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 2017

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2017

		Year ended 31 December	
	Note	**2017** *HK$'000*	2016 *HK$'000*
Revenue	*4*	**3,027,741**	1,943,579
Cost of sales	*6*	**(2,914,478)**	(1,628,257)
Gross profit		**113,263**	315,322
Other income and gains	*5*	**1,157,379**	105,200
Selling and marketing expenses	*6*	**(106,427)**	(154,138)
Administrative expenses	*6*	**(417,116)**	(551,314)
Change in fair value of investment properties		**63,236**	50,471
Share of results of associates		**(15,429)**	(70,698)
Share of results of joint ventures		**140,540**	(69,633)
Finance costs	*7*	**(749,755)**	(533,772)
Profit/(Loss) before income tax		**185,691**	(908,562)
Income tax expense	*8*	**(56,534)**	(213,666)
Profit/(Loss) for the year		**129,157**	(1,122,228)
Profit/(Loss) for the year attributable to:			
– Owners of the Company		**34,400**	(1,034,703)
– Non-controlling interests		**94,757**	(87,525)
		129,157	(1,122,228)
Earnings/(Loss) per share			
– Basic	*10*	**HK0.23 Cent**	HK(6.95) Cents
– Diluted	*10*	**HK0.23 Cent**	HK(6.95) Cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Year ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
Profit/(Loss) for the year	**129,157**	(1,122,228)
Other comprehensive income/(loss):		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**321,814**	(155,216)
Release of exchange differences on disposal of foreign operations	**150,324**	(32,485)
Release of exchange differences upon business combination	**39,170**	–
	511,308	(187,701)
Item that will not be reclassified subsequently to profit or loss:		
Gain on revaluation of land and buildings	**7,625**	–
Other comprehensive income/(loss) for the year, net of tax	**518,933**	(187,701)
Total comprehensive income/(loss) for the year	**648,090**	(1,309,929)
Total comprehensive income/(loss) attributable to:		
– Owners of the Company	**534,927**	(1,213,570)
– Non-controlling interests	**113,163**	(96,359)
Total comprehensive income/(loss) for the year	**648,090**	(1,309,929)

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2017

		As at 31 December	
		2017	2016
	Note	***HK$'000***	*HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**616,770**	667,845
Investment properties		**3,326,492**	2,918,991
Land use rights		**517,999**	501,459
Investment in associates		**121,816**	55,549
Investment in a joint venture		**–**	1,058,657
Deferred income tax assets		**34,363**	31,078
Amounts due from an associate		**249,701**	–
Available-for-sale financial assets		**64,061**	59,529
Total non-current assets		**4,931,202**	5,293,108
Current assets			
Properties under development and completed properties held-for-sale		**14,169,388**	9,464,908
Inventories		**2,404**	3,314
Trade and other receivables	*11*	**706,883**	769,719
Deposits for properties under development		**27,337**	46,419
Amounts due from an associate		**721,352**	975,241
Amounts due from a joint venture		**–**	291,795
Available-for-sale financial assets		**7,805**	–
Pledged bank deposits	*12*	**857,494**	1,429,233
Tax prepayments		**271,526**	171,584
Cash and cash equivalents		**1,420,068**	709,864
		18,184,257	13,862,077
Assets of disposal group classified as held-for-sale		**1,245,416**	2,080,568
Total current assets		**19,429,673**	15,942,645
Total assets		**24,360,875**	21,235,753

CONSOLIDATED BALANCE SHEET – CONTINUED

		As at 31 December	
		2017	2016
	Note	***HK$'000***	*HK$'000*
EQUITY			
Equity attributable to owners of the Company			
Share capital		**297,587**	297,587
Reserves		**3,059,236**	2,550,947
Retained earnings		**429,965**	395,565
		3,786,788	3,244,099
Non-controlling interests		**140,452**	27,289
Total equity		**3,927,240**	3,271,388
LIABILITIES			
Non-current liabilities			
Borrowings and loans		**5,847,647**	1,656,661
Deferred income tax liabilities		**947,584**	394,674
Other payables		**187,463**	159,023
Total non-current liabilities		**6,982,694**	2,210,358
Current liabilities			
Trade and other payables	*13*	**2,489,637**	1,744,789
Receipts in advance from customers		**5,706,829**	3,915,663
Amounts due to a joint venture		**–**	997,074
Amounts due to minority owners of subsidiaries		**719,749**	659,403
Borrowings and loans		**3,668,501**	7,431,994
Tax payables		**567,171**	622,681
		13,151,887	15,371,604
Liabilities of disposal group classified as held-for-sale		**299,054**	382,403
Total current liabilities		**13,450,941**	15,754,007
Total liabilities		**20,433,635**	17,964,365
Total equity and liabilities		**24,360,875**	21,235,753

NOTES

1. GENERAL

Shanghai Zendai Property Limited (the "Company") is a public limited company incorporated in Bermuda. Its shares are listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). Its registered office is at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda and its principal place of business is at 59/F, Bank of China Tower, 1 Garden Road, Hong Kong.

The Company acts as an investment holding company. Its subsidiaries are principally engaged in property development, property investment and provision of property management and hotel operation. The Company and all its subsidiaries are referred as the Group. The Group has operations mainly in the People's Republic of China (the "PRC").

The consolidated financial statements are presented in HK dollars ("HK$"), unless otherwise stated.

