK$'000*
Trade receivables (a)	**84,108**	26,363
Prepayments for business tax and others	**502,036**	168,748
Consideration receivables on disposal of subsidiaries	**111,582**	119,403
Deposits	**22,475**	24,285
Other receivables	**99,461**	64,265
Less: provision for impairment of receivables	**(49,943)**	–
Other receivables-net	**49,518**	64,265
	769,719	403,064

As at 31 December 2016 and 2015, the majority of the Group's trade and other receivables are dominated in RMB.

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

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

	As at 31 December	
	2016	2015
	HK$'000	*HK$'000*
Current (i)	**73,024**	14,962
Less than 1 month past due	**2,361**	2,404
1 to 3 months past due	**2,090**	2,118
More than 3 months but less than 12 months past due	**2,550**	4,482
More than 12 months past due	**4,083**	2,397
Amount past due but not impaired (ii)	**11,084**	11,401
	84,108	26,363

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

(ii) The balance of HK$11,084,000 (2015: HK$11,401,000) was past due but not impaired. The Group recognised impairment loss on individual assessment based on the accounting policies. The Directors of the Company consider the balance would be recoverable.

12. TRADE, NOTES AND OTHER PAYABLES

	As at 31 December	
	2016	2015
	HK$'000	*HK$'000*
Trade payables (a)	**675,270**	677,113
Consideration payable for acquisition of land use rights	**151,971**	162,969
Consideration payable for acquisition of a subsidiary	**197,027**	–
Advances received for disposal group classified as held-for-sale	**167,373**	–
Other payables and accruals	**712,171**	423,428
	1,903,812	1,263,510
Less: non-current liabilities		
Consideration payable for acquisition of land use rights	**(143,044)**	(153,417)
Others	**(15,979)**	(37,905)
	1,744,789	1,072,188

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

	As at 31 December	
	2016	2015
	HK$'000	*HK$'000*
Current or less than 1 month	**316,356**	392,367
1 to 3 months	**5,466**	84,438
More than 3 months but less than 12 months	**162,143**	124,856
More than 12 months	**157,368**	47,471
	641,333	649,132
Retention money	**33,937**	27,981
	675,270	677,113

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

13. CLOSURE OF REGISTER OF MEMBERS

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

CHAIRMAN'S STATEMENT

Financial Results

The board of directors of Shanghai Zendai Property Limited (the "**Company**" or "**Shanghai Zendai**") hereby announces the annual results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2016 (the "**year**" or "**year under review**").

During the year under review, the new projects acquired by the Group during the period from 2012 to 2015 continued to be launched for pre-sale, and one of which was delivered during the year. Therefore, the turnover for the year was mainly attributable to the sales and delivery of pre-existing properties and the newly acquired project.

During the year under review, the Group recorded a turnover of approximately HK$1,943,579,000, representing an increase of 9% as compared with approximately HK$1,787,475,000 for the same period in 2015. The turnover of the Group for the year was mainly attributed to:

- Delivery of newly acquired residential properties of Imperial Lake International project in Xuanwu District, Nanjing

- Delivery of residential properties in Haimen and Xizhen

- Hotel operation, rental and property management income

Loss attributable to shareholders of the Company (the "**Shareholders**") was approximately HK$1,034,703,000, representing an increase of 8% as compared with the same period of last year (loss for the same period of last year: HK$957,138,000). Basic loss per share of the Company (the "**Share**") was HK$6.95 cents (basic loss per share for the same period in 2015: HK$6.43 cents). The increase in loss of the Group for the year as compared with the same period of last year was mainly due to:

- the impairment of goodwill in the sum of HK$113,090,000, and

- the additional provision of LAT of HK$133,498,000 attributable to sales in prior years.

Business Review

During the year under review, Shanghai Zendai continued to focus on, among others, Shanghai and Nanjing as key development areas, and consolidated the development strategy of "extensively developing in areas of the first and second tier cities, while gradually stripping off its business from the third and fourth tier cities". Simultaneously, it sold its overseas assets, reorganised its assets portfolio, reallocated its resources and deepened its existing lines and brands of products, so as to focus on its in-depth development of residential and commercial real estate projects.

During the year, the Group mainly focused on the development of the projects in Nanjing, in order to fully capitalise on the local market demand, and launched "Nanjing Himalayas Center" project and "Riverside Thumb Plaza" project in Nanjing into market for pre-sale in a timely manner. Meanwhile, the Group completed the transaction of acquisition of 465 residential units of Imperial Lake International project in Xuanwu District, Nanjing in the first half of 2016, which were launched into market for sale in the second half of 2016, and some of which were delivered during the year. These projects are important drivers for the Group's future turnover growth.

