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上海實業城市開發集團有限公司
SHANGHAI INDUSTRIAL URBAN DEVELOPMENT GROUP LIMITED
(Incorporated in Bermuda with limited liability)
(Stock Code: 563)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

The board of directors (the "**Board**") of Shanghai Industrial Urban Development Group Limited (the "**Company**") is pleased to announce that the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2016, together with the comparative figures for the year ended 31 December 2015, as follows:

FINANCIAL HIGHLIGHT

	For the year ended 31 December		
	2016	**2015**	**Change**
Financial Highlights (HK$'000)			
Revenue	5,490,564	3,871,923	41.8%
Gross profit margin	25.5%	32.3%	(6.8) points
Profit attributable to owners of the Company	521,888	517,385	0.9%
Financial Information per share (HK cents)			
Profit			
— Basic	10.85	10.75	0.9%
— Diluted	10.85	10.75	0.9%

	As at 31 December	
	2016	**2015**
Pre-sale proceeds received on sales of properties (HK$'000)	7,996,881	4,967,064
Financial Ratios		
Net debt to total equity (%) (note)	8.1%	54.9%
Current ratio	2.3	2.0

Note: Net debt = total borrowings (including bank and other borrowings) less bank balances and cash and restricted and pledged bank deposits.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	NOTES	**2016** ***HK$'000***	2015 *HK$'000*
Revenue	*4*	**5,490,564**	3,871,923
Cost of sales		**(4,089,951)**	(2,619,927)
Gross profit		**1,400,613**	1,251,996
Other income	*5(a)*	**487,781**	132,610
Other expenses, gains and losses, net	*5(b)*	**(304,505)**	(588,685)
Fair value change on investment properties, net	*11*	**260,505**	38,934
Impairment loss in respect of properties held-for-sale		**(221,104)**	(31,911)
Distribution and selling expenses		**(275,194)**	(168,020)
General and administrative expenses		**(444,626)**	(460,317)
Gains on disposal of subsidiaries		**—**	1,640,999
Gains on disposal of assets through disposal of subsidiaries	*15*	**2,395,035**	—
Gain on disposal of an associate		**—**	1,140
Finance costs	*6*	**(716,138)**	(810,988)
Share of gains of associates		**3,222**	3,516
Profit before tax		**2,585,589**	1,009,274
Income tax	*8*	**(1,259,024)**	(469,288)
Profit for the year	*7*	**1,326,565**	539,986
Other comprehensive income (expense) for the year			
Items that will not be reclassified to profit or loss:			
Exchange differences arising on translation into presentation currency		**(1,293,710)**	(874,922)
Share of other comprehensive income of associates		**(7,757)**	(9,488)
Item that may be reclassified subsequently to profit or loss:			
Net gain on fair value changes of available-for-sale investment, net of tax		**439**	129,917
Other comprehensive expense for the year		**(1,301,028)**	(754,493)
Total comprehensive income (expense) for the year		**25,537**	(214,507)

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

	NOTE	2016 HK$'000	2015 HK$'000
Profit for the year attributable to:			
Owners of the Company		**521,888**	517,385
Non-controlling interests		**804,677**	22,601
		1,326,565	539,986
Total comprehensive income (expense) attributable to:			
Owners of the Company		**(110,368)**	104,354
Non-controlling interests		**135,905**	(318,861)
		25,537	(214,507)
Earnings per share			
Basic *(HK cents)*	9	**10.85**	10.75
Diluted *(HK cents)*	9	**10.85**	10.75

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2016

	NOTES	2016 HK$'000	2015 HK$'000
Non-current assets			
Investment properties	11	**13,744,306**	11,811,202
Property, plant and equipment		**1,726,009**	1,961,549
Prepaid lease payments		**213,435**	234,523
Intangible assets		**56,945**	60,903
Interests in associates		**1,135,065**	1,215,340
Interest in a joint venture		**65,718**	65,718
Available-for-sale investments		**265,662**	295,441
Pledged bank deposits		**20,937**	43,665
Other receivables		**103,394**	194,872
Deferred tax assets		**409,786**	344,564
		17,741,257	16,227,777
Current assets			
Inventories	12	**25,483,600**	32,548,428
Trade and other receivables	13	**1,259,937**	3,346,931
Amounts due from related companies		**299,527**	—
Prepaid lease payments		**4,593**	5,254
Prepaid income tax and land appreciation tax		**375,240**	170,154
Financial assets at fair value through profit or loss		**5,193**	4,532
Restricted and pledged bank deposits		**137,672**	106,185
Bank balances and cash		**12,818,335**	11,371,189
		40,384,097	47,552,673
Current liabilities			
Trade and other payables	14	**5,173,828**	7,137,933
Amounts due to related companies		**609,801**	2,035,987
Amounts due to associates		**50,371**	58,007
Consideration payables for acquisition of subsidiaries		**342,585**	127,915
Pre-sale proceeds received on sales of properties		**7,996,881**	4,967,064
Bank and other borrowings		**854,595**	4,990,628
Deposits received for identifying investment projects	16	**—**	1,991,880
Income tax and land appreciation tax payables		**2,497,983**	1,888,785
Dividend payable		**8,384**	6,976
Dividend payable to non-controlling shareholders		**61,344**	125,340
		17,595,772	23,330,515
Net current assets		**22,788,325**	24,222,158
Total assets less current liabilities		**40,529,582**	40,449,935

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AT 31 DECEMBER 2016

	2016	2015
	HK$'000	*HK$'000*
Non-current liabilities		
Deferred revenue	**195,776**	—
Amount due to a related company	**—**	68,784
Bank and other borrowings	**13,891,575**	17,243,011
Deferred tax liabilities	**4,722,103**	3,624,389
	18,809,454	20,936,184
	21,720,128	19,513,751
Capital and reserves		
Share capital	**192,451**	192,451
Reserves	**12,098,372**	12,343,455
Equity contributable to owners of the Company	**12,290,823**	12,535,906
Non-controlling interests	**9,429,305**	6,977,845
	21,720,128	19,513,751

1. GENERAL

The Company is a public limited company incorporated in Bermuda under the Companies Act 1981 of Bermuda (as amended) as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Its parent is Shanghai Industrial Holdings Limited ("**SIHL**") (incorporated in Hong Kong and listed on the Stock Exchange) and its ultimate parent is Shanghai Industrial Investment (Holdings) Company Limited ("**SIIC**") (a private limited company also incorporated in Hong Kong).

The principal activities of the Group are residential and commercial properties development, property investment and hotel operations in the People's Republic of China (the "**PRC**").

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**") as the Company is listed on the Stock Exchange, where most of its investors are located in Hong Kong. The functional currency of the Company is Renminbi ("**RMB**").

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time in the current year:

Amendments to HKFRSs	Annual improvements to HKFRSs 2012–2014 cycle
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations
Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants

Amendments to HKAS 1 Disclosure initiative

The Group has applied the amendments to HKAS 1 Disclosure initiative for the first time in the current year. The amendments to HKAS 1 clarify that an entity need not provide a specific disclosure required by a HKFRS if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information for disclosure purposes. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in HKFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance.

In addition, the amendments clarify that an entity's share of the other comprehensive income of associates and joint ventures accounted for using the equity method should be presented separately from those arising from the Group, and should be separated into the share of items that, in accordance with other HKFRSs: (i) will not be reclassified subsequently to profit or loss; and (ii) may be reclassified subsequently to profit or loss when specific conditions are met.