These financial statements have been approved for issue by the Board of Directors (the "Board") on 28 March 2018.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared on a historical cost basis, except for certains available-for-sale financial assets and investment properties, which are carried at fair value.

2.1 Going concern

The Group meets its day-to-day working capital requirements through its operation sales and bank facilities. The current economic conditions continue to create uncertainty particularly over (a) the level of demand for the Group's products; and (b) the availability of bank finance for the foreseeable future. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facilities. After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

2.2 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2017:

- Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to HKAS 12, and

- Disclosure initiative – amendments to HKAS 7.

The adoption of these amendments has no material impact to the Group. The amendments to HKAS 7 require disclosure of changes in liabilities arising from financing activities.

(b) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below:

HKFRS 9 Financial instruments

Nature of change

HKFRS 9 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.

Impact

The Group has assessed the classification and measurement of financial assets, 'trade and other receivables' and 'available-for-sale financial assets' would appear to satisfy the conditions for classification as at amortized costs or at fair value through other comprehensive income (FVOCI) 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 FVOCI, 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.

Date of adoption by the Group

Must be applied for financial years commencing on or after 1 January 2018. The Group will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated.

HKFRS 15 Revenue from contracts with customers

Nature of change

The 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 and the related literature. 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.

Impact

The Group has reassessed its business model and contract terms to assess the effects of applying the new standard on the Group's financial statements and has identified the following areas that will be affected:

- Revenue from some pre-sales properties under development may be recognized over time in accordance with input method for measuring method instead of a point of time, if the Group has an enforceable right to payment from the customers for the performance completed to date.

- The Group currently offers different payment schemes to customers, the transaction price and the amount of revenue for the sale of property will be adjusted when significant financial component exists in that contract.

- The costs relate directly to obtain contracts with customer that it would not have incurred if the contract had not been obtained, such as commission and stamp tax, will be eligible for capitalisation under HKFRS 15 and will be amortized on a systematic basis consistent with the pattern of the transfer of the properties to which the assets related.

Date of adoption by the Group

Mandatory for financial years commencing on or after 1 January 2018. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognized in retained earnings as of 1 January 2018 and that comparative figure of the financial information of year 2017 will not be restated.

HKFRS 16 Leases

Nature of change

HKFRS 16 was issued in January 2016. It 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 recognized. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

Impact

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK$149,874,000. However, the Group has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognized on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.

Date of adoption by the Group

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. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3. SEGMENT REPORTING

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

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

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

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

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

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

(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		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Reportable segment revenue from external sales	**2,512,153**	1,379,662	**166,264**	190,371	**349,324**	373,546	**3,027,741**	1,943,579
Reportable segment (loss)/profit before income tax	**(266,604)**	(367,406)	**8,367**	(73,454)	**74,285**	127,559	**(183,952)**	(313,301)
Other information								
Bank interest income	**36,738**	18,662	**17**	4	**3,962**	1,352	**40,717**	20,018
Depreciation of property, plant and equipment	**4,548**	11,370	**31,093**	35,026	**1,309**	2,154	**36,950**	48,550
Amortization of land use rights	**–**	–	**20,773**	21,045	**–**	–	**20,773**	21,045
Change in fair value of investment properties	**–**	–	**–**	–	**63,236**	50,471	**63,236**	50,471
Share of results of associates	**(6,845)**	3,301	**(8,584)**	(73,999)	**–**	–	**(15,429)**	(70,698)
Share of results of a joint venture	**140,540**	(69,633)	**–**	–	**–**	–	**140,540**	(69,633)
(Loss)/Gain on sale of property, plant and equipment	**(94)**	(416)	**133**	–	**–**	–	**39**	(416)
(Loss)/Gain on disposal of subsidiaries	**(47,921)**	44,985	**–**	–	**–**	3,748	**(47,921)**	48,733
Gain on disposal of investment properties	**–**	–	**–**	–	**4,202**	8,199	**4,202**	8,199
Reportable segment assets	**18,350,775**	15,762,819	**1,067,733**	818,855	**4,003,029**	3,105,449	**23,421,537**	19,687,123
Amounts included in the measure of segment assets:								
Additions to non-current assets *(i)*	**94,160**	12,689	**–**	132,646	**2,034**	463,968	**96,194**	609,303
Investment in associates	**52,647**	55,549	**69,169**	–	**–**	–	**121,816**	55,549
Investment in a joint venture	**–**	1,058,657	**–**	–	**–**	–	**–**	1,058,657
Reportable segment liabilities	**16,107,872**	13,684,178	**82,474**	79,824	**1,044,450**	297,751	**17,234,796**	14,061,753

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

(b) Reconciliation of reportable segment profit/(loss) before income tax, assets and liabilities

	Year ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
Reportable segment loss before income tax	**(183,952)**	(313,301)
Fair value gain on re-measurement of a joint venture	**1,192,852**	–
Unallocated bank interest income	**237**	68
Dividend income from available-for-sale financial assets	**2,767**	4,380
Finance costs	**(749,755)**	(533,772)
Unallocated head office and corporate expenses	**(68,696)**	(46,530)
Share-based-payments	**(7,762)**	(19,407)
Profit/(Loss) before income tax	**185,691**	(908,562)

	As at 31 December	
Assets	**2017**	2016
	HK$'000	*HK$'000*
Reportable segment assets	**23,421,537**	19,687,123
Pledged bank deposits	**857,494**	1,429,233
Head office and corporate assets	**81,844**	119,397
Total assets	**24,360,875**	21,235,753

	As at 31 December	
Liabilities	**2017**	2016
	HK$'000	*HK$'000*
Reportable segment liabilities	**17,234,796**	14,061,753
Borrowings and loans	**3,089,061**	3,856,762
Unallocated head office and corporate liabilities	**109,778**	45,850
Total liabilities	**20,433,635**	17,964,365

(c) Geographical information

At 31 December 2017 and 31 December 2016, 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 years ended 31 December 2017 and 2016.

