

INTERIM REPORT 2017

SHIMAO  世茂房地產

SHIMAO PROPERTY HOLDINGS LIMITED
世茂房地產控股有限公司

(Incorporated in the Cayman Islands with limited liability)



Stock Code: 813

▼ Shenzhen Qianhai Shimao Financial Centre

SHIMAO



▲ Hilton Changsha Hotel

▼ Ningbo Shimao Sunlake Centre



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▼ Quanzhou Shishi Shimao Skyscraper City



Nationwide Quality Land Reserves

LAND RESERVES IN 45 CITIES, WITH 150 PROJECTS, COVERED AN AREA OF 34.13 MILLION SQ.M. (EQUITY ATTRIBUTABLE) (AS AT 30 JUNE 2017)



Nationwide Quality Land Reserves

Shimao Property

Zhejiang District
Fenghua Project
Hangzhou La Cité
Hangzhou Pengbu Project
Hangzhou Qianjiang Century City
Hangzhou Qinglong Project
Hangzhou Shimao Above the Lake
Hangzhou Shimao Born with Legend
Hangzhou Shimao Wisdom Tower
Hangzhou Yuhang Shimao New West Lake
Jiaxing Science and Technology City Parcel
Ningbo Chunxiao Project
Ningbo Shimao City
Ningbo Shimao World Gulf
Ningbo Xiangshan Shimao Damuwan
Ningbo Yaojiangwan Parcel
Ningbo Yuyao Shimao Moushan Lake
Shaoxing Shimao Works of Time
Central China District
Changsha Shimao Brilliantate Bay
Hefei Gaoxin Project
Hefei Shimao Jade Mansion
Nanchang Laojudong Project
Nanchang Shimao APM
Nanchang Shimao Sky City
Nanchang Shimao The Grand View
Wuhan Baishazhou Shimao Cloud Value
Wuhan Caidian New City
Wuhan Caidian Nos. 1-3 Parcel
Wuhan Caidian Parcel
Wuhan Shimao Carnival
Wuhan Shimao New City
Wuhan Shimao Splendid River
Western District
Chengdu Baohe Project
Chengdu Jianyang Shimao Misty Lakeside
Chengdu Shimao City
Chongqing Runyijiang Zhishang Lianbang Project
Chongqing Shimao Luxury Mansion
Xi'an Shimao City
Xi'an Weiyang District Lijun Future City Parcel
Yinchuan Yuehai B\C\Nos. 57-59
Yinchuan Yuehai Project
Yinchuan Zhuangu Project
Shandong District
Jinan Shimao The Capital of Yuanshan
Jinan Xiaoya Parcel
Jinan Zhangqiu District Nangaobu Parcel
Qingdao Shimao Noble Town
Yantai Shimao No.1 The Harbour

Northern China District
Beijing Changyang Apex
Beijing Shangzhuang Project
Beijing Shimao Lá Villa
Beijing Shimao Salamanca
Beijing Tongzhou Project
Beijing Tongzhou Project (North Parcel)
Beijing Tongzhou Xincheng Yangzhuang No.12 Project
Beijing Yidu Project
Dalian Jinzhou Shimao Dragon Bay
Dalian Shimao Glory City
Gu'an Project
Harbin Shimao Riviera New City
Mudanjiang Shimao Holiday Landscape
Mudanjiang Shimao South Bund
Shenyang Qipan Mountain
Shenyang Shimao Wulihe
Tianjin Jinnan Project
Tianjin Shimao Wetland Century
Nanjing District
Nanjing Jiangning Higher Education Mega Centre Project
Nanjing Jianye Jiangdong No. 5 Project
Nanjing Pukou Royal Real
Nanjing Shimao Bund New City
Nanjing Straits City
Nanjing Yuhuatai Project
Wuhu Shimao Riviera Garden
Xuzhou Shimao Dongdu
Xuzhou Shimao Dongdu (Commercial)
Jiangsu and Shanghai District
Changzhou Shimao Champagne Lake
Changzhou Shimao Champagne Lake (Commercial)
Jiangyin Shimao Dragon Bay
Kunshan Commercial and Residential Parcel
Kunshan Commercial Parcel
Kunshan Shimao Butterfly Bay (Commercial)
Lingang Fengxianyuan Parcel
Nantong Shimao Lohas City
Shanghai Baoshan Luoqing Parcel
Shanghai Nanjing Road Project
Shanghai North Bund Project
Shanghai Riviera Project
Shanghai Zhoupu Shimao Cloud Atlas
Suzhou Shimao Canal Scene
Suzhou Shimao Canal Scene (Commercial)
Suzhou Shimao Shihu Bay
Suzhou Yuanhe Street Parcel
Wuxi Shimao The Capital
Zhangjiagang Shimao Lake Palace

Fujian District
Fuzhou Changle Jinfeng Town Nos. 3-4 Parcels
Fuzhou Fuqing 2017 Pai-01 and 03 Parcels
Fuzhou Guihu Longtou Yuan Parcel II
Fuzhou Guling Ebi Project
Fuzhou Lianpan Project
Fuzhou Licuoshan Parcel
Fuzhou Minhou Shimao Dragon Bay
Fuzhou Nantong Village Project
Fuzhou Pingtan Straits Future City
Jinjiang Dongshi Parcel
Quanzhou Jinjiang Shimao Dragon Bay
Quanzhou Luojiang Nos. 1-2 Parcels
Quanzhou Luoyang River Project
Quanzhou Quangang Parcel
Quanzhou Shimao Hi Dream
Quanzhou Shimao Zimaoshan
Quanzhou Shishi Shimao Skyscraper City
Xiamen Shimao Royal Villa
Xiamen Shimao Shine City
Xiamen Tong'an TP01
Xiamen Tong'an T2017P04 Parcel
Xiamen Xiang'an Xilu Parcel
Xiamen Xiang'an XP13 and 14 Parcels
Xiamen Xiaocuo Parcel
Southern China District
Foshan Chan City Green Island Lake Parcel
Foshan Chan City Qicha 003 and 004 Parcels
Guangzhou Asian Games City
Guangzhou Finance City
Guangzhou Zengcheng Zhangpo Village
Hainan Wenchang Shimao Moonriver
Hong Kong Kowloon Tai Wo Ping Project
Hong Kong Tung Chung Project
Nanning Shimao International Plaza
Nanning Shimao Longgang Gardan
Shenzhen Qianhai Shimao Financial Centre

Shanghai Shimao

Changsha Shimao Plaza
Changshu Shimao The Centre
Changzhou Project (Commercial)
Jinan Shimao International Plaza
Jinan Shimao Skyscraper City
Kunshan Project (Hotel)
Ningbo Shimao Riviera Garden
Ningbo Shimao Sunlake Centre
Qingdao Shimao International Plaza
Qingdao Shimao Noosa Bay
Qingdao Shimao Shi'ao Tower
Shanghai Shimao Nano Magic City
Shenyang Shimao Wulihe (Commercial)
Suzhou Industrial Park Riviera Garden
Suzhou Shimao Bronze Swallow Terrace
Tianjin Wuqing Shimao Luxury Mansion
Wuxi Shimao International City
Xiamen Shimao Straits Mansion

Corporate Information

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Hui Wing Mau (*Chairman*)
Hui Sai Tan, Jason (*Vice Chairman*)
Tang Fei
Liao Lujiang
Kan Naigui

NON-EXECUTIVE DIRECTOR

Liu Sai Fei

INDEPENDENT NON-EXECUTIVE DIRECTORS

Kan Lai Kuen, Alice
Lu Hong Bing
Lam Ching Kam

AUDIT COMMITTEE

Kan Lai Kuen, Alice (*Committee Chairman*)
Lu Hong Bing
Lam Ching Kam

REMUNERATION COMMITTEE

Lu Hong Bing (*Committee Chairman*)
Hui Wing Mau
Kan Lai Kuen, Alice
Lam Ching Kam

NOMINATION COMMITTEE

Hui Wing Mau (*Committee Chairman*)
Kan Lai Kuen, Alice
Lu Hong Bing
Lam Ching Kam

COMPANY SECRETARY

Lam Yee Mei, Katherine

AUDITOR

PricewaterhouseCoopers

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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REGISTERED OFFICE

Cricket Square
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P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PLACE OF LISTING

The Stock Exchange of Hong Kong Limited
Stock code: 813

INVESTOR AND MEDIA RELATIONS

Investor Relations Department

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Telephone: (852) 2511 9968

Facsimile: (852) 2511 0287

INTERIM DIVIDEND

Interim dividend amount: HK40 cents per ordinary share

Book closure period: Wednesday, 13 September 2017 and

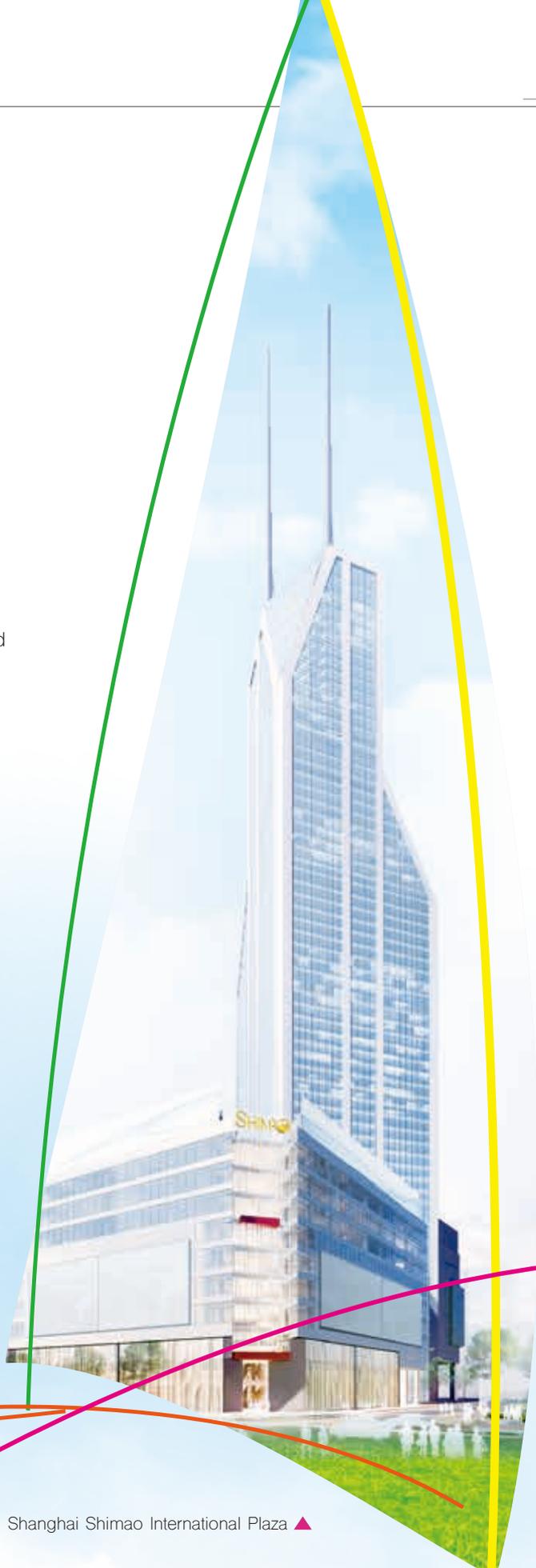
Thursday, 14 September 2017

Record date: Thursday, 14 September 2017

Payment date: Friday, 29 September 2017

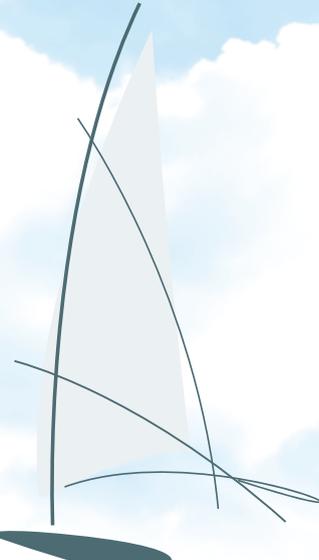
Latest time for lodging transfer documents:

4:30 p.m. on Tuesday, 12 September 2017



Shanghai Shimao International Plaza ▲

Shanghai Shimao International Plaza ▼



Chairman's Statement

▼ InterContinental Shanghai Wonderland



Chairman's Statement

Dear shareholders,

I am pleased to present the interim results of Shimao Property Holdings Limited ("Shimao Property", "Shimao" or the "Company", together with its subsidiaries, the "Group") for the six months ended 30 June 2017.

MARKET AND OUTLOOK

In the first half of 2017, the sales of national commodity properties hit another new height, while the sales area reached the second highest point in history. A total of approximately 746.62 million sq.m. of gross floor area of national commodity properties were sold for approximately RMB5,915.2 billion, representing year-on-year increases of 16.1% and 21.5% respectively. There was a "leftward swing in policies and rightward swing in market", meaning that the policies and the property market were heading in different directions.

The "leftward swing in policies" actually reflects the continuous deepening of the current property regulatory policies in China. Over 40 cities in China rolled out intensive property curbs, including tightening eligibility restrictions, tightening home mortgage policies, imposing strict restrictions on property pre-sale, reducing bank credit facilities and raising mortgage rates. Local authorities set up higher thresholds for obtaining a pre-sale permit, and the government also imposed stringent tiered controls over the selling prices. Such policies can be said to be the strictest in history. The number of cities under curbs also broke the record as the list of cities is still expanding. The "rightward swing in market" was mainly evidenced by the booming first-hand property sales in the core cities. Besieged by the property curbs, the investment demand and capital have spilled over to the third- and fourth-tier cities. As a result, many of the previously overstocked cities experienced a surge in sales volume and prices.

Looking forward to the second half of 2017, it is expected that the policies will continue to take root; the monetary market will be tightening; a new round of industry reshuffle will commence due to fierce competition; the degree of industry concentration will further increase and the market dominance of large-scale property developers will be gradually consolidated as "the strong stay strong". A number of projects of the Group will be launched for sale at the end of the third quarter and the fourth quarter, more than 60% of which will be launched in first-tier and strong second-tier cities. Our supply will address the needs of the markets where demand is robust. Products which meet the rigid demand for home upgrading will continue to prevail. It is expected that both the average selling price and profit will further improve. The Group expects that the saleable resources for the second half will reach 6.78 million sq.m.. With the continuous rise in average selling prices, the annual total saleable stock value will exceed RMB150 billion. The sell-through rate is estimated to be over 60%. We are confident in outperforming our sales target for the year.



▲ Dalian Jinzhou Shimao Dragon Bay



▲ Suzhou Shimao Bronze Swallow Terrace

SHIMAO'S STRATEGIES

As part of its corporate strategies, Shimao slowed down in scale expansion for quality growth in 2015 and 2016, while attaching equal weight to scale and profit for 2017. The Group believes that it can only respond to market fluctuations with an enhancement in profit, customer's recognition and branding driven by sound operations. The Group emphasizes the collection rate and profit margin much more than scale and discount promotional pricing. In the first half of 2017, the Group recorded a cash collection rate of 80% and a gross profit margin of 29.6%, both of which were among the best in the industry. The cash from sales proceeds rose from RMB29.4 billion in the first half of 2016 to RMB36.0 billion in the first half of 2017, up by 22% year-on-year. To solve the problems related to the price caps set by the government, web-based contracts and filing, and mortgage loans, the Group secured the sufficiency of liquidity by increasing the percentage of all-cash and down payment ratio for projects in popular cities as well as top-selling projects depending on the products and market conditions, without compromising sales. Gross profit margin increased from 28.2% in the first half of 2016 to 29.6% in the first half of 2017, mainly attributable to the constant rise in selling prices, highly competitive products and land acquisition at reasonable prices. The Group strictly linked the actual incurred costs with the achievement rate through comprehensive cost budgeting and dynamic tracking. The cost efficiency of the selling and marketing costs and administrative expenses to the contracted sales dropped from 5.9% in the first half of 2016 to 5.0% in the first half of 2017. In particular, the percentage of the two major costs of saleable properties to the contracted sales decreased from 4.0% in the first half of 2016 to 3.3% in the first half of 2017, which was a relatively low level in the industry.

The Group will implement precision investment, strengthen its production, sales and inventory, and streamline the internal workflows, in order to lay a strong foundation for its operations and secure performance growth. With the consolidation of its risk resistance capability, internal management capability, product capability and marketing capability, the Group may achieve greater development starting from 2017.

PRODUCT ADVANCEMENT AND INTEGRATION OF CROSS-DISCIPLINARY RESOURCES

The Group continued to roll out ingenious products by innovating from the perspectives of the city and customers and facilitating product iterative optimization in order to create products with higher market competitiveness. Shimao standardized its product offering under the two main categories of apartments and villas, laying a solid footing for the tremendous future growth of Shimao. A multidimensional approach was adopted in product positioning to directly address the demand of the customer base. Every inch of the products was carefully designed from the customers' perspectives with functional details for better and more comfortable living for customers.

Chairman's Statement

In addition, the Group also advocated product innovation and value adding. Through cross-disciplinary integration and focus on education, sports and cultural innovation, the Group succeeded in enhancing the brand value, achieving software breakthroughs, empowering the community and resulting in premium pricing of the products. A house is not just a space, but a lifestyle. Among the lifestyle of such community, the two most important things are education and health. From 2016 onwards, the Group has been introducing and implementing the Shimao-style photosynthetic education all over the country. Photosynthetic Education Community is neither a simple upgrading of the educational facilities in the community, nor a direct introduction of educational resources. Forgoing the cliché of “school-district properties” or “quality education”, Photosynthetic Education Community returns to the essence of education. Targeting the different educational needs of the three generations, Shimao centralized the educational resources by connecting together the children, parents and premium educational resources. The Shimao O2O platform and ecological environment provide a perpetual organic learning environment for the children to grow. In 2017, the Group also formed a “property + sports” strategic alliance with the top football brand in the world, FC Barcelona, to promote excellence in sportsmanship with a focus on health through different dimensions, such as “community sports infrastructure”, “youth football programme”, “football sportsmanship promotion” and “community neighbourhood”. Through innovation and upgrading in the aspects of product research and development, customer experience and service systems, the Group aims at creating the top exemplary sports lifestyle in China and attracting more sports-loving customers.

SALES PERFORMANCE

At the beginning of 2017, the Group set its annual contracted sales target at RMB80 billion. With record-high monthly contracted sales achieved in June thanks to the high-quality saleable resources and product structure and the number of available projects nationwide, the Group realized contracted sales of RMB45.12 billion in the first half of the year, representing approximately 56.4% of the annual target. The total contracted sales area amounted to 2,709,000 sq.m., with an average selling price of RMB16,656 per sq.m. during the first half of 2017, up from RMB14,192 per sq.m. in the first half of 2016. This has laid a good foundation for the Group's stable growth in profit margin in future.



▲ Suzhou Shimao Shihu Bay

In the first half of 2017, property curbs tightened in the first- and second-tier popular cities, and the Group determined that opportunities should lie in third- and fourth-tier cities this year. Previously, the supply in third- and fourth-tier cities was decided based on their sales amount. This year, Shimao launched more projects in third- and fourth-tier cities, and the results proved that such strategy was correct. Evidently, the property demand in first- and second-tier cities spilled over to the lower-tier cities. For instance, the sales of Quanzhou Shimao Zimao Mansion and Quanzhou Shimao Hi Dream soared, benefiting from the robust property market in Xiamen.

In terms of cities, the average sales of the Group in each city amounted to approximately RMB1.46 billion, and the average sales per project amounted to approximately RMB850 million. The sales in Nanjing and Beijing were nearly RMB6.0 billion and over RMB4.0 billion, respectively, while the sales in Quanzhou were more than RMB3.5 billion and the sales in Ningbo, Hefei and Wuhan were more than RMB2.0 billion. These demonstrated that the Group had strong competitiveness in the industry.

PRUDENT REPLENISHMENT OF PREMIUM LAND RESERVES

In the first half of 2017, property developers were still active in snatching land parcels, causing fierce competition for land resources and soaring land prices, and thus continually squeezing future gross profit of the industry. The Group upheld its prudent strategy and adopted a cautious and active approach in replenishing land reserves. In response to the city-specific control policies launched by the country and the possible continuance of such policies in future, the Group made minor adjustments to its strategies, i.e. keeping watch for third- and fourth-tier cities which can accommodate the spillover demand from the surrounding first- and second-tier cities while acquiring land in first- and second-tier cities. During the reporting period, the Group acquired land reserves of 4.53 million sq.m. (before interests) in Shanghai, Xiamen, Guangzhou, Wuhan, Xi'an, Fuzhou, Quanzhou, Beijing, Nanchang, Foshan, Jiaxing, Kunshan, Wuyishan, Chongqing, Jinjiang, Jinan and Suzhou, with base price auction, acquisitions and cooperation accounting for approximately 45%. Currently, the Group has 150 projects with a total area of 34.13 million sq.m. (attributable interests) of quality land in 45 cities in China.