As regards the structure of the financial statements, the amendments provide examples of systematic ordering or grouping of the notes.

The Group has applied these amendments retrospectively. In prior year, the Group's share of other comprehensive income of associates accounted for using equity method did not present separately from those arising from the Group in the other comprehensive income and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Furthermore, the grouping and ordering of certain notes have been revised to give prominence to the areas of the Group's activities that management considers to be most relevant to an understanding of the Group's financial performance and financial position. Other than the above presentation and disclosure changes, the application of the amendments to HKAS 1 has not resulted in any impact on the financial performance or financial position of the Group in these consolidated financial statements.

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

New and amendments to HKFRSs issued but not yet effective

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

HKFRS 9	Financial instruments[2]
HKFRS 15	Revenue from contracts with customers and related amendments[2]
HKFRS 16	Leases[3]
Amendments to HKFRSs	Annual improvements to HKFRSs 2014–2016 Cycle[5]
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions[2]
Amendments to HKFRS 4	Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[4]
Amendments to HKAS 7	Disclosure initiative[1]
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses[1]

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

HKFRS 9 Financial instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Based on the Group's financial instruments and risk management policies as at 31 December 2016, for entities with available-for-sale investments and financial assets at amortised cost, the application of HKFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. The Group's available-for-sale investments, including those currently stated at cost less impairment, will either be measured as fair value through profit or loss or be designated as fair value through other comprehensive income (subject to fulfillment of the designation criteria). In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost.

HKFRS 15 Revenue from contracts with customers and related amendments

HKFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction contracts" and the related interpretations when it becomes effective.

The directors of the Company are still in the process of assessing the full impact of the application of HKFRS 15 on the Group's financial statements and it is not practicable to provide a reasonable financial estimate of the effect until the directors of the Company complete a detailed review. In addition, the application of HKFRS 15 in future may result in more disclosures in the consolidated financial statements. The directors of the Company do not intend to early apply HKFRS 15 and intend to use the full retrospective method upon adoption.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

4. REVENUE AND SEGMENT INFORMATION

Segment information

The Group is principally engaged in the residential and commercial properties development, property investment and hotel operations.

The directors of the Company, being the chief operating decision maker, only reviews the overall results and the financial position of the Group, which are prepared based on the same accounting policies as set out in note 3, for the purposes of resource allocation and performance assessment. Accordingly, the Group presents only one single operating segment and no further analysis is presented.

The Group's operations are located in the PRC. All revenue and non-current assets, excluding certain financial instruments, of the Group are generated from and located in the PRC. No revenue from a single customer or a group of customers under common control contributed 10% or more of the Group's revenue for the years ended 31 December 2016 and 2015.

Revenue analysis

Revenue represents the net amounts received and receivable for goods sold by the Group in the normal course of business to outside customers, net of discounts and sales related taxes for the year.

The following is an analysis of the Group's revenue from its major business activities:

	2016	2015
	HK$'000	*HK$'000*
Revenue from sales of properties	**4,557,433**	2,902,873
Rental income from leasing of properties	**654,358**	696,086
Service income from property management	**94,703**	100,779
Revenue from hotel operations	**184,070**	172,185
	5,490,564	3,871,923

5(a). OTHER INCOME

	2016	2015
	HK$'000	*HK$'000*
Gain on land resumption	**209,999**	—
Interest income on bank deposits	**141,081**	88,533
Other interest income	**71,414**	7,072
Rental income from property, plant and equipment	**20,700**	4,506
Dividend income from available-for-sale investments	**368**	323
Income from marketing and exhibition activities	**5,962**	5,327
Others	**38,257**	26,849
	487,781	132,610

5(b). OTHER EXPENSES, GAINS AND LOSSES, NET

	2016	2015
	HK$'000	*HK$'000*
Net exchange loss *(note)*	**(209,168)**	(404,356)
Change in fair value of financial assets at fair value through profit or loss, net	**1,000**	1,429
Impairment loss recognised on other receivables	**(120,038)**	(16,464)
(Loss) gain on disposal of property, plant and equipment	**(282)**	39,945
Waiver of consideration payables for acquisition of subsidiaries	**27,299**	—
Provision for settlement of a legal case	**—**	(127,708)
Provision for an agreed payment in relation to withdrawal from a legal case	**—**	(78,954)
Others	**(3,316)**	(2,577)
	(304,505)	(588,685)

Note: Net exchange loss mainly comprised of realised and unrealised exchange loss arising on remeasurement of foreign currency denominated intra-group current accounts, bank and other borrowings and amount due to a related company.

6. FINANCE COSTS

	2016	2015
	HK$'000	*HK$'000*
Interests on bank and other borrowings	**930,998**	1,306,898
Less: Amount capitalised into properties under development for sale	**(214,860)**	(495,910)
	716,138	810,988

Borrowing costs capitalised during the year arising on the general borrowing pool are calculated by applying a capitalisation rate of 4.30% (2015: 5.05%) per annum to expenditure on qualifying assets.

7. PROFIT FOR THE YEAR

	2016	2015
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging (crediting):		
Depreciation for property, plant and equipment	**97,347**	116,480
Less: Depreciation capitalised into properties under development for sale	**(605)**	(2,188)
	96,742	114,292
Amortisation of prepaid lease payments	**6,453**	6,814
Total depreciation and amortisation	**103,195**	121,106
Auditors' remuneration	**6,693**	6,648
Gross rental income from investment properties	**(654,358)**	(696,086)
Less: Direct operating expenses incurred for investment properties that generated rental income during the year	**141,765**	149,195
	(512,593)	(546,891)
Directors' remuneration	**10,456**	11,798
Other staff costs		
Salaries, wages and other benefits	**228,327**	227,795
Retirement benefit scheme contributions	**34,262**	37,252
Total staff costs	**273,045**	276,845
Less: Staff costs capitalised into properties under development for sale	**(42,563)**	(43,624)
	230,482	233,221
Cost of properties held-for-sale recognised as an expense	**3,404,691**	2,182,993
Cost of inventories for hotel operations recognised as an expense	**20,807**	23,065
Share of tax of associates (included in share of results of associates)	**546**	469

8. INCOME TAX

Income tax in the consolidated statement of profit or loss and other comprehensive income represents:

	2016	2015
	HK$'000	*HK$'000*
Current tax:		
PRC Enterprise Income Tax ("**EIT**") *(note)*	**1,001,918**	225,003
PRC Land Appreciation Tax ("**LAT**")	**397,285**	260,388
Capital gains tax on disposal of PRC entities by non-resident companies	**—**	84,146
	1,399,203	569,537
Under(over)provision in prior years:		
PRC EIT	**(25,731)**	23,053
PRC LAT	**(6,234)**	(15,481)
	(31,965)	7,572
Deferred tax	**(108,214)**	(107,821)
Income tax for the year	**1,259,024**	469,288

Note: During the year ended 31 December 2016, EIT of approximately HK$278,541,000 and HK$320,218,000 was provided for the gains on Disposal 1 (as defined in note 15(a)), which was accounted for as a wholly-owned subsidiary of the Group, by a resident company, and the Disposal 2 (as defined in note 15(b)) respectively. After utilising available tax losses brought forward from previous years, the tax payables in respect of the gains from these two disposals are approximately HK$576,168,000. The EIT provided for the gains on these two disposals is calculated at 25% on the gains. Details of the Disposal 1 and the Disposal 2 are set out in notes 15(a) and 15(b) respectively.