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 summarized as follows:

	Year ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
Sales of properties	**2,512,153**	1,379,662
Hotel operations	**166,264**	190,371
Properties rental, management and agency income	**349,324**	373,546
	3,027,741	1,943,579

5. OTHER INCOME AND GAINS

	Year ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
Bank interest income	**40,954**	20,086
Rental income *(a)*	**5,791**	5,070
Gain on disposal of investment properties	**4,202**	8,199
(Loss)/Gain on disposal of subsidiaries	**(47,921)**	48,733
Fair value gain on re-measurement of a joint venture *(b)*	**1,192,852**	–
Dividend income from available-for-sale financial assets	**2,767**	4,380
Government grants	**828**	2,236
Others	**(42,094)**	16,496
Total	**1,157,379**	105,200

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

(b) *In December 2017, the Group acquired the remaining equity interests of Nanjing Thumb Commercial Development Co., Ltd("Nanjing Zendai"), a pervious joint venture of the Group. After the transaction, Nanjing Zendai became a subsidiary of the Group and the carrying value of the Group's previous investment was re-measured to its fair value at the acquisition date and a fair value gain was recognized accordingly.*

6. EXPENSES BY NATURE

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

	Year ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
Cost of properties sold	**2,648,489**	1,564,297
Business tax and levis	**129,934**	63,960
Impairment of properties under development and completed properties held-for-sale	**136,055**	–
Employee benefit expense	**199,418**	218,954
Auditors' remuneration:		
– Audit services	**3,860**	3,760
– Non-audit services	**1,583**	950
Consulting and service expenses	**47,217**	39,968
Depreciation and amortization charge	**57,723**	69,595
Impairment of goodwill	**–**	113,090
Advertising costs	**53,225**	67,695
Impairment of other receivable	**–**	49,943
Operating lease payments	**11,037**	13,245
Maintenance and consumption expenses for hotel business	**61,847**	66,747
Other expenses	**87,633**	61,505
Total	**3,438,021**	2,333,709

7. FINANCE COSTS

	Year ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
Interest expense:		
– Bank borrowings	**476,763**	570,580
– Other borrowings	**678,421**	454,018
Less: amounts capitalized in properties under development at a capitalization rate of 9.45% (2016: 11.49%) per annum	**(405,429)**	(490,826)
FINANCE COSTS – NET	**749,755**	533,772

8. INCOME TAX EXPENSE

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

	Year ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
Current income tax:		
– PRC enterprise income tax	**15,157**	53,306
– PRC land appreciation tax ("LAT")	**61,857**	206,821
Deferred income tax	**(20,480)**	(46,461)
	56,534	213,666

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 2017 and 2016.

PRC Enterprise Income Tax

The PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (2016: 25%) during the year ended 31 December 2017.

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

	Year ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
Profit/(Loss) before income tax	**185,691**	(908,562)
Tax calculated at domestic rates applicable in countries concerned	**(30,336)**	(158,522)
Tax effect of share of results of associates	**3,857**	17,675
Tax effect of share of results of a joint venture	**(23,189)**	17,408
Effect of higher tax rate for LAT in the PRC	**46,392**	155,116
Tax effect of expenses not deductible for tax purposes	**79,690**	51,632
Tax effect of gains not taxable for tax purposes	**(199,099)**	(18,211)
Tax effect of tax losses not recognized as deferred tax assets	**197,666**	224,529
Utilisation of tax losses previously not recognized	**(17,283)**	(61,049)
Reversal of withholding tax on dividend	**(7,096)**	(12,122)
Under/(Over) provision in respect of prior years	**5,932**	(2,790)
Tax expense	**56,534**	213,666

9. DIVIDENDS

No dividend was proposed for the years ended 31 December 2017 and 2016.

10. EARNINGS/(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	
	2017	2016
	HK$'000	*HK$'000*
Profit/(Loss)		
Profit/(Loss) attributable to owners of the Company	**34,400**	(1,034,703)
Number of shares		
Weighted average number of ordinary shares in issue *(thousands)*	**14,879,352**	14,879,352
	HK Cent	*HK Cents*
Basic and diluted earnings/(loss) per share	**0.23**	(6.95)

Assumed exercise of share options have not been included in the computation of diluted earnings/(loss) per share as they are anti-dilutive for the years ended 31 December 2017 and 2016.

11. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2017	2016
	HK$'000	*HK$'000*
Trade receivables *(a)*	**39,916**	84,108
Prepayments for turnover tax and others	**480,017**	502,036
Consideration receivables on disposal of subsidiaries *(b)*	**120,077**	111,582
Deposits	**22,668**	22,475
	662,678	720,201
Other receivables	**92,231**	99,461
Less: provision for impairment of receivables	**(48,026)**	(49,943)
Other receivables – net	**44,205**	49,518
	706,883	769,719

As at 31 December 2017 and 2016, 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	
	2017	2016
	HK$'000	*HK$'000*
Current (i)	**34,833**	73,024
Less than 1 month past due	**702**	2,361
1 to 3 months past due	**599**	2,090
More than 3 months but less than 12 months past due	**1,955**	2,550
More than 12 months past due	**1,827**	4,083
Amount past due but not impaired (ii)	**5,083**	11,084
	39,916	84,108

(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$5,083,000 (2016: HK$11,084,000) was past due but not impaired. The Group recognized impairment loss on individual assessment based on the accounting policies. The Directors consider the balance would be recoverable.

(b) The consideration of HK$120,077,000 (2016: HK$111,582,000) relating to disposal of subsidiaries in previous year was past due as at 31 December 2017. The Group consider the balance would be recoverable and no impairment was provided accordingly.

12. PLEDGED BANK DEPOSITS

	As at 31 December	
	2017	2016
	HK$'000	*HK$'000*
Current potion	**857,494**	1,429,233

Pledged bank deposits represent deposits pledged to banks to secure certain borrowings and loans granted to the Group. The pledged bank deposits carry interest ranging from 1.10% to 2.00% per annum (2016: 1.35% to 1.95% per annum).

13. TRADE AND OTHER PAYABLES

	As at 31 December	
	2017	2016
	HK$'000	*HK$'000*
Trade payables (a)	**1,475,415**	675,270
Consideration payable for acquisition of land use rights (b)	**163,170**	151,971
Consideration payable for acquisition of a subsidiary	**–**	197,027
Advances received for disposal of certain assets	**160,903**	–
Advances received for disposal group classified as held-for-sale	**–**	167,373
Other payables and accruals	**877,612**	712,171
	2,677,100	1,903,812
Less: non-current liabilities		
Consideration payable for acquisition of land use rights (b)	**(153,564)**	(143,044)
Others	**(33,899)**	(15,979)
	2,489,637	1,744,789

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

	As at 31 December	
	2017	2016
	HK$'000	*HK$'000*
Current or less than 1 month	**1,165,761**	316,356
1 to 3 months	**228**	5,466
More than 3 months but less than 12 months	**5,375**	162,143
More than 12 months	**230,280**	157,368
	1,401,644	641,333
Retention money	**73,771**	33,937
	1,475,415	675,270

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.

(b) The amount represents consideration for acquisition of land use rights amounting to RMB360,000,000 (equivalent to HK$432,277,000) payable to an independent third party. The balance is repayable in 38 years by annual instalments, starting from February 2009. The carrying amount of the payable of RMB135,888,000 (equivalent to HK$163,170,000) (2016: RMB136,196,000 (equivalent to HK$151,971,000)), of which RMB8,000,000 (equivalent to HK$9,606,000) (2016: RMB8,000,000 (equivalent to HK$8,927,000)) is included in current liabilities as at 31 December 2017, represents the expected cash flows from settlement of the payable discounted at the effective interest rate of 6% per annum prevailing at the time of recognition of the payable plus unwinding discount less settlement made up to the end of the reporting period.

14. 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 (the "**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 2017 (the "**year**" or "**year under review**").

During the year under review, the Group recorded a turnover of approximately HK$3,027,741,000, representing an increase of 56% as compared with approximately HK$1,943,579,000 for the year in 2016. The significant increase in turnover was mainly attributable to the delivery of properties from the projects acquired during the period from 2012 to 2015. The turnover of the Group for the year was mainly attributed to:

- Delivery of apartments and commercial units of Riverside Thumb Plaza in Nanjing
- Delivery of residential properties and relevant decoration works of Imperial Lake International project in Xuanwu District, Nanjing
- Delivery of residential properties in Haimen, Nantong and Xizhen
- Hotel operation, rental and property management income

Profit attributable to shareholders of the Company (the "**Shareholders**") was approximately HK$34,400,000 as compared to the loss of HK$1,034,703,000 recorded for the year ended 31 December 2016. Basic earnings per share of the Company (the "**Share**") was HK$0.23 cent (basic loss per share for the year in 2016: HK$6.95 cents).

In December 2017, the Group acquired the remaining ownership interest of 南京証大大拇指商業發展有限公司 (Nanjing Thumb Commercial Development Co., Ltd*, "**Nanjing Zendai**"), which constituted a business combination. The carrying value of the Group's previously held equity interests in Nanjing Zendai which was accounted for using the equity method was re-measured to fair value at the acquisition date and a fair value gain on re-measurement of a joint venture amounting to HK$1,192,852,000 was recognized as other income and gains which led to the turnaround from loss in 2016 to profit in 2017.

Business Review

During the year under review, Shanghai Zendai continued to execute 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", persistently focused on, among others, Nanjing and Shanghai as key development areas, and strategically implemented resource integration and allocation through disposal of overseas assets and assets located in the third and fourth tier cities in an effort to explore in-depth development of residential and commercial property projects.

During the year, with respect to the Group's performance in the first and second tier cities, the "Nanjing Himalayas Center" project and the "Riverside Thumb Plaza" project in Nanjing remained the major sales, and thus the important drivers for the Group's future turnover growth, while the projects operated for years in Shanghai experienced stable development.

For the business in the third and fourth tier cities, the Group has successively disposed of relevant business in recent years, actively seeking for any opportunity that can enable it to strip off its projects from these cities. While operating under such an asset-light business strategy, the Group is capable of concentrating resources and efforts in extensively exploring development potential in Nanjing, Shanghai and other major cities.