In view of intensifying competition in land acquisition in major investment cities, the Group will also increase the human resources and budget for land acquisition, actively identify cooperation opportunities and continue to acquire more strategic land resources in the second half through cooperation, acquisition and strategic acquisitions in addition to public auction. Our devotion to quality land has also secured the sustainable, high-quality and rapid growth of the Group in 2018 and 2019.

DETERMINATION TO UPHOLD PRUDENT FINANCIAL POLICY

In the first half of 2017, the Group continued to adopt prudent financial strategies for its operation. The Group focused on the collection of sales proceeds, enhancement of financial management capability and optimization of capital structure while persisting in property financial innovation to secure the stable development of the Group. In the first half of 2017, the cash from sales proceeds was approximately RMB36 billion. As of 30 June 2017, the Group had sufficient capital funds, with book cash in the amount of RMB22 billion. Capitalizing on its good credit rating and business strategies, the Group became one of the first private property developers to receive the approval to issue the panda medium-term notes this April. Meanwhile, the Group's Shanghai Shimao International Plaza, which is a premium commercial and hotel complex, was also the first to get the approval from the National Association of Financial Market Institutional Investors to be used for issuing real estate asset backed notes (ABN). Further, the issue of commercial mortgage backed securities (CMBS) was also approved by China Securities Institution. Capital sufficiency and multi-channel financing have helped the Group to respond to the complicated changes in the economic and financial environment and secured its future stable development. As of 30 June 2017, net gearing ratio of the Group was 52.5%, down 0.9 percentage point from 53.4% as at the end of 2016. Net gearing ratio has been maintained below 60% for 5 consecutive years, reflecting the sound operation and financial management of the Group.

Chairman's Statement

In the first half of 2017, tightening property curbs became more stringent, and the Group continued with financial innovation and successively received approval from National Association of Financial Market Institutional Investors, China Securities Institution and overseas markets to issue the first financial innovative product in the industry. This not only showed the recognition of the Group from the capital market, but also helped the Group to continuously reduce the finance costs. The Group's weighted average finance costs was 5.6% in the first half of 2017, a further drop from the annual figure of 5.8% in 2016. The reduction of interest rates and savings in finance costs will serve as the continuous financial management target of the Group.

Riding on its robust operating and financial performance, the Group received positive comments from domestic and international rating agencies. Standard & Poor's maintained the annual rating of Shimao at "BB+", and revised its outlook from negative to stable. Moody's and Fitch maintained their rating of the Group at "Ba2" and "BBB-" respectively. Besides, Shanghai Shimao Jianshe Co., Ltd. ("Shimao Jianshe") and Shanghai Shimao Co., Ltd. ("Shanghai Shimao"), the two subsidiaries of the Group, were upgraded to "AAA" rating, the highest corporate credit rating, by Dagong Global Credit Rating Co., Ltd. and United Ratings Co., Ltd., respectively.

Looking forward to the second half of 2017, the Group will uphold its robust financial strategy and adopt a prudent financial management approach to further enhance cash collection, maintain sufficient capital flow, keep stable of the finance costs and stabilize the operating efficiency. Although more budgets will be allocated to the acquisition of quality land parcels, the annual overall gearing ratio will be controlled at not more than 60%. It will be much more difficult to obtain financing in the second half than in the first half owing to the tightening property policy and financial market. Nevertheless, with outstanding operational performance, multi-channel financing and consistent financial innovation, the Group is confident in maintaining low interest costs, effectively balancing the income and expense and securing a sound and healthy development.

INTERIM DIVIDEND

To demonstrate our appreciation for our shareholders' unstinting support, the board of directors of the Company (the "Board") has proposed the payment of an interim dividend of HK40 cents per share for the six months ended 30 June 2017 (1H 2016: interim dividend of HK26 cents and special dividend of HK6 cents, totalling HK32 cents per share), representing a year-on-year growth of 53.8% after excluding the special dividend of HK6 cents paid for the corresponding period last year due to the gain from the disposal of Beijing Fortune Times Property Co., Ltd. ("Beijing Fortune Times") and Beijing Baiding New Century Business Management Co., Ltd. ("Beijing Baiding New Century"). This reflects the Company's commitment to share its operating results with the shareholders.

APPRECIATION

On behalf of the Board, I would like to thank our shareholders, partners, local governments and customers for their tremendous support. I would also like to take this opportunity to express my heartfelt gratitude to our directors, management and staff for all their valuable contributions. The Group's success together with fulfillment of corporate goals are attributable to their support and commitment.

Hui Wing Mau
Chairman

Hong Kong, 29 August 2017

Ningbo Shimao Riviera Garden ▼

Management Discussion and Analysis



▼ Nantong Shimao Lohas City



BUSINESS REVIEW

PROPERTY DEVELOPMENT

1) *Recognized Sales Revenue*

The Group generates its revenue primarily from property development, property investment and hotel operations. As at 30 June 2017, revenue of the Group reached RMB35.822 billion, an increase of 19.3% when compared to RMB30.016 billion for the corresponding period in 2016. During the period, revenue from property sales amounted to RMB34.167 billion, accounting for 95.4% of the total revenue and representing an increase of 19.5% over the corresponding period in 2016. The average recognized selling price increased by 12.3% to RMB13,601 per sq.m. in the first half of 2017, from RMB12,108 per sq.m. for the first half of 2016. The number of projects recognized by the Group in the first half of 2017 totalled 70, higher than the 66 projects recognized in the corresponding period in 2016, of which Beijing Tongzhou World Chamber of Commerce Centre achieved great results with recognized sales revenue of RMB3.497 billion; Chongqing Shimao Luxury Mansion, the first runner-up, with recognized sales revenue of RMB1.825 billion; and Hefei Shimao Jade Mansion, the second runner-up, with recognized sales revenue of RMB1.514 billion.



▲ Nanjing Jianye Jiangdong No. 5 Project

Management Discussion and Analysis

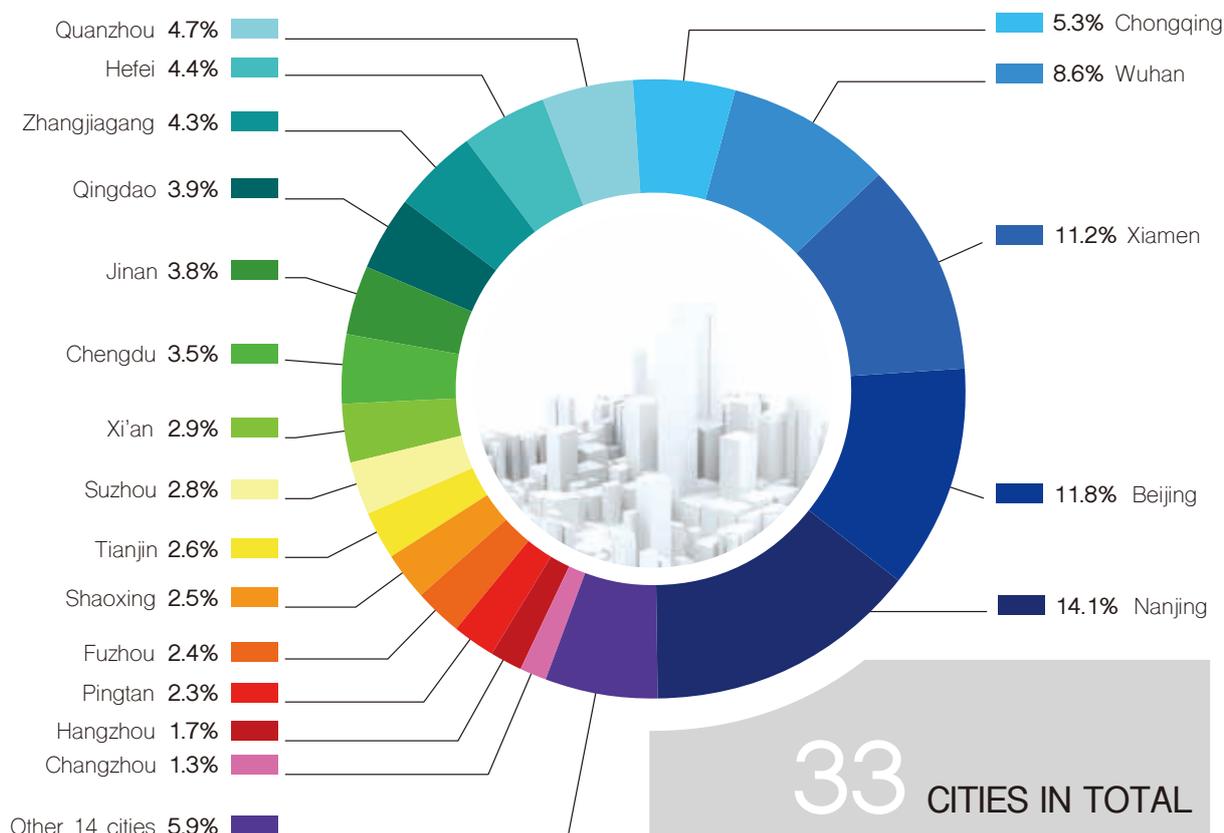
The delivered gross floor area (“GFA”) recognized for each project in the first half of 2017 and the relevant particulars are set out as follows:

Project	Recognized Area (sq.m.)	Recognized Sales (RMB million)	Average Selling Price (Excluding Tax) (RMB per sq.m.)
(a) Shimao Property			
Beijing Tongzhou World Chamber of Commerce Centre	78,608	3,497	44,487
Chongqing Shimao Luxury Mansion	248,511	1,825	7,344
Hefei Shimao Jade Mansion	116,883	1,514	12,953
Zhangjiagang Shimao Lake Palace	87,736	1,465	16,698
Nanjing Straits City	47,885	1,208	25,227
Wuhan Baishazhou Shimao Cloud Value	120,757	1,115	9,233
Xi'an Shimao City	113,568	984	8,664
Wuhan Shimao Splendid River	50,108	942	18,799
Chengdu Shimao City	142,838	900	6,301
Shaoxing Shimao Works of Time	65,041	857	13,176
Fuzhou Pingtan Straits Future City	68,145	800	11,740
Wuhan Shimao Lake Island	101,698	795	7,817
Suzhou Shimao Shihu Bay	30,577	743	24,299
Tianjin Shimao Wetland Century	45,164	710	15,720
Xiamen Shimao Royal Villa	23,885	680	28,470
Fuzhou Shimao Cloud Guling	29,282	614	20,969
Nanjing Shimao Merchants Mountain	21,471	596	27,758
Jinan Shimao The Capital of Yuanshan	60,841	498	8,185
Changzhou Shimao Champagne Lake	41,443	395	9,531
Quanzhou Shimao Hi Dream	40,972	389	9,494
Hangzhou Shimao Above the Lake	16,910	364	21,526
Quanzhou Jinjiang Shimao Dragon Bay	63,271	318	5,026
Beijing Yidu Project	20,307	308	15,167
Mudanjiang Shimao Holiday Landscape	63,150	251	3,975
Shenyang Shimao Wulihe	26,822	240	8,948
Xuzhou Shimao Dongdu	23,475	223	9,499
Dalian Shimao Dragon Bay	28,167	221	7,846
Chengdu Jianyang Shimao Misty Lakeside	19,736	217	10,995
Fuzhou Minhou Shimao Dragon Bay	23,920	211	8,821
Suzhou Shimao Canal Scene	8,737	193	22,090
Hangzhou Shimao Born with Legend	3,919	179	45,675
Qingdao Shimao Noble Town	15,217	176	11,566
Nanning Shimao Luxury Mansion	22,517	166	7,372
Beijing Shimao Salamanca	18,800	163	8,670
Hainan Wenchang Shimao Blooming Sea	21,389	149	6,966
Nanchang Shimao The Grand View	11,065	142	12,833
Quanzhou Shimao Zimao Mansion	5,358	113	21,090
Yinchuan Flourishing Mansion	18,600	110	5,914

Management Discussion and Analysis

Project	Recognized Area (sq.m.)	Recognized Sales (RMB million)	Average Selling Price (Excluding Tax) (RMB per sq.m.)
(a) Shimao Property (continued)			
Dalian Shimao Glory City	14,515	86	5,925
Chengdu Shimao Royal Bay	5,075	76	14,975
Nanjing Shimao Glory Villa	3,166	60	18,951
Beijing Shimao Lá Villa	3,271	56	17,120
Shanghai Shimao Riviera Garden	539	41	76,067
Wuhan Shimao Dragon Bay	2,517	32	12,714
Harbin Shimao Riviera New City	3,038	16	5,267
Wuhu Shimao Riviera Garden	1,550	14	9,032
Shenyang Shimao Notting Hill	1,064	9	8,459
Nantong Shimao In The Park	1,502	8	5,326
Hangzhou Shimao East No.1	329	8	24,316
Fuzhou Shimao Skyscrapers	50	8	160,000
Hangzhou Shimao Riviera Garden	225	7	31,111
Sub-total (a)	1,983,614	24,692	12,448
(b) Shanghai Shimao			
Xiamen Shimao Shine City	88,308	3,140	35,557
Nanjing Shimao Bund New City	64,355	1,617	25,126
Nanjing Yuhuatai Project	43,247	1,338	30,939
Qingdao Shimao Noosa Bay	117,012	1,150	9,828
Quanzhou Shishi Shimao Skyscraper City	102,505	777	7,580
Jinan Shimao Skyscraper City	34,271	447	13,043
Jinan Shimao International Plaza	15,212	355	23,337
Tianjin Wuqing Shimao Luxury Mansion	20,602	184	8,931
Ningbo Shimao Riviera Garden	5,205	107	20,557
Ningbo Shimao Sunlake Centre	8,204	98	11,945
Nanchang Shimao APM	6,430	69	10,731
Wuhan Shimao Carnival	4,514	50	11,077
Changzhou Shimao Champagne Lake (Commercial)	8,244	45	5,459
Xuzhou Shimao Dongdu (Commercial)	4,732	26	5,495
Hangzhou Shimao Wisdom Tower	1,016	26	25,591
Suzhou Shimao Canal Scene (Commercial)	2,172	22	10,129
Changshu Shimao Royal Bay	1,986	17	8,560
Suzhou Shimao Royal Villa	209	5	23,923
Changshu Shimao The Centre (Commercial)	260	2	7,692
Sub-total (b)	528,484	9,475	17,929
Total (a) + (b)	2,512,098	34,167	13,601

The breakdown of recognized sales for the first half of 2017 by cities is set out as follows:



2) Steady Sales Growth

With respect to property sales, the Group's contracted sales amounted to RMB45.12 billion in the first half of 2017, representing approximately 56.4% of its annual target. The aggregate sales area reached 2,709,000 sq.m., with an average selling price of RMB16,656 per sq.m..

In the first half of 2017, in view of the tightened property curbs in the first- and second-tier popular cities, the Group launched more projects in third- and fourth-tier cities, and the results proved that such strategy was correct. Evidently, the property demand in first- and second-tier cities spilled over to the lower-tier cities. Looking forward to the second half of 2017, the Group will launch saleable areas of approximately 4.28 million sq.m.. Together with the existing saleable areas of approximately 2.50 million sq.m. as at 30 June 2017, the Group's total saleable areas in the second half of 2017 will be approximately 6.78 million sq.m..

Management Discussion and Analysis

Key projects available for sale in the second half of 2017 are set out as follows:

District	Project	Saleable Area (sq.m.)
Shimao Property		
Fujian District	Fuzhou Pingtan Straits Future City	127,215
	Xiamen Shimao Shine City	59,725
	Fuzhou Lianpan Project	48,646
	Xiamen Xiang'an New Project	48,716
Jiangsu and Shanghai District	Shanghai Zhoupu Shimao Cloud Atlas	35,833
	Wuxi Shimao The Capital	83,016
	Zhangjiagang Shimao Lake Palace	84,919
Northern China District	Beijing Shangzhuang Project	55,971
	Tianjin Shimao Wetland Century	105,883
	Tianjin Jinnan Project	135,538
	Gu'an Luxury Mansion	167,862
Southern China District	Shenzhen Qianhai Shimao Financial Centre	51,362
Central China District	Wuhan Baishazhou Shimao Cloud Value	200,090
	Hefei Gaoxin Project	47,368
Nanjing District	Nanjing Shimao Bund New City	74,020
Zhejiang District	Hangzhou Shimao Wisdom Tower	67,767
	Hangzhou Pengbu Project	37,248
Western District	Chengdu Shimao City	132,030
Shandong District	Jinan Shimao The Capital of Yuanshan	119,005
	Jinan Xiaoya Project	45,460
Shanghai Shimao	Jinan Shimao Skyscraper City	89,926
Sub-total (Key projects above)		1,817,600
Projects (below RMB1 billion) available for sale in the second half of 2017		2,457,806
Completed inventory		1,272,215
Uncompleted projects available for sale as of 30 June 2017		1,231,567
Total		6,779,188



▲ Tianjin Shimao Wetland Century

3) Completion of Development Projects and Plans as Scheduled

During the first half of 2017, the Group's floor area under construction (attributable interests) reached 14.21 million sq.m.. The aggregate GFA completed by the Group was approximately 3.39 million sq.m., 9.0% higher than the 3.11 million sq.m. completed in the corresponding period of last year. Looking forward to the second half of 2017, the Group's planned GFA under construction (attributable interests) and the GFA completed will be approximately 15.00 million sq.m. and 8.00 million sq.m., respectively.

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

During the reporting period, the Group acquired 4.53 million sq.m. (before interests) of land bank in Shanghai, Xiamen, Guangzhou, Wuhan, Xi'an, Fuzhou, Quanzhou, Beijing, Nanchang, Foshan, Jiaying, Kunshan, Wuyishan, Chongqing, Jinjiang, Jinan and Suzhou, with base price auction, acquisitions and cooperation accounting for approximately 45%. Currently, the Group possesses 150 projects in 45 cities in the country, with a high-quality land bank of 34.13 million sq.m. (attributable interests). The premium land resources and relatively low land cost provide continued support to Shimao Property's results in the major markets nationwide in the next few years.