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Pursuant to Circular 698 issued by China's State Administration of Taxation, the tax rate of EIT applicable to the capital gain on disposal of PRC entities through transfer of shares in non-resident companies is 10%.

Under the Provisional Regulations of LAT (《中華人民共和國土地增值税暫行條例》) effective on 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (《中華人民共和國土地增值税暫行條例實施細則》) effective from 27 January 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, being the proceeds of sales of properties less deductible expenditures including borrowing costs and property development expenditures in relation to the gains arising from sales of properties in the PRC effective from 1 January 2004, with an exemption provided for property sales of ordinary residential properties (普通標準住宅) if their appreciation values do not exceed 20% of the sum of the total deductible items.

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

Pursuant to the rules and regulations of Bermuda and the British Virgin Islands, the Group is not subject to any income tax in Bermuda and the British Virgin Islands in respect of both years.

9. EARNINGS PER SHARE

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

	2016	2015
	HK$'000	*HK$'000*
Earnings		
Earnings for the purposes of calculating basic and diluted earnings per share:		
Profit for the year attributable to owners of the Company	**521,888**	517,385

	2016	2015
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purposes of calculating basic and diluted earnings per share	**4,811,273**	4,811,451

The computation of diluted earnings per share in both years does not assume the exercise of the Company's share options because the exercise price of the share options was higher than the average market price for both years.

10. DIVIDENDS

2015 final dividend and a special dividend in an aggregate amount of approximately HK$134,715,000 were declared and approximately HK$133,264,000 was paid during the year ended 31 December 2016 (2015: HK$52,374,000).

Subsequent to the end of the reporting period, final dividend and a special dividend in respect of the year ended 31 December 2016 of 1.4 HK cents (2015: 1.2 HK cents) per ordinary share and 1.9 HK cents (2015: 1.6 HK cents) per ordinary share respectively have been proposed by the directors of the Company and is subject to approval by the shareholders at the forthcoming annual general meeting.

11. INVESTMENT PROPERTIES

	2016	2015
	HK$'000	*HK$'000*
FAIR VALUE		
At 1 January	**11,811,202**	12,320,845
Subsequent expenditure	**418,525**	—
Acquired from acquisition of subsidiaries	**2,165,185**	—
Fair value change on investment properties, net	**260,505**	38,934
Disposals	**(52,043)**	—
Exchange realignment	**(859,068)**	(548,577)
At 31 December	**13,744,306**	11,811,202
Unrealised gains on revaluation of investment properties included in profit or loss for the year	**263,741**	38,934

The carrying value of investment properties shown above comprises completed properties which are situated on land in the PRC.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

12. INVENTORIES

Inventories in the consolidated statement of financial position comprise:

	2016	2015
	HK$'000	*HK$'000*
Property development		
Properties under development for sale	**19,136,194**	25,942,626
Properties held-for-sale	**6,343,749**	6,600,716
	25,479,943	32,543,342
Hotel operations		
Food and beverage and others	**3,657**	5,086
	25,483,600	32,548,428

All of the properties under development for sale and properties held-for-sale are located in the PRC.

13. TRADE AND OTHER RECEIVABLES

	2016	2015
	HK$'000	*HK$'000*
Trade and other receivables		
Trade receivables	**24,820**	17,279
Less: Allowance for doubtful debts	**(722)**	(777)
	24,098	16,502
Other receivables	**594,278**	555,680
Advance payments to contractors	**11,136**	31,726
Prepaid other taxes	**276,558**	97,530
Deposits and prepayments	**18,896**	18,209
Consideration receivables in respect of the disposal of subsidiaries during the year ended 31 December 2015	**—**	2,627,284
Consideration receivables in respect of the Disposal 2 *(Note 15(b))*	**334,971**	—
	1,259,937	3,346,931

The Group allows an average credit period of 90 days to its corporate hotel customers and generally grants no credit period to property buyers and tenants unless it is specially approved. The following is an ageing analysis of trade receivables, net of allowance for doubtful debts, presented based on the date of billing at the end of the reporting period.

	2016	2015
	HK$'000	*HK$'000*
Within 90 days	**12,800**	11,766
Within 91–180 days	**5,300**	20
Over 180 days	**5,998**	4,716
	24,098	16,502

Majority of the trade receivables that are neither past due nor impaired has no default payment history.

14. TRADE AND OTHER PAYABLES

	2016	2015
	HK$'000	*HK$'000*
Trade and other payables		
Trade payables	**469,809**	826,573
Accrued expenditure on properties under development for sale	**2,861,832**	4,607,146
Amounts due to former shareholders of the Company's former subsidiaries *(note (i))*	**158,120**	167,589
Compensation payables to customers in respect of late delivery of properties	**—**	1,075
Receipts from customers for payment of expenses on their behalf	**56,952**	49,093
Rental deposits and receipt in advance from tenants	**193,160**	201,800
Interest payable	**82,200**	77,356
Payables to the Shanghai government department *(note (ii))*	**450,618**	370,280
Provision for compensation expense in relation to settlement of a legal case	**115,589**	123,621
Provision for an agreed payment in relation to withdrawal from a legal case	**—**	76,427
Deferred revenue	**38,402**	—
Accrued charges and other payables	**614,729**	591,755
Other taxes payables *(note (iii))*	**132,417**	45,218
	5,173,828	7,137,933

Notes:

(i) The amounts are non-trade in nature, interest-free and repayable on demand.

(ii) The amount represents the receipts of HK$1,669,228,000 (2015: HK$1,551,534,000) from the purchasers of affordable housings which were collected on behalf of the Shanghai government department and not yet paid to it, net of receivables of HK$1,218,610,000 (2015: HK$1,181,254,000) for the construction and other related costs and the agreed profit margin for the affordable housings. The amount is repayable on demand. None was repaid to Shanghai government department during the years ended 31 December 2015 and 2016.

(iii) Other taxes payables comprise urban real estate tax payable, city maintenance and construction tax payable, business tax payable and value-added tax payable.

The following is an ageing analysis of the Group's trade payables presented based on the invoice date at the end of the reporting period.

