



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

*Perpetually Changing towards our Dreams*



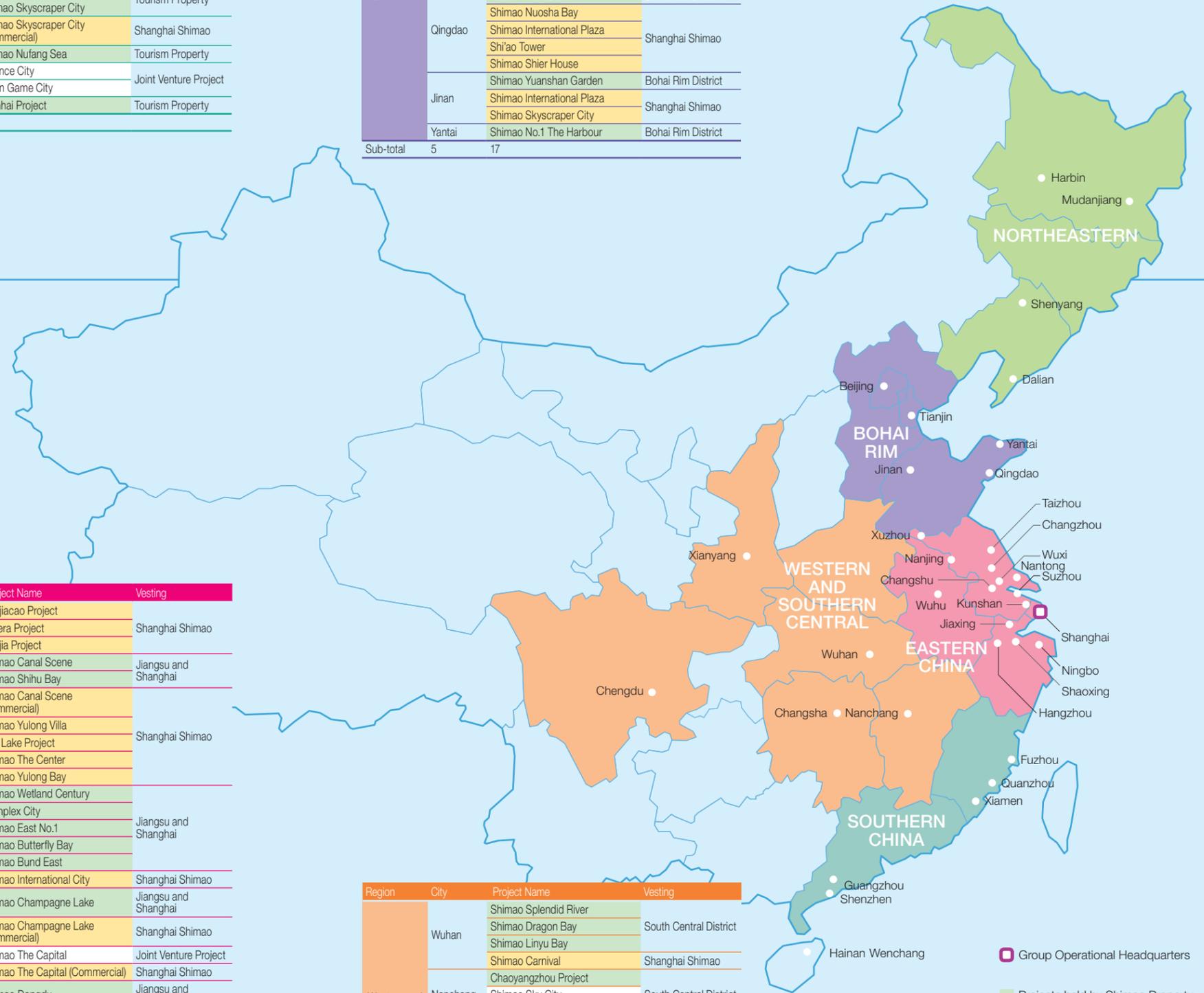
Region	City	Project Name	Vesting
Northeastern	Harbin	Shimao Riviera New City	
	Mudanjiang	Shimao Holiday Landscape	
		Shimao South Bund	Northeastern District
		Shimao Notting Hill	
	Shenyang	Shimao Wulhe	
		Shimao Wulhe (Commercial)	Shanghai Shimao
	Dalian	Shimao Huanhai City	Northeastern District
Shimao Dragon Bay		Tourism Property	
Sub-total	4	8	

Region	City	Project Name	Vesting
Southern China	Fuzhou	Shimao Skyscrapers	
		Guling Project	
		Minhou Shimao Dragon Bay	Tourism Property
		Nantong Village Project	
	Pingtan	Pingtan Future City	Joint Venture Project
		Shimao Lakeside Garden	Tourism Property
	Xiamen	Shimao Straits Mansion (Commercial)	Shanghai Shimao
		Shimao Straits Mansion (Commercial)	
	Quanzhou	Jinjiang Shimao Dragon Bay	Tourism Property
		Shimao Skyscraper City	
		Shimao Skyscraper City (Commercial)	Shanghai Shimao
	Wenchang	Shimao Nufang Sea	Tourism Property
	Guangzhou	Finance City	Joint Venture Project
		Asian Game City	
Shenzhen	Qianhai Project	Tourism Property	
Sub-total	6	14	

Region	City	Project Name	Vesting
Beijing	Shimao Alhambra Palace		
		Shimao Salamanca	Bohai Rim District
	Shimao Weila		
	Changyang Project	Joint Venture Project	
	Shimao Gongsan (Commercial)	Shanghai Shimao	
Tianjin	Shimao Wetland Century	Bohai Rim District	
	Shimao Weilang Villa	Shanghai Shimao	
	Jinnan New City	Joint Venture Project	
Bohai Rim	Shimao Park Land	Bohai Rim District	
	Shimao Nuosha Bay		
	Shimao International Plaza	Shanghai Shimao	
	Shi'ao Tower		
Qingdao	Shimao Shier House		
	Shimao Yuanshan Garden	Bohai Rim District	
	Shimao International Plaza	Shanghai Shimao	
Jinan	Shimao Skyscraper City	Shanghai Shimao	
	Shimao Skyscraper City		
Yantai	Shimao No.1 The Harbour	Bohai Rim District	
Sub-total	5	17	

# Nationwide Quality Land Reserves

Land reserves in 38 cities with 104 projects covered an area of 36.15 million sq.m (Equity Attributable as at 31 December 2013)

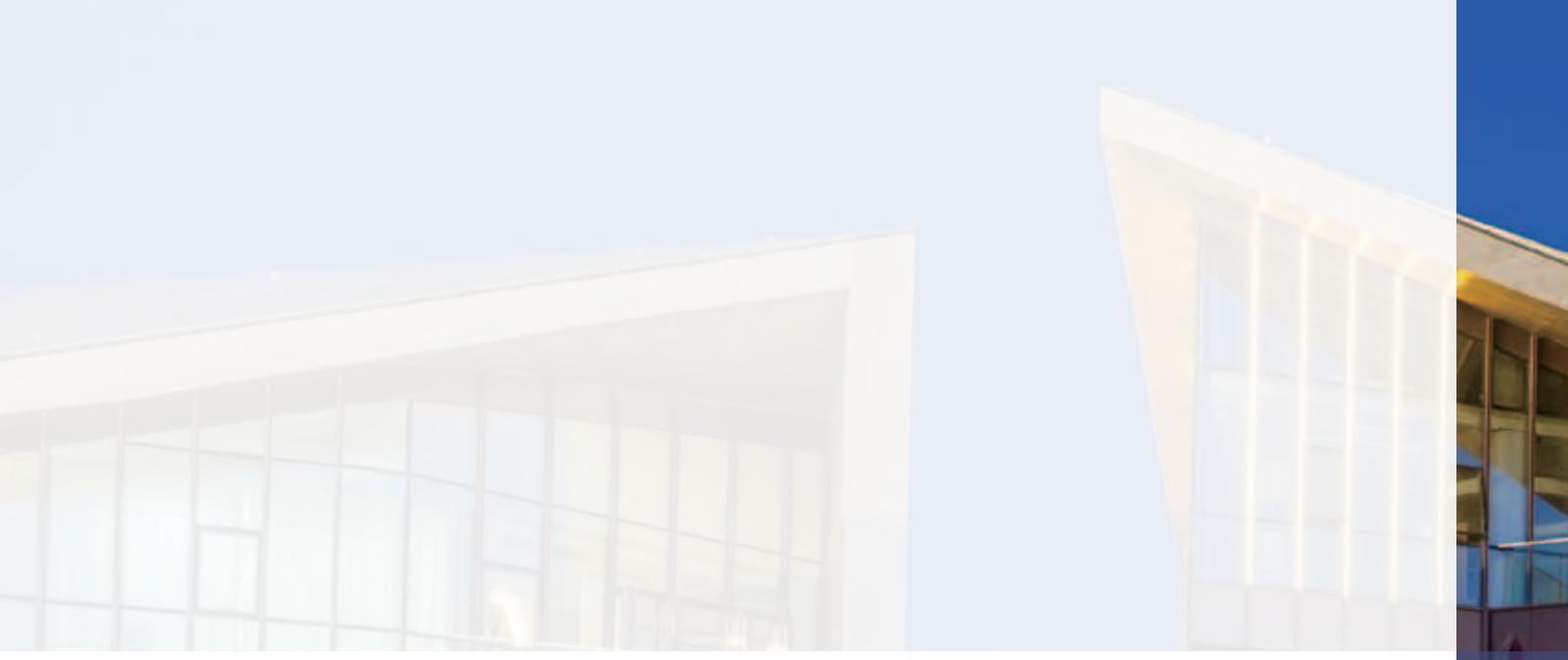


Region	City	Project Name	Vesting
Eastern China	Shanghai	Shimao Riviera Garden	Jiangsu and Shanghai
		Shimao Sheshanli	Shanghai
		Shimao Emme County	
		Shimao Sheshan Villa	Tourism Property
		North Bund Project	
	Nanjing	Shimao Wonderland	Shanghai Shimao
		Shimao Riviera New City	Jiangsu and Shanghai
		Shimao Glory Villa	Shanghai Shimao
	Shimao Bund New City		Shanghai Shimao
		Straits City	Joint Venture Project
	Hangzhou	Huanyutianxia	
		Shimao Imperial Landscape	
		Shimao Riviera Garden	Hangzhou District
		Shimao New West Lake	
		Shimao Above The Lake	
		Shimao East No.1	
		Huajiachi Project	
		Shimao Riviera COSMO	Shanghai Shimao
	Jiaxing	Shimao New City	Hangzhou District
		Shimao New City (Commercial)	Shanghai Shimao
Shaoxing	Shimao Dear Town		
	Shimao World Gulf		
Ningbo	Shimao Sea Dawn		
	Shimao City	Ningbo District	
	Shimao The Capital		
Fenghua Project			
Yuyao	Shimao Moushan Lake		
Xiangshan	Shimao Damuwan		

Region	City	Project Name	Vesting
Eastern China	Ningbo	Baojiacao Project	
		Riviera Project	Shanghai Shimao
		Sunjia Project	
		Sunjia Project	
	Suzhou	Shimao Canal Scene	Jiangsu and Shanghai
		Shimao Shihu Bay	
		Shimao Canal Scene (Commercial)	Shanghai Shimao
	Jinji Lake Project		Shanghai Shimao
		Jinji Lake Project	
	Changshu	Shimao The Center	
		Shimao Yulong Bay	
	Nantong	Shimao Wetland Century	
		Complex City	
	Kunshan	Shimao East No.1	Jiangsu and Shanghai
		Shimao Butterfly Bay	
		Shimao Bund East	Shanghai Shimao
	Shimao International City		Shanghai Shimao
		Shimao International City	
	Changzhou	Shimao Champagne Lake	Jiangsu and Shanghai
		Shimao Champagne Lake (Commercial)	Shanghai Shimao
	Wuxi	Shimao The Capital	Joint Venture Project
		Shimao The Capital (Commercial)	Shanghai Shimao
	Xuzhou	Shimao Dongdu	Jiangsu and Shanghai
Shimao Dongdu (Commercial)		Shanghai Shimao	
Taizhou	Shimao Riverside Garden	Jiangsu and Shanghai	
	Shimao Riviera Garden	Shanghai Shimao	
Wuhu	Shimao Riviera Garden (Commercial)	Shanghai Shimao	
	Shimao Riviera Garden (Commercial)		
Sub-total	18	53	