The land parcels acquired by the Group during the reporting period are as follows:

New Land Parcels	Date of Acquisition	Usage	Land Cost (Attributable Interests) (RMB million)	Total Planned GFA (Before Interests) (sq.m.)	Cost per sq.m. (RMB)	Group's Interest
Shimao Property						
1. Shanghai Baoshan Luoqing Parcel	January 2017	Residential	2,360.0	100,556	23,470	100%
2. Xiamen Xiang'an XP13 Parcel	February 2017	Residential and commercial ancillary	995.0	34,300	29,009	100%
3. Xiamen Xiang'an XP14 Parcel	February 2017	Residential and commercial ancillary	972.0	33,500	29,015	100%
4. Guangzhou Zengcheng Zhangpo Village	March 2017	Residential	1,435.5	300,273	14,487	33%
5. Wuhan Caidian Parcel	April 2017	Commercial service	91.3	50,924	3,040	59%
6. Xi'an Weiyang District Lijun Future City Parcel	April 2017	Residential	1,216.5	811,000	3,000	50%
7. Fuzhou Guihu Longtou Yuan Parcel II	April 2017	Residential	557.0	88,872	6,267	100%
8. Quanzhou Luoyang River Project	April 2017	Residential	300.0	77,000	3,896	100%
9. Beijing Tongzhou Xincheng Yangzhuang No. 12 Project	May 2017	Residential and public facilities	1,374.1	45,600	30,133	100%
10. Quanzhou Quangang Parcel	May 2017	Residential	113.6	306,336	727	51%
11. Nanchang Laojudong Project	May 2017	Residential, commercial and office	588.6	138,139	8,522	50%
12. Foshan Chan City Green Island Lake Parcel	May 2017	Residential, commercial and office	1,048.6	83,891	12,500	100%
13. Jiaying Science and Technology City Parcel	May 2017	Residential	540.4	148,041	9,125	40%
14. Kunshan Commercial and Residential Parcel	May 2017	Residential, commercial and office	1,275.0	360,000	6,944	51%
15. Kunshan Commercial Parcel	May 2017	Commercial	84.2	66,000	2,500	51%
16. Fuzhou Changle Jinfeng Town No. 3 Parcel	May 2017	Residential	180.0	52,705	3,415	100%
17. Fuzhou Changle Jinfeng Town No. 4 Parcel	May 2017	Residential and commercial ancillary	390.0	115,500	3,377	100%

Management Discussion and Analysis

New Land Parcels	Date of Acquisition	Usage	Land Cost (Attributable Interests) (RMB million)	Total Planned GFA (Before Interests) (sq.m.)	Cost per sq.m. (RMB)	Group's Interest
Shimao Property (continued)						
18. Wuyishan Project	May 2017	Residential, integrated commercial and residential and golf course	138.7	27,795	4,991	100%
19. Foshan Chan City Qicha 003 Parcel	June 2017	Residential and commercial ancillary	2,406.6	192,530	12,500	100%
20. Fuzhou Fuqing 2017 Pai-01 Parcel	June 2017	Residential and commercial ancillary	540.0	102,105	5,289	100%
21. Fuzhou Fuqing 2017 Pai-03 Parcel	June 2017	Residential	698.4	138,082	5,058	100%
22. Chongqing Runyijiang Zhishang Lianbang Project	June 2017	Residential, commercial and office	2,781.6	516,700	5,667	95%
23. Jinjiang Dongshi Parcel	June 2017	Residential	114.0	177,083	1,073	60%
24. Jinan Zhangqiu District Nangaobu Parcel	June 2017	Residential	432.6	112,399	6,415	60%
25. Suzhou Yuanhe Street Parcel	June 2017	Residential	1,324.0	280,298	19,280	24.5%
26. Foshan Chan City Qicha 004 Parcel	June 2017	Residential and commercial ancillary	999.9	79,991	12,500	100%
27. Xiamen Tong'an T2017P04 Parcel	June 2017	Residential and commercial ancillary	1,770.0	88,100	20,091	100%
Total			24,727.6	4,527,720.0	8,023.3	

Geographically, in response to the city-specific control policies launched by the country and the possible continuance of such policies in future, the Group made minor adjustments to its strategies, i.e. keeping watch for third- and fourth-tier cities which can accommodate the spillover demand from the surrounding first- and second-tier cities while acquiring land in first- and second-tier cities. The average floor price of the new land reserves was approximately RMB8,023 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 30 June 2017, the Group's average land cost was RMB4,268 per sq.m.. The relatively low land cost provides effective assurance for the Group to achieve a higher profit margin in the future.



▲ Chongqing Shimao Luxury Mansion

PROPERTY INVESTMENT

With respect to commercial properties, Shimao Property develops commercial properties through Shanghai Shimao, which is owned as to 58.92% by Shimao Property and 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. To further enhance the overall competitiveness of the projects, Shanghai Shimao began renovating its projects step by step. The renovation of the exterior walls, hall, lift lobby and carpark of the Beijing Shimao Tower started at the end of 2016. The tower will have a face-lift by the third quarter of this year, when the renovation is expected to be completed. Moreover, Shanghai Shimao International Plaza has also undergone an exterior, branding and internal renovation. On 10 May 2017, the Group announced the strategic cooperation with Sanrio and entered into a cooperation agreement in respect of the licensing of Sanrio's world-renowned cartoon character, Hello Kitty. By making use of the famous cartoon images including Hello Kitty and its partners, the Group will create an indoor Hello Kitty theme park in Shanghai Shimao International Plaza. During the second half of the year, Shanghai Shimao plans to launch the renovation planning and design of Shaoxing Shimao Plaza, whose comprehensive upgrading and renovation will begin in stages. Further, Shanghai Shimao's brand realignment initiatives targeted at its various commercial malls are aimed to uplift the overall brand attainments of the malls. The brand uplift for projects including Jinan Shimao International Plaza will continue to enrich the brands and attract a growing number of consumers.



▲ Xiamen Shimao Straits Mansion



▲ Wuhan Shimao Carnival

Particulars of investment property projects of the Group in the first half of 2017 are set out as follows:

Commercial and Office Premises	Total GFA (sq.m.)	Date of Commencement	Revenue (RMB million)	
			1H 2017	1H 2016
Shanghai Shimao International Plaza	71,239	Phase I – December 2004 Phase II – May 2007	36	79
Changshu Shimao The Centre	43,357	Commercial – first quarter of 2009	13	13
Beijing Shimao Tower	70,175	July 2009	77	71
Wuhu Shimao Riviera Garden (Commercial)	19,963	September 2009	3	3
Beijing Fortune Times (Commercial)	49,147	2010	-	35
Shanghai Shimao Shangdu	9,584	November 2010	19	18
Shaoxing Shimao Dear Town	181,605	May 2010	55	57
Suzhou Shimao Canal Scene	49,993	June 2010	17	17
Kunshan Shimao Plaza	88,249	April 2012	22	21
Xuzhou Shimao Dongdu (Commercial)	59,471	January 2012	6	5
Jinan Shimao International Plaza	280,641	May 2014	57	54
Nanjing Straits City (Commercial)	65,719	December 2014	16	8
Quanzhou Shishi Shimao Skyscraper City	156,335	January 2017	20	-
Other rental income	-	-	36	34
Total			377	415
Total (excluding impact from Beijing Fortune Times and Shanghai Shimao International Plaza)			377	337

HOTEL OPERATIONS

In 2017, the Group cooperated with Starwood Capital Group to operate a company called Shanghai Shimao Star Hotel Management Co., Ltd. ("Shimao Star"), which adopts an asset-light operating model with an aim to become one of the most excellent hotel groups in China and even Asia-Pacific region. The Group owns 51% controlling interests in Shimao Star. The industry generally believes that the establishment of Shimao Star is a milestone in the development of the hotel industry in China because it reflects the keen interest of global capital in the hotel market in China and the tremendous growth potential of Shimao hotels in the domestic and overseas markets. Currently, Shimao Star owns four operating self-owned brand hotels in China, with 775 guest rooms in total. Two more self-owned brand hotels will be opened in the second half of 2017, namely, MiniMax Premier Hotel Chengdu City Center and MiniMax Hotel Shishi.

As of 30 June 2017, other than the four self-owned brand hotels included in Shimao Star, the Group had 14 international brand hotels in operation, including Le Royal Méridien 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 and DoubleTree by Hilton Ningbo Beilun, offering 5,193 hotel guest rooms. International brand hotels which will commence operations in the second half of 2017 include Hilton Yantai and Hilton Shenyang.



▲ Beijing Tongzhou World Chamber of Commerce Centre

Management Discussion and Analysis

In 2017, the tourism market of China grew positively with a steadily increasing conferencing demand. Moreover, Shimao's hotels continued to influence the flow of market demand by controlling the average room price to find the best equilibrium between the average room price and occupancy rate in order to maximize their earnings. In the first half of 2017, the Group's hotels achieved revenue of RMB811 million, representing a year-on-year increase of 21.6%. EBITDA amounted to RMB257 million, increased 35.3% year-on-year.

Given the rapid development of technologies, the traditional hotel industry is also developing and innovating. Cross-disciplinary integration has become a way out for the existing hotel enterprises to innovate their operations. The number and variety of cross-disciplinary cooperation between hotels and the other industries are growing. Further, people's desire for travelling is also getting stronger as a result of the rising consumption levels. The hotel industry is now at the peak of reforms and development. Benefiting from the relatively stable market supply and demand in Shanghai and the robust demand brought by important events including the opening of the Shanghai Hongqiao National Exhibition and Convention Center and Shanghai Disneyland, the market outlook of Shanghai has been optimistic in recent years. This will undoubtedly have positive impact on Shimao, which currently owns five hotels in operation in Shanghai.

Particulars of the hotel projects of the Group in the first half of 2017 are set out as follows:

Hotel	Number of Rooms	Date of Commencement	Revenue (RMB million)		EBITDA (RMB million)	
			1H 2017	1H 2016	1H 2017	1H 2016
The Yuluxe Sheshan, A Tribute Portfolio Hotel, Shanghai	325	November 2005	76	78	31	27
Le Royal Méridien Shanghai	770	September 2006	175	182	74	72
Hyatt on the Bund Shanghai	631	June 2007	188	169	76	61
Holiday Inn Mudanjiang	265	December 2010	14	10	2	1
Holiday Inn Shaoxing	284	September 2011	13	14	5	4
Hilton Nanjing Riverside	411	December 2011	45	42	12	8
DoubleTree by Hilton Wuhu	442	October 2013	29	28	6	4
InterContinental Fuzhou	318	January 2014	47	48	15	12
Crowne Plaza Shaoxing	453	March 2014	34	47	8	11
Yuluxe Hotel Taizhou	262	August 2014	13	12	—	(1)
MiniMax Hotel Shanghai Songjiang	147	December 2014	6	5	1	1
Hilton Tianjin Eco-City	301	April 2015	20	14	(4)	(8)
DoubleTree by Hilton Ningbo Chunxiao	220	December 2015	10	7	1	(1)
MiniMax Premier Hotel Shanghai Hongqiao	292	December 2015	18	11	3	(1)
Hilton Wuhan Riverside	338	July 2016	44	—	10	—
Conrad Xiamen	241	August 2016	62	—	17	—
DoubleTree by Hilton Ningbo Beilun	194	December 2016	16	—	—	—
MiniMax Hotel Xiamen Central	74	February 2017	1	—	—	—
Total	5,968		811	667	257	190

Management Discussion and Analysis

Hotel properties are stated at carrying amount, i.e. cost less accumulated depreciation and impairment losses, if any, rather than at fair value. In order to provide shareholders with additional non-GAAP information on the net assets value of the Group, the Board has appointed Vigers Appraisal and Consulting Limited, an independent valuer, to perform a valuation of the Group's hotel properties as at 30 June 2017. Had the 29 hotels (2016: 29 hotels), namely, The Yuluxe Sheshan, A Tribute Portfolio Hotel, Shanghai, Le Royal Méridien Shanghai, Hyatt on the Bund Shanghai, Hilton Nanjing Riverside, Holiday Inn Mudanjiang, Crowne Plaza Shaoxing, Conrad Xiamen, Holiday Inn Shaoxing, Hilton Shenyang, Hilton Tianjin Eco-City, InterContinental Fuzhou, DoubleTree by Hilton Wuhu, Yuluxe Hotel Taizhou, DoubleTree by Hilton Ningbo Chunxiao, Hilton Yantai, Hilton Wuhan Riverside, DoubleTree by Hilton Ningbo Beilun, Yuluxe Hotel Xuzhou, Yuluxe Hotel Fuzhou Riverside, InterContinental Shanghai Wonderland, Yuluxe Hotel Jinjiang, Yuluxe Hotel Yuyao, Yuluxe Hotel Wenchang Hainan, Yuluxe Hotel Chengdu, Shimao MiniMax Hotel Dalian, Le Méridien Hangzhou Binjiang, Yu Resort Quanzhou, Sheraton Hong Kong Tung Chung and Four Points by Sheraton Hong Kong Tung Chung been restated at fair value of RMB36.3 billion (2016: RMB35.8 billion), the net assets value of the Group would have been increased to RMB103.1 billion (2016: RMB98.2 billion).

In light of the fair value adjustment of these hotels, the adjusted gearing ratio of the Group would be:

	As at 30 June 2017 (RMB million)	As at 31 December 2016 (RMB million)
Fair value of above-mentioned hotels	36,289	35,830
Less: Carrying amount	(16,968)	(16,585)
Amounts to adjust from carrying amount to fair value	19,321	19,245
Less: Deferred income taxes	(4,830)	(4,811)
Increase in net assets value if the above-mentioned hotels are stated at fair value	14,491	14,434
Net assets value per consolidated balance sheet (excluding perpetual capital instruments)	88,608	83,717
Adjusted net assets value (excluding perpetual capital instruments)	103,099	98,151
Net debt	46,492	44,709
Adjusted net gearing ratio	45.1%	45.6%



▲ Fuzhou Shimao Cloud Guling

FINANCIAL ANALYSIS

Key interim condensed consolidated income statement figures are set out below:

	1H 2017 RMB million	1H 2016 RMB million
Revenue	35,822	30,016
Gross profit	10,591	8,467
Operating profit	8,760	8,251
Profit attributable to shareholders	3,879	3,028
Earnings per share – Basic (RMB cents)	114.95	87.55

REVENUE

For the six months ended 30 June 2017, the revenue of the Group was approximately RMB35,822 million (1H 2016: RMB30,016 million), representing an increase of 19.3% over the corresponding period in 2016. 95.4% (1H 2016: 95.2%) of the revenue was generated from the sales of properties and 4.6% (1H 2016: 4.8%) from hotel operations, leasing of commercial properties and others.

The components of the revenue are analysed as follows:

	1H 2017 RMB million	1H 2016 RMB million
Sales of properties	34,167	28,589
Hotel operating income	811	667
Rental income from investment properties	377	415
Others	467	345
Total	35,822	30,016

Management Discussion and Analysis

(i) Sales of Properties

Sales of properties for the six months ended 30 June 2017 and 2016 are set out below:

	1H 2017		1H 2016	
	Area (sq.m.)	RMB million	Area (sq.m.)	RMB million
(a) Shimao Property				
Beijing Tongzhou World Chamber of Commerce Centre	78,608	3,497	22,585	811
Chongqing Shimao Luxury Mansion	248,511	1,825	24,450	185
Hefei Shimao Jade Mansion	116,883	1,514	122,211	966
Zhangjiagang Shimao Lake Palace	87,736	1,465	52,550	656
Nanjing Straits City	47,885	1,208	187,598	3,937
Wuhan Baishazhou Shimao Cloud Value	120,757	1,115	–	–
Xi'an Shimao City	113,568	984	–	–
Wuhan Shimao Splendid River	50,108	942	112,941	1,541
Chengdu Shimao City	142,838	900	113,141	662
Shaoxing Shimao Works of Time	65,041	857	–	–
Fuzhou Pingtan Straits Future City	68,145	800	110,751	925
Wuhan Shimao Lake Island	101,698	795	45,768	249
Suzhou Shimao Shihu Bay	30,577	743	14,954	272
Tianjin Shimao Wetland Century	45,164	710	94,837	940
Xiamen Shimao Royal Villa	23,885	680	38,848	848
Fuzhou Shimao Cloud Guling	29,282	614	55,047	762
Nanjing Shimao Merchants Mountain	21,471	596	31,111	760
Jinan Shimao The Capital of Yuanshan	60,841	498	50,361	363
Changzhou Shimao Champagne Lake	41,443	395	76,673	556
Quanzhou Shimao Hi Dream	40,972	389	32,360	364
Hangzhou Shimao Above the Lake	16,910	364	2,399	53
Quanzhou Jinjiang Shimao Dragon Bay	63,271	318	21,406	91
Beijing Yidu Project	20,307	308	–	–
Mudanjiang Shimao Holiday Landscape	63,150	251	3,709	16
Shenyang Shimao Wulihe	26,822	240	15,813	119
Xuzhou Shimao Dongdu	23,475	223	51,812	357
Dalian Shimao Dragon Bay	28,167	221	5,098	16
Chengdu Jianyang Shimao Misty Lakeside	19,736	217	9,524	72
Fuzhou Minhou Shimao Dragon Bay	23,920	211	12,223	117
Suzhou Shimao Canal Scene	8,737	193	–	–
Hangzhou Shimao Born with Legend	3,919	179	35,938	1,413
Qingdao Shimao Noble Town	15,217	176	52,251	496
Nanning Shimao Luxury Mansion	22,517	166	–	–
Beijing Shimao Salamanca	18,800	163	100,819	785

Management Discussion and Analysis

	1H 2017		1H 2016	
	Area (sq.m.)	RMB million	Area (sq.m.)	RMB million
(a) Shimao Property (continued)				
Hainan Wenchang Shimao Blooming Sea	21,389	149	20,374	168
Nanchang Shimao The Grand View	11,065	142	390	4
Quanzhou Shimao Zimao Mansion	5,358	113	12,190	288
Yinchuan Flourishing Mansion	18,600	110	115,782	517
Dalian Shimao Glory City	14,515	86	42,906	247
Chengdu Shimao Royal Bay	5,075	76	8,567	52
Nanjing Shimao Glory Villa	3,166	60	14,255	245
Beijing Shimao Lá Villa	3,271	56	22,791	576
Shanghai Shimao Riviera Garden	539	41	–	–
Wuhan Shimao Dragon Bay	2,517	32	11,347	73
Harbin Shimao Riviera New City	3,038	16	10,425	53
Wuhu Shimao Riviera Garden	1,550	14	–	–
Shenyang Shimao Notting Hill	1,064	9	1,030	9
Nantong Shimao In The Park	1,502	8	39,770	193
Hangzhou Shimao East No.1	329	8	1,701	32
Fuzhou Shimao Skyscrapers	50	8	–	–
Hangzhou Shimao Riviera Garden	225	7	1,236	20
Shanghai Zhoupu Shimao Cloud Atlas	–	–	40,691	1,540
Nanchang Shimao APM	–	–	12,298	182
Kunshan Shimao The East Bund	–	–	11,069	104
Xiamen Shimao Lakeside Garden	–	–	3,833	35
Ningbo Shimao The Capital	–	–	614	14
Wuxi Shimao International City	–	–	710	9
Ningbo Shimao Dragon Bay	–	–	461	4
Sub-total (a)	1,983,614	24,692	1,869,618	22,697



▲ Hangzhou Shimao Born with Legend

Management Discussion and Analysis

	1H 2017		1H 2016	
	Area (sq.m.)	RMB million	Area (sq.m.)	RMB million
(b) Shanghai Shimao				
Xiamen Shimao Shine City	88,308	3,140	–	–
Nanjing Shimao Bund New City	64,355	1,617	97,325	1,680
Nanjing Yuhuatai Project	43,247	1,338	–	–
Qingdao Shimao Noosa Bay	117,012	1,150	92,408	821
Quanzhou Shishi Shimao Skyscraper City	102,505	777	62,505	635
Jinan Shimao Skyscraper City	34,271	447	152,106	1,472
Jinan Shimao International Plaza	15,212	355	11,956	313
Tianjin Wuqing Shimao Luxury Mansion	20,602	184	14,699	114
Ningbo Shimao Riviera Garden	5,205	107	15,727	267
Ningbo Shimao Sunlake Centre	8,204	98	3,868	39
Nanchang Shimao APM	6,430	69	–	–
Wuhan Shimao Carnival	4,514	50	12,788	137
Changzhou Shimao Champagne Lake (Commercial)	8,244	45	4,199	32
Xuzhou Shimao Dongdu (Commercial)	4,732	26	6,351	34
Hangzhou Shimao Wisdom Tower	1,016	26	–	–
Suzhou Shimao Canal Scene (Commercial)	2,172	22	3,744	33
Changshu Shimao Royal Bay	1,986	17	2,003	21
Suzhou Shimao Royal Villa	209	5	2,537	42
Changshu Shimao The Centre (Commercial)	260	2	152	1
Shanghai Shimao Wonderland	–	–	8,934	243
Qingdao Shimao Shi'ao Tower	–	–	299	8
Sub-total (b)	528,484	9,475	491,601	5,892
Total (a)+(b)	2,512,098	34,167	2,361,219	28,589



◀ Hong Kong Kowloon Tai Wo Ping Project



Sheraton Hong Kong Tung Chung and Four Points by Sheraton Hong Kong Tung Chung ▶



◀ Chengdu Shimao Royal Bay

(ii) Hotel Income

Hotel operation income is analysed as follows:

	1H 2017 RMB million	1H 2016 RMB million
Hyatt on the Bund Shanghai	188	169
Le Royal Méridien Shanghai	175	182
The Yuluxe Sheshan, A Tribute Portfolio Hotel, Shanghai	76	78
Conrad Xiamen	62	–
InterContinental Fuzhou	47	48
Hilton Nanjing Riverside	45	42
Hilton Wuhan Riverside	44	–
Crowne Plaza Shaoxing	34	47
DoubleTree by Hilton Wuhu	29	28
Hilton Tianjin Eco-City	20	14
MiniMax Premier Hotel Shanghai Hongqiao	18	11
DoubleTree by Hilton Ningbo Beilun	16	–
Holiday Inn Mudanjiang	14	10
Holiday Inn Shaoxing	13	14
Yuluxe Hotel Taizhou	13	12
DoubleTree by Hilton Ningbo Chunxiao	10	7
MiniMax Hotel Shanghai Songjiang	6	5
MiniMax Hotel Xiamen Central	1	–
Total	811	667

Hotel operation income increased approximately 21.6% to RMB811 million from RMB667 million over the six months ended 30 June 2017. The increase was mainly derived from newly-opened hotels in the past two years.

