SHIMAO 世茂房地產
SHIMAO PROPERTY HOLDINGS LIMITED

Shimao Announces 2016 Annual Results
Revenue and Core Profit Attributable to Shareholders Reached RMB59.3 Billion and RMB6.3 Billion Respectively

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Inventory Clearance Has Proved Effective
Funding Cost is Further Reduced

Financial Highlights

	For the year ended 31 December	
RMB (Million)	**2016**	2015
Revenue	**59,286**	57,733
Gross profit	**16,349**	16,448
Gross profit margin	**27.6%**	28.5%
Profit from core business attributable to equity holders (excluding fair value gains of investment properties)	**6,251**	6,207
Annual dividend (HK cents)	**76**	70
Dividend payout ratio	**36.4%**	32.0%

(29 March 2017, Hong Kong) – Shimao Property Holdings Limited ("Shimao Property" or "the Group"; Stock Code: 813.HK) is pleased to announce its annual results for the year ended 31 December 2016.

In 2016, the Group achieved recognized revenue of RMB59.286 billion, representing a year-on-year increase of 2.7%. Gross profit and gross profit margin were RMB16.349 billion and 27.6% respectively. Core profit attributable to shareholders was RMB6.251 billion, up by 0.7% year-on-year. To demonstrate its appreciation for the Group's shareholders' unstinting support, the board declared the payment of a final dividend of HK44 cents per share (2015 final: HK40 cents). Together with an interim dividend of HK26 cents per share and a special dividend of HK6 cents per share, the total dividend for the year will amount to HK76 cents per share (2015 annual: HK70 cents).

Commenting on the Group's annual results, Mr. Hui Wing Mau, Chairman of Shimao Property, said, "Since the implementation of inventory clearance and supply-side reform in the beginning of the year, the property market sentiment had been stimulated and led to a buying frenzy. Despite an unexpected surge in the house prices of the first-tier cities as well as several popular second-tier cities, the market of certain third- and fourth-tier cities remained sluggish due to an overall insufficient demand resulting from high inventory level. After several rounds of price hikes in the first- and second-tier cities, the property market in China became more divergent, creating a normal phenomenon in the industry that different cities will implement different policies and tightening. In view of this, the Group continued to adjust the timing and structure of supply in 2016. The constructions in the third- and fourth-tier cities were strictly controlled by adhering to the principle of "sales-based production" and the focus of the Group's supply had been shifted to the first- and second-tier cities. "

Business Review

Property Development

1) Recognized Sales Revenue

The Group generates its revenue primarily from property development, property investment and hotel operation. The Group's revenue for the year ended 31 December 2016 grew by 2.7% to RMB59.286 billion, from RMB57.733 billion in 2015. During the year, revenue from property sales was RMB56.197 billion, accounting for 94.8% of total revenue and representing an increase of 2.9% over 2015. The average recognized selling price increased by 13.7% to RMB11,551 per sq.m. in 2016, from RMB10,163 per sq.m. in 2015. The number of projects recognized by the Group in 2016 totalled 77, higher than the 74 projects recognized in the corresponding period of 2015. Nanjing Straits City achieved impressive results and recognized sales revenue of RMB4.455 billion; Beijing Tongzhou World Chamber of Commerce Centre, the first runner-up, recognized sales revenue of RMB4.128 billion; and Nanjing Shimao Bund New City, the second runner-up, recognized sales revenue of RMB3.406 billion.

2) Steady Sales Growth

At the beginning of 2016, the Group set its annual contracted sales target at RMB67.0 billion, and it realized contracted sales of RMB68.12 billion for the year, representing a year-on-year increase of 2% which outperformed its sales target. The total sales area amounted to 4.918 million sq.m., with an average selling price of RMB13,850 per sq.m. during the year, up from RMB12,100 per sq.m. in 2015. This has laid a good foundation for the Group's stable growth in booking profit margins in future.