Region	City	Project Name	Vesting
Western and Southern Central	Wuhan	Shimao Splendid River	
		Shimao Dragon Bay	South Central District
		Shimao Linyu Bay	Shanghai Shimao
	Chaoyangzhou Project		Shanghai Shimao
		Shimao Carnival	Shanghai Shimao
	Nanchang	Shimao Sky City	South Central District
		Shimao Water City	
	Changsha	Shimao Brilliant Bay	South Central District
		Shimao International Plaza (Commercial)	Shanghai Shimao
	Chengdu	Shimao Park	
		Shimao Royal Bay	Western District
		Shimao The Centre	
Xianyang	Shimao The Centre		
Sub-total	5	12	

- Group Operational Headquarters
- Projects held by Shimao Property
- Projects held by Shanghai Shimao
- Joint Venture Projects

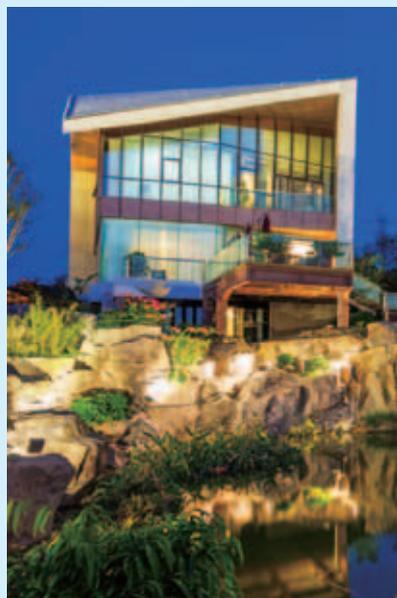


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## Corporate Information



Shishi Shimao Skyscraper City



### BOARD OF DIRECTORS

#### Executive Directors

Hui Wing Mau (*Chairman*)  
Hui Sai Tan, Jason (*Vice Chairman*)  
Liu Sai Fei  
Xu Younong  
Tang Fei  
Liao Lujang

#### 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 BANKERS

Agricultural Bank of China Limited  
Bank of China Limited  
China Construction Bank Corporation  
Hang Seng Bank Limited  
Industrial and Commercial Bank of China Limited  
Standard Chartered Bank (Hong Kong) Limited  
The Bank of East Asia, Limited  
The Hongkong and Shanghai Banking Corporation Limited  
Sumitomo Mitsui Banking Corporation



## 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

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

## REGISTERED OFFICE

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

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units 4307-12, 43rd Floor  
Office Tower  
Convention Plaza  
1 Harbour Road, Wanchai  
Hong Kong

## PLACE OF LISTING

The Stock Exchange of Hong Kong Limited  
Stock code: 813

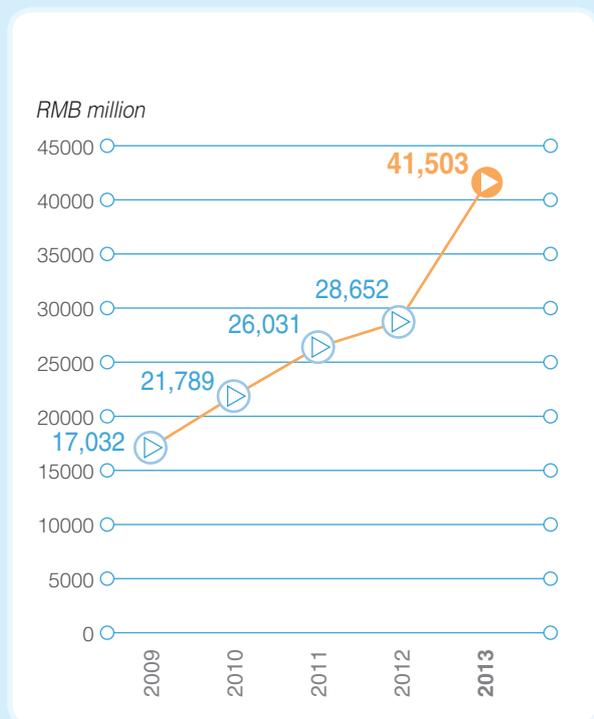
## INVESTOR AND MEDIA RELATIONS

Investor Relations Department  
Email: [ir@shimaoproperty.com](mailto:ir@shimaoproperty.com)  
Tel: (852) 2511 9968  
Fax: (852) 2511 0287

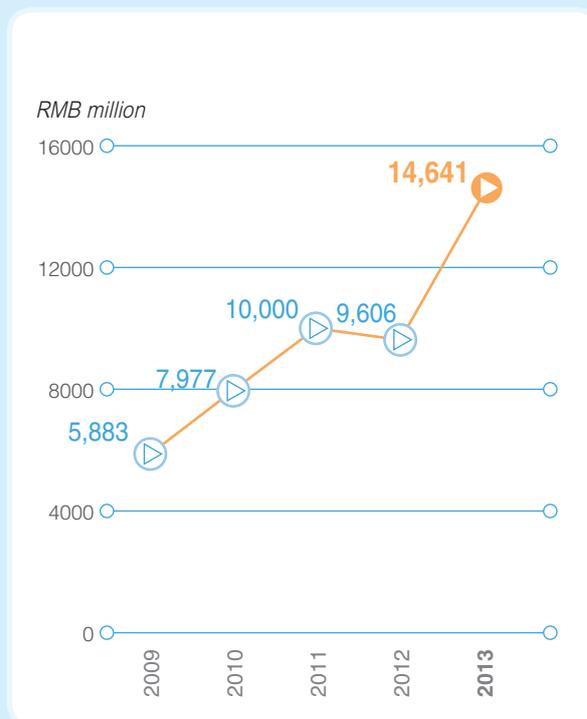
## Five Years Financial Summary

	2009 RMB'000 (Restated)	2010 RMB'000	2011 RMB'000	2012 RMB'000	2013 RMB'000
<b>Revenue</b>	17,032,063	21,789,433	26,031,426	28,652,243	<b>41,502,660</b>
Cost of sales	(11,149,395)	(13,812,137)	(16,031,376)	(19,046,444)	<b>(26,861,772)</b>
<b>Gross profit</b>	5,882,668	7,977,296	10,000,050	9,605,799	<b>14,640,888</b>
Gain on deemed disposal to non-controlling interests	1,501,093	–	–	–	–
Fair value gains on investment properties	213,834	2,339,562	2,527,013	2,362,880	<b>1,031,206</b>
Other income/other gains – net	158,609	796,826	794,320	1,196,104	<b>845,063</b>
Selling and marketing costs	(470,427)	(563,900)	(769,889)	(1,046,841)	<b>(1,305,735)</b>
Administrative expenses	(1,107,286)	(1,083,122)	(1,349,272)	(1,815,871)	<b>(2,283,303)</b>
Other operating expenses	(179,961)	(176,703)	(192,173)	(266,706)	<b>(592,136)</b>
<b>Operating profit</b>	5,998,530	9,289,959	11,010,049	10,035,365	<b>12,335,983</b>
Finance costs – net	(307,187)	(671,553)	(380,346)	(22,115)	<b>(121,361)</b>
Share of results of:					
– Associated companies	19,925	(48,110)	97,653	(210,938)	<b>(51,443)</b>
– Joint ventures	(1,072)	14	24,213	363,125	<b>895,649</b>
	18,853	(48,096)	121,866	152,187	<b>844,206</b>
<b>Profit before income tax</b>	5,710,196	8,570,310	10,751,569	10,165,437	<b>13,058,828</b>
Income tax expense	(2,107,212)	(3,079,368)	(4,302,640)	(3,580,949)	<b>(4,833,504)</b>
<b>Profit for the year</b>	3,602,984	5,490,942	6,448,929	6,584,488	<b>8,225,324</b>
<b>Profit for the year attributable to equity holders of the Company</b>	3,511,201	4,671,536	5,722,775	5,764,632	<b>7,389,857</b>
Non-current assets	31,640,613	40,874,204	44,034,957	52,221,579	<b>57,819,154</b>
Current assets	34,886,970	54,795,111	73,207,584	78,606,216	<b>117,948,704</b>
<b>Total assets</b>	66,527,583	95,669,315	117,242,541	130,827,795	<b>175,767,858</b>
Non-current liabilities	16,728,449	27,065,716	30,750,649	32,388,875	<b>41,538,923</b>
Current liabilities	24,282,049	38,649,615	51,473,815	57,511,688	<b>82,377,073</b>
<b>Total liabilities</b>	41,010,498	65,715,331	82,224,464	89,900,563	<b>123,915,996</b>
<b>Net assets</b>	25,517,085	29,953,984	35,018,077	40,927,232	<b>51,851,862</b>
Equity attributable to equity holders of the Company	23,347,874	26,698,834	30,591,680	35,907,150	<b>41,742,250</b>
Non-controlling interests	2,169,211	3,255,150	4,426,397	5,020,082	<b>10,109,612</b>
<b>Total equity</b>	25,517,085	29,953,984	35,018,077	40,927,232	<b>51,851,862</b>

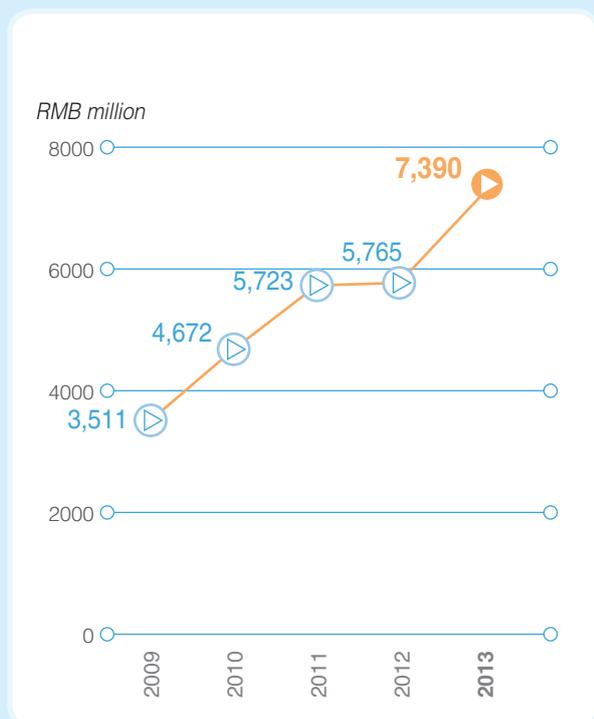
## Revenue



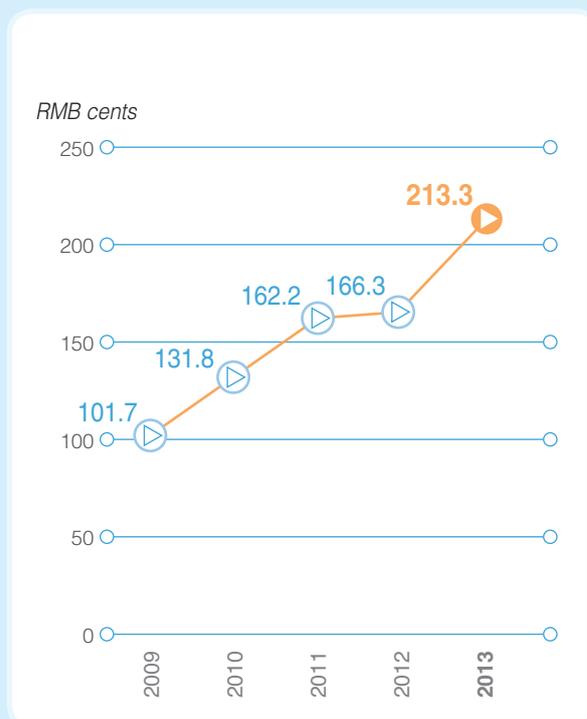
## Gross Profit



## Profit Attributable to Shareholders



## Basic Earnings Per Share



# Chairman's Statement



Shishi Shimao Skyscraper City



Dear shareholders,

I am pleased to present the results of Shimao Property Holdings Limited (“Shimao Property”, “Shimao” or the “Company”, together with its subsidiaries, the “Group”) for the year ended 31 December 2013.