For overseas assets, the Group entered into a purchase and sale agreement with the purchaser in December 2016 to dispose of its property development project in Johannesburg, South Africa. Transactions contemplated under this agreement have been completed in July 2017, which represented an essential step of the Group in implementing the strategic planning to achieve assets reorganization and optimised resource allocation and to respond to the development needs 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 2017, the Group still owns 40,333 square metres of commercial space and 430 underground car-parking spaces in the Plaza. As at 31 December 2017, more than 98% of the commercial space in the Plaza has been leased. Rental received during the year was approximately RMB61,034,000 (equivalent to approximately HK$70,364,000).

Grand Mercure Shanghai Century Park

The Group's five-star Grand Mercure Shanghai 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 HUAZHU Hotel Group. During the year under review, the average occupancy rate of the hotel was 65%, and total income of the hotel amounted to approximately RMB85,833,000 (equivalent to approximately HK$98,954,000).

Shanghai Himalayas Center

The Group's 45%-owned Shanghai Himalayas Center is located in the heart of Pudong, Shanghai. It is a landmark in the Pudong New District. The Shanghai 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 74%, with a total income of approximately RMB210,100,000 (equivalent to approximately HK$242,218,000). The high quality environment and service of the Jumeirah Himalayas Hotel Shanghai won acclaims across the industry. In recent years, the hotel was 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, and the Best Business Hotel by Shanghai Daily. The Shang– High Cuisine Restaurant within the hotel was awarded as one star restaurant by The Michelin Guide Shanghai 2017, the 2017 Best Restaurant Choice for Global Travel by Ctrip, the Best Design Hotel by Fashion Travel and the 2017 Outstanding Prize by Tripadvisor.

During the year under review, an average of approximately 89% of the commercial space of the shopping centre in Shanghai Himalayas Center with a leasable area of 23,362 square metres was leased, with a rental income of approximately RMB71,239,000 (equivalent to approximately HK$82,129,000).

Nanjing

Nanjing Himalayas Center

The Group is developing the G15 land parcel in a prime location around Nanjing South Train Station into Nanjing 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 being developed in three phases.

The first phase of the project has a gross floor area of approximately 186,737 square metres, including 72,905 square metres of service apartments, 4,801 square metres of commercial space, 20,984 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 93,426 square metres, including 20,020 square metres of service apartments, 3,189 square metres of commercial space and 70,217 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 800 square metres and 7,354 square metres were sold, respectively, generating a total contract value of RMB8,829,000 (equivalent to approximately HK$10,179,000) and RMB146,917,000 (equivalent to approximately HK$169,376,000), respectively. During the year, the delivered areas of service apartments, commercial space and office building were 17,412 square metres, 3,189 square metres and 60,187 square metres respectively, and a total contract value of RMB292,210,000 (equivalent to approximately HK$336,880,000), RMB124,084,000 (equivalent to approximately HK$143,053,000) and RMB1,041,444,000 (equivalent to approximately HK$1,200,650,000) was recognised as turnover. As at 31 December 2017, cumulative areas of 19,201 square metres, 3,189 square metres and 64,700 square metres of service apartments, commercial space and office building had been sold respectively, generating a total contract value of RMB326,762,000 (equivalent to approximately HK$376,714,000), RMB124,084,000 (equivalent to approximately HK$143,053,000) and RMB1,158,387,000 (equivalent to approximately HK$1,335,470,000) 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 208,860 square metres, is planned to be developed into service apartments, a commercial complex, commercial streets and office buildings, including 52,710 square metres of service apartments, 22,472 square metres of commercial space, 50,261 square metres of office building and 83,417 square metres of underground car-parking space. The second phase of the project started pre-sale in July 2016, with a total saleable area of 119,844 square metres, including 52,710 square metres of service apartments, 16,873 square metres of commercial space and 50,261 square metres of office building. During the year under review, total contracted areas of service apartments, commercial space and office building of 23,675 square metres, 3,569 square metres and 29,501 square metres were sold respectively, generating a total contract value of RMB451,725,000 (equivalent to approximately HK$520,780,000), RMB128,490,000 (equivalent to approximately HK$148,132,000) and RMB530,504,000 (equivalent to approximately HK$611,602,000) respectively. As at 31 December 2017, the cumulative areas of 28,432 square metres, 14,962 square metres and 30,662 square metres of service apartments, commercial space and office building had been sold respectively, generating a total contract value of RMB535,364,000 (equivalent to approximately HK$617,205,000), RMB558,671,000 (equivalent to approximately HK$644,075,000) and RMB552,283,000 (equivalent to approximately HK$636,711,000) respectively. Delivery of the second phase of the project is scheduled to begin in the second quarter of 2018.

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 of the project commenced in the third quarter of 2015 and the pre-sale will start in the first half of 2018.

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 242 square metres and 755 square metres were sold respectively, generating a total contract value of RMB6,158,000 (equivalent to approximately HK$7,099,000) and RMB25,220,000 (equivalent to approximately HK$29,075,000). As at 31 December 2017, cumulative areas of 77,433 square metres and 2,566 square metres of apartments and commercial space had been sold respectively, generating a total contract value of RMB1,928,503,000 (equivalent to approximately HK$2,223,315,000) and RMB114,405,000 (equivalent to approximately HK$131,894,000) respectively. During the year, the delivered areas of apartments and commercial space were 57,354 square metres and 824 square metres respectively, and a total contract value of RMB1,408,327,000 (equivalent to approximately HK$1,623,619,000) and RMB35,897,000 (equivalent to approximately HK$41,385,000) was recognised as turnover.