In terms of cities, the average sales in each city of the Group amounted to approximately RMB1.4 billion, and the average sales per project amounted to approximately RMB860 million. The sales in Nanjing were more than RMB7.4 billion, the sales in Beijing were more than RMB5.3 billion, and the sales in Xiamen, Hangzhou, Wuhan and Tianjin were more than RMB3.0 billion, demonstrating a relatively strong competitiveness in the industry. In 2016, the sales in first- and second-tier cities of the Group accounted for approximately 82%, representing a remarkable increase as compared with that of 72% in 2015.

Since 2015, Shimao has placed much emphasis on cash collection rates and profit margins instead of focusing on the sales as the single growth indicator. It places priority on stable development and quality growth. Such strategy has continued and been strengthened in 2016. In addition to maintaining its business scale, Shimao expedited the inventory clearance in third- and fourth tier cities which further optimized the inventory structure. In respect of inventory clearance, the inventory sales of the Group in 2016 were RMB26.2 billion, representing an increase of RMB5.0 billion as compared with previous year. With respect of inventory sales strategy, pricing was strategically adjusted to boost the sales of inventory in third- and fourth-tier cities with relatively low demand, with particular focus on pricing adjustments for longer aged inventories. As a result, the inventory sales of such segment amounted to nearly RMB5.6 billion, representing an increase of RMB3.5 billion as compared with previous year, which laid a strong business foundation by optimizing the inventory structure, increasing the cash collection ratio and enhancing the competitive industry position. As of 31 December 2016, inventories of first- and second-tier cities accounted for 67%, an increase of 7% from the beginning of the year. Inventory clearance in third- and fourth-tier cities has been effective.

3) Completion of Development Projects and Plans as Scheduled

In 2016, the Group made proactive adjustments to strategy of supply management and construction plans, put off or cancelled the supply of certain products of similar nature and exerted efforts in clearing up projects with higher inventory level. In 2016, the Group's new starts area was 7.38 million sq.m. and its floor area under construction reached 12.80 million sq.m.. The aggregate gross floor area ("GFA") completed was approximately 7.70 million sq.m., representing an increase of 1.9% as compared with 7.56 million sq.m. completed in the corresponding period of the previous year. Looking forward to 2017, the planned new starts area of the Group for the whole year will be approximately

9.00 million sq.m. while the GFA completed will be approximately 8.00 million sq.m. and the GFA under construction will be approximately 13.80 million sq.m..

4) Steady Expansion of Land Bank for Long-term Sustainable Development

In 2016, the Group acquired 3.96 million sq.m. (before interests) of land bank in cities including Fuzhou, Beijing, Nanjing, Hangzhou, Xiamen, Hefei, Jinan and Wuhan. Currently, Shimao Property possesses 132 projects in 43 cities in China, with a high-quality land bank of 30.79 million sq.m. (attributable interests) in total. The premium land resources and relatively low land cost provide continued support to Shimao Property's results in the major markets of China in the next few years.

Geographically, the majority of the newly-acquired land parcels by Shimao Property in 2016 were situated in first- and second-tier cities at provincial capital level, which have enormous potential for development and markets of which have not yet reached saturation, assuring the projects of adequate room for development and capability to resist risks. The average floor price of the new land reserves was approximately RMB10,994 per sq.m. in terms of land cost. The Group holds sensible attitude, increases its land reserves by following its longstanding prudent policy and strives to strike a balance between development opportunity and risk control. As at 31 December 2016, the Group's average land cost was RMB3,547 per sq.m.. The relatively low land cost provides effective assurance for the Group to achieve a higher profit margin in the future.

<u>Property Investment</u>

With respect to commercial properties, Shimao Property develops commercial properties through Shanghai Shimao Co., Ltd. ("Shanghai Shimao"), a 58.92%-owned subsidiary, which is primarily engaged in the development and operation of commercial properties. Besides actively grasping development opportunities in the domestic commercial property market, Shanghai Shimao provides diversified commercial properties along with high quality related services by carrying out strategies on professional exploitation and operation of commercial properties. It continues to work on achieving greater integration for increased competitiveness, and aims to become a highly successful professional developer and operator of commercial properties.