## BUSINESS REVIEW

The year 2013 revealed no significant changes in the keynotes for regulatory control in China’s real estate sector. The five national control measures on the real estate market and the detailed rules for local government announced early in the year, showing a determination to ensure the property tightening policies remain steady. In the second half of the year, the new Central Government clearly identified its core work would be carrying such reforms forward in a comprehensive manner and adjusting economic structures accordingly. The resultant tasks to be undertaken would include the localization of real estate policies and the shifting of the decision making authority in restrictions on property purchases and mortgages to local governments. In the meantime, long-term policies such as real estate registration and construction of affordable housing will also be advanced.

At the Politburo meeting held on 30 July 2013, no mention was made of applying curbs to the real estate market for the first time. Instead, it has set tone on promoting the healthy and steady development in the real estate market. This new direction will be beneficial for not only the country’s real estate sector but also dozens of related industries and should help stimulate economic recovery. The main themes for regulating the real estate market are expected to be optimization and adjustment, making administrative regulation unlikely.

The sound macroeconomic environment created by the easing of policies and the steady recovery of China’s economy mean distinctive real estate market differentiation has developed quite quickly across various first- and second-tier cities. To this end, transaction volumes have remained high and record breaking land prices have constantly created. Meanwhile, the seeking of fast turnover has become the norm for the real estate industry as a result of the intensive competition. With major real estate enterprises have subsequently recorded steady increases in their sales results for 2013, there are more enterprises than ever before surging through the RMB100 billion sales volume mark which accelerates a further concentration within the industry.

## Chairman's Statement



Given these overall trends and its own strategic objectives, the Group continued to move towards its goal of meeting market demand while adhering to the “quality growth” principle during 2013. By maintaining faster and sounder development, we continued to enhance our management capacity, build our brand, increase land reserves in a rational fashion and strengthen our financial structure. As a result, the Group as a whole was able to achieve a remarkable RMB67.07 billion contracted sales in 2013, ranked 9th among property developers nationwide.

In 2013, the Group achieved recognized revenue of RMB41.50 billion, representing an increase of 44.9% over 2012. Gross profit increased by 52.4% to approximately RMB14.64 billion. Operating profit increased by 22.9% to approximately RMB12.34 billion. Profit attributable to shareholders reached RMB7.39 billion, representing an increase of 28.2% over last year. Excluding the net impact of major after-tax non-cash items: fair value gains of investment properties of RMB0.612 billion (2012: RMB1.356 billion), net gains on disposal of subsidiaries and a joint venture of RMB0.039 billion (2012: RMB0.422 billion), depreciation and amortisation of RMB0.288 billion (2012: RMB0.277 billion) and write-off of intangible assets of RMB0.292 billion (2012: RMB0.124 billion) which totalled RMB0.071 billion (2012: RMB1.377 billion), net profit from core business attributable to shareholders amounted to approximately RMB7.319 billion (2012: RMB4.387 billion), representing a year-on-year increase of 66.8%. To demonstrate our appreciation for our shareholders’ unstinting support, the board of directors of the Company (the “Board”) has recommended payment of a final dividend of HK81 cents per share for the year ended 31 December 2013 (2012: HK55 cents), an increase of 47.3% over last year.



Nanjing Shimao Glory Villa

## SALES ACHIEVEMENTS

At the beginning of 2013, the Group stated its contracted sales target for the next 12 months would be RMB55 billion. In 2013, our operations realized contracted sales of RMB67.07 billion, representing 122% of the total annual target. The total area of land sold during the year amounted to 5.239 million sq.m., at an average selling price of RMB12,802 per sq.m.. Such a remarkable sales achievement is the eloquent evidence to the success of the internal management enhancement methodology.

The contracted sales of the Group for 2014 are targeted at RMB80 billion. As at 25 March 2014, the accumulative unrecognised contracted sales exceeded RMB60 billion, of which approximately over 75% is set to be booked in 2014.



Nanjing Straits City

## Chairman's Statement

### MANAGEMENT ENHANCEMENT – PRIORITIZING TALENT CULTIVATION WITH TECHNOLOGY AS SUPPORT

The reforms we began implementing in 2013 were squarely aimed at consolidating Shimao's foundations and raising the quality of our internal management. To this end, the Group has redoubled its commitment to staff training, the building up of a strong talent pool and the innovation and stabilization of our corporate structure. As a result, 2013 revealed our internal management and internal controls further refined and optimized. In respect of human resources, we firmly believe that sustained business success can only result from a highly motivated team of talented individuals. In 2013, we gradually implemented a series of specific measures aimed at retaining employees who performed well and exhibited high potential while eliminating non-performing colleagues. Specific examples included campus recruitment and the running of leadership training programs. The process is already paving a new path which will see Shimao grow even stronger than and more distinct from its peers.



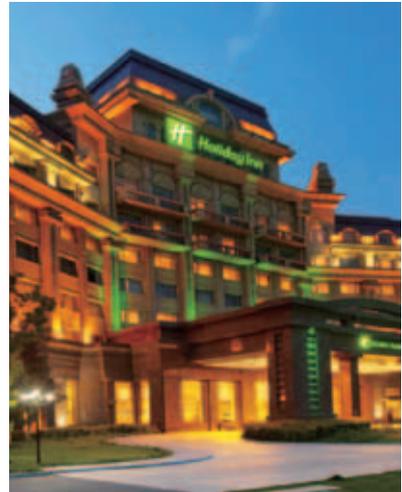
Ningbo Shimao The Capital



Wuhan Shimao Splendid River

Shimao's reforms have ultimately made our need for talent more pressing than ever. However, recruiting new staff can only be a temporary solution. In the long term, it is vital to enrich our existing talent pool by building an effective staff training system. As a result, training program for cultivating Shimao talents has been launched in all aspects in 2013 while we were continuously sourcing outstanding talents from the industry. The Group had 241 employees classified as "New Generation", 144 employees classified as "New Intelligence" and 86 employees classified as "Middle Management" in 2013. Shimao was also ranked by the university students as one of the "100 Best Employers" and one of the "Top 10 Most Desirable Companies to Join with the Most Challenging Interview".

In terms of management innovation and generating the necessary momentum to facilitate ongoing development, Shimao has integrated and fully implemented a management and control platforms built on the software developed by the world leader SAP in 2013. In doing so, we became the first enterprise in China's real estate industry to leverage visual process management and controls across the entire project cycle. The standardization of products and the integration of SAP management standards into the Group's business operations will be finalized after the completion of Phase 2. The resultant platform will enable the Group effectively enhance its project efficiencies, optimally consolidate its resources and centralize its management which will support our business expansion as well as the continuous and rapid growth of the Group's operational scale.



Holiday Inn Mudanjiang

## BRAND BUILDING – SERVING CUSTOMERS AND BENEFITING SOCIETY

In 2012, Shimao commenced a “Year of Service Value” strategy via which we set out to upgrade all aspects of its ‘soft’ services to customers. The new policy’s component value-added service elements and invitation to property owners to become “Quality Ambassadors” both received an overwhelming response from the market. In 2013, the Group added a further initiative upgrading the “Year of Service Value” strategy named “Service Cloud”. The move marked the first time this advanced service model which originated within the information technology industry had been harnessed by a Chinese real estate specialist. “Service Cloud” integrated many resources from across different industries to provide all-round services to Shimao’s property owners. Specific examples included services relating to education, healthcare, business trips, customized design and leisure. Shimao’s brand image and its property owner satisfaction levels received significant boosts as a direct result of these enhancement.



Xiamen Shimao Straits Mansion

## Chairman's Statement



Apart from pursuing of rapid business development, 2013 also saw us work hard to fulfill our corporate social responsibilities to the communities that sustain our business. Initiatives undertaken included projects aimed at supporting healthcare in impoverished areas, promoting educational training development and improving the living standards, learning and mental health of the children of migrant workers in cities. We also strived hard to provide care and assistance to critically ill children. All of these efforts were widely recognized and appreciated across all levels of society. In terms of marketing and social responsibility, industry peers noted Shimao has undergone substantial changes and is becoming a more all-round brand. Along the way, we have also enriched our corporate positioning and softened our public image. We have achieved these goals by seamlessly integrating enterprise strategies, product quality, user-friendly property services and charity activities into everything we do.

### LAND RESERVES – RATIONAL DEVELOPMENT WITH SPECIFIC EMPHASIS

Given its satisfactory sales and the abundant cash resources in 2013, the Group was able to measurably enrich land reserves in readiness for future sales growth. To this end, we acquired a total of 9.37 million sq.m. of residential land in Ningbo, Hangzhou, Jinan, Nanchang, Suzhou, Quanzhou, Nantong, Beijing, Wuhan, Guangzhou, Zhangjiagang, Dalian, Shanghai, Shenzhen and Fuzhou. Currently, Shimao Property holds 104 projects totaling 36.15 million sq.m. of quality land in 38 cities nationwide. These development projects are all backed by considerable research and detailed calculation. The end result is a series of holdings in core regions or locations possessed of the high potential the Group needs to meet its clearly defined land reserve standards. Shimao's high-quality land resources and stringent control on land costs would definitely become vital components supporting our business growth in the coming years.

## STRENGTHENING THE GROUP'S FINANCIAL STRUCTURE

In addition to adhering to our tried and tested prudent business strategy, 2013 saw us take measures to further optimize the Group's capital structure and lower capital costs. After a successful issuance of senior notes due 2020 amounting to US\$800 million on 14 January 2013, the Group obtained a four-year syndicated loan of approximately US\$570 million from a bank consortium in July 2013. The new arrangement gave the Group the option of early redemption of senior notes worth US\$350 million that were originally due in 2016. In consolidating its steady and healthy development, the Group successfully issued US\$600 million senior notes due 2021 on 22 January 2014. The new and additional loan and



Wuhan Shimao Carnival



Fujian Jinjiang Shimao Dragon Bay

## Chairman's Statement

senior notes were subsequently used to repay part of the Group's high interest short-term loans and senior notes and thus further lowering our collective interest costs. In addition, the Group continued to maintain sound relationships with over 20 domestic banks and over 10 financial institutions in Hong Kong and overseas. Such relationships are vital in providing us with essential long-term funding support at low cost. As of 31 December 2013, the Group held sufficient reserves, with approximately RMB19.6 billion in ready cash and unutilized credit facilities of approximately RMB20.0 billion.

In 2013, the Group's credit rating was upgraded by several international credit reporting agencies, including Standard and Poor's, Fitch Ratings and Moody's, due to its steady operating and financial performance.



Intercontinental Shanghai Wonderland



Ningbo Shimao City

## ACHIEVEMENTS AND OUTLOOK

The Group in 2013 continued to receive widespread support and recognition from all levels of society. On 22 May 2013, the Company was voted as one of the top 10 best-managed companies in Asia, in the 13th annual poll of Asia's Best Managed Companies organized by leading financial magazine, *FinanceAsia*. This was the first time the Group had made the publication's top 10 list. *FinanceAsia* also ranked the Group as the 8th best-managed enterprise in the China region.

On 23 May 2013, Shimao Property was ranked 7th in "China's Top 10 Listed Property Developers" in the Integrated Capability category. The accolade was officially awarded to the Group by the Assessment on Listed Property Developers in China 2013 held concurrently in Beijing and Hong Kong. Shimao Property's placing one rank higher than the previous year, reflects the success of our ongoing efforts to strengthen our leading position in China's real estate industry. Shimao Property was also ranked 3rd among its peers in the assessment of its risk resistance capacity.

As we move further forward into 2014, the global economy is continuing its slow recovery, creating both opportunities and challenges as it does so. Although beset by sluggish growth, China's economy remain likely to undergo profound changes in terms of both structure and growth modes in 2014. The core of the new Central Government's economic reform centers on building good relations between itself and the market by freeing up business leaders and entrepreneurs to play a more decisive role in resources allocation. China's continued prudent monetary policy and ongoing financial reform may well further tighten liquidity in the financial market. This will in turn result in the setting of higher requirements for businesses' capital management and financial security. Any possible regulatory control of the real estate market is likely to largely depend on long-term mechanisms.