In March 2017, the Group and Starwood Capital Group entered into a comprehensive strategic cooperation agreement to expand the boutique hotel market in China. As at 30 June 2017, four hotels were open under the agreement, including MiniMax Hotel Shanghai Songjiang, MiniMax Hotel Xiamen Central, MiniMax Premier Hotel Shanghai Hongqiao and Yuluxe Hotel Taizhou.

Management Discussion and Analysis

(iii) Rental income and Others

Rental income from investment properties was approximately RMB377 million for the six months ended 30 June 2017. It decreased by 9.2%, mainly due to the fact that Shanghai Shimao sold Beijing Fortune Times to Leshi Holdings (Beijing) Co., Ltd. in May 2016 and the rental income decreased by RMB35 million accordingly. Moreover, there was a temporary decrease of RMB43 million in rental income from Shanghai Shimao International Plaza due to the commencement of its decoration and the cease of operation in 2017.

Other income amounted to RMB467 million was mainly derived from property management. It achieved a significant increase of 35.4% over corresponding period in 2016.

	1H 2017 RMB million	1H 2016 RMB million
Beijing Shimao Tower	77	71
Jinan Shimao International Plaza	57	54
Shaoxing Shimao Dear Town (Commercial)	55	57
Shanghai Shimao International Plaza	36	79
Kunshan Shimao Plaza	22	21
Quanzhou Shishi Shimao Skyscraper City	20	—
Shanghai Shimao Shangdu	19	18
Suzhou Shimao Canal Scene (Commercial)	17	17
Nanjing Straits City (Commercial)	16	8
Changshu Shimao The Centre	13	13
Xuzhou Shimao Dongdu (Commercial)	6	5
Wuhu Shimao Riviera Garden (Commercial)	3	3
Beijing Fortune Times (Commercial)	—	35
Miscellaneous rental income	36	34
Others	467	345
Total	844	760

COST OF SALES

Cost of sales increased by 17.1% to approximately RMB25,231 million for the six months ended 30 June 2017 from RMB21,549 million for the six months ended 30 June 2016, primarily due to the increase in cost of properties sold in line with the higher cost of sales per sq.m. and the increase in areas delivered. However, gross profit margin increased from 28.2% to 29.6%.

Cost of sales are analysed as follows:

	1H 2017 RMB million	1H 2016 RMB million
Sales taxes	256	1,218
Land costs and construction costs	21,833	17,774
Capitalised borrowing costs	2,214	1,943
Direct operating costs for hotels, commercial properties and others	928	614
Total	25,231	21,549

FAIR VALUE GAINS ON INVESTMENT PROPERTIES

During the period under review, the Group recorded aggregate fair value gains of approximately RMB359 million (1H 2016: RMB1,276 million), mainly contributed by further increase in value of certain investment properties. Aggregate net fair value gains after deferred income tax of approximately RMB90 million recognized was RMB269 million (1H 2016: fair value gains after deferred income tax was RMB957 million).

OTHER INCOME/OTHER GAINS – NET

Other gains of approximately RMB172 million for the six months ended 30 June 2017 (1H 2016: RMB671 million), which mainly included net gains on acquisition and disposal of subsidiaries of RMB12 million (1H 2016: RMB454 million), gain on government grants of RMB53 million (1H 2016: RMB72 million) and gain on disposal of investment in structured products issued by banks of RMB37 million (1H 2016: RMB34 million).

SELLING AND MARKETING COSTS AND ADMINISTRATIVE EXPENSES

The Group strictly linked actual cost with performance ratio through overall budget management and dynamic tracking. Cost efficiency has improved significantly. The proportion of total selling and marketing costs and administrative expenses to the total contracted sales was 5.0% (1H 2016: 5.9%). Selling and marketing costs and administrative expenses arising from property sales accounted for 3.3% of contracted sales in the first half of 2017 (1H 2016: 4.0%), which was competitive in the market.

OPERATING PROFIT

Operating profit amounted to approximately RMB8,760 million for the six months ended 30 June 2017, representing an increase of RMB509 million or approximately 6.2% over the first half of 2016.

FINANCE INCOME/(COSTS) – NET

Net finance income was approximately RMB355 million (1H 2016: net finance costs of RMB456 million), mainly due to net foreign exchange gain as a result of the appreciation of RMB exchange rate. The Group recorded the net exchange gain of approximately RMB489 million in the first half of 2017, compared to the net exchange loss of approximately RMB320 million in the first half of 2016.

SHARE OF RESULTS OF ASSOCIATED COMPANIES AND JOINT VENTURES

Share of losses of associated companies and joint ventures decreased approximately RMB52 million to approximately RMB135 million in the first half of 2017 from approximately RMB187 million of the corresponding period in 2016, mainly due to the recognition of profit from Nanjing Pukou Royal Real.

TAXATION

The Group's tax provisions amounted to approximately RMB3,614 million in which PRC land appreciation tax ("LAT") was RMB1,474 million (1H 2016: RMB3,229 million, in which LAT was RMB991 million) for the period.

PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Profit attributable to shareholders for the period increased by 28.1% from approximately RMB3.028 billion in first half of 2016 to RMB3.879 billion in the first half of 2017. The increase was mainly due to the significant increase of gross profit. Excluding the net impact of major after-tax non-cash items, net profit from core business attributable to shareholders for the period amounted to approximately RMB3.661 billion. Excluding the after-tax profit attributable to shareholders from the disposal of Beijing Fortune Times and Beijing Baiding New Century of approximately RMB630 million in 2016, net profit from core business attributable to shareholders for the period increased by 27.6% compared with the corresponding period in 2016. The profit margin from core business attributable to shareholders was 13.4% in the first half of 2017.

LIQUIDITY AND FINANCIAL RESOURCES

As of 30 June 2017, total assets of the Group were RMB271.912 billion, of which current assets reached approximately RMB196.060 billion. Total liabilities were approximately RMB178.804 billion, whereas non-current liabilities were RMB56.917 billion. Total equity was RMB93.108 billion, of which equity attributable to the shareholders of the Company amounted to approximately RMB54.888 billion.

As of 30 June 2017, the Group had aggregate cash and bank balances (including restricted cash balances) of approximately RMB22.005 billion (31 December 2016: RMB22.235 billion), total borrowings amounted to approximately RMB68.497 billion (31 December 2016: RMB66.944 billion). Total net borrowings were approximately RMB46.492 billion (31 December 2016: RMB44.709 billion). Net gearing ratio is measured by the total net borrowings (total amount of borrowings net of aggregate cash and bank balances (including restricted cash balances)) over the total equity (excluding perpetual capital instruments). Net gearing ratio decreased from approximately 53.4% as at 31 December 2016 to approximately 52.5% as at 30 June 2017.

The maturity of the borrowings of the Group as at 30 June 2017 is set out as follows:

	RMB million
<i>Bank borrowings and borrowings from other financial institutions and bonds</i>	
Within 1 year	17,597
Between 1 and 2 years	8,465
Between 2 and 5 years	26,726
Over 5 years	4,233
<i>Senior notes</i>	
Between 2 and 5 years	11,476
Total	68,497

The borrowings were denominated in different currencies set out below:

	Original currency million	RMB equivalent million
USD	2,997	20,302
HKD	4,986	4,327
JPY	8,700	526
AUD	75	391
RMB	42,951	42,951

FINANCING ACTIVITIES

The Group adheres to uphold prudent financial policy, exercises control over financing scale and optimizes its capital structure. The total amount of borrowings increased by 2.3% from approximately RMB66.944 billion as at 31 December 2016 to approximately RMB68.497 billion as at 30 June 2017, of which short-term borrowings was approximately 26% and long-term borrowings was approximately 74% as at 30 June 2017.

During the first half of 2017, despite the tightening property curbs, through continual financial innovation, the Group successively received approvals from National Association of Financial Market Institutional Investors (NAFMII), China Securities Institution and overseas bond market to issue the first financial innovation product in the industry. During the first half of 2017, the financing activities were mainly carried out as follows:

First of all, on 28 April 2017, the Group become one of the first private real estate companies approved by NAFMII to issue Panda MTNs and the registered amount was RMB8 billion.

Secondly, on 26 April 2017, the issue of Shanghai Shimao International Plaza ABN received approval from NAFMII. It is China's first-ever real estate ABN for public placement with a registered amount of RMB6.5 billion, which demonstrated the high quality asset structure of the Group while revitalizing assets in stock.

Thirdly, the Group obtained foreign bond quota from China National Development and Reform Commission (NDRC) and issued senior notes amounting to US\$600 million in June (withdrawal in July), becoming one of the few real estate companies to issue USD senior notes in the first half of 2017. The actual average interest rate was 4.72% and further reduced the Group's average financing cost.

Fourthly, the Group obtained five-year syndicated loan facilities of HKD10 billion with a HIBOR+1.35% interest rate for the Tai Wo Ping Project in Kowloon, Hong Kong, which provided continuous capital support for the development of offshore project.

Last but not least, the issue of the first Commercial Mortgage Backed Securities (CMBS) was approved by China Securities Institution in June 2017. The registered amount is RMB2.5 billion. This laid a strong foundation for the Group to expand financing channels and achieve sustainable development.

In view of the steady operating and financial performance of the Group, several credit rating agencies upgraded the rating of the Group and its subsidiaries. In July 2017, Standard & Poor's, maintained the Group's long-term corporate credit rating at "BB+" and upgraded the outlook from negative to stable. In June 2017, Dagong Global Credit Rating Co., Ltd. upgraded the corporate credit rating of Shimao Jianshe, a subsidiary of the Group, from "AA+" to "AAA". In May 2017, United Rating Co., Ltd. upgraded the corporate credit rating of Shanghai Shimao, a subsidiary of the Group, from "AA+" to "AAA".

To handle the tight restriction on real estate financing market, the Group has taken steps to reduce the average financing cost. The Group strengthened the appraisal of financing cost by announcing the monthly ranking of financing costs of all the districts and imposed stringent control over the financing costs based on the change of market interest rates. The Group also selected the best option after comparing various solutions for the same project, replaced old loans with new ones, and negotiated for lower contracted interest rate. Last but not least, the Group explored various financing channels and received several approval of innovative financing activities. As a result, average financing cost dropped from 5.8% in the full year of 2016 to 5.6% during the first half of 2017.

FOREIGN EXCHANGE RISKS

The Group's foreign exchange exposure is mainly derived from the borrowings denominated in USD and HKD.

The Group is paying closely attention to the fluctuation of the foreign exchange rate and actively taking measures to mitigate the risk of exchange rate fluctuation, including control the portion of borrowings dominated in foreign currency and adopted appropriate financial derivatives. The Group recorded foreign exchange gain of RMB489 million during the first half of 2017 due to the appreciation of RMB exchange rate.

PLEDGE OF ASSETS

As of 30 June 2017, the Group had pledged property and equipment, investment properties, land use rights, properties under development, completed properties held for sale and restricted cash with a total carrying amount of RMB47.856 billion to secure bank facilities granted to the Group. The corresponding bank and other loans amounted to approximately RMB12.143 billion.

CONTINGENCIES

As of 30 June 2017, the Group had provided guarantees for approximately RMB24.853 billion in respect of the mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. In addition, the Group had provided guarantees for approximately RMB6.945 billion in its portion of equity interests in certain associated companies and joint ventures for their borrowings.

CAPITAL AND PROPERTY DEVELOPMENT EXPENDITURE COMMITMENTS

As of 30 June 2017, the Group had contracted capital and property development expenditure but not provided for amounted to RMB44.832 billion.

EMPLOYEES AND REMUNERATION POLICY

As of 30 June 2017, the Group employed a total of 7,895 employees. Total remuneration for the period amounted to approximately RMB841 million. The Group has adopted a performance-based rewarding system to motivate its staff. The Board adopted a share award scheme (the "Share Award Scheme") of the Company on 30 December 2011. The purpose of the Share Award Scheme is to recognize the contributions by outstanding employees of the Group and to provide them with incentives in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group. In relation to staff training, the Group also regularly provided different types of programmes for its staff to improve their skills and develop their respective expertise.



▲ Beijing Yidu Project

Changsha Shimao Plaza ▼



Corporate Governance and Other Information

▼ Ningbo Shimao City



DIRECTORS AND SENIOR MANAGEMENT PROFILES

EXECUTIVE DIRECTORS

HUI WING MAU (CHAIRMAN)

Mr. Hui Wing Mau, aged 67, the Chairman and Executive Director of Shimao Property Holdings Limited (the “Company”, together with its subsidiaries, the “Group”) and the founder of the Group. With over 27 years’ experience in property development, property investment and hotel operation, he is primarily responsible for the Group’s overall strategic planning and business management. Mr. Hui is currently a member of the National Committee of the Twelfth Chinese People’s Political Consultative Conference (“CPPCC”) and deputy director of the Economic Committee of the National Committee of the CPPCC, vice president of All-China Federation of Returned Overseas Chinese, the president of China Federation of Overseas Chinese Entrepreneurs, vice president of China Overseas Chinese Entrepreneurs Association, chairman of Shanghai Overseas Chinese Chamber of Commerce, executive president of China Red Ribbon Foundation and chairman of the board of directors of New Home Association Hong Kong. Mr. Hui obtained a Master’s Degree in Business Administration from the University of South Australia. Mr. Hui is also the non-executive chairman of Shanghai Shimao Co., Ltd. (“Shanghai Shimao”), a 58.92%-owned subsidiary of the Company listed on the Shanghai Stock Exchange and the chairman and a director of Shimao International Holdings Limited. He is a director of Gemfair Investments Limited and Shiyang Finance Limited, substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”). He has been the Chairman and Executive Director of the Company since 8 November 2004. Mr. Hui is the father of Mr. Hui Sai Tan, Jason, the Vice Chairman and Executive Director of the Company, and Ms. Hui Mei Mei, Carol, the vice chairman of Shanghai Shimao.

HUI SAI TAN, JASON (VICE CHAIRMAN)

Mr. Hui Sai Tan, Jason, aged 40, the Vice Chairman and Executive Director of the Company. He has been the Group Sales Controller since he joined the Group in March 2000. Mr. Jason Hui is responsible for the sales, marketing, management and design of the Group’s projects. He has more than 18 years’ experience in the property development industry and has presided over the sales and marketing of Shanghai Shimao Riviera Garden which boasted top sales proceeds among residential projects in Shanghai for four consecutive years from 2001 to 2004. Mr. Jason Hui obtained a Master of Science Degree in Real Estate from the University of Greenwich, the United Kingdom in 2001 and a Master’s Degree in Business Administration from the University of South Australia in 2004. He is a member of the Standing Committee of All-China Youth Federation and a member of Shanghai Committee of the CPPCC. He has been an Executive Director and the Vice Chairman of the Company since 17 November 2004 and 21 April 2008 respectively. He is also a director of Shanghai Shimao. Mr. Jason Hui is the son of Mr. Hui Wing Mau, the Chairman, an Executive Director and a controlling shareholder (as defined in the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “HKEx”)) of the Company, and the brother of Ms. Hui Mei Mei, Carol, the vice chairman of Shanghai Shimao.

TANG FEI

Ms. Tang Fei, aged 46, has joined the Group since July 2004 and was appointed an Executive Director of the Company since 6 February 2013. Ms. Tang is currently a Vice President of the Group, responsible for the financial control of the Group. Ms. Tang holds a Master’s Degree in Business Administration from the University of South Australia and has over 23 years’ experience in financial management and internal audit. Prior to joining the Group, Ms. Tang worked in the internal audit department of Bank of China, Head office from 1992 to 1998. She also worked in the audit department and treasury department of Bank of China (Hong Kong) Limited from 1999 to 2004.

DIRECTORS AND SENIOR MANAGEMENT PROFILES (continued)

EXECUTIVE DIRECTORS (continued)

LIAO LUJIANG

Mr. Liao Lujiang, aged 45, has joined the Group since January 2011 and was appointed an Executive Director of the Company since 6 February 2013. Mr. Liao is currently the Chief Operation Officer of the Group, responsible for management of enterprise operation and information system of the Group. Mr. Liao holds a Master's Degree in Public Administration from Tsinghua University and has over 14 years' experience in corporate management. Prior to joining the Group, Mr. Liao worked in lanjia Group as senior human resources manager of northern district from 2003 to 2006. From 2006 to 2010, he worked for Beijing Longfor Properties Co., Ltd. as deputy human resources general manager and chief human resources officer (property).

KAN NAIGUI

Mr. Kan Naigui, aged 49, has joined the Group since 2011 and has been an Executive Director of the Company since 15 January 2016. Mr. Kan is currently a Vice President of the Group, responsible for the cost management and design management of the Group. Mr. Kan holds a Master's Degree in Engineering from Chongqing Architectural University (重慶建築大學) (now being merged with Chongqing University) and has over 21 years' experience in real estate operation and management. Prior to joining the Group, Mr. Kan worked for China Overseas Property Group Co., Ltd. (中海地產集團有限公司) as a departmental general manager and as general manager of Tianjin office from 2006 to 2011.

NON-EXECUTIVE DIRECTOR

LIU SAI FEI

Mr. Liu Sai Fei, aged 55, has joined the Group since 2003, was appointed an Executive Director of the Company on 1 February 2010 and has been re-designated as a Non-executive Director of the Company since 9 January 2015. He is also a director and the president of Shanghai Shimao. He obtained a Master's Degree in Project Management from the University of Western Sydney, Australia in 2000. Mr. Liu has over 32 years' experience in architectural design and project management. Prior to joining the Group, he worked for CRG Contractors Dte from 1998 to 2001. From 2001 to 2003, he worked for Shanghai Merry Land Co., Ltd. as project manager.

INDEPENDENT NON-EXECUTIVE DIRECTORS

KAN LAI KUEN, ALICE

Ms. Kan Lai Kuen, Alice, aged 62, has been an Independent Non-executive Director of the Company since 16 March 2006 and has more than 25 years' experience in corporate finance. She is the responsible officer, the managing director and the controlling shareholder of Asia Investment Management Limited, a licensed corporation accredited by the Securities and Futures Commission of Hong Kong. Ms. Kan currently serves as an independent non-executive director on the boards of the following companies which are listed on the HKEx: Shougang Concord International Enterprises Company Limited, Regal Hotels International Holdings Limited, China Engine International (Holdings) Limited, Cosmopolitan International Holdings Limited and Mason Group Holdings Limited (formerly known as Mason Financial Holdings Limited). She is also an independent director of AVIC International Maritime Holdings Limited, a company listed on the Catalist Board of the Singapore Exchange Securities Trading Limited. She is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Hong Kong Institute of Directors, the Association of Chartered Certified Accountants and the Australian Society of Certified Practising Accountants. Ms. Kan held various senior positions in international and local banks and financial institutions.

DIRECTORS AND SENIOR MANAGEMENT PROFILES (continued)

INDEPENDENT NON-EXECUTIVE DIRECTORS (continued)

LU HONG BING

Mr. Lu Hong Bing, aged 50, has been an Independent Non-executive Director of the Company since 17 November 2004. Mr. Lu obtained a Master's Degree in law from East China University of Political Science and Law in 1991 and has more than 24 years' experience in corporate and securities laws in China. Mr. Lu currently serves as an independent non-executive director of ZTE Corporation, a company publicly listed on the Shenzhen Stock Exchange and the HKEx, and Runway Global Holdings Company Limited, a company publicly listed on the HKEx. He is also an independent director of Shanghai Shentong Metro Co., Ltd., a company publicly listed on the Shanghai Stock Exchange, and Shandong Airlines Co., Ltd., a company publicly listed on the Shenzhen Stock Exchange. Mr. Lu is the executive partner of the Grandall Law Firm, a vice-president of the All China Lawyers Association, an arbitrator and member of the Shanghai International Economic and Trade Arbitration Commission, an arbitrator and a member of the Shanghai Arbitration Commission, a concurrent professor of East China University of Political Science and Law and the Shanghai University of International Business and Economics, a member of Expert Advisory Committee for M&A and Restructuring, China Securities Regulatory Commission and a commissioner of the public offering commission of the Shanghai Stock Exchange.