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 47,884 square metres and 874 square metres were sold respectively, generating a total contract value of RMB1,509,763,000 (equivalent to approximately HK$1,740,561,000) and RMB57,547,000 (equivalent to approximately HK$66,344,000) respectively. As at 31 December 2017, cumulative areas of 89,032 square metres and 1,873 square metres of apartments and commercial space had been sold respectively, generating a total contract value of RMB2,695,158,000 (equivalent to approximately HK$3,107,169,000) and RMB116,167,000 (equivalent to approximately HK$133,926,000) respectively. Delivery of the second phase of the project is scheduled to begin in the second half of 2018.

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. The project is still under planning stage.

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 1,940 square metres was sold, generating a total contract value of RMB24,954,000 (equivalent to approximately HK$28,769,000). During the year, an area of 2,202 square metres was delivered and a total contract value of RMB37,038,000 (equivalent to approximately HK$42,700,000) was recognised as turnover. As at 31 December 2017, a cumulative area of 57,501 square metres had been sold, generating a contract value of RMB843,492,000 (equivalent to approximately HK$984,782,000).

As at 31 December 2017, around 86% of the commercial space (with a leasable area of 50,233 square metres) was leased, with a rental income of RMB30,657,000 (equivalent to approximately HK$35,344,000) 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 73%, with a total income of RMB56,259,000 (equivalent to approximately HK$64,860,000), representing an increase of 14% as compared with last year.

Zendai Nantong Yicheng Thumb Plaza

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 is named Phase I of Old Town, with a commercial area of approximately 38,737 square metres, of which 76% has been leased as at 31 December 2017.

The second phase is an ancillary residential project with a total gross floor area of approximately 74,528 square metres. During the year, areas of 1,182 square metres and 1,519 square metres of multi-storey apartments and townhouses were sold respectively, generating a total contract value of RMB10,631,000 (equivalent to approximately HK$12,256,000) and RMB22,668,000 (equivalent to approximately HK$26,133,000) respectively. As at 31 December 2017, a total cumulative contracted area of 71,129 square metres (including 40,983 square metres of multi-storey apartments, 27,909 square metres of townhouses and 2,237 square metres of detached villas) was sold, generating a total cumulative contract value of RMB827,016,000 (equivalent to approximately HK$953,442,000). During the year under review, an area of 12,996 square metres of residential properties (including 7,953 square metres of multi-storey apartments, 4,570 square metres of townhouses and 473 square metres of detached villas) was delivered and a total contract value of RMB152,231,000 (equivalent to approximately HK$175,503,000) was recognised as turnover.

The third phase occupies a total area of approximately 147,688 square metres (with an underground area of 53,150 square metres), comprising Phase II 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 a commercial area of 14,967 square metres and a residential area of approximately 71,742 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 33,563 square metres. A total contracted area of residential properties of 14,525 square metres was sold during the year under review, generating a total contract value of RMB278,531,000 (equivalent to approximately HK$321,110,000). As at 31 December 2017, a cumulative area of residential properties of 33,063 square metres was sold, generating a total contract value of RMB559,239,000 (equivalent to approximately HK$648,963,000). During the year under review, an area of 4,910 square metres of townhouses and detached villas was delivered and a total contract value of RMB79,166,000 (equivalent to approximately HK$91,268,000) was recognised as turnover. 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 been completed, including 12 blocks and 243 units with a gross floor area of approximately 20,089 square metres. As at 31 December 2017, the remaining area of 16,995 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.

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 with areas of 378 square metres were delivered during the year and a total contract value of RMB7,748,000 (equivalent to approximately HK$8,932,000) was recognised as turnover. As at 31 December 2017, the total cumulative residential and commercial areas of 22,457 square metres and 12,211 square metres had been sold respectively, generating a total contract value of RMB423,584,000 (equivalent to approximately HK$493,655,000) and RMB311,654,000 (equivalent to approximately HK$375,476,000) respectively.

Construction of Phase II of the project 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 180 square metres had been sold during the year under review, generating a total contract value of RMB2,421,000 (equivalent to approximately HK$2,791,000). An area of 4,167 square metres of resort villas was delivered during the year and a total contract value of RMB44,501,000 (equivalent to approximately HK$51,303,000) was recognised as turnover. As at 31 December 2017, a cumulative area of resort villas of 28,253 square metres had been sold, generating a total contract value of RMB443,478,000 (equivalent to approximately HK$517,924,000).