Such mechanisms are likely to reflect the country's growing trend for geographical differences and continued curbs on speculative demand. Following concentration of China's real estate industry which certainly continues to be the pre-dominant trend in 2014, will probably result in even more cutthroat competition across the industry.

In responding to the changing market environment, the Group in 2014 will focus on further strengthening financial management, diversifying its financing channels and optimizing its debt structure. At the same time, the Group will continue to make prudent decisions on land development and acquisition of land reserves. The coming months will also see the Group bolster monitoring and analysis of market changes and further enhance its capability in terms of both judgment and flexible responses. The Group will also strive to improve management innovation and strengthen systematic supervision by making use of various management and control platforms. Last but not least, the Group will endeavor to continue building a talent pool capable of further consolidating the Group's foundations and comprehensively meeting its long-term developmental needs. The months and years ahead will also see Shimao continue to make greater efforts in improving products and customer service quality. As always, the Group will make every endeavor to deliver quality products and services for customers and generate greatest return for our shareholders.



Hangzhou Shimao Above The Lake

## APPRECIATION

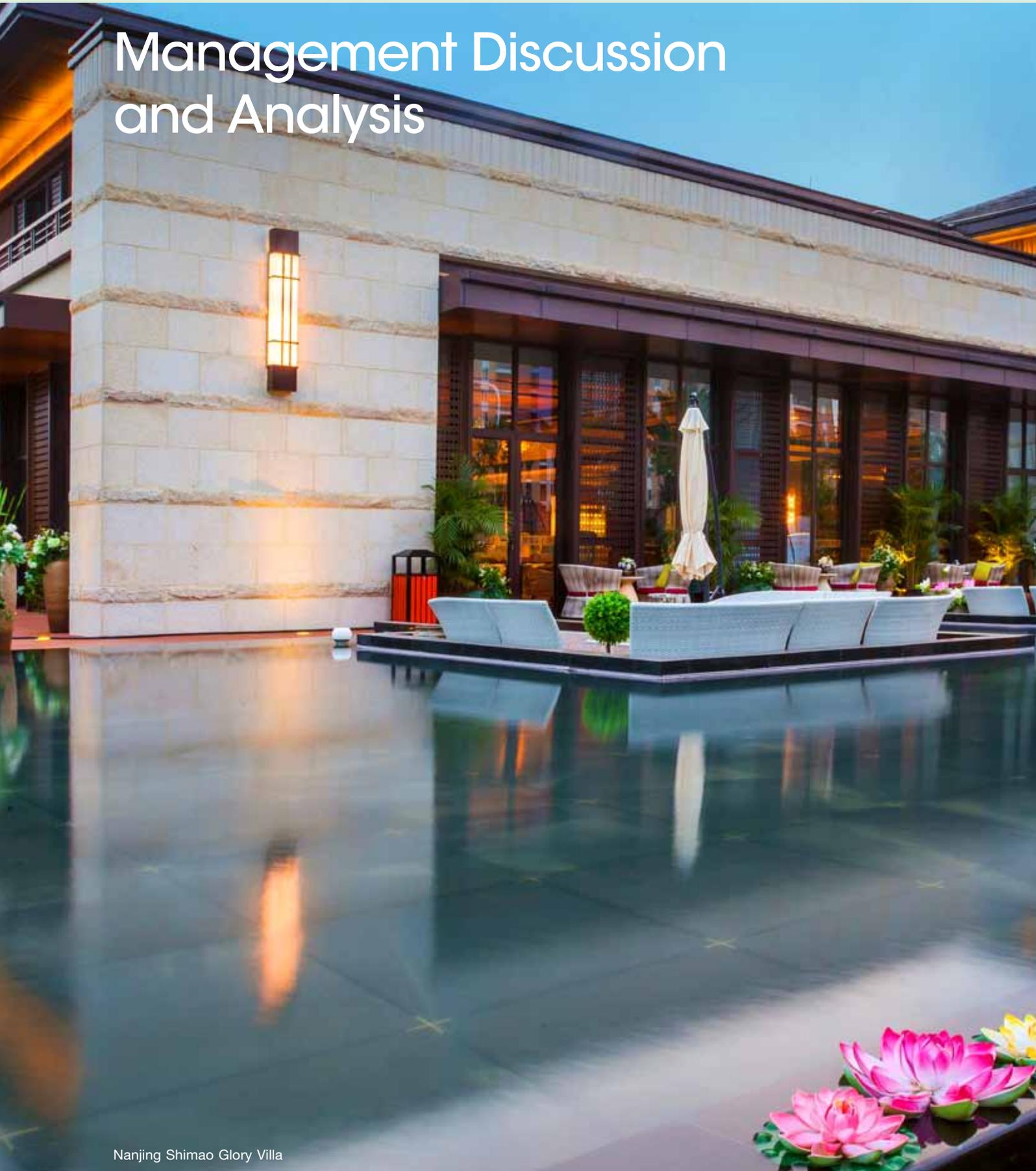
On behalf of the Board, I would like to thank our shareholders, partners and customers for their tremendous support, as well as the local governments we have worked with for their co-operative assistance. I would also like to take this opportunity to express my heartfelt gratitude to our directors, management and staff for all their valuable contributions. Their care and steady support have brought the Group success, and enabled us to achieve our stated goals.

**Hui Wing Mau**

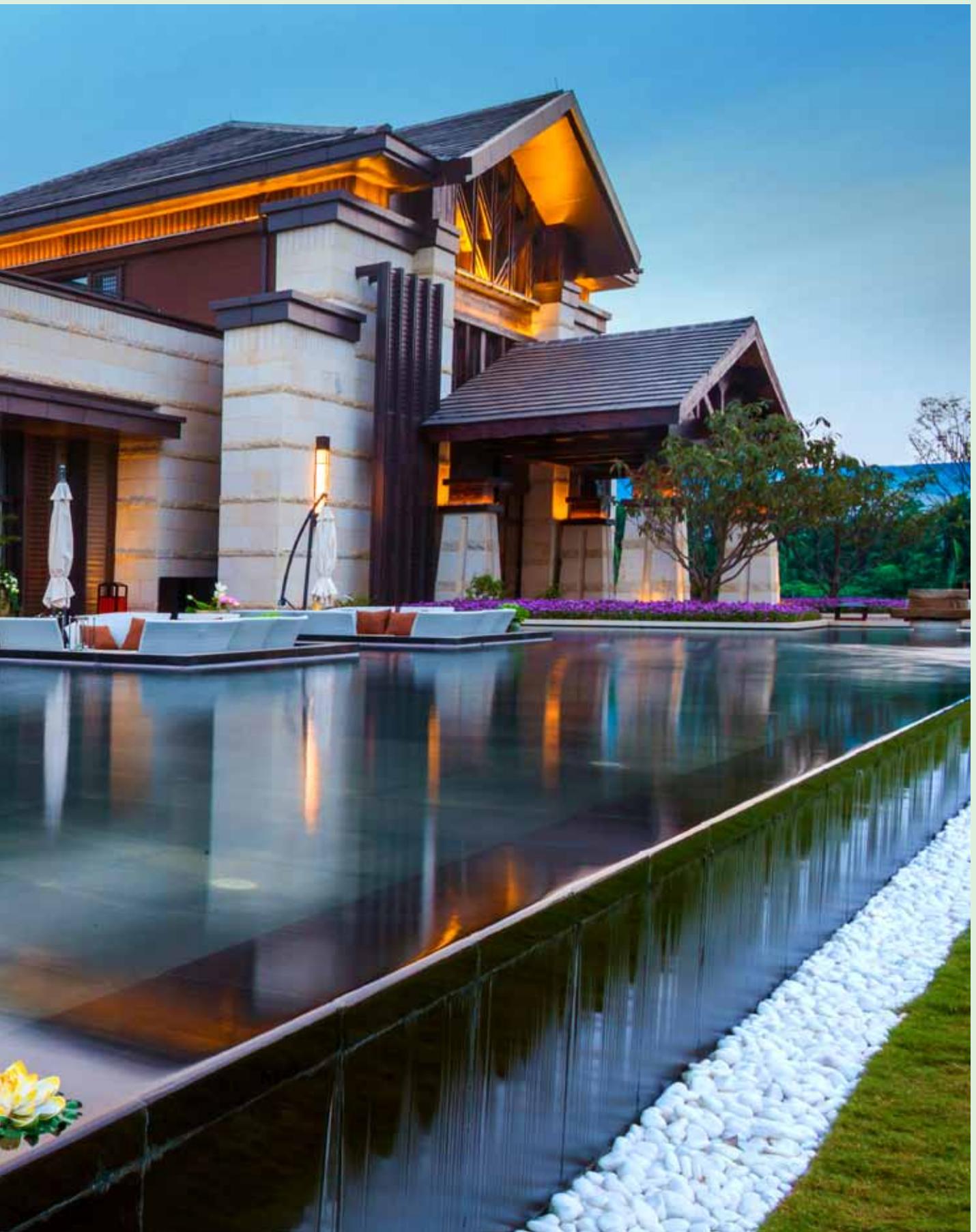
*Chairman*

Hong Kong, 25 March 2014

# Management Discussion and Analysis



Nanjing Shimao Glory Villa



## Management Discussion and Analysis

### BUSINESS REVIEW

#### Property Development

##### 1) Recognized sales revenue

The Group generates its turnover primarily from property development, property investment and hotel operations. Turnover for the year ended 31 December 2013 grew by 44.9% to RMB41.50 billion, from RMB28.65 billion in 2012. During the year, revenue from property sales surged to RMB39.50 billion, representing an increase of 48.5% over 2012, and accounted for 95.2% of total revenue. The average recognized selling price increased by 8.4% to RMB11,116 per sq.m. in 2013, from RMB10,251 per sq.m. in 2012. The increase was mainly attributable to an enhancement in the Group's bargaining power in some projects. The number of projects recognized by the Group in 2013 totalled 53, representing an increase of 16 projects as compared to 37 recognized projects of 2012.



The delivered GFA recognised for each project in 2013 and the relevant particulars are set out as follows:

Project	Recognized Sales (RMB million)	Recognized Area (sq.m.)	Average Selling Price (RMB per sq.m.)
Fujian Jinjiang Shimao Dragon Bay	5,450	399,579	13,654
Fuzhou Minhou Shimao Dragon Bay	3,889	348,720	11,152
Shanghai Shimao Wonderland	2,162	137,253	15,745
Nanjing Shimao Bund New City	1,869	123,276	15,161
Qingdao Shimao Park Land	1,690	186,841	9,045
Wuhan Shimao Splendid River	1,654	151,953	10,885
Xiamen Shimao Lakeside Garden	1,404	62,276	22,545
Changzhou Shimao Champagne Lake	1,366	159,912	8,542
Shaoxing Shimao Dear Town	1,213	91,299	13,286
Nanjing Shimao Glory Villa	1,164	69,695	16,701
Tianjin Shimao Wetland Century	1,150	124,599	9,230
Harbin Shimao Riviera New City	1,084	179,956	6,024
Jinan Shimao International Plaza	1,059	51,263	20,658
Wuxi Shimao The Capital	1,035	116,620	8,875
Changshu Shimao The Center (Commercial)	1,034	125,894	8,213
Kunshan Shimao Butterfly Bay	984	159,712	6,161
Dalian Shimao Dragon Bay	929	72,663	12,785
Ningbo Shimao Sea Dawn	856	97,331	8,795
Jiaxing Shimao New City	815	138,251	5,895
Suzhou Shimao Canal Scene (Commercial)	722	56,771	12,718
Qingdao Shimao Nuosha Bay	716	51,153	13,997
Qingdao Shi'ao Tower	698	21,856	31,936
Xuzhou Shimao Dongdu	669	89,308	7,491
Suzhou Shimao Canal Scene	637	56,758	11,223
Shaoxing Sky Centre	560	45,323	12,356
Wuhan Shimao Carnival	492	58,923	8,350
Ningbo Xiangshan Shimao Damuwan	445	30,820	14,439
Hangzhou Shimao Riviera Garden	387	40,977	9,444