LAM CHING KAM

Mr. Lam Ching Kam, aged 56, has been an Independent Non-executive Director of the Company since 1 June 2006. He is currently a fellow member of The Hong Kong Institute of Surveyors. Mr. Lam obtained a Master's Degree in Business Administration from the Hong Kong Open University in 2004 and is a fellow member of the Chartered Institute of Civil Engineering Surveyors and the Royal Institution of Chartered Surveyors. Mr. Lam was the Vice Chairman of the Royal Institution of Chartered Surveyors China Group from 2003 to 2006. He is a member of the China Civil Engineering Society (中國土木工程師學會會員) and also a registered China Costing Engineer (中國造價工程師執業資格). Mr. Lam has been a consultant to the Beijing Construction Project Management Association (北京市建設監理協會) since 2003 and has engaged in professional training and vocational education in China for more than 15 years. Mr. Lam has been in the property development and construction industry for 33 years, and has worked for construction contractors such as Shui On Building Contractors Limited, China State Construction Engineering Corporation and Hopewell Construction Co., Ltd. Mr. Lam was employed as a quantity surveyor and worked in London from 1990 to 1991. He was employed by certain consultant firms and the Architectural Services Department of the Hong Kong Government before he emigrated to Australia in 1996 and operated a project management firm in Sydney. Mr. Lam was the project controller of Sino Regal Ltd. (HK) for investment projects in China from 1994 to 1996. In 1998, Mr. Lam established a surveying and management consultant firm which has been participating in many large-scale projects in China and Macau, including a Beijing Olympic 2008 project involving the hotels, offices towers and commercial complex in Olympic Park, Beijing. In October 2016, Mr. Lam's company merged with ShineWing (Beijing) International Construction Consulting Co., Ltd. ("ShineWing") and he became a partner of ShineWing on 1 October 2016.

SENIOR MANAGEMENT

The Executive Directors of the Company are members of senior management of the Group.

CHANGE IN INFORMATION OF DIRECTORS

The change in the information of the Directors of the Company since the publication of the 2016 annual report of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules is set out below:

Name of Directors	Details of Changes
Independent Non-executive Directors	
Ms. Kan Lai Kuen, Alice	Appointed as an independent non-executive director of Mason Group Holdings Limited (formerly known as Mason Financial Holdings Limited), a company publicly listed on the HKEx, on 24 May 2017.
Mr. Lu Hong Bing	Appointed as an independent non-executive director of Runway Global Holdings Company Limited, a company publicly listed on the HKEx, on 5 June 2017.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules. The updated biographical details of the Directors of the Company are set out in the preceding section headed "Directors and Senior Management Profiles".

SHARE AWARD SCHEME

A Share Award Scheme of the Company (the "Share Award Scheme") was adopted by the board of directors of the Company (the "Board") on 30 December 2011 (the "Adoption Date"). The purpose of the Share Award Scheme is to recognize the contributions by certain selected employees of the Group and to provide them with incentives in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group.

The maximum number of shares which can be awarded under the Share Award Scheme and to a selected employee in the scheme is 1% (i.e. 34,659,508 shares) of the issued share capital of the Company as at the Adoption Date.

During the six months ended 30 June 2017, 7,899,586 shares were granted to certain executive directors and selected employees of the Group under the Share Award Scheme and 3,061,698 awarded shares have been vested during the six months ended 30 June 2017.

DISCLOSURE OF INTERESTS IN SECURITIES

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN THE COMPANY AND THE ASSOCIATED CORPORATION

As at 30 June 2017, the interests and short position of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise to be notified to the Company and the HKEx pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules were as follows:

(1) Long position in the shares of the Company

Name of Directors	Capacity/Nature of Interests	Number of ordinary shares held	Approximate percentage of issued share capital
Hui Wing Mau	Interest of controlled corporation	2,299,242,942 ^(Note 1)	67.884%
Hui Sai Tan, Jason	Beneficial owner	2,737,402 ^(Note 2)	0.081%
Tang Fei	Beneficial owner	566,632 ^(Note 3)	0.017%
Liao Lujiang	Beneficial owner	505,950 ^(Note 4)	0.015%
Kan Naigui	Beneficial owner	402,450 ^(Note 5)	0.012%
Liu Sai Fei	Beneficial owner	833,942	0.025%

Notes:

1. These 2,299,242,942 shares represent the interest in the Company held by Gemfair Investments Limited and Shiyang Finance Limited, companies which are directly wholly-owned by Mr. Hui Wing Mau.
2. The interests disclosed include deemed interests in 205,175 shares granted under the Share Award Scheme.
3. The interests disclosed include deemed interests in 174,637 shares granted under the Share Award Scheme.
4. The interests disclosed include deemed interests in 149,103 shares granted under the Share Award Scheme.
5. The interests disclosed include deemed interests in 174,968 shares granted under the Share Award Scheme.

(2) Long position in the shares of association corporation – Shanghai Shimao

Name of Director	Capacity/Nature of Interests	Number of shares held	Approximate percentage of issued share capital
Liu Sai Fei	Beneficial owner	297,574 ^(Note)	0.008%

Note:

The interests disclosed represent deemed interests granted under the employee stock ownership plan of Shanghai Shimao.

Save as disclosed above, no other interests or short position in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) were recorded in the register.

DISCLOSURE OF INTERESTS IN SECURITIES (continued)

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the six months ended 30 June 2017 was the Company, any of its subsidiaries, or its holding company a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2017, the interests and short position of substantial shareholders in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Long/short position in the shares or underlying shares of the Company

Name	Nature of Interests	Number of shares or underlying shares held	Approximate percentage of issued share capital
Long position			
Gemfair Investments Limited ("Gemfair")	Note 1	1,947,984,000	57.513%
Overseas Investment Group International Limited ("Overseas Investment")	Note 2	1,947,984,000	57.513%
Shiyong Finance Limited ("Shiyong Finance")	Note 3	351,258,942	10.371%

Notes:

1. The interests disclosed represent the interests in the Company which are held by Gemfair, a company which is directly wholly-owned by Mr. Hui Wing Mau.
2. The interests disclosed represent the right of Overseas Investment to vote on behalf of Gemfair as a shareholder at general meetings of the Company, pursuant to a deed dated 12 June 2006 between Gemfair and Overseas Investment, as long as Mr. Hui Wing Mau or his close associates (directly or indirectly) hold not less than 30% interest in the Company.
3. The interests disclosed represent the interests in the Company which are held by Shiyong Finance, a company which is directly wholly-owned by Mr. Hui Wing Mau.

Save as disclosed above, no other interest and short position in the shares and underlying shares of the Company were recorded in the register.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Pursuant to Rule 8.10 of the Listing Rules, the Company disclosed below that during the six months ended 30 June 2017, the following Director was considered to have interests in the following businesses which competed or were likely to compete, either directly or indirectly, with the businesses of the Group.

Mr. Hui Wing Mau, the Chairman and an Executive Director of the Company, currently owns property interests in the PRC through a number of private companies (collectively, the "Private Group").

The Directors, including those interested in the businesses of the Private Group, will, as and when required under the Articles of Association of the Company, abstain from voting on any board resolution of the Company in respect of any contract, arrangement or proposal in which he/she or any of his/her associates has a material interest.

CONTINUING DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

The Company entered into a facility agreement on 6 January 2017 (the "Agreement") between, among others, the Company as borrower, Shanghai Pudong Development Bank Baoshan Branch, Bank of Shanghai Xu Hui Sub-branch and Shanghai Rural Commercial Bank Baoshan Branch as original lenders, Shanghai Pudong Development Bank Baoshan Branch as the lead bank and Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch as agent. Pursuant to the Agreement, a syndicated loan facility in the amount of RMB3,000,000,000 has been made available to the Company for a term of 36 months from the date of drawdown of the loan facility.

As provided in the Agreement, if (a) Mr. Hui Wing Mau and his family together cease: (i) to be the single largest shareholder of the Company; (ii) to maintain (directly or indirectly) at least 51% beneficial shareholding interest in the issued share capital of the Company; (iii) to have the power to direct the management of the Company, whether through the ownership of voting capital, by contract or otherwise; or (b) Mr. Hui Wing Mau ceases to be the chairman of the Board and is not replaced by Mr. Hui Sai Tan, Jason as the replacement chairman of the Board within 10 business days of any such cessation, the commitments under the loan facility may be cancelled and all amounts outstanding may become immediately due and payable.

CORPORATE GOVERNANCE

The Company is committed to achieving and maintaining high standards of business ethics and corporate governance. It believes that, in the achievement of long term objectives of the Group, it is of utmost importance to conduct business with accountability, transparency and fairness. The Group's interests as well as those of its shareholders will be maximized in the long run by adhering to these principles.

THE BOARD

The Board consisted of nine Directors, comprising five Executive Directors, one Non-executive Director together with three Independent Non-executive Directors who all possess appropriate academic and professional qualifications or related financial management expertise and have brought a wide range of business and financial experience to the Board.

Brief biographical particulars of all the Directors, together with information relating to the relationship among them, are set out in the "Directors and Senior Management Profiles" section under this interim report. Their diverse range of business and professional expertise ensures that the Board has the skills and experience necessary to both promote the Company's success and monitor its affairs.

The Board has the collective responsibility for leadership and control of, and for promoting the success of, the Company by directing and supervising the Company's affairs. The Board is committed to the Company's objective of consistent growth and development and increase in shareholder value. The Board sets strategies for the Company and monitors the performance and activities of the management.

THE BOARD (continued)

The Board is responsible for performing the corporate governance duties set out in the code provision D.3.1 of the Corporate Governance Code (the “Code”) as set out in Appendix 14 of the Listing Rules. The principal role and function of the Board in relation to corporate governance is to develop and review the Company’s policies and practices on corporate governance, to review and monitor the training and continuous professional development of Directors and senior management of the Company, to review and monitor the Company’s policies and practices on compliance with legal and regulatory requirements, to develop, review and monitor the code of conduct applicable to employee and Directors, and to review the Company’s compliance with the Code and disclosure in the corporate governance report under the annual report.

AUDIT COMMITTEE

The audit committee of the Company (the “Audit Committee”) consists of three members, all of which being the Independent Non-executive Directors, namely, Ms. Kan Lai Kuen, Alice (as the chairman of the Audit Committee), Mr. Lu Hong Bing and Mr. Lam Ching Kam.

The primary duties of the Audit Committee are to assist the Board to review the financial reporting process, internal control and risk management systems of the Company, nominate and monitor external auditor and provide advice and comments to the Directors.

Full minutes of the Audit Committee meetings are kept by the Company Secretary. Draft and final versions of minutes of the Audit Committee meetings will be sent to all members of the Audit Committee for their comment and records, within a reasonable time after each meeting.

The Audit Committee meets the external auditor at least twice a year to discuss any significant items during the audits and considers any matters raised by the Company’s staff responsible for the accounting and financial reporting function, compliance officer or auditor. The Audit Committee reviews the interim and annual reports before submission to the Board. The Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Listing Rules and the legal requirements in the review of the Company’s interim and annual reports.

The unaudited interim condensed consolidated results of the Group for the six months ended 30 June 2017 have been reviewed by the Audit Committee and the auditor of the Company.

REMUNERATION COMMITTEE

The remuneration committee of the Company (the “Remuneration Committee”) consists of four members with a majority of which being Independent Non-executive Directors, comprising Mr. Hui Wing Mau and three Independent Non-executive Directors. The chairman of the Remuneration Committee is Mr. Lu Hong Bing.

The primary functions of the Remuneration Committee are to evaluate the performance and make recommendations to the Board on the remuneration package of the Directors and senior management and to evaluate as well as make recommendations on the Company’s share option scheme, share award scheme, retirement scheme and the performance assessment system and bonus and commission policies.

NOMINATION COMMITTEE

The nomination committee of the Company (the “Nomination Committee”) consists of four members with a majority of which being Independent Non-executive Directors, comprising Mr. Hui Wing Mau and three Independent Non-executive Directors. The chairman of the Nomination Committee is Mr. Hui Wing Mau.

The primary function of the Nomination Committee is to identify and nominate suitable candidates, for the Board’s consideration and recommendation to stand for election by shareholders at annual general meeting, or when necessary, make recommendations to the Board to fill Board vacancies when they arise.

COMPANY SECRETARY

Ms. Lam Yee Mei, Katherine is a full-time employee of the Company with professional qualifications and extensive experience to discharge the functions of Company Secretary of the Company. The Company Secretary plays an important role in supporting the Board by ensuring efficient information flow within the Board and that Board procedures, and all applicable law, rules and regulations are followed. The Company Secretary reports to the Board through the Chairman and the Vice Chairman whilst all Directors have access to the advice and services of the Company Secretary.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors of the Company. Before the Group’s interim and annual results are announced, notifications are sent to the Directors to remind them not to deal in the securities of the Company during the blackout periods. The Company has made specific enquiry of all Directors and all the Directors confirmed that they had complied with the required standard set out in the Model Code throughout the six months ended 30 June 2017.

CORPORATE GOVERNANCE CODE

The Company complied with the code provisions set out in the Code throughout the six months ended 30 June 2017 except for one deviation, namely, code provision A.2.1.

The roles of the chairman and chief executive of the Company have not been segregated as required by the code provision A.2.1 of the Code.

Mr. Hui Wing Mau is the Chairman of the Company and the founder of the Group. With Mr. Hui’s extensive experience in property development and investment, he is responsible for the overall strategic planning and business management of the Group. The Board considers that vesting the roles of chairman and chief executive in the same person is beneficial to the business prospects and management of the Group. The balance of power and authority is ensured by the operation of the senior management and the Board, which comprise experienced and high calibre individuals. The Board currently comprises five Executive Directors, one Non-executive Director and three Independent Non-executive Directors and therefore has a strong independent element in its composition.

Mr. Hui Wing Mau, the Chairman of the Board, provides leadership to the Board in terms of establishing policies and business directions and ensures that the Board discharges its responsibilities. The other Executive Directors are delegated with responsibility to oversee and monitor the operations of specific business areas and to implement the strategies and policies formulated by the Board.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2017, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities, except that the trustee of the Share Award Scheme, pursuant to the terms of the rules and trust deed of the Share Award Scheme, purchased from the market a total of 6,087,500 shares of the Company at a total consideration of approximately HK\$73,498,000.

CHOICE OF LANGUAGE OR MEANS OF RECEIPT OF CORPORATE COMMUNICATIONS

This interim report is now available in printed form and on the websites of the Company (www.shimaoproperty.com) and Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk). If shareholders who have received or chosen (or are deemed to have chosen) to receive this interim report by electronic means but (i) wish to receive a printed copy; or (ii) for any reason have difficulty in receiving or gaining access to this report on the Company's website, they may obtain a printed copy free of charge by sending a request to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited ("Tricor Investor") by email at shimao-ecom@hk.tricorglobal.com or by post to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

For shareholders who wish to change their choice of language or means of receipt of the Company's all future corporate communications, free of charge, they could at any time notify Tricor Investor by email or by post.

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has declared an interim dividend of HK40 cents per ordinary share for the six months ended 30 June 2017 (2016 Interim Dividend: HK26 cents and Special Dividend: HK6 cents). The dividend will be payable on Friday, 29 September 2017 to shareholders whose names appear on the register of members of the Company on Thursday, 14 September 2017.

The register of members of the Company will be closed on Wednesday, 13 September 2017 and Thursday, 14 September 2017. During these two days no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 12 September 2017.

On behalf of the Board

Hui Wing Mau

Chairman

Hong Kong, 29 August 2017

Report on Review of Interim Financial Information



羅兵咸永道

TO THE BOARD OF DIRECTORS OF SHIMAO PROPERTY HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 47 to 90, which comprises the interim condensed consolidated balance sheet of Shimao Property Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2017 and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 August 2017

Interim Condensed Consolidated Balance Sheet

As at 30 June 2017

	Note	Unaudited 30 June 2017 RMB'000	Audited 31 December 2016 RMB'000
ASSETS			
Non-current assets			
Property and equipment	6	13,954,024	13,493,658
Investment properties	6	33,042,086	32,270,913
Land use rights	6	8,246,941	8,218,571
Intangible assets	6	1,840,658	1,840,658
Associated companies	7	1,316,289	912,465
Joint ventures	8	9,374,824	9,183,425
Amounts due from related parties	9	1,675,784	1,923,231
Available-for-sale financial assets	10	891,848	941,256
Deferred income tax assets		2,359,328	2,298,849
Other non-current assets	11	3,150,572	1,629,639
		75,852,354	72,712,665
Current assets			
Inventories		124,979,791	120,342,997
Trade and other receivables and prepayments	12	19,992,380	20,256,536
Prepayments for acquisition of land use rights	11	19,780,936	17,950,915
Prepaid income taxes		2,919,415	2,691,546
Available-for-sale financial assets	10	880,000	3,000,000
Amounts due from related parties	9	5,490,074	2,623,314
Derivative financial instruments		12,607	90,199
Restricted cash	13	3,075,155	2,875,658
Cash and cash equivalents	13	18,929,551	19,359,175
		196,059,909	189,190,340
Total assets		271,912,263	261,903,005
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	14	348,864	348,864
Share premium		233,832	396,083
Reserves			
– Proposed dividend		1,152,807	1,318,310
– Retained earnings		51,341,183	48,589,859
– Others		1,811,170	1,802,935
		54,887,856	52,456,051

Interim Condensed Consolidated Balance Sheet
As at 30 June 2017

	Note	Unaudited 30 June 2017 RMB'000	Audited 31 December 2016 RMB'000
Non-controlling interests			
Perpetual capital instruments		4,500,000	4,500,000
Other non-controlling interests		33,720,156	31,260,942
		38,220,156	35,760,942
Total equity		93,108,012	88,216,993
LIABILITIES			
Non-current liabilities			
Borrowings	15	50,900,038	49,188,203
Finance lease liabilities		131,989	222,353
Deferred income tax liabilities		5,884,974	5,666,533
		56,917,001	55,077,089
Current liabilities			
Trade and other payables	16	29,988,757	27,307,614
Dividend payable		1,293,423	–
Advanced proceeds received		30,278,773	31,903,265
Income tax payable		12,661,855	13,682,645
Borrowings	15	17,597,292	17,755,309
Finance lease liabilities		177,822	171,420
Amounts due to related parties	17	29,889,328	27,788,670
		121,887,250	118,608,923
Total liabilities		178,804,251	173,686,012
Total equity and liabilities		271,912,263	261,903,005

The notes on pages 52 to 90 form an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2017

	Note	Unaudited Six months ended 30 June 2017 RMB'000	2016 RMB'000
Revenue	5	35,821,777	30,016,400
Cost of sales	18	(25,230,859)	(21,549,397)
Gross profit		10,590,918	8,467,003
Fair value gains on investment properties		358,536	1,276,104
Other income/other gains – net	19	172,316	670,723
Selling and marketing costs	18	(557,632)	(425,439)
Administrative expenses	18	(1,678,451)	(1,608,077)
Other operating expenses	18	(126,067)	(129,073)
Operating profit		8,759,620	8,251,241
Finance income		729,117	226,044
Finance costs		(373,632)	(682,146)
Finance income/(costs) – net	20	355,485	(456,102)
Share of results of associated companies and joint ventures		(134,611)	(187,096)
Profit before income tax		8,980,494	7,608,043
Income tax expense	21	(3,614,371)	(3,229,181)
Profit for the period		5,366,123	4,378,862
Other comprehensive (losses)/income:			
<i>Item that may be reclassified to profit or loss</i>			
Fair value (losses)/gains on available-for-sale financial assets, net of tax		(37,059)	23,868
Translation reserves		(297)	–
Other comprehensive (losses)/income		(37,356)	23,868
Total comprehensive income for the period		5,328,767	4,402,730
Profit for the period attributable to:			
Equity holders of the Company		3,879,244	3,028,329
Non-controlling interests		1,486,879	1,350,533
		5,366,123	4,378,862
Total comprehensive income for the period attributable to:			
Equity holders of the Company		3,857,112	3,042,392
Non-controlling interests		1,471,655	1,360,338
		5,328,767	4,402,730
Earnings per share for profit attributable to the equity holders of the Company			
– Basic (RMB cents)	23	114.95	87.55
– Diluted (RMB cents)	23	114.77	87.48

The notes on pages 52 to 90 form an integral part of this interim condensed consolidated financial information.