	2016	2015
	HK$'000	*HK$'000*
Within 30 days	**13,372**	198,534
Within 31–180 days	**278,946**	495,561
Within 181–365 days	**12,824**	30,594
Over 365 days	**164,667**	101,884
	469,809	826,573

15. GAINS ON DISPOSAL OF ASSETS THROUGH DISPOSAL OF SUBSIDIARIES

(a) Disposal of Green Carbon Fund (as defined below) (the "Disposal 1")

During the year ended 31 December 2016, the Group disposed of an exclusive right for a designated portion of the "**U Center**" project (the "**Carved-out Site 1**") held by a subsidiary of the Company, Shanghai Urban Development Group Longcheng Properties Co., Ltd 上海城開集團龍城置業有限公司 ("**SUD Longcheng**"), through disposal of its wholly-owned subsidiary of the Company, Urban Development Green Carbon (Tianjin) Equity Investment Fund ("**Green Carbon Fund**"), a limited partnership established in the PRC, for a cash consideration of RMB1,668,000,000 (the "**Purchase Consideration**"). The Purchase Consideration would be settled by redemption of the partnership interest in Green Carbon Fund held by Shanghai Urban Development (Holdings) Co., Ltd ("**SUD**"), a non wholly-owned subsidiary of the Company, under a redemption agreement dated 8 January 2016 (the "**Redemption Date**") entered into among SUD, Green Carbon Fund, an existing general partner of Green Carbon Fund (the "**Departing GP**") and two new partners of Green Carbon Fund (the "**New Partners**") (the "**Redemption Agreement**"). According to the terms set out in the Redemption Agreement, RMB1,098,000,000 of the Purchase Consideration would be settled within five business days after the date of the Redemption Agreement, RMB300,000,000 of the Purchase Consideration would be settled on or before 31 March 2016 and the remaining RMB270,000,000 of the Purchase Consideration would be settled on or before 30 June 2016. As stated in the Redemption Agreement, any amounts SUD received previously from Green Carbon Fund and which remained to be owed to Green Carbon Fund could be used to offset the Purchase Consideration, accordingly, an amount of RMB1,368,000,000 advanced by Green Carbon Fund to SUD before 31 December 2015 (see note 16) was offset against the Purchase Consideration which resulted in a remaining balance of RMB300,000,000 being owed by Green Carbon Fund to SUD. During the year ended 31 December 2016, the remaining balance of the Purchase Consideration was fully settled.

In addition to the Purchase Consideration, the New Partners agreed not entitle to exert influence or share of any appropriations of SUD Longcheng generated from operations or obliged to bear any additional obligations of SUD Longcheng after the Redemption Date, other than its exclusive right for the Carved-out Site 1.

SUD Longcheng is owned as to 25% by Power Tact Investment Limited ("**Power Tact**"), 35% by Green Carbon Fund and 40% by SUD. During the year ended 31 December 2013, the Group disposed of its interest in Power Tact through sales of its entire interest in the holding company of Power Tact. Through this disposal, the Group disposed of an exclusive right for another designated portion of the "**U Center**" project ("**Carved-out Site 2**") and the purchaser agreed not entitle to exert any influence or share of any appropriations of SUD Longcheng generated from operations or obliged to bear any additional obligations of SUD Longcheng after the disposal, other than its exclusive right for the Carved-out Site 2.

The land use right of the Carved-out Site 1 and Carved-out Site 2 is still held under the name of SUD Longcheng.

The net assets of Green Carbon Fund and assets (including the Carved-out Site 1) at the Redemption Date are as follows:

	HK$'000
Consideration:	
Deposits received during the year ended 31 December 2015 *(Note 16)*	1,633,628
Cash received	358,252
Total consideration	1,991,880
Analysis of assets and liabilities over which control was lost:	
Inventories — properties under development for sale	2,393,272
Other receivables	3,045
Accrued expenditure on properties under development for sale	(388,760)
Other payables	(1,129,840)
Net assets disposed of	877,717
Gain on disposal of assets through disposal of a subsidiary:	
Total consideration	1,991,880
Net assets disposed of	(877,717)
Gain on disposal	1,114,163

After the redemption of partnership interest in Green Carbon Fund, SUD still owned 40% equity interest in SUD Longcheng and it continued to exert control over the composition of the board of directors of SUD Longcheng. Therefore, SUD Longcheng would continue to be a subsidiary of the Group. The Group disposed of its remaining equity interest in SUD Longcheng in the second half of year 2016 and details are set out in note 15(b).

The subsidiary disposed of during the year ended 31 December 2016 did not have any significant contribution to the results and cash flows of the Group during the period prior to the disposal.

(b) Disposal of 40% equity interest in SUD Longcheng (the "Disposal 2")

On 12 May 2016, the Group entered into an equity transfer agreement (the "**ET Agreement**") with Zhonggeng Real Estate Industrial Group Co., Ltd., 中庚地產實業集團有限公司, a connected person of the Company at the subsidiary level. Pursuant to the ET Agreement, the Group agreed to dispose of an exclusive right for the remaining designated portion of the "**U Center**" project held by SUD Longcheng, through disposal of 40% equity interest in SUD Longcheng, for a cash consideration of RMB1,907,000,000 (the "**Disposal Consideration 2**"), of which RMB600,000,000, RMB300,000,000, RMB300,000,000 and RMB707,000,000 would be settled on or before 18 May 2016, 7 November 2016 and 5 February 2017 and 6 May 2017 respectively.

During the year ended 31 December 2016, the control and legal title of SUD Longcheng was transferred to the purchaser and it ceased to be a subsidiary of the Company. As at 31 December 2016, RMB1,607,000,000 (equivalent to approximately HK$1,868,605,000) of the Disposal Consideration 2 was received and the directors of the Company expect the remaining RMB300,000,000 (equivalent to approximately HK$334,971,000) of the Disposal Consideration 2, which is included in "trade and other receivables" line item in the consolidated statement of financial position as at 31 December 2016, will be received within five months from the year ended 31 December 2016 according to the terms as set out in the ET Agreement.

According to the ET Agreement, the purchaser is required to pay interest which is calculated on the People's Bank of China Benchmark Lending Rate, on the outstanding Disposal Consideration 2.

The net assets of SUD Longcheng at the disposal date are as follows:

	HK$'000
Consideration:	
Cash received	1,868,605
Consideration receivables	348,838
Total consideration	2,217,443
Analysis of assets and liabilities over which control was lost:	
Properties, plant and equipment	755
Inventories — properties under development for sale	2,597,248
Deposits and prepayments	1,084,899
Other receivables	3,284,944
Bank balances and cash	107,931
Other payables	(363,892)
Accrued expenditure on properties under development for sale	(193,919)
Bank borrowings	(5,581,395)
Net assets disposed of	936,571
Gain on disposal of assets through disposal of a subsidiary:	
Total consideration	2,217,443
Net assets disposed of	(936,571)
Gain on disposal	1,280,872
Net cash inflow arising on disposal:	
Cash received	1,868,605
Less: cash and cash equivalents disposed of	(107,931)
	1,760,674

The subsidiary disposed of during the year ended 31 December 2016 did not have any significant contribution to the results and cash flows of the Group during the period prior to the disposal.

16. DEPOSITS RECEIVED FOR IDENTIFYING INVESTMENT PROJECTS

Deposits received from partners of Green Carbon Funds

On 6 May 2015, SUD, Green Carbon Fund, the Departing GP and the New Partners entered into an investment agreement (the "**Investment Agreement**"). The Departing GP and the New Partners are independent parties not connected to the Group. Pursuant to the Investment Agreement, the New Partners committed to invest RMB1,668,000,000 (equivalent to approximately HK$1,991,880,000) in aggregate into Green Carbon Fund for exploring investment opportunities on new projects and the New Partners would not be entitled to any benefits in relation to an existing project that Green Carbon Fund was currently investing.

During the year ended 31 December 2015, the New Partners invested RMB1,368,000,000 (equivalent to approximately HK$1,633,628,000) in aggregate into Green Carbon Fund and the same amount was advanced by Green Carbon Fund to SUD for the purpose of identifying investment opportunities on new projects.