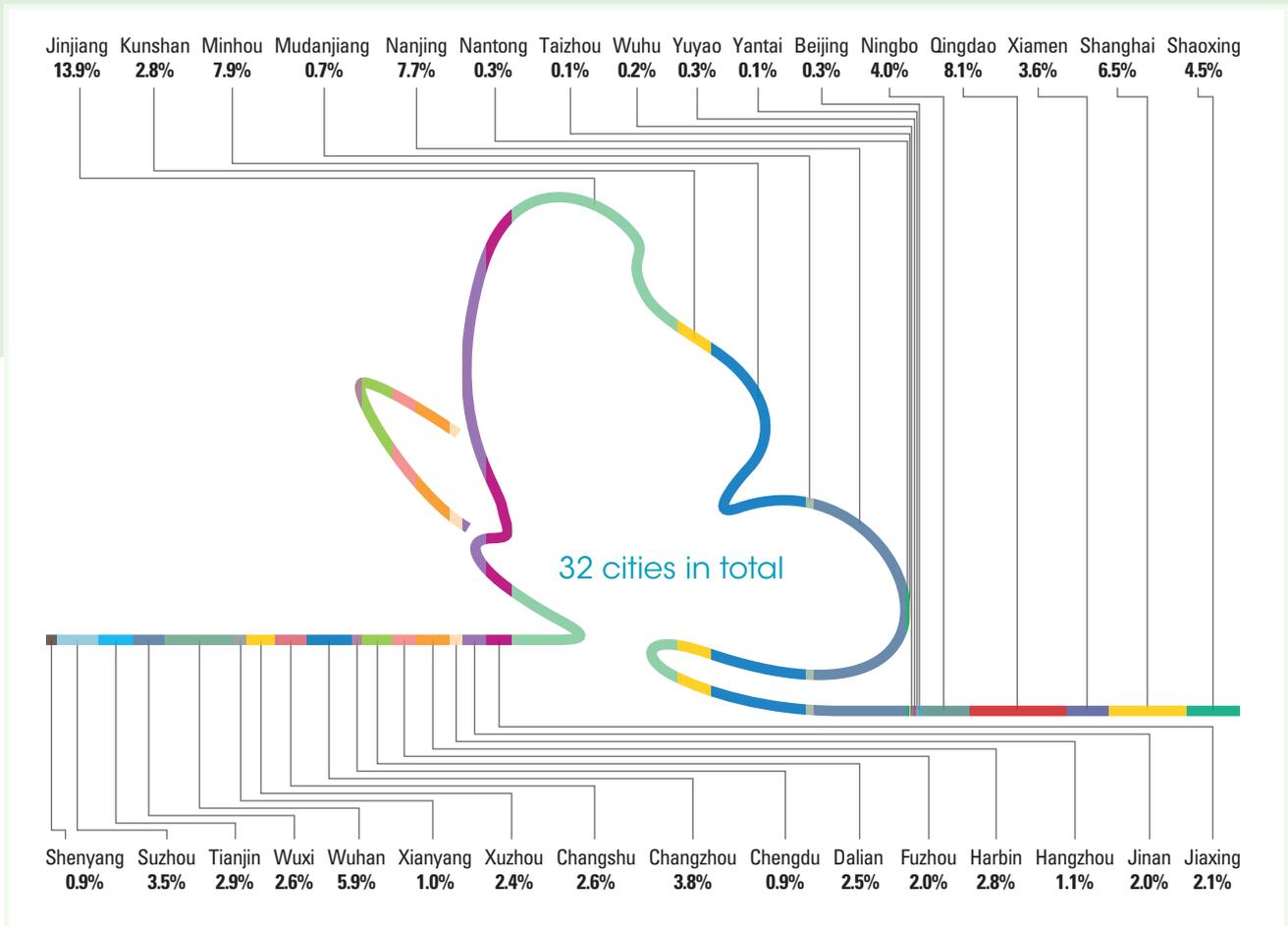


Dalian Shimao Dragon Bay

Project	Recognized Sales (RMB million)	Recognized Area (sq.m.)	Average Selling Price (RMB per sq.m.)
Xianyang Shimao The Centre	383	19,027	20,129
Shenyang Shimao Wulihe	338	33,718	10,024
Mudanjiang Shimao Holiday Landscape	290	61,970	4,680
Xuzhou Shimao Dongdu (Commercial)	285	22,777	12,513
Chengdu Shimao Park	260	7,549	34,442
Ningbo Shimao Dragon Bay	225	21,902	10,273
Shanghai Shimao Sheshanli	200	10,489	19,068
Wuhan Shimao Dragon Bay	186	25,383	7,328
Shanghai Shimao Emme County	137	13,625	10,055
Yuyao Shimao Moushan Lake	133	7,005	18,986
Nantong Shimao Wetland Century	129	13,948	9,249
Changzhou Shimao Champagne Lake (Commercial)	121	11,580	10,449
Beijing Shimao Alhambra Palace	104	5,583	18,628
Chengdu Shimao City	98	13,832	7,085
Kunshan Shimao International City	92	7,675	11,987
Qingdao Shimao International Plaza	62	3,047	20,348
Dalian Shimao Glory City	60	4,983	12,041
Ningbo Shimao World Gulf	58	4,732	12,257
Shanghai Shimao Riviera Garden	55	645	85,271
Wuhu Shimao Riviera Garden (Commercial)	46	3,029	15,187
Yantai Shimao No.1 The Harbour	38	4,194	9,061
Hangzhou Shimao COSMO	29	2,496	11,619
Taizhou Shimao Riverside Garden	20	3,636	5,501
Kushan Shimao East No. 1	13	1,467	8,862
Shaoxing Shimao Dear Town (Commercial)	8	425	18,824
<b>Total</b>	<b>39,503</b>	<b>3,553,699</b>	<b>11,116</b>

## Management Discussion and Analysis

The breakdown of recognised sales\* for 2013 by cities is set out as follows:



\* Excluding attributable revenues from joint ventures

Projects available for sale in 2014 are set out as follows:

District	Project	Saleable Area (sq.m.)
Southern China and Central District	Wuhan Shimao Splendid River	426,118
	Nanchang Chaoyangzhou (temporary name)	372,536
Jiangsu and Shanghai District	Nanjing Shimao Bund New City	212,006
	Nanjing Shimao Glory Villa	151,105
	Shanghai Shimao Sheshanli	114,348
	Suzhou Shimao Shihu Bay	90,000
	Zhangjiagang Shimao Nine Rivers Village	215,244
Ningbo District	Shimao The Capital	44,962
	Shimao City	189,284
Western District	Chengdu Shimao Park	304,112



Ningbo Shimao The Capital

## 2) Satisfactory sales growth, with sales exceeding annual target

With respect to property sales, the Group's contracted sales amounted to RMB67.07 billion in 2013, representing 122% of its annual target. The aggregate sales area reached 5.239 million sq.m., with an average selling price of RMB12,802 per sq.m..

The excellent sales achieved by the Group clearly demonstrated the effectiveness of management's sales strategy. Looking forward in 2014, the Group plans to launch both brand-new projects and continue with existing ones, which together will increase its saleable area by approximately 8.6 million sq.m.. When added to existing inventory as at 31 December 2013 with a saleable area of approximately 2.4 million sq.m., the Group's saleable area in 2014 will reach approximately 11 million sq.m..

District	Project	Saleable Area (sq.m.)
Tourism Property	Fuzhou Minhou Shimao Dragon Bay	236,458
	Shishi Shimao Sky City	496,983
	Dalian Shimao Dragon Bay	282,547
	Xiamen Shimao Lakeside Garden	78,841
	Jinjiang Shimao Dragon Bay	259,149
Northeastern District	Dalian Huanhai City	229,994
Hangzhou District	Hangzhou Shimao Above the Lake	88,061
	Huajiachi project (temporary name)	56,042
Shanghai Shimao	Ningbo Shimao Rivera Apartment	76,985
	Jinan Jiefangge Project	94,389
Straits Construction	Nanjing Straits City	202,130
	Pingtang Straits City	187,834
Sub-total (Key projects above)		4,409,128
Projects (below RMB1.5 billion) available for sale in 2014		4,125,934
Completed inventory		1,025,286
Projects available for sale as of 31 December 2013		1,440,737
<b>Total</b>		<b>11,001,085</b>

## Management Discussion and Analysis

### 3) Completion of development projects and plans as scheduled

The aggregate GFA completed by the Group in 2013 was approximately 5.10 million sq.m., 53% higher than the 3.33 million sq.m. completed in 2012. During the year, all of the Group's projects proceeded smoothly, with new floor area under construction reaching approximately 8 million sq.m.. As at 31 December 2013, a total of 104 projects across 38 cities were under construction. This increase in the number of projects under construction has laid a solid foundation for the Group's future development. Looking forward to 2014, with a view to maintaining adequate liquidity, the Group's GFA planned for completion has been preset at approximately 7.5 million sq.m., 50% higher than the figure for 2013. The Group's GFA under construction will reach 16.90 million sq.m. in 2014.



Nanchang Shimao Sky City

Projects completed in 2013 are set out as follows:

District	Project	Completed GFA (sq.m.)	Group's interest
<b>Shimao Property</b>			
Jiangsu and Shanghai District	Wuxi Shimao The Capital	128,962	49%
	Suzhou Shimao Canal Scene	59,763	100%
	Nanjing Shimao Bund New City	49,000	82.1%
	Kunshan Shimao Butterfly Bay	118,252	100%
	Changzhou Shimao Champagne Lake	129,505	100%
	Xuzhou Shimao Dongdu	96,860	100%
	Shanghai Shimao Sheshanli	85,297	60%
	Nantong Shimao Wetland Century	35,530	100%
	Nanjing Shimao Glory Villa	71,894	51%
Ningbo District	Xiangshan Shimao Damuwan	107,776	100%
	Shaoxing Sky Centre	204,375	100%
	Ningbo Shimao Sea Dawn	140,240	100%
	Yuyao Shimao Moushan Lake	25,528	70%
	Ningbo Shimao City	26,980	51%
Southern & Central District	Wuhan Shimao Splendid River	205,364	96.1%
	Wuhan Shimao New City	117,021	100%
	Nanchang Shimao Sky City	180,569	50%
	Changsha Shimao Brillianate Bay	128,088	50%
Northeastern District	Harbin Shimao Riviera New City	228,728	100%
	Dalian Huanhai City	7,767	96%
	Mudanjiang Shimao Holiday Landscape	71,002	100%
Hangzhou District	Jiaxing Shimao New City	195,378	100%
	Hangzhou Shimao Riviera Garden	110,358	50%
Bohai Rim District	Qingdao Shimao Park Land	330,352	100%
	Tianjin Shimao Wetland Century	265,413	75%
Western District	Xianyang Shimao The Centre	40,432	100%
	Chengdu Shimao City	24,858	100%
Tourism Property	Fuzhou Minhou Shimao Dragon Bay	319,322	100%
	Fujian Jinjiang Shimao Dragon Bay	411,190	100%
	Dalian Shimao Dragon Bay	127,939	100%
	Xiamen Shimao Lakeside Garden	73,268	100%
<b>Sub-total</b>		<b>4,117,011</b>	



Fuzhou Minhou Shimao Dragon Bay

District	Project	Completed GFA (sq.m.)	Group's interest
<b>Shanghai Shimao</b>			
	Tianjin Wu Qing Project	72,914	64%
	Changshu Shimao The Center (Commercial)	131,069	64%
	Suzhou Shimao Canal Scene (Commercial)	126,140	64%
	Hangzhou Shimao Riviera COSMO	169,564	64%
	Qingdao Shimao Nuosha Bay	130,777	64%
	Qingdao International Plaza	15,736	64%
	Qingdao Shier House	22,053	64%
	Xuzhou Shimao Dongdu (Commercial)	12,929	64%
	Changzhou Shimao Champagne Lake (Commercial)	24,717	64%
	Nanjing Shimao Bund New City	16,586	64%
	Shanghai Shimao Wonderland	195,227	64%
	Wuhan Shimao Carnival	61,960	64%
<b>Sub-total</b>		<b>979,672</b>	
<b>Total (Shimao Property + Shanghai Shimao)</b>		<b>5,096,683</b>	

## Management Discussion and Analysis



Hangzhou Shimao Above The Lake



Wuhan Shimao Splendid River

#### 4) Steady expansion of land bank for long-term sustainable development

To support its sustainable development, the Group has remained proactive yet prudent in land acquisition. In 2013, Shimao Property acquired 9.37 million sq.m. of residential land bank in Ningbo, Hangzhou, Jinan, Nanchang, Suzhou, Quanzhou, Nantong, Beijing, Wuhan, Guangzhou, Zhangjiagang, Dalian, Shanghai, Shenzhen and Fuzhou. Currently, Shimao Property has 104 projects spanning 38 cities. The Group has a high-quality land bank of 36.15 million sq.m.. The premium quality and relatively low cost of its land should help boost Shimao Property's results in the major markets of China in the next few years.