Details of dividends of the Company are set out in Note 22 this interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017

	Note	Unaudited							Total RMB'000
		Attributable to the equity holders of the Company					Perpetual capital instruments RMB'000	Non- controlling interests RMB'000	
		Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained profits RMB'000	Total RMB'000			
Balance at 1 January 2017		348,864	396,083	1,802,935	49,908,169	52,456,051	4,500,000	31,260,942	88,216,993
Profit for the period		–	–	–	3,879,244	3,879,244	140,402	1,346,477	5,366,123
Other comprehensive losses									
– Fair value losses on available-for-sale financial assets, net of tax		–	–	(21,835)	–	(21,835)	–	(15,224)	(37,059)
– Translation reserves		–	–	(297)	–	(297)	–	–	(297)
Total comprehensive income for the period		–	–	(22,132)	3,879,244	3,857,112	140,402	1,331,253	5,328,767
Transactions with owners:									
Acquisition of subsidiaries	26(c)	–	–	–	–	–	–	852,519	852,519
Acquisition of additional interests in subsidiaries	26(d)(iii)	–	(96,923)	–	–	(96,923)	–	(1,252,550)	(1,349,473)
Disposal of interests in subsidiaries without loss of control	26(d)(i)	–	–	–	–	–	–	1,633,238	1,633,238
Equity-settled share-based payment	14(c)								
– Value of employee services		–	–	30,367	–	30,367	–	–	30,367
– Purchase of shares		–	(65,328)	–	–	(65,328)	–	–	(65,328)
Perpetual capital instruments interests		–	–	–	–	–	(140,402)	–	(140,402)
Dividends and distributions	22	–	–	–	(1,293,423)	(1,293,423)	–	(105,246)	(1,398,669)
Total transactions with owners		–	(162,251)	30,367	(1,293,423)	(1,425,307)	(140,402)	1,127,961	(437,748)
Balance at 30 June 2017		348,864	233,832	1,811,170	52,493,990	54,887,856	4,500,000	33,720,156	93,108,012
Balance at 1 January 2016		356,275	2,240,789	1,882,538	45,682,058	50,161,660	–	24,587,660	74,749,320
Profit for the period		–	–	–	3,028,329	3,028,329	–	1,350,533	4,378,862
Other comprehensive income									
– Fair value gains on available-for-sale financial assets, net of tax		–	–	14,063	–	14,063	–	9,805	23,868
Total comprehensive income for the period		–	–	14,063	3,028,329	3,042,392	–	1,360,338	4,402,730
Transactions with owners:									
Acquisition of subsidiaries		–	–	–	–	–	–	587,847	587,847
Acquisition of additional interests in subsidiaries		–	(23,005)	–	–	(23,005)	–	(199,626)	(222,631)
Disposal of interests in subsidiaries without loss of control		–	–	–	–	–	–	5,293,733	5,293,733
Equity-settled share-based payment									
– Value of employee services		–	–	28,724	–	28,724	–	–	28,724
– Purchase of shares		–	(37,199)	–	–	(37,199)	–	–	(37,199)
Issue of perpetual capital instruments		–	–	–	–	–	600,000	–	600,000
Profit appropriations		–	–	141,275	(141,275)	–	–	–	–
Dividends relating to 2015		–	(1,187,203)	–	–	(1,187,203)	–	(67,052)	(1,254,255)
Total transactions with owners		–	(1,247,407)	169,999	(141,275)	(1,218,683)	600,000	5,614,902	4,996,219
Balance at 30 June 2016		356,275	993,382	2,066,600	48,569,112	51,985,369	600,000	31,562,900	84,148,269

The notes on pages 52 to 90 form an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2017

		Unaudited Six months ended 30 June	
	Note	2017 RMB'000	2016 RMB'000
Cash flows from/(used in) operating activities			
Net cash generated from operations		9,703,969	3,206,166
Interest received	20	239,757	226,044
Interest paid		(2,740,790)	(2,499,236)
PRC Income tax paid		(4,730,788)	(3,179,229)
Net cash flows from/(used in) operating activities		2,472,148	(2,246,255)
Cash flows used in investing activities			
Additions of property and equipment and investment properties		(1,354,659)	(2,851,700)
Disposal of property and equipment		1,426	2,379
Deduction/(acquisition) of land use right and other non-current assets		548,798	(3,537,458)
Disposal of subsidiaries	26(a)	184,940	803,942
Deemed disposal of subsidiaries	26(b)	(185,413)	–
Acquisition of subsidiaries	26(c)	228,375	(66,996)
Deemed acquisition of subsidiaries		–	211,299
Acquisition of currency options		(23,832)	–
Settlement for derivative financial instruments		49,334	105,775
Net cash gains from disposal of investment in structured products issued by banks	19	37,061	34,461
Decrease/(increase) of available-for-sale financial assets		2,119,996	(1,670,000)
Capital injection to joint ventures	8	(83,000)	(257,890)
Capital injection to associated companies	7	(580,491)	–
Increase in prepayment for acquisition of equity interests	11	(1,569,054)	(1,520,000)
Payment for the acquisition of equity interests		(1,045,000)	–
Advance to joint ventures and associated companies		(2,619,313)	(2,468,475)
Net cash flows used in investing activities		(4,290,832)	(11,214,663)
Cash flows from financing activities			
Proceeds from borrowings	15	18,256,590	35,548,241
Repayments of borrowings and finance lease liabilities	15	(17,959,096)	(38,948,795)
Purchases of shares		(65,328)	(37,199)
Proceeds from perpetual capital instruments		–	600,000
Disposal of interests in subsidiaries without loss of control	26(d(i))	1,633,238	5,293,733
Acquisition of additional interests in subsidiaries	26(d(ii))	(1,349,473)	(222,631)
Dividends paid to the holders of perpetual capital instruments		(140,402)	–
Dividends paid to non-controlling interests		(105,246)	(67,052)
Increase in amounts due to non-controlling interests of subsidiary	17	1,490,638	4,999,590
(Increase)/decrease in restricted cash pledged for borrowings	13	(336,903)	1,018,353
Net cash flows from financing activities		1,424,018	8,184,240
Net decrease in cash and cash equivalents		(394,666)	(5,276,678)
Cash and cash equivalents at the beginning of the period		19,359,175	22,591,843
Effect of foreign exchange rate changes		(34,958)	9,378
Cash and cash equivalents at end of the period		18,929,551	17,324,543

The notes on pages 52 to 90 form an integral part of this interim condensed consolidated financial information.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2017

1 GENERAL INFORMATION AND BASIS OF PREPARATION

Shimao Property Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 29 October 2004 as an exempted company with limited liability under the Cayman Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company is principally engaged in investment holding. The principal activities of the Company and its subsidiaries (together, the “Group”) are property development, property investment and hotel operation in the People’s Republic of China (the “PRC”).

The Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 5 July 2006.

This interim condensed consolidated financial information is presented in thousands of Renminbi (“RMB’000”), unless otherwise stated, and was approved for issue on 29 August 2017.

This interim condensed consolidated financial information has been reviewed, not audited.

This interim condensed consolidated financial information for the six months ended 30 June 2017 has been prepared in accordance with HKAS 34, ‘Interim financial reporting’. The interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with HKFRSs.

2 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2016, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

2 ACCOUNTING POLICIES (continued)

(a) New and amended standards adopted by the Group

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2017:

HKAS 7 (Amendments) “Statement of cash flows” is effective for annual periods beginning on or after 1 January 2017. The amendments introduced an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

HKAS 12 (Amendments) “Income taxes” is effective for annual periods beginning on or after 1 January 2017. The amendments on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value.

HKFRS 12 (Amendment) “Disclosure of interest in other entities” is effective for annual periods beginning on or after 1 January 2017. The amendment is part of the annual improvements to HKFRSs 2014–2016 cycle. It clarifies that the disclosure requirement of HKFRS 12 is applicable to interest in entities classified as held for sale except for summarised financial information.

Amendments to HKFRSs effective for the financial year ending 31 December 2017 do not have a material impact on the Group.

(b) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are issued but not effective for annual periods beginning 1 January 2017, and have not been early adopted.

Currently related to the Group:

		Effective for annual periods beginning on or after
HKFRS 1 (Amendment)	First time adoption of HKFRS	1 January 2018
HKFRS 2 (Amendments)	Share-based payment	1 January 2018
HKFRS 4 (Amendments)	Insurance contracts	1 January 2018
HKFRS 9	Financial instruments	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2018
HK (IFRIC) 22	Foreign currency transactions and advance consideration	1 January 2018
HKAS 28 (Amendment)	Investments in associates and joint ventures	1 January 2018
HKAS 40 (Amendments)	Investment property	1 January 2018
HKFRS 16	Leases	1 January 2019
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

2 ACCOUNTING POLICIES (continued)

(b) New standards and interpretations not yet adopted (continued)

The Group has not early adopted any new accounting and financial reporting standards, amendments and interpretations to existing standards which have been issued but are not yet effective for the six months ended 30 June 2017. The Group is in the process of making an assessment on the impact of these new standards, amendments and interpretations and does not anticipate that the adoption when they become effective will result in any material impact on the Group's results of operations and financial position, except for the new financial reporting standard HKFRS 15 "Revenue from Contracts with Customers" (effective for annual periods beginning on or after 1 January 2018) which the Group is not yet in a position to conclude.

(c) Perpetual capital instruments

Perpetual capital instruments with no contractual obligation to repay its principal or to pay any distribution are classified as part of equity.

3 ESTIMATES

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2016 with the exception of changes in estimates that are required in determining the provision for income taxes.

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2016.

There have been no significant changes in any risk management policies since the year end.

4.2 Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash outflows for financial liabilities.

4.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

4 FINANCIAL RISK MANAGEMENT (continued)

4.3 Fair value estimation (continued)

The following table presents the Group's assets that are measured at fair value at 30 June 2017 and 31 December 2016.

As at 30 June 2017	Unaudited			Total RMB'000
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	
Assets				
Available-for-sale financial assets				
– listed equity securities	814,648	–	–	814,648
– investment in structured products issued by other financial institution	–	–	77,200	77,200
Derivative financial instruments	–	–	12,607	12,607
Total	814,648	–	89,807	904,455

As at 31 December 2016	Audited			Total RMB'000
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	
Assets				
Available-for-sale financial assets				
– listed equity securities	133,875	–	730,281	864,156
– investment in structured products issued by banks and other financial institution	–	–	3,077,100	3,077,100
Derivative financial instruments	–	–	90,199	90,199
Total	133,875	–	3,897,580	4,031,455

Available-for-sale financial assets included in Level 1 is the equity securities traded in Shanghai Stock Exchange, the fair value of which is based on quoted market prices at the balance sheet date.

Derivative financial instruments included in Level 3 as at 30 June 2017 are eight currency option contracts with the Morgan Stanley & Co International Plc ("Morgan Stanley"), the fair value of which is determined using valuation models for which not all inputs are market observable prices or rates.

Derivative financial instruments included in Level 3 as at 31 December 2016 are six currency option contracts and four currency forward contracts with the Morgan Stanley, the fair value of which is determined using valuation models for which not all inputs are market observable prices or rates.

Available-for-sale financial assets included in Level 3 are the investment in structured products entered into with financial institutions, the fair value of which is determined using valuation model for which not all inputs are market observable rates.

4 FINANCIAL RISK MANAGEMENT (continued)

4.3 Fair value estimation (continued)

As at 31 December 2016, available-for-sale financial assets included in Level 3 also included the restricted shares of Wanda Cinema Line Co., Ltd. ("Wanda Cinema Line") (Note 10) traded in Shenzhen Stock Exchange with one year lock-up period up to 3 January 2017, the fair value of which is determined using valuation model for which not all inputs are market observable rates. For the six months ended 30 June 2017, the investment in Wanda Cinema Line transferred from level 3 to level 1. There were no other reclassifications of financial assets and no transfers between different levels.

There were no changes in valuation techniques during the period.

4.4 Fair value measurements using significant unobservable inputs (Level 3)

Derivatives at fair value through profit or loss

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Opening balances of assets	90,199	41,782
Acquisition of currency options	23,832	–
Gains recognised in other income/other gains-net (Note 19)	–	65,174
Loss recognised in finance income	(52,090)	–
Settlements	(49,334)	(105,775)
Closing balances of assets	12,607	1,181
Changes in finance income	(52,090)	–
Changes in unrealised gains, under 'other income/other gains-net'	–	1,181

Available-for-sale financial assets at fair value Issued by banks and other financial institution	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Opening balances of assets	3,077,100	1,000,000
Addition	–	1,670,000
Deduction	(3,000,000)	–
Fair value gains recognised in other comprehensive income	100	35,224
Closing balances of assets	77,200	2,705,224
Changes in unrealised gains, under 'other comprehensive income'	100	35,224

4 FINANCIAL RISK MANAGEMENT (continued)

4.5 Fair value of financial assets and liabilities measured at amortised cost

The fair value of senior notes is as follows:

	30 June 2017 RMB'000	31 December 2016 RMB'000
Non-current	12,501,934	12,956,634

The fair values of senior notes were calculated using the market price of the traded senior notes on the balance sheet date. The fair values of senior notes are within level 1 of the fair value hierarchy.

5 SEGMENT INFORMATION

The chief operation decision-maker (the "CODM") has been identified as the management committee. The CODM reviews the Group's internal reporting in order to assess performance and allocate resources. The CODM has determined the operating segments based on these reports.

As majority of the Group's consolidated revenue and results are attributable to the market in the PRC and most of the Group's consolidated assets are located in the PRC, therefore no geographical information is presented.

The CODM assesses the performance of the operating segments based on a measure of revenue and operating profit. The information provided to the CODM is measured in a manner consistent with that in the annual financial statements.

(a) Revenue

Turnover of the Group consists of the following revenue recognised during the period:

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Sales of properties	34,167,300	28,589,225
Hotel operation income	810,805	667,436
Rental income from investment properties	377,006	415,080
Others	466,666	344,659
	35,821,777	30,016,400

5 SEGMENT INFORMATION (continued)

(b) Segment information

The segment results for the six months ended 30 June 2017 are as follows:

	Property development and investment		Hotel Operation RMB'000	Unallocated** RMB'000	Total RMB'000
	Shanghai Shimao Co., Ltd. ("Shanghai Shimao")* RMB'000	Others RMB'000			
Revenue					
– Sales of properties	9,475,608	24,691,692	–	–	34,167,300
– Hotel operation income	106,100	–	704,705	–	810,805
– Rental income from investment properties	290,860	86,146	–	–	377,006
– Others	220,768	245,898	–	–	466,666
Total revenue	10,093,336	25,023,736	704,705	–	35,821,777
Operating profit/(loss)	3,823,117	5,327,617	94,451	(485,565)	8,759,620
Finance income	35,887	195,408	582	497,240	729,117
Finance costs	(128,031)	(123,279)	(14,004)	(108,318)	(373,632)
Share of results of					
– Associated companies	(157)	141,321	–	–	141,164
– Joint ventures	(11,770)	(264,005)	–	–	(275,775)
Profit/(loss) before income tax	3,719,046	5,277,062	81,029	(96,643)	8,980,494
Income tax expense					(3,614,371)
Profit for the period					5,366,123
Other segment items are as follows:					
Capital and property development expenditure	7,089,663	23,298,234	417,646	–	30,805,543
Fair value gains/(losses) on investment properties	516,765	(158,229)	–	–	358,536
Fair value loss on derivative financial instruments	–	–	–	(52,090)	(52,090)
Depreciation	35,911	36,738	138,150	30,358	241,157
Amortisation of land use rights	4,806	325	28,873	–	34,004
(Reversal)/provision for impairment of receivables	(16,736)	4,735	–	–	(12,001)

* The Group owns an effective equity interest of 58.92% in Shanghai Shimao.

** Unallocated mainly represent corporate level activities.

5 SEGMENT INFORMATION (continued)

(b) Segment information (continued)

The segment results for the six months ended 30 June 2016 are as follows:

	Property development and investment		Hotel Operation RMB'000	Unallocated** RMB'000	Total RMB'000
	Shanghai Shimao* RMB'000	Others RMB'000			
Revenue					
– Sales of properties	5,892,314	22,696,911	–	–	28,589,225
– Hotel operation income	41,561	–	625,875	–	667,436
– Rental income from investment properties	282,187	132,893	–	–	415,080
– Others	150,943	193,716	–	–	344,659
Total revenue	6,367,005	23,023,520	625,875	–	30,016,400
Operating profit	1,993,163	6,293,792	7,510	(43,224)	8,251,241
Finance income	73,859	138,487	427	13,271	226,044
Finance costs	(119,501)	(173,308)	(14,070)	(375,267)	(682,146)
Share of results of					
– Associated companies	(2)	84,105	–	–	84,103
– Joint ventures	(77,612)	(193,587)	–	–	(271,199)
Profit/(loss) before income tax	1,869,907	6,149,489	(6,133)	(405,220)	7,608,043
Income tax expense					(3,229,181)
Profit for the period					4,378,862
Other segment items are as follows:					
Capital and property development expenditure	6,798,141	17,897,209	945,393	–	25,640,743
Fair value gains on investment properties	405,294	870,810	–	–	1,276,104
Fair value gains on derivative financial instruments	–	65,174	–	–	65,174
Write-off of intangible assets	–	26	–	–	26
Depreciation	19,218	44,500	138,322	17,454	219,494
Amortisation of land use rights	2,880	3,329	45,094	–	51,303
Provision for impairment of receivables	1,197	–	–	–	1,197

* The Group owns an effective equity interest of 58.92% in Shanghai Shimao.

** Unallocated mainly represent corporate level activities.

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5 SEGMENT INFORMATION (continued)

(b) Segment information (continued)

The segment assets and liabilities as at 30 June 2017 are as follows:

	Property development and investment		Hotel operation RMB'000	Total RMB'000
	Shanghai Shimao RMB'000	Others RMB'000		
Associated companies	200,255	1,116,034	–	1,316,289
Joint ventures	2,055,152	7,319,672	–	9,374,824
Intangible assets	1,709,730	–	130,928	1,840,658
Other segment assets	76,294,923	160,007,504	16,898,219	253,200,646
Total segment assets	80,260,060	168,443,210	17,029,147	265,732,417
Deferred income tax assets				2,359,328
Available-for-sale financial assets				1,771,848
Derivative financial instruments				12,607
Other assets				2,036,063
Total assets				271,912,263
Borrowings	15,933,076	26,514,128	581,200	43,028,404
Other segment liabilities	29,552,976	59,670,341	13,272,586	102,495,903
Total segment liabilities	45,486,052	86,184,469	13,853,786	145,524,307
Corporate borrowings				25,468,926
Deferred income tax liabilities				5,884,974
Other liabilities				1,926,044
Total liabilities				178,804,251

5 SEGMENT INFORMATION (continued)

(b) Segment information (continued)

The segment assets and liabilities as at 31 December 2016 are as follows:

	Property development and investment		Hotel operation RMB'000	Total RMB'000
	Shanghai Shimao RMB'000	Others RMB'000		
Associated companies	169	912,296	–	912,465
Joint ventures	2,066,922	7,116,503	–	9,183,425
Intangible assets	1,709,730	–	130,928	1,840,658
Other segment assets	73,525,911	151,943,817	16,148,122	241,617,850
Total segment assets	77,302,732	159,972,616	16,279,050	253,554,398
Deferred income tax assets				2,298,849
Available-for-sale financial assets				3,941,256
Derivative financial instruments				90,199
Other assets				2,018,303
Total assets				261,903,005
Borrowings	15,456,370	22,128,581	586,400	38,171,351
Other segment liabilities	30,981,287	56,813,299	12,564,720	100,359,306
Total segment liabilities	46,437,657	78,941,880	13,151,120	138,530,657
Corporate borrowings				28,772,161
Deferred income tax liabilities				5,666,533
Other liabilities				716,661
Total liabilities				173,686,012

There are no differences from the last annual financial statements in the basis of segmentation or in the basis of measurement of segment profit or loss.

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6 CAPITAL EXPENDITURE

	Property and equipment RMB'000	Investment properties RMB'000	Land use rights RMB'000	Intangible assets RMB'000	Total RMB'000
Opening net book amount as at 1 January 2017	13,493,658	32,270,913	8,218,571	1,840,658	55,823,800
Additions	701,598	412,637	54,668	–	1,168,903
Acquisition of a subsidiary	24	–	–	–	24
Fair value gains	–	358,536	–	–	358,536
Depreciation/amortisation	(241,157)	–	(34,004)	–	(275,161)
Disposal of subsidiaries	(56)	–	–	–	(56)
Disposals	(1,426)	–	–	–	(1,426)
Translation reserves	1,383	–	7,706	–	9,089
Closing net book amount as at 30 June 2017	13,954,024	33,042,086	8,246,941	1,840,658	57,083,709
Opening net book amount as at 1 January 2016	11,571,944	30,025,297	7,921,887	1,840,684	51,359,812
Additions	514,172	1,372,443	1,838	–	1,888,453
Transfer from properties under development	16,662	60,703	–	–	77,365
Transfer to properties under development	(11,295)	–	–	–	(11,295)
Transfer to completed properties	–	–	(8,423)	–	(8,423)
Fair value gains	–	1,276,104	–	–	1,276,104
Depreciation/amortisation	(219,494)	–	(51,303)	–	(270,797)
Disposal of subsidiaries	(3,619)	(2,598,000)	–	–	(2,601,619)
Impairment of goodwill recognised as expenses	–	–	–	(26)	(26)
Disposals	(2,379)	–	–	–	(2,379)
Closing net book amount as at 30 June 2016	11,865,991	30,136,547	7,863,999	1,840,658	51,707,195

Notes:

- (a) Intangible assets comprise goodwill from business combinations.