For the business in the third and fourth tier cities, the Group entered into agreements to sell the projects in Jingyue Economic Development Zone, Changchun City, Jilin Province and "Zendai Garden-Riverside Town" in Haimen, so as to further implement the development strategy of stripping off the Group's business from the third and fourth tier cities.

For overseas assets, the Group entered into an agreement in December 2016 to dispose of its project in Modderfontein, Johannesburg, South Africa to achieve assets reorganization and reallocation of resources, to meet needs for the development of the Group.

Commercial Property Projects in China

Shanghai

Shanghai Zendai Thumb Plaza

Shanghai Zendai Thumb Plaza (the "Plaza") is an integrated commercial complex in a prime location adjacent to Shanghai's Century Park and the Lujiazui financial district. As at 31 December 2016, the Group still owns 40,333 square metres of commercial space and 430 underground carparking spaces in the Plaza. As at 31 December 2016, more than 98% of the commercial space in the Plaza has been leased. Rental received during the year was approximately RMB54,645,000 (equivalent to approximately HK$63,823,000).

Grand Mercure Shanghai Century Park (previously named as "Radisson Blu Hotel Pudong Century Park")

The Group's five-star Grand Mercure Shanghai Century Park (previously named as "Radisson Blu Hotel Pudong Century Park") is located in the Plaza. The 18-storey hotel boasts a gross floor area of 31,530 square metres and 361 guest rooms, a four-storey ancillary building and one level of basement. Beginning on 1 January 2017, it is managed under the "Grand Mercure" brand by AccorHotels Group. During the year under review, the average occupancy rate of the hotel was 67%, and total income of the hotel amounted to approximately RMB106,880,000 (equivalent to approximately HK$124,830,000), approximate to that of last year.

Shanghai Himalayas Center

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

The Jumeirah Himalayas Hotel Shanghai, a luxury five-star hotel managed by the Jumeirah Hotel Group from Dubai, is the Jumeirah Hotel Group's first hotel in Asia Pacific. The hotel boasts a gross floor area of 60,452 square metres, providing 393 guest rooms. Enjoying a favourable location, the hotel is adjacent to the Shanghai New International Expo Center which connects with Metro Line 7 and is within walking distance to the maglev station. The average occupancy rate of the hotel during the year under review was 69%, with a total income of approximately RMB196,923,000 (equivalent to approximately HK$229,996,000). The high quality environment and service of the Jumeirah Himalayas Hotel Shanghai won acclaims across the industry. In recent years, the hotel were successively awarded the "Best Art Lifestyle Hotel in Shanghai" by Hurun Report, the Best Travel Destination and the Best Wedding Venue by "Weekend on the Go" of City Traveler, the Best Business Hotel by Shanghai Daily, Shang-High Cuisine Restaurant being awarded as one star restaurant by The Michelin Guide Shanghai 2017, the Best Family-friendly Hotel Award 2016 by Ctrip, and the "Top Employers" Award by 2016 China Hotel Tourism.

During the year under review, around 79% of the commercial space of the shopping centre in Himalayas Center with a leasable area of 23,362 square metres was leased, with a rental income of approximately RMB54,025,000 (equivalent to approximately HK$63,099,000).

Nanjing

Nanjing Himalayas Center

The Group is developing the G15 land parcel in a prime location around Nanjing South Train Station into Himalayas Center with a site area of approximately 93,526 square metres and an expected total gross floor area of approximately 635,927 square metres. The project is developed in three phases.

The first phase of the project has a gross floor area of approximately 186,737 square metres, including 56,772 square metres of service apartments, 4,801 square metres of commercial space, 37,117 square metres of office building, 19,776 square metres of hotel and 68,271 square metres of underground car-parking space. The first phase, with a total saleable area of 93,462 square metres, including 55,233 square metres of service apartments, 3,189 square metres of commercial space and 35,040 square metres of office building, commenced pre-sale in April 2015. During the year under review, total contracted areas of service apartments and office building of 29,417 square metres and 25,478 square metres were sold, respectively, generating a total contract value of RMB538,668,000 (equivalent to approximately HK$629,138,000) and RMB430,148,000 (equivalent to approximately HK$502,392,000), respectively. As at 31 December 2016, cumulative areas of 43,953 square metres, 3,189 square metres and 31,793 square metres of service apartments, commercial space and office building had been sold respectively, generating a total contract value of RMB796,330,000 (equivalent to approximately HK$930,075,000), RMB124,302,000 (equivalent to approximately HK$145,179,000) and RMB533,074,000 (equivalent to approximately HK$622,605,000) respectively. At present, the hotel is in the process of decoration and is expected to commence business in the second half of 2018.