In terms of land cost, the average floor price of the new land reserves (excluding Shanghai Shimao) was approximately RMB4,488 per sq.m., a figure that demonstrates the Group's commitment to prudent land acquisition and its ability to strike a balance between development opportunity and risk control. As at 31 December 2013, the Group's average land cost was RMB2,341 per sq.m.. The relatively low cost of its land should help it achieve a higher profit margin in the future.

As at 31 December 2013, Shimao Property had an attributable land bank of 36.15 million sq.m., making it one of the top real estate developers in China in terms of land bank size. Geographically, the majority of the newly-acquired land parcels of Shimao Property were situated in second- and third-tier cities at provincial capital level. These cities hold enormous development potential, offering ample room for project developments with minimal risks.

The land parcels acquired by the Group in 2013 are as follows:

New land parcels	Date of acquisition	Usage	Land cost (Attributable interest) (RMB million)	Total planned GFA (sq.m.)	Cost per sq.m. (RMB)	Group's interest
<b>Shimao Property</b>						
1. Ningbo Majia	January 2013	Residential	805.05	82,148	9,800	100%
2. Ningbo Baoqingsi	January 2013	Residential	1,091.05	223,310	9,580	51%
3. Hangzhou Zhijiang Holiday Village	February 2013	Residential	816.85	200,152	8,002	51%
4. Hangzhou Niutian	February 2013	Residential	510.00	89,729	11,145	51%
5. Jinan Baimashan	February 2013	Residential	434.51	656,157	1,303	51%
6. Nanchang Water City	March 2013	Residential and commercial	216.22	261,814	826	100%
7. Suzhou Shihu	March 2013	Residential and commercial	2,215.00	285,221	10,871	70%
8. Quanzhou Shishi (Phase I)	April 2013	Residential and commercial	1,174.20	715,148	2,881	58%
9. Nantong Complex City	April 2013	Residential, commercial and office	1,126.39	850,000	1,325	100%
10. Beijing Fangshan Changyang	April 2013	Residential and commercial	800.00	209,548	7,635	50%
11. Beijing Fangshan Gongchen	April 2013	Residential and commercial	545.00	200,372	5,440	50%
12. Wuhan Hongshan Village K11	May 2013	Residential	360.19	349,910	2,110	51%
13. Zhangjiagang	July 2013	Residential and commercial	3,081.45	841,864	7,177	51%
14. Guangzhou Finance City	July 2013	Business services and commercial	1,265.21	309,864	12,251	33%
15. Dalian Jinzhou	August 2013	Residential and commercial	1,936.50	1,381,517	1,402	100%
16. Quanzhou Shishi (Phase II)	September 2013	Resettlement housing, business services and residential	1,155.66	1,187,433	1,707	58%
17. Hangzhou Huajiachi	September 2013	Residential and commercial	3,669.83	189,021	19,415	100%
18. Nanchang Chaoyangzhou	September 2013	Residential	2,155.88	310,314	6,945	100%

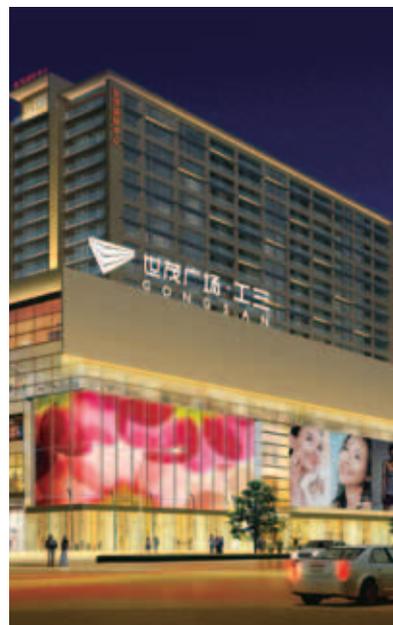
## Management Discussion and Analysis

New land parcels	Date of acquisition	Usage	Land cost (Attributable interest) (RMB million)	Total planned GFA (sq.m.)	Cost per sq.m. (RMB)	Group's interest
19. Quanzhou Shishi (Phase III)	October 2013	Commercial, office and residential	1,641.53	492,869	4,076	82%
20. Shanghai North Bund	October 2013	Commercial and office	227.38	22,968	9,900	100%
21. Shenzhen Qianhai	November 2013	Commercial complex	2,433.00	150,000	16,220	100%
22. Minhou Nantong Town	November 2013	Residential and commercial	844.10	180,449	4,678	100%
23. Ningbo Fenghua Quanxijiang	December 2013	Residential and commercial	575.59	179,614	3,205	100%
<b>Sub-total</b>			<b>29,080.59</b>	<b>9,369,422</b>	<b>4,488</b>	
<b>Shanghai Shimao</b>						
24. Ningbo Baojiacao	April 2013	Commercial	226.31	95,195	3,715	64%
25. Ningbo Binjiang	May 2013	Residential and commercial	816.41	169,336	7,533	64%
26. Changshu Huanghe Road	August 2013	Commercial	466.24	120,425	6,049	64%
27. Ningbo Sunjia	August 2013	Commercial	1,209.60	189,010	9,999	64%
28. Suzhou Jinji Lake	September 2013	Residential and business services	3,024.00	306,087	15,437	64%
<b>Sub-total</b>			<b>5,742.56</b>	<b>880,053</b>	<b>10,196</b>	
<b>Total</b>			<b>34,823.15</b>	<b>10,249,475</b>		

## Property Investment

Shimao Property develops commercial properties through its 64.22% owned subsidiary Shanghai Shimao Co., Ltd. ("Shanghai Shimao"), which is primarily engaged in the development and operation of commercial properties. Besides actively grasping development and operation opportunities in the domestic commercial property market, Shanghai Shimao provides multiple types of commercial properties along with a diversified range of related high-quality services. It continues to work on achieving greater integration for increased competitiveness, and aims to become a highly successful listed company in the professional development and operation of commercial properties.

With respect to the development of commercial properties, Shanghai Shimao recorded contracted sales of RMB13.01 billion and a contracted sales area of 979,300 sq.m. in 2013, representing not only year-on-year growth of 53%, but also a significant over-fulfilment of 30% over the sales target of RMB10.0 billion set at the beginning of the year.



Beijing Shimao Gongsan



Kunshan Shimao i-Cinema

With respect to commercial plaza operations, Shanghai Shimao launched a series of overall upgrading schemes centering on the annual business targets for the commercial plazas operated through its subsidiaries in Shanghai, Shaoxing, Suzhou, Changshu, Kunshan and Xuzhou. During the year, Shanghai Shimao carried out a range of activities for its commercial spaces stage by stage as scheduled, including quality enhancement, merchant rearrangement and rent increase, on-site operation management and service standard improvement, and established merchant relationship management system, merchant business assessment system and store management mechanism. Through joint efforts of the commercial operation and management team and by implementing the plans in an orderly and efficient manner, the Company's commercial plazas achieved significant improvements in various aspects including business layout, shopping environment and consumer experience. The progresses were translated into more consumer flows and made positive contribution to the higher operation level of merchants. In respect of internal management, Shanghai Shimao continued to optimise its commercial property management system, allowing the internal systems, processes and structure to better meet the needs of business operation and management. Great efforts were taken to build up an elite commercial property management team with strong execution efficiency, adaptability of innovative development and awareness of supporting services.

## Management Discussion and Analysis



Jinan Shimao International Plaza



With respect to cinema investment, the Chinese film market maintained a strong growth momentum in 2013. As at the end of 2013, Shanghai Shimao owned 14 cinemas and 126 screens in operation nationwide. The number of seats in its cinemas also increased to 17,400.

With respect to child-focused business, “Shitian I Kids” timely adjusted its outlet operation strategy according to outlet performance and regional conditions to improve the overall business results. During 2013, new outlets were put into operation in Nanchang and other cities, bringing the number of “Shitian I Kids” and “Shitian Early Education” outlets in operation to 13 in total.

Particulars of investment property projects of the Group in 2013 are set out as follows:

Commercial and Office Premises	Total GFA (sq.m.)	Date of Commencement	Revenue (RMB million)		Growth
			2013	2012	
Shanghai Shimao International Plaza	71,239	Phase I – December 2004 Phase II – May 2007	158	161	(1.9%)
Beijing Shimao Tower	70,175	2008	121	100	21.0%
Changshu Shimao The Centre	43,357	Commercial – 2009 Q1	15	15	–
Shanghai Shimao Shangdu	9,584	November 2010	36	32	12.5%
Shaoxing Shimao Dear Town	181,605	May 2010	84	70	20.0%
Suzhou Shimao Canal Scene	49,993	June 2010	14	13	7.7%
Kunshan Shimao Plaza	88,249	April 2012	20	17	17.6%



Hyatt on the Bund



Le Méridien She Shan Shanghai

Commercial and Office Premises	Total GFA (sq.m.)	Date of Commencement	Revenue (RMB million)		Growth
			2013	2012	
Wuhu Shimao Riviera Garden (Commercial)	19,963	2009	5	3	66.7%
Xuzhou Shimao Dongdu (Commercial)	59,471	January 2012	14	13	7.7%
Other rental income	-	-	89	83	7.2%
<b>Rental income sub-total</b>			<b>556</b>	507	<b>9.7%</b>
<b>Others</b>	-	-	<b>465</b>	539	<b>(13.7%)</b>

## Hotel operations

Apart from the continued operation of its hotels Le Royal Méridien Shanghai, Hyatt on the Bund, Le Méridien She Shan Shanghai, Hilton Nanjing Riverside, Holiday Inn Mudanjiang and Holiday Inn Shaoxing, the Group opened DoubleTree by Hilton Wuhu in October 2013, in a step that has made Wuhu more international and taken the city into a new era of global branded hotels. As at the end of 2013, the Group had nearly 3,200 guest rooms in total.

The implementation of the PRC government's eight-point regulation at the end of 2012 saw a drastic drop in the levels of government expenses being paid, and a consequent decline in the performance of high-end hotels along with a decrease in room prices. In addition, supply remained in excess of demand in the hotel market, and this affected the performance of the Group's hotels. However, the Group managed the slowdown in business growth

## Management Discussion and Analysis

effectively by exploring new markets, enhancing sales efforts aimed at educational institutions, training seminars and individual customers, and by introducing effective sales incentive measures for staff. Other initiatives included the introduction of flexible pricing strategies, expansion into the take-away food and beverages market, and a move into the market for wedding receptions and banquets. The Group's hotels achieved revenue of RMB979 million in 2013, representing a year-on-year decrease of 2.0%.

Despite the various difficulties and challenges it is facing, the Group still sees plenty of development opportunities in the hotel market. China's economy is expected to continue to grow steadily. The tourism and hotel industry is still developing at a fast pace as reflected by the data from a recent working report of the China National Tourism Administration which has set the expected tourism development target for 2014, with predicted total revenue from tourism amounting to RMB3.19 trillion, representing a year-on-year increase of 11%. The China (Shanghai) Pilot Free Trade Zone was established in September 2013 and Shanghai Disneyland is expected to open by the end of 2015. All these developments should prove especially favorable for the hotel industry in Shanghai.

New hotels opened and to be opened in 2014 include: the Intercontinental Fuzhou in January, Shaoxing Crowne Plaza in March, the Hilton Tianjin Eco-city in the second half of the year, and Shimao's first own-brand hotel, the Yu Hotel Taizhou, also in the second half of the year. In addition, the Group is currently planning to develop hotels with limited services ("Mini Hotel"), and is looking to promote rapid expansion of Mini Hotel in various regions across China. Targeting from catering to the needs of a specific group of customers, Mini Hotel emphasizes the "small-but-excellent" concept and attaches great importance to providing customized products, with a combination of technology and the human touch. The Group considers Mini Hotel to be a major product for its future development, one which will greatly enhance the stability of profit sources for its hotel business.