During the reporting period, the annual work plan of Shanghai Shimao was implemented accordingly. On 16 July 2016, Xiamen Shimao Emall Shopping Centre was grandly opened after years of preparation. Located in between the twin towers of Xiamen Shimao Straits Mansion, the shopping centre seeks to build an integrated, multi-dimensional space of city experience encompassing shopping, tourism, commerce, culture and recreation etc. On 16 December 2016, Shishi Shimao Skyscraper City was grandly opened. The planned commercial areas of such project was approximately 1 million sq.m., of which 240,000 sq.m. was Phase I, comprising of four major parts, namely Shimao International Plaza, Kuanhou Li, Xingfu Fang and Maoxian Wang Theme Park, marking a beginning of Shimao Skyscraper City in becoming an unique "Large Integrated Culture and Tourism Brand" under the Group. Further, during the reporting period, Shanghai Shimao's brand realignment initiatives targeted at its various commercial malls are aimed to uplift the overall brand attainments of the malls, and to couple with the improved and enriched internal management and property services at the malls to foster the ongoing enhancement in the shopping experience of consumers.

With respect of the capital market, on 12 January 2016 and 20 October 2016, Shanghai Shimao completed the issue of the first and second tranches of short-term commercial notes in 2016, in a total amount of RMB2.0 billion each with an annual coupon rate of 3% and 2.98%, respectively. On 21 March 2016 and 12 July 2016, Shanghai Shimao completed the issue of the first and second tranches of corporate bonds in 2016, in a total amount of RMB2.0 billion and RMB1.5 billion, and an annual coupon rate of 3.29% and 3.38%, respectively.

Hotel Operations

The Group has developed from a hotel owner into a hotel owner and operator which is a milestone of the development of the hotel operations of the Group. As of 31 December 2016, the Group had 16 hotels in operation, including Le Royal Meridien Shanghai, Hyatt on the Bund Shanghai, The Yuluxe Sheshan, A Tribute Portfolio Hotel, Shanghai, Hilton Nanjing Riverside, Holiday Inn Mudanjiang, Holiday Inn Shaoxing, DoubleTree by Hilton Wuhu, Crowne Plaza Shaoxing, InterContinental Fuzhou, Hilton Tianjin Eco-City, DoubleTree by Hilton Ningbo Chunxiao, Hilton Wuhan Riverside, Conrad Xiamen, self-operated five-star hotels, Yuluxe Hotel Taizhou, MiniMax Hotel Shanghai Songjiang and MiniMax Premier Hotel Shanghai Hongqiao. Currently, the Group has 5,700 hotel guest rooms. Hilton Wuhan Riverside and Conrad Xiamen commenced operations in the second half of 2016. The Yuluxe Sheshan, A Tribute Portfolio Hotel, Shanghai, held its renaming ceremony on 1 January 2017 and its brand was officially changed from Le Meridien to Tribute Portfolio™, becoming the first Tribute Portfolio hotel of Marriott International in China and the first self-operated Yuluxe Hotel of the Group in Shanghai.

In 2016, the tourism industry experienced rapid growth, creating extensive development potential for the travel market. With increasing investment and innovation, the tourism industry demonstrated significant economic and social impact and became an important driver for stabilizing growth and economic restructuring for the benefit of the society. Number of tourists of domestic travel increased by 11.0% from last year to 4.44 billion, while number of inbound and outbound travelers increased by 3.9% to 260 million. Total revenue from the tourism sector of the year amounted to RMB4.69 trillion, representing a growth of 13.6%. In 2016, the Group's hotels achieved revenue of RMB1.466 billion, representing a year-on-year increase of 12.6%. EBITDA was RMB445 million, representing a year-on-year increase of 13.8%. Further, in June 2016, Shimao Hotels and Resorts entered into entrusted management arrangements for the first hotel – MiniMax Hotel Linyi Binhe in Shandong in respect of the export of hotel management, and the hotel is expected to officially commence operation in the fourth quarter of 2017. In September 2016, Shimao Hotels and Resorts entered into entrusted management arrangements for the second hotel – MiniMax Hotel Shijiazhuang Outlets in respect of the export of hotel management, and the hotel is expected to officially commence operation in the second half of 2018 and is located at Zhuo Yue Outlet International Centre, the first model of Italian-style complex in China. The agreement signings for these two hotels also signify the first step of the "light asset" strategic transformation of Shimao Hotels and Resorts.