The second phase of the project, covering a gross floor area of approximately 214,569 square metres, is planned to be developed into service apartments, a commercial complex, commercial streets and office buildings, including 52,545 square metres of service apartments, 22,472 square metres of commercial space, 50,135 square metres of office building and 89,417 square metres of underground car-parking space. Construction of the second phase of the project commenced in the third quarter of 2014 and started pre-sale in July 2016, with a total saleable area of 121,383 square metres, including 52,710 square metres of service apartments, 16,873 square metres of commercial space and 51,800 square metres of office building. During the year under review, total contracted areas of service apartments, commercial space and office building of 4,757 square metres, 11,393 square metres and 1,161 square metres were sold respectively, generating a total contract value of RMB83,639,000 (equivalent to approximately HK$97,686,000), RMB430,181,000 (equivalent to approximately HK$502,431,000) and RMB21,779,000 (equivalent to approximately HK$25,437,000) respectively.

The third phase of the project, covering a gross floor area of approximately 234,621 square metres, is intended to be developed into service apartments, a commercial complex and office buildings, including 14,640 square metres of service apartments, 83,686 square metres of commercial space, 55,973 square metres of office building and 80,322 square metres of underground car-parking space. Construction of the third phase commenced in the third quarter of 2015 and it is expected to start pre-sale in the second half of 2017.

The First Phase of "Riverside Thumb Plaza" in Nanjing

The Group owns a parcel of land located at the west of Rehe Road and the north of Zhongshan Bei Road, Gulou District, Nanjing, Jiangsu Province. The land with a site area of approximately 13,220 square metres is planned to be developed into an integrated complex comprising apartments and commercial space with a gross floor area of approximately 84,770 square metres, including 78,548 square metres of apartments and 6,222 square metres of commercial space. Construction of the project commenced in June 2014 and pre-sale started in December 2015, with a total saleable area of 81,219 square metres, comprising 77,433 square metres of apartments and 3,786 square metres of commercial space. During the year under review, the total contracted areas of apartments and commercial space of 53,451 square metres and 1,811 square metres were sold respectively, generating a total contract value of RMB1,360,782,000 (equivalent to approximately HK$1,589,327,000) and RMB89,185,000 (equivalent to approximately HK$104,164,000). As at 31 December 2016, cumulative areas of 77,191 square metres and 1,811 square metres of apartments and commercial space had been sold respectively, generating a total contract value of RMB1,922,345,000 (equivalent to approximately HK$2,245,206,000) and RMB89,185,000 (equivalent to approximately HK$104,164,000) respectively.

The Second Phase of "Riverside Thumb Plaza" in Nanjing

The Group owns another parcel of land located at the west of Rehe Road and the north of Zhongshan Bei Road, Gulou District, Nanjing, Jiangsu Province. The land with a site area of approximately 26,318 square metres is planned to be developed into an integrated complex comprising apartments and commercial space with a gross floor area of approximately 165,585 square metres, including 154,448 square metres of apartments and 11,137 square metres of commercial space. Construction of the project commenced in March 2015 and the pre-sale started in September 2016, with total saleable areas of 163,190 square metres, including 153,812 square metres of apartments and 9,378 square metres of commercial space. During the year under review, the total contracted areas of apartments and commercial space of 41,148 square metres and 1,000 square metres were sold respectively, generating a total contract value of RMB1,185,395,000 (equivalent to approximately HK$1,384,484,000) and RMB58,620,000 (equivalent to approximately HK$68,466,000).

The Third Phase of "Riverside Thumb Plaza" in Nanjing

The Group owns another parcel of land located at the west of Rehe Road and the north of Zhongshan Bei Road, Gulou District, Nanjing, Jiangsu Province. The land with a site area of approximately 15,234 square metres is planned to be developed into an integrated complex comprising office building and commercial space with a gross floor area of approximately 89,031 square metres, including 78,063 square metres of office building and 10,968 square metres of commercial space. Construction of the project commenced already and pre-sale is planned to begin in the second half of 2017.