As at 31 December 2015, in view of the fact that no potential new projects had been identified by SUD, SUD negotiated with the New Partners in respect of disposal of its interest in the existing project to the New Partners through disposal of its partnership interest in Green Carbon Fund.

During the year ended 31 December 2016, the entire deposits received from the New Partners were utilised to become the consideration for the Group's disposal of its assets through disposal of a subsidiary. Details of this disposal are set out in note 15(a).

Deposits received from a non-controlling shareholder

As at 31 December 2015, included in the deposits received for identifying investment projects was an amount of RMB300,000,000 (equivalent to approximately HK$358,252,000) which was a refundable deposit received by the Group from a non-controlling shareholder of a subsidiary of the Company in relation to potential disposal of the Group's interest in a subsidiary to the non-controlling shareholder. During the year ended 31 December 2016, this deposit was refunded to the non-controlling shareholder.

17. ACQUISITION OF SUBSIDIARIES

In October 2016, Shanghai Chenghuan Enterprise Management Consulting Co., Ltd., a wholly owned subsidiary of the Company, acquired the two residential villa projects located in Shanghai through acquisition of the entire issued share capital of Shanghai Qiyao Property Development Co. Ltd. ("**Shanghai Qiyao**") from independent third parties not connected to the Group for a cash consideration of RMB2,350,000,000 (equivalent to approximately HK$2,703,605,000) (the "**Acquisition**"). Shanghai Qiyao and its subsidiary, namely Shanghai Haihui Real Estate Co., Ltd. are engaged in the properties development business whereas another subsidiary, namely Shanghai Haihui Property Management Co., Ltd. is engaged in the properties management business.

The assets acquired from the Acquisition are investment properties and land parcels which are not fully developed. Therefore, the Acquisition is accounted for as an assets acquisition.

	HK$'000
Consideration:	
Cash paid	2,419,647
Consideration payables *(note)*	283,958
Total consideration	2,703,605

Note: The consideration payables of approximately RMB246,819,000 (equivalent to approximately HK$283,958,000) represents a part of total consideration withheld by the Group for settlement of EIT of the seller to the relevant PRC tax authority arising from the Acquisition and this amount is included in "consideration payables for acquisition of subsidiaries" line item in the consolidated statement of financial position as at 31 December 2016.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK$'000
Property, plant and equipment	860
Investment properties	2,165,185
Inventories — properties under development for sale	204,942
Trade and other receivables	8,868
Bank balances and cash	81,566
Trade and other payables	(205,674)
Bank and other borrowings — due within one year	(2,849)
Income tax payables	(24,397)
Deferred tax liabilities	(1,385,406)
	843,095
Consideration transferred	2,703,605
Less: Fair value of identified net assets acquired (other than inventories)	(843,095)
Adjustment to carrying amount of inventories	1,860,510

Net cash outflow arising on the acquisition:

	HK$'000
Cash paid	2,419,647
Less: Cash and cash equivalents acquired	(81,566)
	2,338,081

The trade and other receivables in this transaction had gross contractual amounts of approximately HK$8,869,000 which was same as their fair values.

MANAGEMENT DISCUSSION AND ANALYSIS

DOMESTIC REAL ESTATE MARKET REVIEW

In recent years, the development of Chinese economy has entered into a "new normal". In 2016, the domestic year-on-year economic growth was up to 6.7%, in a reasonable range. Under the guidance of the policy to achieve stabilized economic growth, the real estate market in the PRC was still hot in 2016. Industry development and investment sentiment, floor of space newly started and sales amount increased significantly as compared to 2015. Meanwhile, the sales and land market in the second and third quarters continued to pick up. Up to the end of September, the government of PRC made differentiated adjustments to the policies for cities with rapid growth in house price and land price depending on their respective conditions. The policies on housing purchase, including buyer's qualification, requirement on percentage of down payment, approval of mortgage loan conditions, were further tightened.

In March of last year, the Shanghai government first introduced "Nine Rules of Shanghai", which brought the market to temporary rational state afterwards. Owing to a relatively accommodative monetary environment continuing in China, and under the expectation of developers toward and mid- and long-term housing price that will increase, the domestic capital gradually flowed into the land market of Shanghai in April, and the sales market sentiment began to recover. The market picked up mainly in the second and third quarters. In October and November, Shanghai successively released the "Six Rules of Shanghai" and credit regulation measures, and controlled the issuance of pre-sales license to developers. As policies show positive effects, the market expectation on housing price stabilized, and the transaction volume started to adjust in the fourth quarter.

China Index Academy pointed out that in 2016, the prices of a hundred new-bulit commodity residential houses in China rose by 18.7%. Besides, cities continued to differentiate. Apart from the first-tier cities, the prices of residential houses in some of popular second-tier cities also began to rise, while the majority of the third-tier and fourth-tier cities are still facing unsold inventory problem. At this stage, the inventory cycle of Shanghai property sales market was in a healthier condition than a majority of other domestic cities. Based on the premise that the circumstances of lower supply of incremental land area may continue and real estate demand for local property will persist, the Group expects that the prices of Shanghai commodity houses this year will gradually stabilize, and is confident about healthy and mid- and long-term development of local real estate market. The Group has a number of high-quality projects in Shanghai, which is located in the core areas, and its sellable resources of property sales business in the future is sufficient. Furthermore, the Group will raise the proportion of investment properties in the business development stably.

BUSINESS REVIEW

Overview

During the period under review, the Group derived its profits mainly from the property sales in core cities and consolidation of the existing asset structure. The sale and delivery of various projects, such as Urban Cradle and Shanghai Jing City in Shanghai, and Originally (formerly "CBE International Peninsula") in Xi'an, went on smoothly, whereas ShanghaiMart and Urban Development International Tower brought steady rental income to the Group. In addition, through continuous optimisation of investment portfolio, the Group successively sold Minhang U Center, releasing the due value of existing projects, and expedited the development of current projects by withdrawal of cash and identified high-quality land and projects in the core areas.

In 2016, the Group continued to uphold the strategy of focusing on developing Shanghai and domestic core first-tier and second-tier cities, and to keep a close eye on the market. The Group not only maintained its growth in overall contract sales amount, but also acquired high quality projects and lands in Shanghai and Fuzhou through respective investment model, solidifying a foundation for its development in the next stage. In addition, the Group further domestically obtained funds at a low cost through corporate bonds and bank loans as well as repaid all the overseas debts denominated in foreign currencies, to prevent effects of future RMB exchange rate fluctuations on the Group's results as well.

Contract Sales

During the year ended 31 December 2016, the overall contract sales of the Group increased 13.1% year-on-year to RMB6,595,000,000 (2015: RMB5,832,000,000), exceeding the sales target determined at the beginning of the year of RMB5,300,000,000 by approximately 24.4%. In 2016, total G.F.A. sold under contract sales amounted to 356,000 sq.m., representing an increase of 18.7% year-on-year. In 2016, the domestic real estate market continued its good conditions. The Group developed the sales strategy for core regions in advance at the beginning of the year, and increased its sellable resources in Shanghai and some of second-tier and third-tier cities. During the year, the sales performance of the flagship projects Urban Cradle and Grand Mansion of the Group was strong, and the sales percentage of Shanghai projects was still dominant. In the meantime, the sales performance of the Originally project in Xi'an, the Laochengxiang project in Tianjin and the Royal Villa in Kunshan was also ideal in the year. During the year, the flagship projects Urban Cradle, Grand Mansion and Originally were the principal projects for sale, accounting for approximately 33.9%, 31.9% and 12.9% of commodity housing sales in the year respectively.