6 CAPITAL EXPENDITURE (continued)

(b) Investment properties

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Investment properties at fair value		
Opening balance	30,066,640	28,452,815
Additions – Transfer from properties under development	–	60,703
Additions – Construction cost and others	370,864	81,078
Disposal	–	(2,598,000)
Fair value gains	358,536	1,276,104
Closing balance	30,796,040	27,272,700

The valuations of the investment properties at 30 June 2017 and 30 June 2016 were carried out by an independent firm, Vigers Appraisal and Consulting Limited, who is a fellow member of the Royal Institution of Chartered Surveyors.

For completed investment properties, the fair values were determined using term and reversionary method on the basis of capitalisation of net rental income derived from the existing tenancies and the reversionary value by reference to recent comparable sales transactions in the relevant property market. The significant unobservable inputs adopted in the valuation included market prices, market rents, term and reversionary yields.

For investment properties under development, the valuation was determined using residual method by making reference to market capitalisation rates and recent comparable sales transactions on the assumption that the property had already been completed in accordance with latest development scheme at the valuation date by deducting the estimated costs to be incurred to complete the project and the developer's estimated profit margin.

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6 CAPITAL EXPENDITURE (continued)

(b) Investment properties (continued)

Fair value measurements using significant unobservable inputs (Level 3)

Investment properties at fair value

	Six months ended 30 June 2017		
	Completed	Investment properties	Total
	investment properties	under development	
	RMB'000	RMB'000	RMB'000
Opening balance	21,316,400	8,750,240	30,066,640
Additions	90,122	280,742	370,864
Transfer from completed investment properties	(5,830,000)	5,830,000	–
Net gains from fair value adjustment	309,878	48,658	358,536
Closing balance	15,886,400	14,909,640	30,796,040

	Six months ended 30 June 2016		
	Completed	Investment properties	Total
	investment properties	under development	
	RMB'000	RMB'000	RMB'000
Opening balance	21,562,800	6,890,015	28,452,815
Additions	31,833	109,948	141,781
Net gains from fair value adjustment	270,067	1,006,037	1,276,104
Disposal	(2,598,000)	–	(2,598,000)
Closing balance	19,266,700	8,006,000	27,272,700

Investment properties included in Level 3 are all completed investment properties and certain investment properties under development.

There were no transfers among Level 1, Level 2 and Level 3 during the period.

Investment properties under construction as at 30 June 2017 of RMB2,246,046,000 (31 December 2016: RMB2,204,273,000) were measured at cost, because their constructions were at very early stage and related fair values were not reliably determinable. These investment properties under development shall be measured at cost until either their fair values become reliably determinable or development is completed, whichever is earlier.

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7 ASSOCIATED COMPANIES

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Opening balance	912,465	898,275
Share of results	141,164	84,103
Transfer to a subsidiary	–	(33,000)
Capital injection (Note (a))	580,491	–
Transfer to a joint venture (Note (b))	(317,831)	–
Ending balance	1,316,289	949,378

Notes:

- (a) For the six months ended 30 June 2017, the Group invested in three new associates with amount of RMB220,243,000 and made additional capital injection into an existing associate with amount of RMB280,000,000. The Group also acquired 6.67% equity interest in Guangzhou Lihe Property Development Co., Ltd. (“Guangzhou Lihe”) from a third party at a consideration of RMB80,248,000 (Note (b)).
- (b) In June 2017, with the consideration of RMB80,248,000 the Group acquired 6.67% equity interest of Guangzhou Lihe and gained joint control pursuant to the revised articles, which then became the Group’s joint venture.

The Group’s share of the results of its associated companies, all of which are unlisted, and its share of the associated companies’ aggregated assets and liabilities, are as follows:

	Assets RMB'000	Liabilities RMB'000	Revenue RMB'000	Net profit RMB'000
As at 30 June 2017 and for the six months ended 30 June 2017	10,473,950	(9,157,661)	636,258	141,164

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8 JOINT VENTURES

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Opening balance	9,183,425	9,784,898
Capital injections (Note (a))	83,000	257,890
Transfer from subsidiaries (Note (b))	910,460	251,000
Transfer from an associated company (Note 7(b))	317,831	–
Transfer to subsidiaries (Note (c))	(844,117)	(587,847)
Share of results	(275,775)	(271,199)
Ending balance	9,374,824	9,434,742

Notes:

- (a) For the six months ended 30 June 2017, the Group set up two joint ventures with capital injections of RMB33,000,000 and RMB50,000,000, accounting for 33% and 50% registered capital respectively.
- (b) For the six months ended 30 June 2017, the Group disposed 50% equity interests in Shenyang Zhaolong Property Development Co., Ltd. (“Shenyang Zhaolong”), a wholly owned subsidiary, the remaining interest of the Group in Shenyang Zhaolong retained as a joint venture. The disposal resulted in a net cash inflow of RMB184,940,000 and a net loss of RMB23,850,000 (Note 26(a)).

For the six month ended 30 June 2017, certain third parties made capital injections into two then wholly owned subsidiaries. Pursuant to the agreements, the Group and the third parties would jointly control the operation of the entities. The disposal had resulted in a net cash outflow of RMB185,413,000 and a net gain of RMB2,028,000 (Note 26(b)).

- (c) In March 2017, the Group acquired 2% equity interest in Wuhan Shimao Tianrun Property Co., Ltd. (“Wuhan Tianrun”), which became a subsidiary with non-controlling interest. The acquisition had resulted in a net cash inflow of RMB228,345,000 and a net gain of RMB34,183,000 (Note 26(c)).

The Group's share of the results of its joint ventures, all of which are unlisted, and its share of the joint ventures' aggregated assets and liabilities, are as follows:

	Assets RMB'000	Liabilities RMB'000	Revenue RMB'000	Net losses RMB'000
As at 30 June 2017 and for the six months ended 30 June 2017	60,960,513	(51,585,689)	2,056,337	(275,775)

9 AMOUNTS DUE FROM RELATED PARTIES

	30 June 2017 RMB'000	31 December 2016 RMB'000
Included in non-current assets		
– Joint ventures	1,151,432	1,298,879
– Associated companies	524,352	624,352
	1,675,784	1,923,231

The Group made advances to several joint ventures and associated companies to finance their acquisition of land use rights. These advances are interest-free, unsecured and have no fixed repayment terms. The Group's intention is that the advances will only be recalled when the joint ventures and associated companies have surplus cash.

	30 June 2017 RMB'000	31 December 2016 RMB'000
Included in current assets		
– Companies with common directors	160	160
– Associated companies	738,928	2,195,889
– Joint ventures	4,750,986	427,265
	5,490,074	2,623,314

The balances due from related companies are unsecured, interest-free and have no fixed repayment terms.

The carrying amounts of amounts due from related companies approximate their fair values.

10 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30 June 2017 RMB'000	31 December 2016 RMB'000
Available-for-sale financial assets included in non-current assets		
Listed securities:		
– Equity securities		
– without lock-up period (Note (a))	814,648	133,875
– with lock-up period (Note (b))	–	730,281
Investment in structured products issued by other financial institution (Note (c))	77,200	77,100
	891,848	941,256
Available-for-sale financial assets included in current assets		
Investment in structured products issued by banks (Note (c))	880,000	3,000,000
	1,771,848	3,941,256

Notes:

- (a) Listed securities without lock-up period represented investment in listed equity securities in the PRC which were stated at market value based on the quoted price.
- (b) Listed securities with lock-up period as at 31 December 2016 represented 1.15% equity interest (13,506,212 shares) in Wanda Cinema Line, a company listed on the Shenzhen Stock Exchange. As at 3 January 2017, upon the end of lock-up period, it is recorded in listed securities without lock-up period.
- (c) As at 30 June 2017, Investment in structured products issued by banks represented a combination of financial products with a floating interest measured at cost. The products are priced at market interest rates and mature within one year. Investment in structured products issued by other financial institution represented a combination of financial products with a floating interest measured at fair value.

As at 31 December 2016, investment in structured products issued by banks and other financial institution represented a combination of financial products with a floating interest measured at fair value.

The fair value of these assets are determined using valuation model for which not all inputs are observable and is within Level 3 of the fair value hierarchy (Note 4).

11 OTHER NON-CURRENT ASSETS

Other non-current assets mainly represent the prepayments for acquisition of land use rights and equity interests and receivables of financial lease.

The Group made prepayments for certain land use rights, the ownership certificates of which have not been obtained as at the balance sheet date. As at 30 June 2017, prepayments of RMB366,173,000 (31 December 2016: RMB969,639,000) were related to the lands for the purpose to develop hotel buildings, self-used buildings and investment properties, and are included in non-current assets. As at 30 June 2017, prepayments of RMB19,780,936,000 (31 December 2016: RMB17,950,915,000) were related to the lands for the purpose to develop properties for sale, and are included in current assets, 'prepayments for acquisition of land use rights'.

As at 30 June 2017, the Group made prepayments of RMB2,229,054,000 (31 December 2016: RMB660,000,000) for acquisition of certain equity interests.

12 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	30 June 2017 RMB'000	31 December 2016 RMB'000
Bidding deposits for land use rights (Note (a))	10,020,467	10,434,729
Trade receivables (Note (c))	4,419,178	4,623,286
Prepayments for construction costs	1,816,112	1,832,733
Prepaid business taxes on pre-sale proceeds	741,265	1,039,979
Loan receivables (Note (b))	723,050	–
Other receivables	2,272,308	2,325,809
	19,992,380	20,256,536

Notes:

- (a) Bidding deposits for land use rights mainly represented deposits the Group placed with various municipal governments for the participation in various land auctions. These deposits will be deducted against the total land costs to be paid, if the Group wins the bid at the auction. If the Group does not win, the amount will be fully refunded.
- (b) As at 30 June 2017, loan receivables of RMB723,050,000 (31 December 2016: nil) were secured by the pledge of certain properties, notes receivable or credit guaranty of borrowers, bearing interest rate at a range from 4.8% to 14.4% per annum and repayable within one year.

12 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (continued)

- (c) Trade receivables mainly arose from sales of properties and receivables arising from property management service, rental income and others. Consideration in respect of properties sold is receivable in accordance with the terms of the related sales and purchase agreements. The ageing analysis of trade receivables at respective balance sheet dates is as follows:

	30 June 2017 RMB'000	31 December 2016 RMB'000
Within 90 days	3,180,019	3,714,529
Over 90 days and within 365 days	799,040	527,704
Over 365 days	440,119	381,053
	4,419,178	4,623,286

Trade receivables are analysed as follows:

	30 June 2017 RMB'000	31 December 2016 RMB'000
Fully performing under credit terms	3,594,482	3,690,031
Past due but not impaired	824,696	933,255
	4,419,178	4,623,286

The ageing analysis of trade receivables past due but not impaired is as follows:

	30 June 2017 RMB'000	31 December 2016 RMB'000
Within 90 days	229,103	375,422
Over 90 days and within 365 days	340,703	225,516
Over 365 days	254,890	332,317
	824,696	933,255

As the Group normally holds the properties as collateral before collection of the outstanding balances and passing the titles to the purchasers, the Directors consider that the past due trade receivables would be recovered and no provision was made against past due receivables as at 30 June 2017 (31 December 2016: Nil).

As at 30 June 2017, provision for impairment of other receivables was approximately RMB176,750,000 (31 December 2016: RMB188,751,000).

As at 30 June 2017, the fair value of trade receivables, bidding deposits for land use rights, loan receivables and other receivables of the Group approximate their carrying amounts, as the impact of discounting is not significant.

As at 30 June 2017 and 31 December 2016, trade and other receivables of the Group were mainly denominated in RMB.

13 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	30 June 2017 RMB'000	31 December 2016 RMB'000
Restricted cash	3,075,155	2,875,658
Cash and cash equivalents	18,929,551	19,359,175
	22,004,706	22,234,833

As at 30 June 2017, the Group's bank deposits of approximately RMB451,226,000 (31 December 2016: RMB588,632,000) was restricted and deposited in certain banks as guarantee deposits for mortgage loan facilities granted by the banks to the purchasers of the Group's properties. In addition, the Group's cash of approximately RMB2,623,929,000 (31 December 2016: RMB2,287,026,000) were pledged as collateral for the Group's borrowings.

The Group's cash and cash equivalents and restricted cash balances are mainly denominated in RMB. The conversion of RMB denominated balances into foreign currencies and the remittance of the foreign currencies out of the PRC are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

The effective interest rate on bank deposits as at 30 June 2017 was 0.34% (31 December 2016: 0.34%).

14 SHARE CAPITAL

(a) Details of share capital of the Company are as follows:

	Par value HK\$	Number of Shares '000	Nominal value of ordinary shares Equivalent to RMB'000	
			HK\$'000	RMB'000
Authorised:				
At 30 June 2017 and 31 December 2016	0.1	5,000,000	500,000	
Issued and fully paid:				
At 1 January 2017		3,399,381	339,938	348,864
Cancellation of shares (Note)		(12,359)	(1,236)	–
At 30 June 2017		3,387,022	338,702	348,864
At 30 June 2016 and 1 January 2016		3,472,572	347,257	356,275

14 SHARE CAPITAL (continued)

(a) Details of share capital of the Company are as follows (continued):

Note:

The Company acquired 85,549,000 of its own shares through purchases on the Hong Kong Stock Exchange from 4 July 2016 till 30 December 2016, among which 12,359,000 shares have been cancelled during the six months ended 30 June 2017, 73,191,000 shares have been cancelled during the year ended 31 December 2016. The total amount paid to acquire the shares was HK\$874,917,561, equivalent to RMB758,374,125 and has been deducted from share premium within shareholders' equity during the year ended 31 December 2016.

(b) Employee Stock Ownership Plan

As at 30 June 2017, pursuant to the employee stock ownership plan ("Employee Stock Ownership Plan") that was approved by Shanghai Shimao's shareholders on 9 May 2017 and will expire at the end of the 60-month period from the date of grant, a total of 2,313,168 ordinary shares of Shanghai Shimao had been bought back from the secondary market at the total cost of RMB11,096,000. The purpose of the Employee Stock Ownership Plan is to provide the participants with an opportunity to hold a personal stake in Shanghai Shimao so as to motivate such participants and to enhance performance and efficiency. In May 2017, options for a total of 2,313,168 ordinary shares of Shanghai Shimao under this plan were granted to Shanghai Shimao's eligible employees with no exercise price or fulfilment of any condition. The exercise of the granted options is subject to a restriction of 12 months from the date of 3 July 2017. As at 30 June 2017, no shares were vested or lapsed.

(c) Share Award Scheme

The Company's board of directors (the "Board") approved and adopted the Share Award Scheme on 30 December 2011 (the "Share Scheme"). Unless terminated earlier by the Board, the Share Scheme is valid and effective for a term of 8 years commencing on 30 December 2011. The maximum number of shares to be awarded must not exceed 34,659,508 shares (i.e. 1% of issued shares of the Company as at 30 December 2011).

The Board may, from time to time, at its absolute discretion and subject to such terms and conditions as it may think fit (including the basis of eligibility of each employee determined by the Board from time to time), select such employee(s) for participation in the Share Scheme and determine the number of awarded shares.

A Trust was constituted to manage the Share Scheme, and a wholly owned subsidiary of the Company incorporated in the British Virgin Islands was designated as Trustee. Up to 30 June 2017, the Trust purchased 30,156,500 ordinary shares from market, totaling HK\$401,997,000 (equivalent to RMB328,637,000), of which 25,953,153 shares were granted to eligible employees according to the Share Scheme, 15,858,565 shares vested, and 2,195,002 shares lapsed.

The granted shares were subject to several vesting conditions, including 1 year service and nonmarket performance appraisal before vesting date. The shares granted are held by the Trust before being transferred to the employees when vesting conditions are fully met.

14 SHARE CAPITAL (continued)

(c) Share Award Scheme (continued)

Movements in the number of unvested shares granted during the period are as follows:

	Number of unvested shares granted Six months ended 30 June	
	2017	2016
Unvested shares, beginning	3,517,115	4,730,902
Granted	7,899,586	3,517,115
Vested	(3,061,698)	(2,387,734)
Lapsed	(455,417)	(293,779)
Unvested shares, ending	7,899,586	5,566,504

The weighted average fair value of the unvested shares granted during the period ended 30 June 2017 is HK\$105,538,469, equivalent to RMB91,598,948 (2016: HK\$54,329,079, equivalent to RMB46,433,434).

(d) Reconciliation of the number of shares outstanding was as follows:

	Number of shares issued As at 30 June	
	2017 '000	2016 '000
Shares issued	3,387,022	3,472,572
Treasury shares for Share Scheme	(14,298)	(12,907)
Shares outstanding	3,372,724	3,459,665

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15 BORROWINGS

	30 June 2017 RMB'000	31 December 2016 RMB'000
Borrowings included in non-current liabilities		
Long-term bank borrowings		
– secured by assets (Note (i))	6,574,887	8,525,901
– unsecured	6,502,775	2,692,844
Long-term borrowings from other financial institutions		
– secured by assets (Note (i))	2,452,000	2,452,000
– unsecured	1,142,534	1,094,466
Senior notes – secured (Note (ii))	11,476,222	17,266,917
Medium-term notes – unsecured (Note (iii))	4,000,000	5,000,000
Long-term bonds (Note (iv))	12,164,781	10,864,781
Domestic Corporate Bonds (Note (vi))	9,710,716	9,705,620
	54,023,915	57,602,529
Less: Portion of long-term bank borrowings due within one year	(500,343)	(544,125)
Portion of long-term borrowings from other financial institutions due within one year	(123,534)	(344,466)
Portion of senior notes due within one year	–	(5,525,735)
Portion of medium-term notes due within one year	(2,500,000)	(2,000,000)
Amounts due within one year	(3,123,877)	(8,414,326)
	50,900,038	49,188,203
Borrowings included in current liabilities		
Short-term bank borrowings		
– secured by assets (Note (i))	3,051,589	3,188,983
– unsecured	8,732,826	2,105,000
Short term borrowings from other financial institutions		
– secured by assets (Note (i))	65,000	46,000
– unsecured	624,000	1,000
Short-term bonds – unsecured (Note (v))	2,000,000	4,000,000
Current portion of long-term borrowings	3,123,877	2,888,591
Current portion of senior notes	–	5,525,735
	17,597,292	17,755,309

Notes to the Interim Condensed Consolidated Financial Information
For the six months ended 30 June 2017

15 BORROWINGS (continued)

Movement of borrowings is analysed as follows:

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Opening balance at 1 January	66,943,512	69,820,992
Additions of borrowings	18,256,590	35,548,241
Transfer from joint ventures to subsidiaries	1,937,000	473,990
Amortisation of issuance expenses	16,632	21,130
Reductions of borrowings	(17,891,424)	(38,948,795)
Disposal of subsidiaries	(209,540)	(500,000)
Foreign exchange (gains)/losses	(555,440)	530,174
Closing balance at 30 June	68,497,330	66,945,732

Notes:

- (i) As at 30 June 2017, the Group's total secured bank borrowings and borrowings from other financial institutions of RMB12,143,476,000 (31 December 2016: RMB14,212,883,000) were secured by its property and equipment, investment properties, land use rights, properties under development, completed properties held for sale and restricted cash. As at 30 June 2017, secured borrowings of RMB165,578,000 (31 December 2016: RMB147,500,000) were further guaranteed by Mr. Hui Wing Mau.

The pledged assets for the Group's borrowings are as follows:

	30 June 2017 RMB'000	31 December 2016 RMB'000
Property and equipment	3,039,239	2,163,756
Investment properties	7,173,279	12,630,800
Land use rights	684,326	1,647,135
Properties under development	26,906,962	26,992,358
Completed properties held for sale	7,428,140	6,581,322
Restricted cash	2,623,929	2,287,026
	47,855,875	52,302,397

15 BORROWINGS (continued)

Notes (continued):

- (ii) On 14 January 2013, the Company issued senior notes with total principal of US\$800,000,000 at a fixed interest rate of 6.625% due on 14 January 2020, which was early redeemed on 6 February 2017.