Other Cities

Qingdao Zendai Thumb Plaza

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

During the year under review, a total contracted area of service apartments of 2,099 square metres was sold, generating a total contract value of RMB27,231,000 (equivalent to approximately HK$31,804,000). During the year, an area of 2,702 square metres was delivered and a total contract value of RMB35,398,000 (equivalent to approximately HK$41,343,000) was recognised as turnover. As at 31 December 2016, a cumulative saleable area of 55,561 square metres had been sold, generating a contract value of RMB818,538,000 (equivalent to approximately HK$956,013,000).

As at 31 December 2016, around 92% of the commercial space (with a leasable area of 50,233 square metres) was leased, with a rental income of RMB33,048,000 (equivalent to approximately HK$38,598,000) during the year.

Himalayas Qingdao Hotel, located in the Qingdao Zendai Thumb Plaza, is managed by the Group's own hotel management company under the Group's "Himalayas" brand. The average occupancy rate of the hotel during the year was 64%, with a total income of RMB49,127,000 (equivalent to approximately HK$57,378,000), representing an increase of 16% as compared with the same period of last year.

Zendai Nantong Yicheng Thumb Plaza

The Group has acquired the 50% remaining interests of the project from the previous shareholder in the second half of 2016, thus currently wholly owns the project. Zendai Nantong Yicheng Thumb Plaza has a total site area of 281,912 square metres. Due to its prime location, the project has been included in the "Key Cultural Industry Projects in Nantong City" and "Key Development Projects in Chongchuan District". The project occupies a total gross floor area of approximately 279,076 square metres (including car-parking space and ancillary facilities of 77,143 square metres).

Construction of the project is divided into three phases. The first phase named Phase 1 of Old Town, with a commercial area of approximately 38,737 square metres, of which 82% has been leased as at 31 December 2016. The second phase is an ancillary residential project with a total gross floor area of approximately 73,944 square metres. As at 31 December 2016, a total cumulative contracted sales area of 68,427 square metres (including 39,800 square metres of multi-storey apartments, 26,390 square metres of townhouses and 2,237 square metres of detached villas) was sold, generating a total contract value of RMB783,717,000 (equivalent to approximately HK$915,343,000). During the year under review, an area of 12,923 squares metres of residential properties (including 11,382 square metres of multi-storey apartments and 1,541 square metres of townhouses) was delivered and a total contract value of RMB119,758,000 (equivalent to approximately HK$139,872,000) was recognised as turnover. The third phase occupies a total area of approximately 142,909 square metres (with an underground area of 53,150 square metres), comprising Phase 2 of Old Town, with commercial area of 60,979 square metres (with an underground area of 21,000 square metres) and Old Town, New Port, with commercial area of 14,967 square metres and residential area of approximately 66,963 square metres (with an underground area of 32,150 square metres). The Old Town, New Port commenced construction in May 2014 and started pre-sale in September 2016, with a total saleable area of 33,624 square metres. A total contracted area of residential properties of 18,538 square metres was sold during the year under review, generating a total contract value of RMB280,708,000 (equivalent to approximately HK$327,853,000). The construction of Phase 2 of Old Town has not commenced yet.

Yangzhou Commercial Project

The Group has an integrated project for commercial, cultural, leisure and entertainment use in the heart of Yangzhou City, the construction of which has completed, including 12 blocks and 243 units with a gross floor area of approximately 20,089 square metres. As at 31 December 2016, the remaining area of 17,881 square metres was used for rental purposes.

Project in Chenmai County, Hainan Province

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

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

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

Residential Projects in China

Shanghai

Zendai Xizhen Thumb Plaza

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

Phase I of the project has a gross floor area of approximately 98,479 square metres, which consists of residential properties (40,945 square metres) and commercial space (57,534 square metres). The Group intends to bring in tenants for the commercial areas, including large international cinemas, mid-range to high-end restaurants and supermarkets. Residential properties and commercial space with areas of 1,453 square metres and 374 square metres were delivered respectively during the year and a total contract value of RMB25,131,000 (equivalent to approximately HK$29,352,000) and RMB3,816,000 (equivalent to approximately HK$4,457,000) were recognised as turnover. As at 31 December 2016, the total cumulative residential and commercial areas of 19,472 square metres and 11,995 square metres had been sold respectively, generating a total contract value of RMB352,565,000 (equivalent to approximately HK$411,779,000) and RMB313,054,000 (equivalent to approximately HK$365,632,000) respectively.