During the period under review, the average selling price of overall contract sales adjusted by 4.6% to approximately RMB18,500 per sq.m., compared with approximately RMB19,400 per sq.m. in 2015, mainly due to the fact that the Group accelerated the projects in some second-tier and third-tier cities last year, and thus the overall average selling prices changed accordingly.

New Project Acquisition (Land Bank)

2016 continued to see a relatively accommodative monetary environment in China, and thus property developers expedited their financing and proactively participated in the land market, the total amount and unit price of domestic land transaction created historic highs repeatedly. In addition, in 2016, the "Thirteenth Five-year Plan" for Land and Resources was released and specified that, in principle, no incremental construction land would be increased for the central urban areas of mega and super cities. Therefore, the Group expects that one of the core competitiveness for domestic developers will be the capacity to acquire high-quality land and projects with reasonable costs in the future.

In September, Shanghai Chenghuan Enterprise Management Consulting Co., Ltd. (上海城寰企業管理諮詢有限公司), a subsidiary of the Group, acquired two residential villa projects located in Minhang District, Shanghai, i.e. Contemporary Art Villas and Contemporary Splendour Villas, with the total site areas of 116,308 sq.m. and 120,512 sq.m., respectively, with a total consideration of RMB2,350,000,000. The first and second phase of Contemporary Art Villas and the first phase of Contemporary Splendour Villas have been built. Further phases of the projects are still under planning with an estimated area of 111,617 sq.m. available for sale in the future. In February and August, the Group and Zhonggeng Group, through the joint venture company, jointly acquired Mazongdi plots 2016-01 and 2016-06 with an estimated area of 686,399 sq.m. available for sale in the future, located at the north bank of Yanhang River in Langqi International Tourist Resort, Mawei District, Fuzhou, in auction with a consideration of RMB417,000,000 and RMB684,000,000, respectively, and such land plots will be used for construction of residential projects.

The Group will continue to study the possibility of acquiring new projects through participation in tender, auction and public listing, equity acquisition, and urban renewal and redevelopment as ever. With nearly twenty years' experience in Shanghai real estate market development, the market brand influence and background of the state-owned enterprise, the Group will implement the strategy of acquiring land resources through a number of channels. In addition, the Group continued to explore opportunities for acquiring projects in Shanghai and domestic core first-tier and second-tier cities, and to supplement the Group's high quality land bank at reasonable costs.

As at 31 December 2016, the Group's land bank is developed into 20 property projects located in 12 cities and is distributed across major cities in China, including Shanghai, Beijing, Shenyang, Tianjin, Kunshan, Wuxi, Xi'an, Chongqing, Fuzhou, Changsha and Shenzhen. Most of the land bank is developed into medium to high class residential properties, which are currently under construction. With a future saleable planned G.F.A. of approximately 4.36 million sq.m., the Group's land bank is sufficient to support its development for the next three to five years.

Property Development

During the year, the formal completion of the structure of phase I residential projects T2 and T3 of TODTOWN, i.e. the Xinzhuang Metro Superstructure associate project in Minhang District, Shanghai, marked that the project has successfully achieved periodical target since the commencement of construction on 26 June 2014. The residential part of the project are expected to be brought to the market in 2017. In addition, over half of the third phase of Beijing West Diaoyutai housing project under the demolition plan of the Group has been successfully completed. The project is situated around Beijing West third ring with Linhe luxury residential districts as its core products and its targeted groups are the high-end wealthy customers.

For the year ended 31 December 2016, the Group had 9 projects with a total G.F.A. of 1,867,000 sq.m. under construction, which primarily included TODTOWN, Urban Cradle, Shanghai Jing City in Shanghai, Originally in Xi'an and Laochengxiang in Tianjin, of which 281,000 sq.m. was new construction area from the Originally in Xi'an, and Laochengxiang in Tianjin. The Group completed construction with G.F.A. of 638,000 sq.m., which mainly comprised of Shanghai Jing City and Originally in Xi'an, and delivered a total G.F.A. of 352,000 sq.m.

Investment Properties

The Group is committed in development of commercial properties at premium locations in heated cities, mainly including Shanghai, Beijing, Tianjin and Chongqing. During the year ended 31 December 2016, the G.F.A. of investment properties held by the Group was approximately 686,000 sq.m. and the overall rental income declined by 6% year-on-year to HK$654,358,000 (2015: HK$696,086,000). During the period under review, the annual rental adjustment is attributable to the initiation of renovation project for certain area of Chongqing Top City, ShanghaiMart and YOYO Tower (previously "Huimin Commercial Tower"), Group's major investment properties.

Material Disposal

In the first half of 2016, the Group indirectly disposed its 35% interests in Shanghai Minhang U Center by withdrawing its shares from Green Carbon Fund. The remaining 40% interests in Shanghai U Center was disposed in the second half of the year. As at 31 December 2016, the accumulated gain before tax is expected to be approximately RMB2,000,000,000. The disposal of Shanghai U Center presented a good opportunity to realise its hidden value. Meanwhile, the Group also owns several large scale investment properties in the surrounding area. The transaction will help optimise the strategic landscape of the Group's investment properties, and the sales proceeds can be used to accelerate the development of its existing projects and to fund acquisition of any new projects.

FINANCIAL REVIEW

Revenue

During the year ended 31 December 2016, the Group's revenue significantly increased by 41.8% year-on-year to HK$5,490,564,000 (2015: HK$3,871,923,000), primarily due to the booming real estate market and the completion and delivery of more residential buildings for projects in Yangtse River Delta Region and Xian which led to the increase in carry-over income in the year. During the year, property sales remained as the Group's main source of revenue and amounted to HK$4,557,433,000 (2015: HK$2,902,873,000), accounting for 83.0% (2015: 75.0%) of the Group's total revenue. The revenue contribution from Urban Cradle, Originally and Shanghai Jing City accounted for 45.0%, 24.5% and 10.4% of property sales respectively.

Revenue from leasing, property management and services, and hotel operations continued to provide stable revenue sources for the Group, contributing HK$654,358,000, HK$94,703,000 and HK$184,070,000 (2015: HK$696,086,000, HK$100,779,000 and HK$172,185,000) and accounting for 11.9%, 1.7% and 3.4% (2015: 18.0%, 2.6% and 4.4%) of the total revenue, respectively.

Gross Profit and Gross Profit Margin

For the year ended 31 December 2016, the Group's gross profit was HK$1,400,613,000, increased by 11.9% compared with 2015, due to an increase in revenue. Gross profit margin was 25.5%, a decrease of approximately 6.8 percentage points from 32.3% last year, which was mainly due to different projects, product types and locations of delivered properties commanding different cost structure, thus leading to an adjustment of the gross profit margin.

Investment Property Revaluation

For the year ended 31 December 2016, the Group recorded a net gain on revaluation of investment properties of approximately HK$260,505,000, which was mainly attributable to the ShanghaiMart and Beijing Youngman Point project.

Distribution and Selling Expenses

For the year ended 31 December 2016, the Group's distribution and selling expenses increased by 63.8% year-on-year to HK$275,194,000 (2015: HK$168,020,000) as a result of a significant increase of contract sales during the period.