Particulars of the hotel projects of the Group in 2013 are set out as follows:

Hotel	Number of Rooms	Date of Commencement	Revenue (RMB million)		EBITDA (RMB million)	
			2013	2012	2013	2012
Le Méridien She Shan Shanghai	327	November 2005	138	137	44	47
Le Royal Méridien Shanghai	770	September 2006	374	385	149	163
Hyatt on the Bund	631	June 2007	337	346	110	137
Hilton Nanjing Riverside	411	December 2011	66	68	4	3
Holiday Inn Mudanjiang	266	December 2010	29	29	7	8
Holiday Inn Shaoxing	284	September 2011	32	34	4	2
DoubleTree by Hilton Wuhu	442	November 2013	3	–	(5)	–
<b>Total</b>	<b>3,131</b>		<b>979</b>	999	<b>313</b>	360

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 Directors have appointed Vigers Appraisal and Consulting Limited, an independent valuer, to perform a valuation of the Group's hotel properties as at 31 December 2013. Had the 22 hotels (2012: 17 hotels), Le Méridien She Shan Shanghai, Le Royal Méridien Shanghai, Hyatt on the Bund, 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, Yu Hotel Taizhou, DoubleTree by Hilton Ningbo Chunxiao, Hilton Yantai, Hilton Wuhan Riverside, DoubleTree by Hilton Ningbo Beilun, Yu Hotel Xuzhou, Yu Hotel Fuzhou Riverside, Intercontinental Shanghai Wonderland, Yu Hotel Jinjiang, Yu Hotel Yuyao been restated at fair value of RMB28.1 billion (2012: 24.5 billion), the net assets value of the Group would have been increased to RMB64.6 billion (2012: 51.6 billion). In light of the fair value adjustment of these hotels, the adjusted gearing ratio of the Group would be:

	<b>As at 31 December</b>	
	<b>2013</b>	2012
	<b>RMB million</b>	RMB million
Fair value of above-mentioned hotels	<b>28,116</b>	24,463
Less: Carrying amount	<b>(11,125)</b>	(10,230)
Amounts to adjust from carrying amount to fair value	<b>16,991</b>	14,233
Less: Deferred income taxes	<b>(4,248)</b>	(3,558)
Increase in net assets value if the above-mentioned hotels are stated at fair value	<b>12,743</b>	10,675
Net assets value per consolidated balance sheet	<b>51,852</b>	40,927
Adjusted net assets value	<b>64,595</b>	51,602
Net debt	<b>29,756</b>	22,896
Adjusted gearing ratio	<b>46%</b>	44%

## FINANCIAL ANALYSIS

Key consolidated income statement figures are set out below:

	<b>2013</b>	2012
	<b>RMB million</b>	RMB million
Revenue	<b>41,503</b>	28,652
Gross profit	<b>14,641</b>	9,606
Operating profit	<b>12,336</b>	10,035
Profit attributable to shareholders	<b>7,390</b>	5,765
Earnings per share – Basic ( <i>RMB cents</i> )	<b>213.3</b>	166.3

## Management Discussion and Analysis

### Revenue

For the year ended 31 December 2013, the revenue of the Group was approximately RMB41,503 million (2012: RMB28,652 million), representing an increase of 44.9% over 2012. 95.2% (2012: 92.9%) of the revenue was generated from the sales of properties and 4.8% (2012: 7.1%) from hotel operation, leasing of commercial properties and others.

The components of the revenue are analysed as follows:

	2013 RMB million	2012 RMB million
Sales of properties	<b>39,503</b>	26,607
Hotel operation income	<b>979</b>	999
Rental income from investment properties	<b>556</b>	507
Others	<b>465</b>	539
<b>Total</b>	<b>41,503</b>	28,652

#### (i) Sales of properties

Sales of properties for the year ended 31 December 2013 and 2012 are set out below:

	2013		2012	
	Area (sq.m.)	RMB million	Area (sq.m.)	RMB million
<b>Shimao Property</b>				
Fujian Jinjiang Shimao Dragon Bay	<b>399,579</b>	<b>5,450</b>	99,958	1,728
Fuzhou Minhou Shimao Dragon Bay	<b>348,720</b>	<b>3,889</b>	123,745	1,406
Qingdao Shimao Park Land	<b>186,841</b>	<b>1,690</b>	–	–
Wuhan Shimao Splendid River	<b>151,953</b>	<b>1,654</b>	40,362	432
Xiamen Shimao Lakeside Garden	<b>62,276</b>	<b>1,404</b>	74,460	1,557
Changzhou Shimao Champagne Lake	<b>159,912</b>	<b>1,366</b>	107,481	705
Shaoxing Shimao Dear Town	<b>91,299</b>	<b>1,213</b>	56,691	711
Nanjing Shimao Glory Villa	<b>69,695</b>	<b>1,164</b>	–	–
Tianjin Shimao Wetland Century	<b>124,599</b>	<b>1,150</b>	71,248	718
Harbin Shimao Riviera New City	<b>179,956</b>	<b>1,084</b>	79,565	518
Wuxi Shimao The Capital	<b>116,620</b>	<b>1,035</b>	–	–
Kunshan Shimao Butterfly Bay	<b>159,712</b>	<b>984</b>	79,593	516
Dalian Shimao Dragon Bay	<b>72,663</b>	<b>929</b>	48,636	553
Ningbo Shimao Sea Dawn	<b>97,331</b>	<b>856</b>	27,409	207
Jiaxing Shimao New City	<b>138,251</b>	<b>815</b>	10,675	72
Xuzhou Shimao Dongdu	<b>89,308</b>	<b>669</b>	93,649	565

	2013		2012	
	Area (sq.m.)	RMB million	Area (sq.m.)	RMB million
Suzhou Shimao Canal Scene	56,758	637	129,473	1,177
Shaoxing Sky Centre	45,323	560	–	–
Ningbo Xiangshan Shimao Damuwan	30,820	445	–	–
Hangzhou Shimao Riviera Garden	40,977	387	186,136	1,520
Xianyang Shimao The Centre	19,027	383	5,839	99
Shenyang Shimao Wulihe	33,718	338	70,716	711
Mudanjiang Shimao Holiday Landscape	61,970	290	92,084	423
Chengdu Shimao Park	7,549	260	–	–
Ningbo Shimao Dragon Bay	21,902	225	–	–
Shanghai Shimao Sheshanli	10,489	200	–	–
Wuhan Shimao Dragon Bay	25,383	186	22,986	230
Shanghai Shimao Emme County	13,625	137	44,645	336
Yuyao Shimao Moushan Lake	7,005	133	–	–
Nantong Shimao Wetland Century	13,948	129	–	–
Beijing Shimao Alhambra Palace	5,583	104	4,961	215
Chengdu Shimao City	13,832	98	106,502	688
Dalian Shimao Glory City	4,983	60	1,756	21
Ningbo Shimao World Gulf	4,732	58	99,796	872
Shanghai Shimao Riviera Garden	645	55	18,928	1,363
Yantai Shimao No.1 The Harbour	4,194	38	37,432	338
Taizhou Shimao Riverside Garden	3,636	20	41,548	241
Kunshan Shimao East No. 1	1,467	13	168,935	1,162
Wuhu Shimao Riviera Garden	–	–	35,148	354
Fuzhou Shimao Skyscrapers	–	–	61,835	1,678
Shenyang Shimao Notting Hill	–	–	5,211	53
Sub-total (a)	2,876,281	30,108	2,047,403	21,169

## Management Discussion and Analysis

	2013		2012	
	Area (sq.m.)	RMB million	Area (sq.m.)	RMB million
<b>Shanghai Shimao</b>				
Shanghai Shimao Wonderland	137,253	2,162	–	–
Nanjing Shimao Bund New City	123,276	1,869	78,443	1,226
Jinan Shimao International Plaza	51,263	1,059	–	–
Changshu Shimao The Center (Commercial)	125,894	1,034	216,748	2,032
Suzhou Shimao Canal Scene (Commercial)	56,771	722	–	–
Qingdao Shimao Nuosha Bay	51,153	716	–	–
Qingdao Shi'ao Tower	21,856	698	–	–
Wuhan Shimao Carnival	58,923	492	42,807	312
Xuzhou Shimao Dongdu	22,777	285	49,969	291
Changzhou Champagne Lake (Commercial)	11,580	121	–	–
Kunshan Shimao International City	7,675	92	108,432	1,047
Qingdao International Plaza	3,047	62	–	–
Wuhu Riviera Garden (Commercial)	3,029	46	–	–
Hangzhou Shimao Riviera COSMO	2,496	29	48,929	494
Shaoxing Shimao Dear Town (Commercial)	425	8	2,877	36
Sub-total (b)	677,418	9,395	548,205	5,438
Total (a)+(b)	3,553,699	39,503	2,595,608	26,607

### (ii) Hotel income

Hotel operation income are analysed below:

	2013 RMB million	2012 RMB million
Le Méridien She Shan Shanghai	138	137
Le Royal Méridien Shanghai	374	385
Hyatt on the Bund	337	346
Holiday Inn Mudanjiang	29	29
Hilton Nanjing Riverside	66	68
Holiday Inn Shaoxing	32	34
DoubleTree by Hilton Wuhu	3	–
Total	979	999

Hotel operation income decreased approximately 2.0% to RMB979 million in 2013 from RMB999 million in 2012. The decrease was mainly due to the impact of government restriction on public consumption and the outbreak of bird flu in the year of 2013.

### (iii) Rental income and others

Rental income from investment properties amounted to RMB556 million. The rental income was increased by 9.7% mainly due to the rent growth of the properties.

Other income amounted to RMB465 million was mainly derived from the operation of department stores and cinemas.

	2013 RMB million	2012 RMB million
Shanghai Shimao International Plaza	158	161
Beijing Shimao Tower	121	100
Changshu Shopping Mall	15	15
Shanghai Shimao Shangdu	36	32
Shaoxing Shimao Dear Town	84	70
Kunshan Shimao Plaza	20	17
Wuhu Shimao Riviera Garden (Commercial)	5	3
Xuzhou Shimao Dongdu (Commercial)	14	13
Suzhou Shimao Canal Scene	14	13
Miscellaneous rental income	89	83
Others	465	539
<b>Total</b>	<b>1,021</b>	<b>1,046</b>

### Cost of Sales

Cost of sales increased by 41.0% to approximately RMB26,862 million in 2013 from RMB19,046 million in 2012, primarily due to the increase in cost of properties sold in line with the increase in areas delivered.

Cost of sales are analysed as follows:

	2013 RMB million	2012 RMB million
Sales taxes	2,442	1,733
Land costs, construction costs and capitalised borrowing costs	23,910	16,552
Direct operating costs for hotels, commercial properties and others	510	761
<b>Total</b>	<b>26,862</b>	<b>19,046</b>

## Management Discussion and Analysis

### Fair Value Gains on Investment Properties

During the year, the Group recorded aggregate fair value gains of approximately RMB1,031 million (2012: RMB2,363 million), mainly contributed by the further increase in value of certain investment properties. Aggregate net fair value gains after deferred income tax of approximately RMB258 million recognised was RMB773 million (2012: fair value gains after deferred income tax was RMB1,772 million).

### Other Gains

Other gains of approximately RMB845 million for the year ended 31 December 2013 (2012: RMB1,196 million) included mainly gain on government grants and net foreign exchange gains.

### Selling and Marketing Costs and Administrative Expenses

Selling and marketing costs for the year was approximately RMB1,306 million (2012: RMB1,047 million), which increased by 24.7% year-on-year in line with significant growth of approximately 45.5% in contracted sales. The sales team focused on the effectiveness of sales strategy and made efforts on the control of marketing costs. Administrative expenses for the year increased by 25.7% from RMB1,816 million to RMB2,283 million. It was mainly due to increase in labour cost and corporate and office expenses with the expansion of business during the year. In addition, hotel expenses also increased with the commencement of one new hotel from the second half year of 2013. However, the proportion of total expenses to the total contract sales decreased to 5.4% from 6.2% in 2012.

### Operating Profit

Operating profit amounted to RMB12.34 billion for the year ended 31 December 2013, representing an increase of 22.9% over 2012 (2012: RMB10.04 billion). It was mainly attributable to the increase of revenue and gross margin.