Construction of Phase II with a gross floor area of approximately 70,525 square metres commenced in the fourth quarter of 2013, with resort villas (occupying 46,155 square metres) and a resort hotel (occupying 24,370 square metres) to be erected. The construction of the resort hotel has been temporarily suspended due to change of planning. Resort villas started pre-sale in November 2014 and was completed in April 2016. A total contracted area of 3,649 square metres had been sold during the year under review, generating a total contract value of RMB56,978,000 (equivalent to approximately HK$66,548,000). An area of 24,090 square metres of resort villas was delivered during the year and a total contract value of RMB386,341,000 (equivalent to approximately HK$451,228,000) was recognised as turnover. As at 31 December 2016, a cumulative area of resort villas of 28,073 square metres had been sold, generating a total contract value of RMB441,057,000 (equivalent to approximately HK$515,133,000).

Nanjing

Imperial Lake International Project in Xuanwu District

On 17 November 2015, a wholly-owned subsidiary of the Group participated in an auction organised by a court for asset disposal and won the bid, pursuant to which the Group acquired 465 residential units located in Xuanwu District, Nanjing, Jiangsu Province, the PRC at a total consideration of RMB343,580,000 (equivalent to approximately HK$410,245,000). The transaction was completed in the first half of 2016. The project consists of completed units with a total saleable area of 26,306 square metres. During the year under review, a total contracted area of 24,674 square metres was sold, generating a total contract value of RMB676,741,000 (equivalent to approximately HK$790,401,000), and the residential properties with an area of 24,002 square metres was delivered during the year and a total contract value of RMB480,216,000 (equivalent to approximately HK$560,869,000) was recognised as turnover.

Other Cities

"Zendai Garden-Riverside Town" in Haimen

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

The first parcel of land is to be developed in two parts.

"Dong Zhou Mansion", the first part of the first parcel, is being developed in two phases with Phase I offering 52 detached villas which were all sold out. Phase II of the "Dong Zhou Mansion" is to be developed into 94 detached villas with a total gross floor area of approximately 82,202 square metres, the construction of which already commenced in February 2014. However, the construction of the project has been suspended due to changes in market conditions.

"Multiflora Garden", the second part of the first parcel of land, is developed in three phases into an integrated residential area comprising low density town houses. Phases I and II offer a total of 212 units with a saleable area of approximately 57,232 square metres which were all sold out. As at 31 December 2016, an area of 3,941 square metres remained undelivered. Phase III has a saleable area of approximately 91,817 square metres. As at 31 December 2016, a total cumulative area of 77,097 square metres had been sold, generating a total contract value of RMB458,138,000 (equivalent to approximately HK$550,495,000). During the year, a total area of approximately 15,265 square metres was sold, generating a total contract value of RMB76,870,000 (equivalent to approximately HK$89,780,000). During the year, an area of 12,912 square metres was delivered and a total contract value of RMB70,287,000 (equivalent to approximately HK$82,092,000) was recognised as turnover.

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

The Phase I, Qinghua Garden Ecological Houses, occupies a site area of approximately 42,070 square metres with a saleable area of approximately 56,169 square metres. As at 31 December 2016, a cumulative area of 50,511 square metres was sold, generating a total cumulative contract value of RMB226,447,000 (equivalent to approximately HK$281,175,000).

The Phase II, Shui Qing Mu Hua Garden, with a site area of 157,717 square metres, is developed into small high-rise residential properties with ancillary commercial space in two phases with a saleable area of approximately 194,088 square metres. The first phase offers a saleable area of 81,394 square metres. As at 31 December 2016, an area of 79,970 square metres was sold, generating a total contract value of RMB359,535,000 (equivalent to approximately HK$441,560,000). During the year, an area of 16,853 square metres was sold, generating a total contract value of RMB68,222,000 (equivalent to approximately HK$79,680,000). An area of 21,049 square metres involving a contract value of RMB91,154,000 (equivalent to approximately HK$106,463,000) was delivered and recognised as turnover. The second phase offers a saleable area of approximately 112,694 square metres, which will be developed by stages.

The Phase III, named as Spanish Exotic Street, with a site area of 760 square metres, has been developed into a commercial plaza with a saleable area of 1,164 square metres.