General and Administrative Expenses

For the year ended 31 December 2016, the Group recorded general and administrative expenses of approximately HK$444,626,000, a decrease of 3.4% year-on-year (2015: HK$460,317,000), which was mainly attributable to the Group's continual effects in its stringent implementation of cost control measures which proved to be effective.

Other Expenses, Gains and Losses, Net

For the year ended 31 December 2016, the net loss of other expenses, gains and losses was approximately HK$304,505,000 (2015: HK$588,685,000), mainly due to a booked foreign exchange loss arising from the depreciation of Renminbi during the year, and provision for impairment of other receivables.

Profit

For the year ended 31 December 2016, the Group's profit increased significantly year-on-year by 1.46 times to approximately HK$1,326,565,000 (2015: HK$539,986,000), which was mainly attributable to the one-off gain arising from the disposal of 35% and 40% interests in Shanghai U Center through withdrawing from the partnership in Green Carbon Fund and public listing, respectively. During the year, profit attributable to shareholders increased to HK$521,888,000 (2015: HK$517,385,000), up 0.9% from the same period last year. During the year, the basic and diluted earnings per share amounted to 10.85 HK cents (2015: 10.75 HK cents).

Liquidity and Capital Resources

The Group manages its capital to ensure that entities in the Group will be able to operate continuously on a sustainable basis while maximizing the return to shareholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes bank and other borrowings, cash and cash equivalents and equity attributable to owners of the Company (comprising issued share capital and reserves).

In August 2016, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司), a subsidiary of the Group, completed the non-public issuance of RMB1,700,000,000 principal amount domestic corporate bonds to qualified investors in the PRC with a term of six years at an annual coupon rate of 3.9%. The Group intended to use the net proceeds from the issue of the bonds for repayment of bank loans and its general working capital. In addition, in November 2016, the Group entered into a loan agreement in relation to the term loan of RMB3,000,000,000 for a term of 36 months at an interest rate of 3.8% with a bank as the lender, and the Group intended to use the funds to repay the Company's shareholders' loans denominated in foreign currencies. The net debt to total equity of the Group (net debt (total borrowings less cash and cash equivalents and pledged bank deposits) to total equity) decreased from 54.9% as at the end of last year to 8.1%, mainly due to an increase in cash flow which was attributable to the asset disposal and strong performance in contract sales. Current ratio was 2.3 (31 December 2015: 2.0).

As at 31 December 2016, the total borrowings of the Group including bank borrowings, other borrowings, bonds amounted to approximately HK$14,746,170,000 (2015: HK$22,233,639,000), and bank balances and cash of the Group were HK$12,818,335,000 (31 December 2015: HK$11,371,189,000). The disposal of the U Center project provided the Group with strong liquidity during the year. The management believes that the Group's financial resources and future revenue will be sufficient to support the current working capital requirements and future expansion of the Group.

Foreign Exchange Risks

During the year, owing to the continuous devaluation of RMB, which affected a lot of domestic property developers holding US and HK dollars debts. In light of this, the Group repaid a substantial amount of its foreign currency debts in 2016 in order to ensure sound financial conditions and minimize the foreign exchange risks. Such debts were cut by approximately HK$8,264,482,000.

Most of the Group's revenues and operating costs were denominated in Renminbi. Except for the bank deposits denominated in foreign currencies, bank loans denominated in US dollar and Hong Kong dollar, the Group's operating cash flow or liquidity is not directly subject to any other material exchange rate fluctuations. The Group did not enter into any foreign exchange hedging arrangements to control its exposure to exchange rate fluctuations during the year ended 31 December 2016. However, the Group will adopt necessary measures at appropriate time to minimize the impact arising from currency fluctuations.

HUMAN RESOURCES AND REMUNERATION POLICIES

As at 31 December 2016, the Group employed 1,610 employees (including Hong Kong and PRC offices). The remuneration policies for the employees of the Group are determined according to the performance, qualification, experience and competence of the employees. The emoluments of the directors of the Company (the "**Directors**") are determined by the remuneration committee of the Company, having regard to the operating results of the Group, individual performance and comparable market statistics. Staff benefits include discretionary bonus payments which are linked to the profitability of the Group and individual performances and contributions to the Mandatory Provident Fund Schemes.

The Group had adopted a share option scheme as an incentive to the Directors and eligible employees. During the year ended 31 December 2016, the Group provided training programs relating to work to employees. Activities aiming at building up team spirit were regularly organized for employees, so as to enhance the human capital of the Group and the sense of belonging of the staff.

OUTLOOK

In the past year, the sales of commodity housing in the national real estate market exceeded the previous high level in 2013. As the national economic transformation tend to be stable gradually and the domestic urbanization is stepping into the next stage, the Group considers that the real estate market in the PRC is still in the developing stage. On the other hand, as the real estate industry faces cyclical adjustment recently and changes may also fall to the favourable monetary environment at current stage, property developers should give consideration to the strategical layout and business transformation in the future, in combination with their own advantages.

The Group promoted the implementation of four strategic areas in the past year, i.e. "residential property development + investment property operation + urban value-added service + cooperation between industry and finance and capital", taking the investment in mid- to high-end residential property and development and sales as the business pillar, enhancing the financial stability with the investment property operation and acquisition of quality property management, extending by transforming existing property in a value-added way and updating city to expand increasingly the financialization service of the property. The Group will maintain an investment strategy tailored for its development in this year as well as adhere to the five directions, such as putting equal importance to rooting into Shanghai metropolitan circle and other core first and second-tier cities, putting equal importance to merger and acquisitions as well as land bidding, putting equal importance to existing and increment of the land project markets, putting equal importance to independent development and strategic alliance, and putting equal importance to management of assets and operation of capital.

In the future, the Group will endeavor in the boutique development mode, while giving attention to the opportunities during the industry adjustment period, giving concern to the urban added-value services and opportunities for renovating and transforming cities, putting focus on the projects, such as old town renovation, transformation and upgrading of the industrial lands and property development of subway upper cover. At last, the Group will grasp the reforming opportunities of the mixed ownership of state-owned enterprises this year, driven by the operation of both management of assets and operation of capital, to achieve the transformation and upgrading of the assets of the Group, as well as innovation and development of its business.

As the Group has realized continuous year-on-year increase in contract sales for the last two years, the Group expects to make another breakthroughs in the contracts sales with adequate sellable resources in 2017. The residential part of TODTOWN, Contemporary Villas in Shanghai, Sweet Sea World in Fuzhou and other new projects of the Group will be available for sales in 2017, while Urban Cradle in Shanghai, Originally in Xi'an and other high quality projects will continue to be launched.

In the arrival of Silver Age for the real estate market in the PRC, the Group made proactive adjustments to its development strategies in recent years, and gradually raised the proportion of investment properties in the core areas. The Group's management platform for commercial property was established in last year. The Group currently holds several premium investment properties in Shanghai, which are expected to be completed in 3-5 years. Along with a number of mature investment properties including ShanghaiMart, YOYO Tower (formerly "Huimin Commercial Tower") and Urban Development International Tower, the Group will double the G.F.A. of the Group's overall investment properties and rental income.