On 22 January 2014, the Company issued senior notes with total principal of US\$600,000,000 at a fixed rate of 8.125% due on 22 January 2021.

On 10 February 2015, the Company issued senior notes with total principal of US\$800,000,000 at a fixed interest rate of 8.375% due on 10 February 2022. On 17 March 2015, the Company issued senior notes with total principal of US\$300,000,000 at a fixed interest rate 8.375% due on 10 February 2022.

The Company may at its option redeem these notes, in whole or in part, by certain dates based on the terms of these notes. The notes are senior obligations guaranteed by certain restricted offshore subsidiaries and secured by a pledge of the shares of these offshore restricted subsidiaries.

- (iii) On 15 April 2014, Shanghai Shimao issued medium-term notes with total principal of RMB1,000,000,000 at a fixed interest rate of 8.37% due on 15 April 2017, which was redeemed on 12 April 2017. On 22 August 2014, Shanghai Shimao issued medium-term notes with total principal of RMB1,000,000,000 at a fixed interest rate of 7.6% due on 22 August 2017. On 10 March 2015, Shanghai Shimao issued medium-term notes with total principal of RMB1,500,000,000 at a fixed interest rate of 6.08% due on 10 March 2018. On 10 July 2015, Shanghai Shimao issued medium-term notes with total principal of RMB1,500,000,000 at a fixed interest rate of 5.35% due on 10 July 2018.
- (iv) On 18 September 2015, Shanghai Shimao Jianshe Co., Ltd. ("Shimao Jianshe") issued long-term bonds in an aggregate principal amount of RMB6,000,000,000 at a fixed interest rate of 3.90% per annum, which will mature on 18 September 2020. On 15 October 2015, Shimao Jianshe issued long-term bonds with total principal of RMB1,400,000,000 at a fixed interest rate of 4.15% due on 15 October 2022. On 22 March 2016, Shanghai Shimao issued the first phase of corporate bonds with total principal of RMB2,000,000,000 at a fixed interest rate of 3.29% due on 22 March 2019. On 12 July 2016, Shanghai Shimao issued the first phase of corporate bonds with total principal of RMB1,500,000,000 at a fixed interest rate of 3.38% due on 12 July 2019. On 6 January 2017, Shanghai Shimao issued the first phase of corporate bonds with total principal of RMB1,300,000,000 at a fixed interest rate of 4.50% due on 5 January 2020.
- (v) On 12 January 2016, Shanghai Shimao issued short-term financing bonds with total principal of RMB2,000,000,000 at a fixed interest rate of 3% due on 12 January 2017. On 20 October 2016, Shanghai Shimao issued short-term financing bonds with total principal of RMB2,000,000,000 at a fixed interest rate of 2.98% due on 20 October 2017.

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15 BORROWINGS (continued)

Notes (continued):

- (vi) On 14 January 2016, 3 August 2016, 22 September 2016, 22 September 2016 and 22 September 2016, Shimao Property Holdings Limited issued domestic corporate bonds with total principal of RMB4,000,000,000, RMB540,000,000, RMB1,000,000,000, RMB3,000,000,000 and RMB1,200,000,000 at a fixed interest rate of 4.8%, 4.3%, 3.7%, 3.9% and 4.1% due on 14 January 2021, 3 August 2021, 22 September 2018, 22 September 2019 and 22 September 2021.

The carrying amounts of the borrowings are denominated in the following currencies:

	30 June 2017 RMB'000	31 December 2016 RMB'000
RMB	42,951,538	44,376,073
HK dollar	4,327,096	4,405,911
US dollar	20,301,690	17,266,917
AU dollar	390,743	376,178
JP yen	526,263	518,433
Closing balance	68,497,330	66,943,512

16 TRADE AND OTHER PAYABLES

	30 June 2017 RMB'000	31 December 2016 RMB'000
Trade payables (Note (a))	24,206,076	21,220,985
Other taxes payable	1,672,173	1,070,753
Accrued expenses	1,613,837	1,670,331
Other payables (Note (b))	2,496,671	3,345,545
	29,988,757	27,307,614

Notes to the Interim Condensed Consolidated Financial Information
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16 TRADE AND OTHER PAYABLES (continued)

Notes:

(a) The ageing analysis of the trade payables based on invoice date is as follows:

	30 June 2017 RMB'000	31 December 2016 RMB'000
Within 90 days	23,774,646	20,371,754
Over 90 days and within 1 year	431,430	849,231
	<u>24,206,076</u>	<u>21,220,985</u>

(b) Other payables comprise:

	30 June 2017 RMB'000	31 December 2016 RMB'000
Deposits received from customers	1,350,048	1,235,158
Payables for equity interest	–	1,045,000
Fees collected from customers on behalf of government agencies	75,842	144,105
Deposits from constructors	496,610	356,455
Rental deposits from tenants and hotel customers	514,422	463,658
Others	59,749	101,169
	<u>2,496,671</u>	<u>3,345,545</u>

17 AMOUNTS DUE TO RELATED PARTIES

	30 June 2017 RMB'000	31 December 2016 RMB'000
Joint ventures	17,055,297	16,297,129
Associated companies	2,322,104	2,470,252
Non-controlling interests	10,511,927	9,021,289
Total	<u>29,889,328</u>	<u>27,788,670</u>

Amounts due to non-controlling interests represent funds injected by the non-controlling shareholders for the development of properties.

The balances due to related parties are unsecured, interest-free and have no fixed repayment terms.

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18 EXPENSES BY NATURE

Expenses included in cost of sales, selling and marketing costs, administrative expenses and other operating expenses are analysed as follows:

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Cost of properties sold and others	24,770,886	20,030,416
<i>Including: interests capitalised</i>	2,213,516	1,943,018
<i>land and construction cost</i>	21,833,201	17,774,395
Business taxes and other levies on sales of properties	203,398	1,174,839
Staff costs – including directors' emoluments	841,327	820,071
Corporate and office expenses	476,127	459,497
Advertising, promotion and commission costs	342,143	316,730
Direct expenses arising from hotel operation	393,537	278,973
Depreciation (Note 6)	241,157	219,494
Provision of impairment losses on completed properties held for sale	132,788	156,903
Operating lease rental expenses	82,543	81,449
Amortisation of land use rights (Note 6)	34,004	51,303
Charitable donations	11,352	46,080
Direct expenses arising from investment properties	10,193	17,432
Auditor's remuneration	4,425	4,200
(Reversal)/provision for impairment of receivables	(12,001)	1,197
Others	61,130	53,402
Total cost of sales, selling and marketing costs, administrative expenses and other operating expenses	27,593,009	23,711,986

19 OTHER INCOME/OTHER GAINS – NET

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Government grants received	53,447	72,148
Gain on derivative financial instruments	–	65,174
Gain on disposal of investment in structured products issued by banks	37,061	34,461
Gain on acquisition of equity interests and obtaining control (Note 26(c))	34,183	–
(Loss)/gain on disposal of subsidiaries (Note 26(a)(b))	(21,822)	454,269
Others	69,447	44,671
	172,316	670,723

Notes to the Interim Condensed Consolidated Financial Information
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20 FINANCE (INCOME)/COSTS – NET

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Finance income		
– interest income on short-term bank deposits	(239,757)	(226,044)
– net foreign exchange gains	(489,360)	–
Finance income	(729,117)	(226,044)
Interest on bank borrowings		
– wholly repayable within five years	1,236,827	1,344,433
– not wholly repayable within five years	422,522	208,170
Interest on senior notes		
– wholly repayable within five years	439,037	348,725
– not wholly repayable within five years	320,152	299,883
Interest on borrowings from other financial institutions		
– wholly repayable within five years	182,992	447,116
	2,601,530	2,648,327
Less: interest capitalised	(2,227,898)	(2,286,204)
Net foreign exchange losses	–	534,519
Less: foreign exchange losses capitalised	–	(214,496)
Finance costs	373,632	682,146
Finance (income)/costs – net	(355,485)	456,102

21 INCOME TAX EXPENSE

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Current income tax		
– PRC enterprise income tax	1,933,082	2,216,544
– PRC withholding income tax	74,569	19,942
– PRC land appreciation tax	1,474,478	991,320
	3,482,129	3,227,806
Deferred income tax		
– PRC enterprise income tax	42,242	1,375
– PRC withholding income tax	90,000	–
	132,242	1,375
	3,614,371	3,229,181

(a) Hong Kong profits tax

No Hong Kong profits tax has been provided for as the Group has no estimated assessable profit in Hong Kong for the period.

(b) PRC enterprise income tax

PRC enterprise income tax is provided for at 25% of the profits for the PRC statutory financial reporting purpose, adjusted for those items which are not assessable or deductible for PRC enterprise income tax purpose.

(c) PRC land appreciation tax

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including cost of land use rights, borrowing costs, business taxes and all property development expenditures. The tax is incurred upon transfer of property ownership.

(d) PRC withholding income tax

According to the new Enterprise Income Tax Law of the PRC, starting from 1 January 2008, a 10% withholding tax will be levied on the immediate holding companies outside the PRC when their PRC subsidiaries declare dividend out of profits earned after 1 January 2008. A lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong according to the tax treaty arrangement between the PRC and Hong Kong.

Gain on disposal of an investment in the PRC by overseas holding companies and intra-group charges to the PRC subsidiaries by overseas subsidiaries may also be subject to withholding tax of 10%.

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22 DIVIDENDS

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Final dividends paid of HK44 cents (2015: HK40 cents) per ordinary share (Note (a))	1,318,310	1,163,728
Proposed interim dividends of HK40 cents (2016: HK32 cents) per ordinary share (Note (b))	1,152,807	954,318
Other dividends paid	105,246	118,542
	2,576,363	2,236,588

Notes:

- (a) A final dividend in respect of the year ended 31 December 2016 of HK44 cents per ordinary share, amounting to approximately HK\$1,490,290,000 (equivalent to RMB1,318,310,000) was proposed at the Company's board meeting held on 29 March 2017, and was approved at the annual general meeting of the Company held on 19 June 2017.
- (b) An interim dividend in respect of the six months ended 30 June 2016 of HK26 cents per ordinary share and a special dividend of HK6 cents per ordinary share, amounting to approximately HK\$1,111,222,000 (equivalent to RMB954,318,000) was paid in September 2016.

At a meeting held on 29 August 2017, the Board declared an interim dividend of HK40 cents per ordinary share for the six months ended 30 June 2017, amounting to approximately HK\$1,354,809,000 (equivalent to RMB1,152,807,000). This proposed dividend is not reflected as a dividend payable in this condensed consolidated financial information.

23 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2017	2016
Profit attributable to the equity holders of the Company (RMB'000)	3,879,244	3,028,329
Weighted average number of ordinary shares in issue (thousands)	3,374,770	3,459,008
Basic earnings per share (RMB cents)	114.95	87.55

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue for the potential dilutive effect caused by the shares granted under the Share Scheme assuming they were exercised.

	Six months ended 30 June	
	2017	2016
Profit attributable to the equity holders of the Company (RMB'000)	3,879,244	3,028,329
Weighted average number of ordinary shares in issue (thousands)	3,374,770	3,459,008
Adjustments for shares granted under Share Scheme (thousands)	5,200	2,928
Weighted average number of ordinary shares for diluted earnings per share (thousands)	3,379,970	3,461,936
Diluted earnings per share (RMB cents)	114.77	87.48

24 CONTINGENCIES AND FINANCIAL GUARANTEE CONTRACTS

(a) The Group had the following contingent liabilities:

	30 June 2017 RMB'000	31 December 2016 RMB'000
Guarantees in respect of mortgage facilities for certain purchasers	24,853,396	20,614,857

Note:

The Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to retain the legal title and take over possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends when the Group obtained the "property title certificate" for the mortgagees, or when the Group obtained the "master property title certificate" upon completion of construction. The directors consider that in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the financial statements for the guarantees.

(b) The Group had the following financial guarantee liabilities:

	Year of maturity	30 June 2017 RMB'000	31 December 2016 RMB'000
Guarantee in respect of borrowings	2017-2021	6,944,686	6,298,249

Note:

The Group and other shareholders provided guarantees in proportion of their respective equity interests in certain joint ventures and associated companies for their bank borrowings. The guarantees provided by the Group amounted to RMB6,944,686,000 as at 30 June 2017 (31 December 2016: RMB6,298,249,000). The fair value of the financial guarantee contracts are not significant. The Directors are of the view that such obligation will not cause an outflow of the Group's resources embodying economic benefits.

24 CONTINGENCIES AND FINANCIAL GUARANTEE CONTRACTS (continued)

(c) Contingencies for litigation

A bank filed a litigation against Shanghai Shimao, a subsidiary of the Company, alleging that Shanghai Shimao should repay the principal and interest of the borrowings in a total amount of approximately RMB390,000,000 on behalf of Hangzhou Shimao Century Property Co., Ltd. (“Hangzhou Shimao”), an associated company of Shanghai Shimao, since Hangzhou Shimao was in financial difficulty and Shanghai Shimao once provided guarantee in respect to its borrowings. The provision charge amounting to approximately RMB53,210,000 has been recognised in profit or loss within “other income/other gains – net” during the year ended 31 December 2016. In the opinion of the Directors, after taking into consideration the appropriate legal advice, the outcome of these legal litigation will not give rise to any significant loss beyond the estimated amounts provided as at 30 June 2017.

For other litigation against the Group, the Directors are of the view that they would not cause an outflow of the Group’s resources embodying economic benefits as at 30 June 2017.

25 COMMITMENTS

(a) Commitments for capital and property development expenditure

	30 June 2017 RMB’000	31 December 2016 RMB’000
Contracted but not provided for		
– Property and equipment and investment properties	1,396,540	1,114,851
– Land use rights (including those related to associated companies and joint ventures)	17,492,568	15,975,981
– Properties being developed for sale	25,942,799	25,840,875
	44,831,907	42,931,707

(b) Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings are as follows:

	30 June 2017 RMB’000	31 December 2016 RMB’000
Within 1 year	144,773	145,786
After 1 year but within 5 years	374,761	419,248
After 5 years	166,557	190,850
	686,091	755,884

26 SIGNIFICANT ACQUISITION OR DISPOSAL OF SUBSIDIARIES AND TRANSACTIONS WITH NON-CONTROLLING INTERESTS

(a) Disposal of subsidiaries (with loss of control)

For the six months ended 30 June 2017, the Group disposed 50% equity interests in a then wholly owned subsidiary with total consideration of RMB190,460,000.

Net assets disposed with reconciliation of disposal losses and cash inflow on disposal are as follows:

	RMB'000
Cash and cash equivalents	5,520
Properties under development	1,442,432
Trade and other receivables and prepayments	360,050
Completed properties held for sale	281,984
Property and equipment	38
Deferred income tax assets	37,397
Borrowings	(209,540)
Advanced proceeds received	(1,518)
Trade and other payables	(1,511,593)
Total identifiable net assets	404,770
Total consideration	190,460
Fair value of interests retained in joint ventures	190,460
Net assets disposed	(404,770)
Disposal losses (Note 19)	(23,850)
Total consideration	190,460
Less: Cash and cash equivalents in the entities disposed	(5,520)
Net cash inflow arising from disposal	184,940

26 SIGNIFICANT ACQUISITION OR DISPOSAL OF SUBSIDIARIES AND TRANSACTIONS WITH NON-CONTROLLING INTERESTS (continued)

(b) Deemed disposal of subsidiaries

For the six months ended 30 June 2017, the Group lost control of two then wholly-owned subsidiaries, namely, Nanning Shimao Investment Co., Ltd. and Fujian Shimao Ruiying Property Development Co., Ltd. pursuant to capital injection by two new investors into these companies. The remaining interests of the Group in these companies has a fair value of RMB220,000,000 and RMB500,000,000 respectively. After such capital injections, these companies became joint ventures of the Group.

	RMB'000
Cash and cash equivalents	185,413
Properties under development	303,380
Trade and other receivables and prepayments	680,995
Property and equipment	18
Deferred income tax assets	676
Trade and other payables	(452,510)
Total identifiable net assets	717,972
Fair value of interests retained in joint ventures	720,000
Net assets disposed	(717,972)
Disposal gains (Note 19)	2,028
Net cash outflow arising from disposal	(185,413)

26 SIGNIFICANT ACQUISITION OR DISPOSAL OF SUBSIDIARIES AND TRANSACTIONS WITH NON-CONTROLLING INTERESTS (continued)

(c) Acquisition of subsidiaries

In March 2017, the Group acquired 2% equity interest of the joint venture Wuhan Tianrun at a consideration of RMB35,132,000. After the acquisition, the Group owns 52% shares of Wuhan Tianrun. The carrying value of the investment in the joint venture was RMB844,117,000 before the business combination. The purchase resulted in a net cash inflow of RMB228,345,000 and RMB34,183,000 gain was recognised from this acquisition.

For the six months ended 30 June 2017, the Group gained control of subsidiaries Quanzhou Meiya Environment Co., Ltd., Quanzhou Meiya Business Management Co., Ltd. and Shanghai Juji Mortgage Co., Ltd. at a total consideration of RMB10,000,000. The acquisition resulted in a net cash inflow of RMB30,000.

The following table summarises the consideration paid, the fair value of assets acquired, liabilities assumed and the non-controlling interests at the acquisition date.

	RMB'000
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Cash and cash equivalents	273,507
Properties under development	1,478,341
Trade and other receivables and prepayments	8,869,596
Property and equipment	24
Borrowings	(1,937,000)
Advanced proceeds received	(1,127,971)
Trade and other payables	(5,780,546)
Total identifiable net assets	1,775,951
Non-controlling interests	(852,519)
Total acquired net assets	923,432
Book value of previously held interests in the joint venture (Note 8)	(844,117)
Cash consideration paid	(45,132)
Gain on acquisition (Note 19)	34,183
Cash consideration paid	(45,132)
Cash and cash equivalents in the entity acquired	273,507
Net cash inflow from acquisition	228,375

26 SIGNIFICANT ACQUISITION OR DISPOSAL OF SUBSIDIARIES AND TRANSACTIONS WITH NON-CONTROLLING INTERESTS (continued)

(d) Transaction with non-controlling interests

(i) Capital contribution from non-controlling interests

For the six months ended 30 June 2017, non-controlling interests made several capital injections into the Group with total consideration of RMB1,633,238,000, which was equal to the carrying amount of non-controlling interests acquired on the date of acquisition.

(ii) Changes in ownership interests in subsidiaries without change of control

For the six months ended 30 June 2017, the Group acquired additional interests in the subsidiaries for a total consideration of RMB1,349,473,000. The Group recognised a decrease in non-controlling interests of RMB1,252,550,000 and a decrease in equity attributable to the equity holders of the Company of RMB96,923,000. The effect of changes in the ownership interest of the Group on the equity attributable to the equity holders of the Company during the period is summarised as follows:

	The date of acquisition RMB'000
Carrying amount of non-controlling interests acquired	1,252,550
Consideration paid to non-controlling interests	(1,349,473)
	<hr/>
Excess of consideration paid recognised in equity	(96,923)

27 RELATED PARTY TRANSACTIONS

The Group is controlled by Gemfair Investments Limited (incorporated in the British Virgin Islands), which owns 57.513% of the Company's shares. The ultimate controlling person of the Group is Mr. Hui Wing Mau.

- (a) Other than those disclosed elsewhere in this interim condensed consolidated financial information, the Group had entered into the following major related party transactions during the period:

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Construction material sold to related companies	4,393	1,614

- (b) Key management compensation

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Emoluments		
– Salaries and other short-term employee benefits	9,004	7,710
– Retirement scheme contributions	155	146
	9,159	7,856

- (c) On 29 May 2017, the Group acquired interests in a company established in British Virgin Islands which was wholly owned by Shimao International Holdings Limited, the ultimate controlling person is Mr. Hui Wing Mau. The total consideration is RMB138,730,000, which has been paid in June 2017. The principal activities of this company and subsidiaries are property development and hotel operation. As at 30 June 2017, land owned by this company is reserved without ground-breaking.

28 SUBSEQUENT EVENTS

On 11 July 2017, Shanghai Shimao issued long-term bonds in amount of RMB2,500,000,000 at a fixed rate of 4.95% per annum. As at 12 July 2017, total amount has been drawdown by Shanghai Shimao.