Nanjing

Imperial Lake International Project in Xuanwu District

The Imperial Lake International Project in Xuanwu District is an acquired and completed residential project consisting of 465 residential units located in Xuanwu District, Nanjing, Jiangsu Province, the PRC, with a total saleable area of approximately 26,306 square metres. As at 31 December 2017, a total contracted area of 24,823 square metres was sold cumulatively, generating a total cumulative contract value of RMB681,435,000 (equivalent to approximately HK$795,812,000), of which, a total contracted area of 149 square metres was sold during the year, generating a total contract value of RMB4,694,000 (equivalent to approximately HK$5,412,000). During the year, the residential properties with an area of 865 square metres were delivered, and a total contract value of RMB24,896,000 (equivalent to approximately HK$28,702,000) and income of RMB160,269,000 (equivalent to approximately HK$184,769,000) from relevant decoration works were 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 a total of 52 detached villas which were all sold out. Phase II of the "Dong Zhou Mansion" is planned 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 being developed in three phases into an integrated residential area comprising low density townhouses. 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 2017, an area of 3,334 square metres remained undelivered. Phase III has a saleable area of approximately 91,817 square metres. As at 31 December 2017, a total cumulative area of 78,237 square metres had been sold, generating a total cumulative contract value of RMB464,495,000 (equivalent to approximately HK$557,824,000). During the year, a total area of approximately 1,140 square metres was sold, generating a total contract value of RMB6,357,000 (equivalent to approximately HK$7,329,000). During the year, an area of 9,066 square metres was delivered and a total contract value of RMB47,316,000 (equivalent to approximately HK$54,549,000) was recognised as turnover.

The second parcel of land is being 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 2017, a total cumulative area of 51,268 square metres was sold, generating a total cumulative contract value of RMB230,446,000 (equivalent to approximately HK$285,785,000). An area of 1,481 square metres involving a total contract value of RMB6,766,800 (equivalent to approximately HK$7,801,000) was delivered and recognised as turnover during the year.

The Phase II, Shui Qing Mu Hua Garden, with a site area of 157,717 square metres, is being 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 2017, 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). An area of 7,337 square metres involving a contract value of RMB30,874,000 (equivalent to approximately HK$35,594,000) was delivered and recognised as turnover during the year.

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, has been 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. Taking into account the market value, overall prospects and capital requirements of the project, the Group entered into an agreement with a purchaser in September 2017 to dispose of the entire project at a consideration of RMB215,000,000 (equivalent to approximately HK$258,000,000). Details of the transaction are disclosed in the announcement of the Company dated 11 September 2017.

Overseas Projects

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. The Group entered into an agreement with a purchaser in December 2016 to dispose of the entire project at a consideration of ZAR1,750,000,000 (equivalent to approximately HK$1,047,225,000). The transaction was completed in July 2017.

Change of controlling interest

As disclosed in the announcements of the Company dated 20 June 2017, Smart Success Capital Ltd. completed its sale of 4,462,317,519 Shares, representing approximately 29.99% issued share capital of the Company to Hong Kong Riswein Development Co., Limited ("**Hong Kong Riswein**"). As further disclosed in the announcement of the Company dated 20 December 2017, Hong Kong Riswein has transferred 4,462,317,519 Shares of the Company (representing an aggregate of 29.99% of the issued shares capital of the Company) to Topper Shiny Limited. As at 31 December 2017, Topper Shiny Limited held 4,462,317,519 Shares (representing approximately 29.99% of the issued share capital of the Company), while Smart Success Capital Ltd. held 2,703,248,481 Shares (representing approximately 18.17% of the issued share capital of the Company).

PROSPECTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS

According to the National Bureau of Statistics, throughout the year 2017, the amount of real estate investment in the PRC exceeded RMB1,100 billion, representing an increase of 7.0% over the previous year. At the same time, the real estate destocking strategy achieved marked effect.Of which, residential properties investment amounted to RMB751.48 billion, representing an increase of 9.4% over the previous year; office properties investment amounted to RMB676.1 billion, representing an increase of 3.5% over the previous year; the saleable area of commercial properties sold amounted to 1.69 billion square metres, with the sales amount for the first time exceeding RMB1,300 billion, representing an increase of 13.7% over the previous year. Looking ahead into 2018, China's economy, as a whole, shows a good resilience and is gradually transforming its development model towards "high quality". The real estate industry is also developing steadily in a healthy and sustainable direction.

Shanghai Zendai will always adhere to 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", persistently focus on Shanghai, Nanjing and other first and second tier cities as key development areas, deploy and plan for quality and industry benchmarking commercial and residential property projects, concentrate on studies on market trends and demands, and optimize and strategically deploy assets of the Group, in an effort to establish the image of a premium brand. The "Nanjing Himalayas Center" project and the "Riverside Thumb Plaza" project in Nanjing remained to constitute the major sales of the Group, and thus the important drivers for the Group's future turnover growth, while the projects operated for years in Shanghai will experience stable development.

Quality services and products, together with the in-depth knowledge and vision of the business teams, constitute the important factors for property enterprises to win customers' recognition. Our management remains prudent and optimistic about the prospects of this industry in a long run, and has always taken creating value for the society and providing return for shareholders as its own duty. In view of the accelerated urbanisation progress, Shanghai Zendai will adjust its own business structure constantly. Besides, it will also seek for cooperation opportunity while exploring the brand value of the existing projects. Through actively capturing the latest market situation, the Group targets to probe into such markets as featured with potential of sustainable development by combining its own advantages.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operation

The profit for the year was mainly attributable to a revaluation gain from a business combination of equity interests in Nanjing Zendai as well as sales and delivery of apartments and commercial units of Riverside Thumb Plaza and residential units of Imperial Lake International project which both located in Nanjing.

During the year, the Group completed the disposal of a real estate development project located in Johannesburg, South Africa. On the other hand, the Group completed the repurchase of remaining equity interest in Nanjing Zendai which changed from a joint venture to a subsidiary Company. The Nanjing Himalayas Center and Riverside Thumb Plaza were expected to be the Group's main driver and contributor to the growth of turnover in the forthcoming years.