Since opening its commercial port, Shanghai has developed with continuous openness and has taken the four cores of constructing international economy, finance, trade and shipping center as its goal to further attract expertise from international management and high-quality talents, which marks that the opening up has entered a new stage. With the gradually stabilized adjustment of national economic structure, the Group is confident about Shanghai economic growth and the future of the real estate industry.

The Group has 20 years' development experience in Shanghai. Capitalizing on existing high quality land reserves, constantly improving financial positions, its strong controlling shareholder background and decades of professional experience in Shanghai property development possessed by its management, the Group will keep on seizing great opportunities during growing stage of real estate industry and generate satisfactory returns for the shareholders.

ANNUAL GENERAL MEETING

It is proposed that the 2017 annual general meeting of the Company will be held on Friday, 19 May 2017 (the "**2017 AGM**"). Notice of the 2017 AGM will be published on the websites of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (www.hkex.com.hk) and the Company (www.siud.com) and despatched to the shareholders of the Company (the "**Shareholders**") in the manner as required by the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange in due course.

FINAL DIVIDEND AND SPECIAL DIVIDEND

The Board recommends the payment of a final dividend of 1.4 HK cents per share in cash and a special dividend of 1.9 HK cents per share in cash for the year ended 31 December 2016 (for the year ended 31 December 2015: final dividend of 1.2 HK cents per share in cash and special dividend of 1.6 HK cents per share in cash) to Shareholders whose names appear on the register of members of the Company at the close of business on Monday, 29 May 2017, subject to approval by the Shareholders at the 2017 AGM.

As the Company had insufficient reserves available for distribution to the Shareholders as at 31 December 2016, the final dividend and special dividend are intended to be funded through reduction of certain amount standing to the credit of the share premium account of the Company as at 31 December 2016 and crediting of such amount to the contributed surplus account of the Company in accordance with the provisions of the applicable laws of Bermuda (the "**Share Premium Reduction**"). A special resolution will be proposed at the 2017 AGM to approve the Share Premium Reduction. The details of the Share Premium Reduction will be disclosed in the form of an announcement in due course.

Conditional upon the approval of the proposed Share Premium Reduction as well as the proposed distribution of final dividend and special dividend by the Shareholders at the 2017 AGM, it is expected that the final dividend and special dividend warrants will be despatched to those entitled Shareholders on or around Monday, 26 June 2017.

CLOSURE OF REGISTER OF MEMBERS

Entitlement to attend and vote at the 2017 AGM

The 2017 AGM is scheduled to be held on Friday, 19 May 2017. For determining the entitlement to attend and vote at the 2017 AGM, the register of members of the Company will be closed from Tuesday, 16 May 2017 to Friday, 19 May 2017, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the 2017 AGM, unregistered holders of shares of the Company should ensure that all duly completed transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 15 May 2017.

Entitlement to receive the proposed final and special dividend

For determining the entitlement of the Shareholders to receive the proposed final and special dividend, the Company's register of members will be closed from Friday, 26 May 2017 to Monday, 29 May 2017, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the proposed final and special dividend (subject to Shareholders' approval at the 2017 AGM), all duly completed transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 25 May 2017.

CORPORATE GOVERNANCE

During the year ended 31 December 2016, the Company has complied with the code provisions as set out in the Corporate Governance Code (the "**Code**") contained in Appendix 14 to the Listing Rules except as deviated hereunder.

Code Provision A.2.1 of the Code

The code provision A.2.1 of the Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Following the re-designation of Mr. Ji Gang as the Chairman of the Board since 2 February 2015, there has been a deviation from code provision A.2.1 as Mr. Ji Gang has also been performing the role of chief executive of the Group. The Board is aware of the said deviation but considers that this arrangement is appropriate and in the best interests of the Group as it helps to maintain the continuity of the Group's policies and strategies and the stability of the operations of the Group. The Board also considers that such arrangement would not impair the balance of power and authority between the Board and the management of the Company as the Board does meet regularly on a quarterly basis to review the operations of the Group and to consider other major matters affecting the business development and operations of the Group. Going forward, the Board will periodically review the effectiveness of this arrangement.

Further information on the Company's corporate governance practices will be set out in the Corporate Governance Report contained in the Company's annual report for the year ended 31 December 2016, which will be published and despatched to the Shareholders in the manner as required by the Listing Rules in due course.

AUDIT COMMITTEE AND REVIEW OF ANNUAL RESULTS

The audit committee of the Company currently comprising three independent non-executive Directors, namely Mr. Li Ka Fai, David (Committee Chairman), Mr. Doo Wai-Hoi, William, J.P. and Mr. Fan Ren Da, Anthony, has reviewed the audited financial statements of the Group for the year ended 31 December 2016 and discussed with the management and the auditor of the Company on the accounting principles and practices adopted by the Group; risk management and internal controls; and financial reporting matters.

SHARE CAPITAL

The Company's issued and fully paid share capital as at 31 December 2016 amounted to HK$192,450,927.56 divided into 4,811,273,189 ordinary shares of HK$0.04 each.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to the existing Shareholders.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this announcement, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors.

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its own code of conduct regarding dealings in the securities of the Company by the directors and the relevant employees (who are likely to be in possession of inside information relating to the Company or its securities) (the "**Guidelines for Securities Transactions by Relevant Employees**") on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standards as set out in the Model Code and its code of conduct regarding directors' securities transactions throughout the year ended 31 December 2016.

In addition, no incident of non-compliance of the Guidelines for Securities Transactions by Relevant Employees by the relevant employees of the Group was noted by the Company throughout the year ended 31 December 2016.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in information of Directors are set out as follows:

(a) Mr. Zhou Jun, an executive director of the Company, was appointed as the chairman of the board of directors, a non-executive director and a member of the nomination committee of the board of directors of Shanghai Pharmaceuticals Holding Co., Ltd., a company listed on the Stock Exchange with stock code of 2607, with effect from 20 October 2016.

(b) Mr. Doo Wai-Hoi, William, J.P., an independent non-executive director of the Company, has resigned as an independent non-executive director and a member of the audit committee of The Bank of East Asia, Limited, a company listed on the Stock Exchange with stock code of 23, with effect from 18 February 2017.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This results announcement is published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.siud.com). The annual report of the Company for the year ended 31 December 2016 containing all the applicable information required by the Listing Rules will be despatched to the Shareholders as well as published on the above websites in due course.

CHANGE OF PRINCIPLE PLACE OF BUSINESS IN HONG KONG

The principle place of business of the Company in Hong Kong will be changed to Suites 3004–3007, 30th Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong with effect from 20 April 2017. The website, telephone and facsimile numbers will remain unchanged.

APPRECIATION

I would like to express my sincere gratitude to the Board, our management and all our staff for their dedicated efforts during this year as well as to our customers, suppliers, business partners and shareholders for their continued enthusiastic support to our Group.

By order of the Board of
Shanghai Industrial Urban Development Group Limited
Ji Gang
Chairman

Hong Kong, 28 March 2017

As at the date of this announcement, the Board of the Company comprises Mr. Ji Gang, Mr. Zhou Jun, Mr. Yang Jianwei, Mr. Yang Biao, Mr. Ye Weiqi and Ms. Huang Fei as executive Directors and Mr. Doo Wai-Hoi, William, J.P., Mr. Fan Ren Da, Anthony and Mr. Li Ka Fai, David as independent non-executive Directors.