According to the forecast of China National Tourism Administration, total number of tourists of domestic travel in 2017 will increase by 10% year-on-year to 4.88 billion. Nonetheless, challenges and opportunities still coexist in the hotel market. From a macro perspective, the economy of China will maintain a steady growth. The government will introduce various measures to stimulate the development of tourism industry and to boost individual consumption. On the other hand, with the continual economic development of China, four-star and five-star hotels account for an increasing proportion in the consumption of tourists of Mainland China. The due opening of Shanghai Disneyland in the first half of 2016 is expected to drive tourist arrivals at Shanghai to new heights constantly, and bring forth positive impact on the hotel industry of Shanghai. Further, the government's recent lifting of the restrictions on consumption in five-star hotels will also have positive impact on the hotels under the Group.

Determination to Uphold Prudent Financial Policy

In 2016, the Group continued to adopt prudent financial strategies for its operation. By focusing on collection of accounts receivables, controlling liabilities, further reducing the financing cost and optimizing capital structure, the Group was able to explore innovative and diversified financing channels for its real estate business to maintain its effective and stable development. In 2016, the cash from sales proceeds was approximately RMB60.0 billion with a cash collection rate of 88%, representing an increase as compared with 85% in 2015. As of the end of 2016, the Group had sufficient capital funds, with available funds in the amount of RMB44.235 billion, including cash on hand of RMB22.235 billion and unutilized available banking facilities of RMB22.000 billion. As of 31 December 2016, net gearing ratio of the Group was 53.4%. Net gearing ratio has been maintained below 60% for more than five consecutive years, laying a solid foundation for dealing with challenging and ever changing economic and financial environments and the sustainable development of the Group going forward, and reflecting the sound operation and financial management of the Group.

In view of the changes in domestic capital market, immediately before the tightening of the macro-policy, the Group timely grasped the opportunity in the public market to issue the private panda bonds which became one of the first batch of enterprises to issue private bonds in Shanghai Stock Exchange. Shanghai Shimao also issued bonds with low interest and short-term financial products. By taking various measures, including rollover financing and reducing contracted interest rates, the weighted average financing cost of the Group was maintained below 5.8% in 2016, representing a decrease of 1.1 percentage point as compared with 6.9% in 2015 and achieving the target of the management. Reducing interest rate and financial cost have further supported and guaranteed the Group's strengthened efficiency, and will serve as the continuous target in financial management of the Group.

In addition, the Group has continued to explore innovative financing model of its real estate business and has successfully issued several asset-back securitization products in China, being the pioneer as to innovation in the industry. The Group has established a financial platform through diverse financial innovations, which enhanced the liquidity of the Group's assets and opened new financing channels, giving the Group greater flexibility in resources integration and industry innovation.

To mitigate its exchange risks, the Group took the initiatives to explore cross border Renminbi financing channel to strengthen exchange risks management. The proportion of foreign currency borrowings was significantly lowered from 48% as at the end of 2015 to 34% as at the end of 2016. In February 2017, US$0.8 billion senior notes with original maturity dated 14 January 2020 was redeemed in advance which effectively controlling foreign exchange risks. Moreover, the Group properly used financial derivatives, including currency option contracts and forward contracts, to hedge against exchange risks.