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

A parcel of Land in Yantai Development Zone

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

Land Parcels in Inner Mongolia Autonomous Region

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

Overseas projects

Residential project in New Zealand

Top Harbour Limited, a company incorporated in New Zealand and in which the Group holds 45% equity interests, owns a parcel of land in Whangaparaoa Peninsula, Auckland, New Zealand with an area of approximately 320,000 square metres. The site is about 25 kilometres away from downtown in Auckland and is a residential project. The Group entered into an agreement in November 2014 to dispose of all equity interests in the project company. The transaction was approved by the Overseas Investment Office of New Zealand in October 2016 and has been completed in December 2016.

Modderfontein New City Smart City Project in Johannesburg, South Africa

The Group has a real estate development project located in Johannesburg, South Africa. The project is located in Modderfontein, which is situated between Sandton and OR Tambo International Airport in Johannesburg, comprising certain land parcels and buildings with an area of approximately 1,600 hectares. Taking into account the market value, overall prospects and capital requirements of the project, the Group entered into an agreement with a purchaser in December 2016 to dispose of the entire project not more than ZAR1,810,000,000 (equivalent to approximately HK$998,760,000), and the transaction is expected to complete in the third quarter of 2017.

PROSPECTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS

With the urban differentiation and industry concentration grow further intensified, there is an urgent need for property developers to improve the quality of products and competitiveness through the delicacy and targeted management. In order to cater for the market demand, Shanghai Zendai continues to implement its development strategy of "extensively developing in areas of the first and second tier cities, while gradually stripping off its business from the third and fourth tier cities", with a strategic focus on the first and second tier cities with development potential, such as Shanghai and Nanjing, and with a view to capitalize on in-depth development potential of the cities. On its product, the Group is committed to build projects with boutique brand adhering to a consistent quality brand strategy. For its commercial operations, the Group will steadily improve the occupancy rate of assets and explore room for increase in rental and keep operating costs in control.

According to Nanjing Real Estate Management Bureau, 2016 is the year experiencing fastest growth in price and most roaring trade in housing market in the history of Nanjing. In 2017, the municipal government of Nanjing will continue to "implement the measures to stabilize housing prices, expand the scale of land supply, strengthen the market supervision, stabilize the market expectations and maintain the steady and healthy development of the real estate market". Shanghai Zendai will closely follow the planning deployment of the government, carry out in-depth development for the parcel(s) of land located in Nanjing, and actively promote "Nanjing Himalayas Center" project and "Riverside Thumb Plaza" project in Nanjing as well as the Imperial Lake Internation project in Xuanwu District, Nanjing. Leveraging on the geographical and planning advantages of the three major projects, the Group is able to enhance the attractiveness and radiation of the projects, which are expected to be the main sources of income of the Group in the future.

Leveraging on a stable customer base, long-term development planning and experienced management team, Shanghai Zendai is committed to constantly explore in-depth space of development for existing projects, and actively explore the development of large-scale high quality urban complex projects in China's major cities, to meet the new opportunities and new challenges brought by economic development in China. The management will consider the appropriate source of funding for such future investments at the relevant time if and when such opportunities arise. The management remains cautiously optimistic on the long-term prospects of the industry, and believes that the Group will seek for broader space of development and create greater return of gains for society, partners and shareholders in the future development.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operations

The Group continued to sustain loss for the year ended 31 December 2016 primarily due to the small amount of turnover and gross profit which were insufficient to cover the charges and expense, the impairment of goodwill in the sum of HK$113,090,000 and the additional accrual of LAT of HK$133,498,000 attributable to sales of properties under provided in prior years. The turnover of the year was mainly attributable to the sales and delivery of residential units of Imperial Lake International project in Xuanwu District, Nanjing which was acquired in November 2015 and pre-existing residential and commercial projects.

The "Nanjing Himalayas Center", "Riverside Thumb Plaza" and Imperial Lake International projects in Nanjing, which were acquired by the Group from 2012 to 2015 continued to be launched for pre-sales during the year under review and achieved a satisfactory result. It was expected when the sale and delivery of these projects are recognised, the operation results of the Group will be significantly improved.