Liquidity, Financial Resources, Capital Structure and Gearing

As at 31 December 2017, the Group had a healthy financial position with net assets value of approximately HK$3,927 million (31 December 2016: approximately HK$3,271 million). Net current assets amounted to approximately HK$5,979 million (31 December 2016: approximately HK$189 million) with current ratio increased from 1.01 times in 31 December 2016 to approximately 1.44 times at 31 December 2017. 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 has closely monitored its cash flow. As at 31 December 2017, the Group had consolidated borrowings and loans of approximately HK$9,516 million, in which HK$3,669 million was repayable within one year and HK$5,847 million was repayable more than one year. As at 31 December 2017, borrowings of the amount of HK$6,604 million (31 December 2016: HK$4,695 million) bear interest at fixed interest rates ranging from 3.30% to 12.10% per annum (31 December 2016: 3.30% to 12.00% per annum). As at 31 December 2017, the Group's bank balances and cash including restricted cash were approximately HK$2,278 million (31 December 2016: HK$2,139 million). The gearing ratio of the Group decreased from 2.92 times at 31 December 2016 to 2.45 times at 31 December 2017 (basis: net debts, which is defined as total amounts of borrowings and loans, amounts due to minority owners of subsidiaries and a joint venture less total amounts due from associates and a joint venture, divided by shareholders' funds).

Segment Information

Sales of properties

The turnover of this segment for the year was approximately HK$2,512,153,000 (2016: HK$1,379,662,000). The increase was due to the initial delivery of the apartments and commercial units of Riverside Thumb Plaza in Nanjing during the year.

Property rental, management and agency services

The turnover of this segment for the year was approximately HK$349,324,000 (2016: HK$373,546,000). The decrease was due to less properties were available for leasing and managed by the Group after the disposal of investment properties during the year.

Hotel Operations

The turnover of this segment for the year was HK$166,264,000 (2016: HK$190,371,000). The decrease was due to the drop of room-rate of Grand Mercure Shanghai Century Park as a marketing strategy after the change of the brand in January 2017.

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 2017 were mainly denominated in RMB, USD and HK$. Bank borrowings of the Group as at 31 December 2017 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 2017, the Group employed approximately 1,352 employees in Hong Kong and the PRC (2016: 1,591 employees in Hong Kong, South Africa and the PRC). They were remunerated with basic salary and bonuses 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.

MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Save as disclosed below and elsewhere in this announcement, there were no material acquisitions and disposals of subsidiaries, associates and joint ventures by the Company during the year under review:

(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) In December 2016, the Group entered into an agreement with a purchaser to dispose of its real estate development project, which located in Johannesburg, South Africa, with total consideration of ZAR1,750,000,000 (equivalent to approximately HK$1,047,225,000). The transaction was completed in July 2017.

    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.

(c) In 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. The transaction has been terminated.

(d) In September 2017, the Group entered into an agreement with a purchaser to dispose the sale shares and the sale loans of 鄂爾多斯市証大房地產開發有限公司 (Ordos Zendai Real Estate Development Co., Ltd.*), at the consideration of RMB215,000,000 (equivalent to approximately HK$258,000,000). Detail of the disposal was disclosed in the Company's announcement dated 11 September 2017. As at the date of this announcement, the transaction has not yet completed.

EVENT SINCE THE END OF THE FINANCIAL YEAR

The important event for the Group since 31 December 2017 is:

On 12 February 2018, the Group entered into the agreement with a purchaser for the disposal of its 100% equity interests in 海南新世界發展有限公司 (Hainan New World Development Co., Ltd.*). The consideration was RMB126.80 million (equivalent to approximately HK$157.23 million). Detail of the transaction was disclosed in the Company's announcement dated 12 February 2018. As at the date of this announcement, the disposal has not yet been completed.

PLEDGE OF ASSETS

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

	2017	2016
	HK$'000	*HK$'000*
Property, plant and equipment	**596,007**	617,155
Land use rights	**517,999**	501,459
Investment properties	**1,848,204**	1,340,344
Properties under development and completed properties held-for-sale	**2,843,639**	4,390,410
Pledged bank deposits	**857,494**	1,429,233
	6,663,343	8,278,601

CONTINGENT LIABILITIES

As at 31 December 2017, the Group provided guarantees to the extent of approximately HK$763,552,000 (2016: HK$83,348,000) 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. Gong Ping, Mr. Pan Wen and Dr. Xu Changsheng did not attend the special general meeting of the Company held on 9 February 2017 and 14 March 2017.

Mr. Gong Ping, Dr. Xu Changsheng and Dr. Di Ruipeng did not attend the annual general meeting of the Company held on 29 June 2017.

The Company's annual results for the year ended 31 December 2017 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 2017.

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

During the year ended 31 December 2017, 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 2017 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 2017 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
Mr. Qiu Haibin
Chairman

Hong Kong, 28 March 2018

As at the date of this announcement, the executive Directors are Mr. Qiu Haibin, Mr. Wang Quan, Mr. Zhang Huagang and Mr. Tang Jian, the non-executive Directors are Ms. Wang Zheng, Mr. Gong Ping and Ms. Jiang Zhengyan, and the independent non-executive Directors are Mr. Chow Alexander Yue Nong, Dr. Xu Changsheng, Mr. Ng Man Kung, Mr. How Sze Ming and Dr. Di Ruipeng.

* *For identification purpose only*