Riding on its robust operating and financial performance, the Group received recognition from international rating agencies. In April 2016, Fitch Rating promoted Shimao's long-term rating and debt rating from "BB+" to "BBB–", which is an investment-grade rating. Moody's and Standard & Poor's maintained their rating of Shimao at "Ba2" and "BB+" respectively. Moreover, in June 2016, Shimao Property continued to receive "AAA" rating, the highest corporate credit rating, from the biggest domestic credit rating agencies, namely, China Chengxin Securities Rating Co., Ltd., United Ratings Co., Ltd. and Dagong Global Credit Rating Co., Ltd.

In order to avoid intra-group competition, Shimao Property announced in March 2016 that it would transfer its entire or certain equity interests in the project companies for three commercial property projects, namely, Shenzhen Qianhai Shimao Financial Centre, Hangzhou Shimao Wisdom Tower and Nanchang Shimao APM, to Shanghai Shimao, specifying that Shimao Property will be primarily engaged in residential property and hotel investment, development and operation in the PRC in the future while Shanghai Shimao will be primarily engaged in commercial property investment, development and operation. In addition, the transaction will also facilitate the unlocking of asset value and improvement of cash flow of Shimao Property.

In May 2016, Shanghai Shimao disposed of 100% equity interests in Beijing Fortune Times Property Co., Ltd. and Beijing Baiding New Century Business Management Co., Ltd. to Leshi Holdings (Beijing) Co., Ltd. at a cash consideration of approximately RMB2.9 billion. The share transaction generated profit after taxation attributable to shareholders of approximately RMB630 million, fully reflecting the strategic mindset of Shanghai Shimao in managing assets of commercial properties. Through the partial disposal of commercial properties which had become matured, the structure of commercial assets has been further enhanced and capital appreciation of commercial properties can be realized. It also increased operating cash flows of the Group which laid a foundation for optimizing the financial structure of the Group. The Group's repurchase of a total of approximately 85.55 million shares in the year also raised the value of its shares, uplifted the return on equity and rewarded the support from the shareholders.

Future Outlook

Looking forward into 2017, in view of the preliminary success of the inventory clearance, the fundamental policies for the real estate industry in 2017 will be “restraining asset inflation and preventing financial crisis”. It is likely that the policy restrictions will be further strengthened and funding support for the real estate industry is also likely to be further tightened in the near term, putting an end to the easing policy in 2016. The Central Economic Work Conference clarified that houses should be functioned as dwelling places instead of an avenue for speculation, reflecting a sustainable and healthy development will be the primary task for the real estate market in 2017. Moreover, it is expected that the policy environment for the real estate sector will remain tough with little room for easing in 2017.

In 2017, the Group will launch saleable areas of approximately 6.19 million sq.m.. Together with the existing saleable areas of approximately 3.33 million sq.m. as at 31 December 2016, the Group’s total saleable areas in 2017 will be approximately 9.52 million sq.m.. In 2017, the Group will position for “quality growth”, and will strive for a significant growth in sales and operating results. It is essential for the Group to maintain its competitiveness so as to safeguard the long term benefits of our investors.

Regarding financial policy, in line with the implementation of real estate macro-control in China, the Group will continue to enhance its internal management. While exploring innovative businesses, the Group will take advantage of market resources and its own strengths, adhere to its robust financial strategy and adopt prudent financial management approach to maintain adequate cash flows, minimize the finance cost and stabilize the operating efficiency.

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About Shimao Property Holdings Limited

Shimao Property is a leading developer of high quality real estate projects in China, with a broad-ranging portfolio of residential, commercial and hotel properties in prime locations. Currently, the Group has approximately 132 projects in 43 cities in China, with a high-quality attributable land bank of 30.79 million sq.m. The Group’s highly-acclaimed projects have been well received by property buyers and investors both within the PRC and internationally, and have been accredited numerous awards. Shimao Property concluded its first 20 years of development in the property market in China in 2009 and had completed the corporate restructuring of injecting commercial assets to Shanghai Shimao Co. Ltd. (SSE stock code: 600823). The success of entering into the A share market represents an important milestone for the development of the Group.

For more information about Shimao Property, please visit the Group’s website: www.shimaoproperty.com.

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