Liquidity, Financial Resources, Capital Structure and Gearing

As at 31 December 2016 the Group had a healthy financial position with net assets value of HK$3,271 million (2015: approximately HK$4,649 million). Net current assets amounted to approximately HK$189 million (2015: approximately HK$6,128 million) with current ratio decreased from 1.64 times in 2015 to approximately 1.01 times in 2016. The capital structure of the Group consists of borrowings (including current and non-current borrowings as shown in the consolidated balance sheet), net of cash and cash equivalents, and equity attributable to owners of the Company. The Group adopted relatively prudent financial policy and closely monitored its cash flow. As at 31 December 2016, the Group had consolidated borrowings and loans of approximately HK$9,089 million in which HK$7,432 million was repayable within one year and HK$1,657 million was repayable more than one year. As at 31 December 2016, borrowings of the amount of HK$4,695 million (2015: HK$6,984 million) bear interest at fixed interest rates ranging from 3.30% to 12.00% per annum (2015: 2.50% to 12.00% per annum). As at 31 December 2016, the Group's bank balances and cash were approximately HK$710 million (2015: HK$1,629 million). The gearing ratio of the Group increased from 2.42 times in 2015 to 2.92 times in 2016 (basis: net debts, which is defined as total debt of borrowings and loans, amounts due to minority owners of subsidiaries and joint ventures less amounts due from associates, joint ventures and minority owners of subsidiaries, divided by shareholders' funds).

Segment Information

Sales of properties

The turnover of this segment for the year was approximately HK$1,379,662,000 (2015:HK$1,184,009,000). The increase was due to the sale and delivery of the residential units of Imperial Lake International project in Nanjing.

Property rental, management and agency services

The turnover of this segment for the year was approximately HK$373,546,000 (2015: HK$402,904,000). The decrease was due to depreciation of RMB when translated to HK$. Turnover remained stable overall if the foreign exchange effect is excluded.

Hotel Operations

The turnover of this segment for the year was HK$190,371,000 (2015: HK$198,406,000) which remained stable overall.

Foreign Currency and Interest Rates Exposures and Hedging

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. The Group's cash and cash equivalents are also exposed to such foreign currency risk. Cash and cash equivalents held by the Group as at 31 December 2016 were mainly denominated in RMB, USD, ZAR and HK$. Bank borrowings of the Group as at 31 December 2016 are mainly denominated in USD and RMB. The Group currently does not use any derivative contracts to hedge against its exposure to currency risk. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rate.

The Group's cash flow interest rate risk arises from long-term borrowings with prevailing market interest rates. Such risk is partly offset by cash held at prevailing market interest rates. The Group's fair value interest rate risk relates primarily to its fixed rate borrowings and payables and pledged bank deposits. The Group currently does not utilize any derivative contracts to hedge its exposure to interest rate risk. However, management will consider hedging significant interest rate exposure should the need arise.

Employees

As at 31 December 2016, the Group employed approximately 1,591 employees (2015: 2,075 employees) in Hong Kong, South Africa and the PRC. They were remunerated with basic salary and bonues according to the nature of the job and market conditions. Other staff benefits include a mandatory provident fund scheme, local municipal government retirement scheme, training scheme, insurance and medical insurance and share option scheme.

EVENT SINCE THE END OF THE FINANCIAL YEAR

The important event for the Group since 31 December 2016 are:

(a) As disclosed in the Company's announcement dated 26 January 2016, on 25 January 2016, Smart Success Capital Limited signed a sales and purchase agreement in relation to the sale of 4,462,317,519 shares of the Company, representing 29.99% of the issued shares of the Company, to 冉盛置業發展有限公司 (Riswein Real Estate Development Co. Ltd.*) ("Riswein") and 北京中青旅置業有限公司 (Beijing CYTS Real Estate Co. Ltd.*). As at the date of this announcement, the transaction has not yet been completed. As further disclosed in the Company's announcement dated 25 November 2016, the parties to the aforementioned agreement were in process of negotiating a second supplementary agreement (with an effective date of 22 July 2016) for the further extension of the long stop date for the closing of the aforementioned agreement.

(b) On 25 January 2017, the Group has entered into an agreement with an independent third party for the disposal of its 100% equity interests in and shareholder's loans to 海門証大濱江置業有限公司 (Haimen Zendai Binjiang Real Estate Co. Ltd.*). The total consideration was approximately RMB700.00 million (equivalent to approximately HK$813.89 million). Details of the transaction were disclosed in the Company's announcement dated 25 January 2017 and circular dated 24 February 2017. The ordinary resolution in relation to this transaction was not passed by the Shareholders at the special general meeting of the Company held on 14 March 2017.

(c) On 24 February 2017, the Company has entered into the convertible bond subscription agreement with Riswein for the issuance of the 4.00% convertible bonds ("CBs") in the aggregate principal amount of HK$1,650,000,000. Based on the initial conversion price of HK$0.22 per conversion share (subject to customary adjustments), a total of 7,500,000,000 conversion shares will be allotted and issued by the Company upon exercise in full of the conversion rights attaching to the CBs. Details of the proposed issue of CBs were disclosed in the Company's announcement dated 24 February 2017.

MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Save as disclosed below, there were no material acquisitions and disposals of subsidiaries, associates and joint ventures by the Company during the year:

(a) On 12 August and 24 August 2015, the Group entered into an equity transfer agreement and a supplementary agreement respectively (collectively, the "Agreements") to acquire the equity interest of 6 companies (the "Target Companies") which holds 6 parcels of land in Gulou District, Nanjing (the "Acquisitions"). The aggregate site area of the land parcels was approximately 110,489 square metres and the total consideration for the Acquisitions was RMB4,513,609,000 (equivalent to approximately HK$5,389,384,000). Details of the Acquisitions were disclosed in the Company's announcement dated 25 August 2015.

    Pursuant to the Agreements, in the event that the delivery confirmations and land title certificates of the land parcels cannot be obtained by the Target Companies within one year after 12 August 2015 (or such other date as the parties may agree in writing), the Agreements shall terminate. As at the date of this announcement, the delivery confirmations and land title certificates have not been fully obtained and the Acquisitions by the Group have not been completed, the Group is still negotiating with the vendor the time schedule for the delivery of land title certificates.

(b) On 18 October 2016, the Group has succeeded in the auction administered by the Shanghai Culture Assets and Equity Exchange, an assets and equity exchange service platform authorised by the Shanghai Municipality of the PRC, for the acquisition of 50% equity interests and the shareholder's loan of 文廣証大南通文化投資發展有限公司 (Wenguang Zendai Nantong Cultural Investment & Development Co., Ltd*)("Wenguang Zendai"). Total consideration for the acquisition of equity interests and the shareholder's loan was RMB77.60 million (equivalent to approximately HK$89.24 million) and RMB100 million (equivalent to approximately HK$115.00 million), respectively. The acquisition was completed in December 2016 and Wenguang Zendai became a wholly-owned subsidiary of the Company. Details of the acquisition was disclosed in the Company's announcement dated 18 October 2016.

(c) On 3 December 2016, the Group entered into the agreement with an independent third party for disposal of a real estate project located in Johannesburg, South Africa, at the aggregate consideration not more than approximately ZAR1,810 million (equivalent to approximately HK$998.76 million). Details of the disposal were disclosed in the Company's announcement dated 3 December 2016 and circular dated on 19 January 2017. The ordinary resolution in relation to this transaction was passed by the Shareholders at the special general meeting of the Company held on 9 February 2017.

PLEDGE OF ASSETS

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

	2016	2015
	HK$'000	*HK$'000*
Property, plant and equipment	**617,155**	552,307
Land use rights	**501,459**	570,663
Investment properties	**1,340,344**	2,392,836
Properties under development and completed properties held-for-sale	**4,390,410**	3,207,160
Pledged bank deposits	**1,429,233**	1,178,507
	8,278,601	7,901,473

CONTINGENT LIABILITIES

As at 31 December 2016, the Group provided guarantees to the extent of approximately HK$83,348,000 (2015: HK$208,413,000) to banks in respect of mortgage loans provided by the banks to customers for the purchase of the developed properties of the Group, net of mortgages received and included in receipts in advance from customers. These guarantees provided by the Group to the banks would be released upon receiving the property title certificate of the respective properties by the banks from the customers as a pledge for security to the mortgage loans granted.

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

CORPORATE GOVERNANCE

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

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

Mr. Xu Xiaoliang (who retired as a non-executive Director on 23 June 2016), Mr. Gong Ping and Dr. Xu Changsheng did not attend the annual general meeting of the Company held on 23 June 2016.

The Company's annual results for the year ended 31 December 2016 has been reviewed by the audit committee of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct for dealing in the securities of the Company by the Directors. Having made specific enquiry of all the Directors, all of them have confirmed that they have complied with the required standard set out in the Model Code during the year ended 31 December 2016.

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

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

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet and related notes thereto for the year ended 31 December 2016 as set out in this preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this preliminary announcement.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.zendaiproperty.com). The 2016 Annual Report of the Company containing the information required by the Listing Rules will be dispatched to the shareholders and made available on the same websites in due course.

By the order of the board
Shanghai Zendai Property Limited
Zhang Chenguang
Chairman

Hong Kong, 30 March 2017

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

* *for identification purpose only*