### Finance Costs – Net

Net finance costs increased to approximately RMB121 million (2012: RMB22 million) mainly due to more interest expenses incurred for increased borrowings during the year.

### Share of Results of Associated Companies and Joint Ventures

Share of losses of associated companies amounted to RMB51 million (2012: share of losses of RMB211 million), which was mainly due to the loss of Guangzhou Asian Game City Project. Share of profits of joint ventures amounted to RMB896 million (2012: share of profits of RMB363 million), which was significantly increased by 146.8%, resulting from properties completed and sales recognized by two joint ventures in Hangzhou.

### Taxation

The Group's tax provisions amounted to RMB4,834 million in which PRC land appreciation tax ("LAT") was RMB2,107 million (2012: RMB3,581 million, in which LAT was RMB926 million) for the year.



Shaoxing Shimao City Cineplex

## Profit Attributable to Shareholders

Profit attributable to shareholders for the year significantly increased by 28.2% from RMB5,765 million in 2012 to RMB7,390 million in 2013.

## Liquidity and Financial Resources

As of 31 December 2013, total assets of the Group were approximately RMB175.8 billion, of which current assets reached approximately RMB117.9 billion. Total liabilities were approximately RMB123.9 billion, whereas non-current liabilities were approximately RMB41.5 billion. Total equity were approximately RMB51.9 billion, of which equity attributable to the shareholders of the Company amounted to approximately RMB41.7 billion.

As of 31 December 2013, the Group had aggregate cash and bank balances (including restricted cash) of approximately RMB19.6 billion (31 December 2012: RMB18.1 billion), total borrowings amounted to approximately RMB49.3 billion (31 December 2012: RMB41.0 billion). Total net borrowings were RMB29.7 billion (31 December 2012: RMB22.9 billion). Net gearing ratio slightly increased from 55.9% as at 31 December 2012 to 57.4% as at 31 December 2013. However, it accomplished management's goal to keep the ratio under 60% and was maintained at a low level compared to past few years.

The maturity of the borrowings of the Group as at 31 December 2013 is set out as follows:

RMB million

### Bank borrowings and borrowings from other financial and non-financial institutions

Within 1 year	11,775
Between 1 and 2 years	9,388
Between 2 and 5 years	11,951
Over 5 years	6,314

### Senior notes

Between 2 and 5 years	5,103
Over 5 years	4,798

Total	49,329
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## Management Discussion and Analysis

The borrowings were denominated in different currencies set out below:

	Original currency million	RMB equivalent million
US\$	2,735	16,677
HK\$	4,262	3,351
RMB	29,301	29,301

### Financing Activities

The Group continued to maintain good relationships with over 20 domestic banks and 10 financial institutions in Hong Kong and other overseas regions which formed a strong liquidity support for the sustainable development of the Group and risk control against market and policy fluctuations.

The Group signed strategic cooperation agreements with some domestic banks in 2013 and in early 2014. These banks will provide overall finance services package with lower costs and priority facilities.

The Group also proactively further explored the offshore capital market with the following financing activities.

On 14 January 2013, the Group issued a total of US\$800 million senior notes due on 14 January 2020. The interest rate is 6.625%. The issuance received overwhelming response with 27 times over subscription, which indicated a high degree of market confidence in the prospect of the Group.

In July 2013, the Group acquired a total of approximately US\$570 million equivalent syndicated loan. The new syndicated loan is used to return some high-interest senior notes and bank loans, helped to lower the average cost of borrowings and balance the debt maturity profile of the Group. On 17 July 2013, the Group early redeemed an aggregate principal amount of US\$350 million of all outstanding 2016 8% Fixed Rate Notes.



Fuzhou Shimao Star World

On 22 January 2014, the Group issued a total of US\$600 million senior notes due on 22 January 2021 at a fixed interest rate of 8.125%, which effectively extended the average maturity period of the Group's loans.

In 2013, the Group's credit rating was successfully upgraded by several international credit reporting agencies, included Standard and Poor's, Fitch Ratings and Moody's, due to its steady operating and financial performance.

As a result, the debt structure was optimized by gradually lowering the proportion of its short-term borrowings from approximately 30% to approximately 24% and increasing the proportion of its long-term borrowings from approximately 70% to approximately 76% during the year. Short-term borrowings decreased from approximately RMB12.4 billion as at 31 December 2012 to approximately RMB11.8 billion as at 31 December 2013. The cash coverage ratio continued to increase from approximately 146% as at 31 December 2012 to approximately 166% as at 31 December 2013, which indicated the Group kept high liquidity and low debt pressure.

## Foreign Exchange Risks

Other than financing activities such as foreign currency borrowings which were denominated in foreign currencies, the Group conducts its business almost exclusively in RMB. The Group is not exposed to material exchange rate risk and the Board expects that any fluctuation of exchange rate will not have material adverse effect on the operations of the Group.

## Pledge of Assets

As of 31 December 2013, the Group had pledged property and equipment, investment properties, land use rights, available for-sale financial assets, properties under development, completed properties held for sale and restricted cash with a total carrying amount of approximately RMB49.4 billion to secure bank facilities granted to the Group. The corresponding bank and other loans amounted to approximately RMB27.3 billion. The Group had also pledged shares of certain subsidiaries for a total borrowing of approximately RMB1.17 billion.



Fujian Jinjiang Shima Dragon Bay

## Contingencies

As of 31 December 2013, the Group had provided guarantees for approximately RMB10.1 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 RMB4.8 billion in its portion of equity interests in certain associated companies and joint ventures for their borrowings.

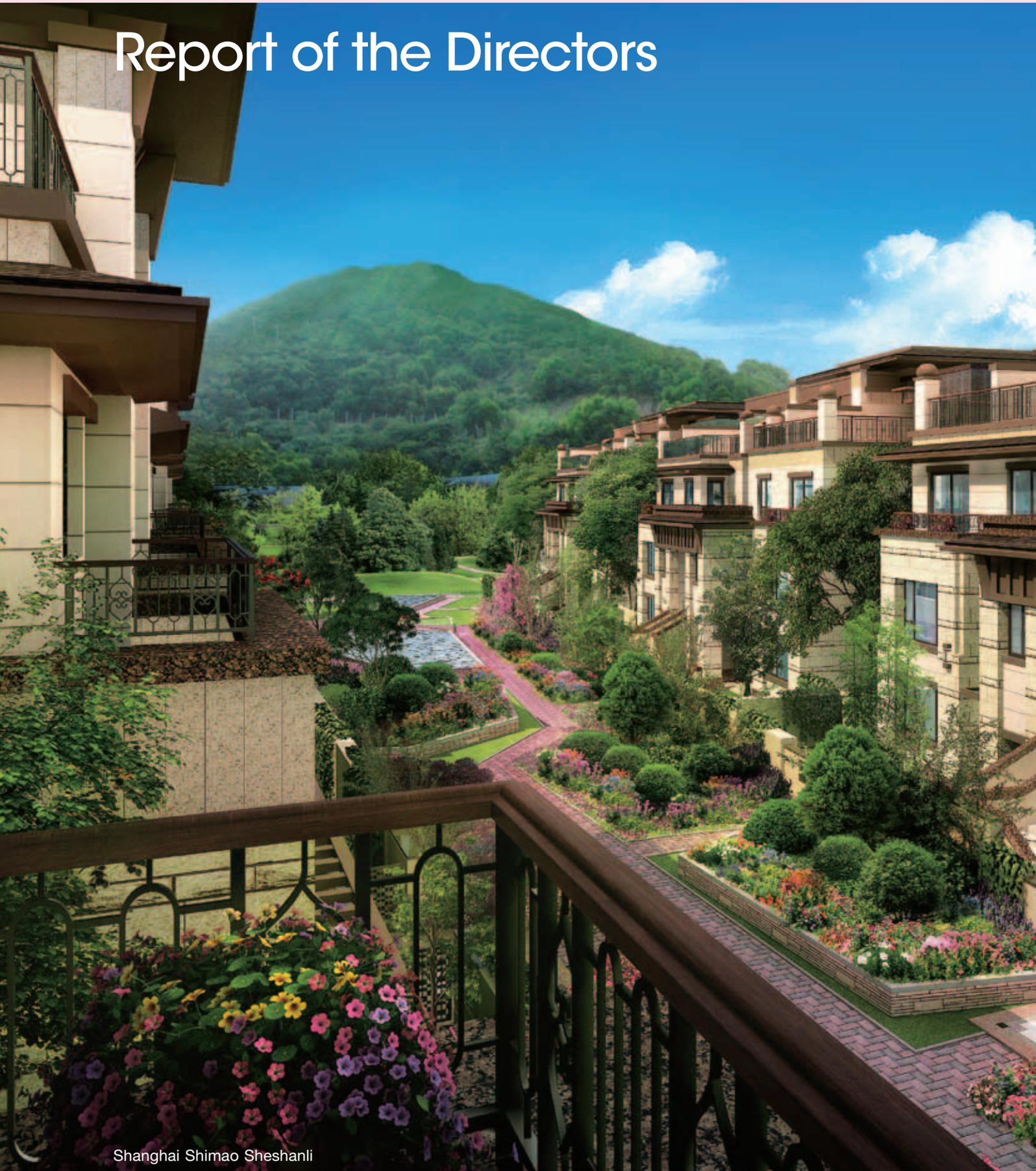
## Capital and Property Development Expenditure Commitments

As of 31 December 2013, the Group had contracted capital and property development expenditure but not provided for amounted to approximately RMB39.3 billion.

## Employees and Remuneration Policy

As of 31 December 2013, the Group employed a total of 6,017 employees. Total remuneration for the year amounted to approximately RMB1,033 million. The Group has adopted a performance-based rewarding system to motivate its staff. The board of directors of the Company adopted a share option scheme (the "Share Option Scheme") and a share award scheme (the "Share Award Scheme") of the Company on 9 June 2006 and 30 December 2011 respectively. The purpose of the Share Option Scheme and 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. In relation to staff training, the Group also provides different types of programmes for its staff to improve their skills and develop their respective expertise.

# Report of the Directors



Shanghai Shimao Sheshanli



The directors (the “Directors”) of Shimao Property Holdings Limited (the “Company”) have pleasure in presenting their report and the audited financial statements of the Company and its subsidiaries (together the “Group”) for the year ended 31 December 2013.

## PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in property development, investment and hotel operation. The principal activities of its principal subsidiaries are set out in note 36 to the consolidated financial statements.

## RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2013 are set out on pages 74 to 184 of this annual report.

The Board of Directors (the “Board”) has proposed a final dividend of HK81 cents (throughout 2012: HK55 cents) per ordinary share for the year ended 31 December 2013. The proposed final dividend, if approved at the forthcoming AGM to be held on 23 June, 2014, will be payable on 5 August 2014 to shareholders whose names appear on the register of members of the Company on 22 July 2014.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed during the following periods:

- (i) on Friday, 20 June 2014 and Monday, 23 June 2014, for the purpose of ascertaining shareholders’ entitlement to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, 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 Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration no later than 4:30 pm on Thursday, 19 June 2014; and
- (ii) on Monday, 21 July 2014 and Tuesday, 22 July 2014, for the purpose of ascertaining shareholders’ entitlement to the proposed final dividend. In order to establish entitlements to the proposed final 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 Services Limited, at the address as set out in sub paragraph (i) above for registration no later than 4:30 pm on Friday, 18 July 2014.

During the periods mentioned in sub paragraph (i) and (ii) above, no transfers of shares will be registered.

## Report of the Directors

### RESERVES

Movement in the reserves of the Company and the Group during the year are set out in note 22 to the consolidated financial statements.

### MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales and purchases attributable to the Group's five largest customers and suppliers were less than 30% of the Group's total turnover and 30% of the Group's total purchases respectively during the year.

None of the Directors, their associates or any shareholders (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interest in the major suppliers noted above.

### BANK AND OTHER BORROWINGS

Particulars of bank and other borrowings of the Company and the Group as at 31 December 2013 are set out in note 23 to the consolidated financial statements.

### DONATIONS

Charitable and other donations made by the Group during the year amounted to RMB14,914,000 (2012: RMB10,039,000).

### PROPERTY AND EQUIPMENT

Details of property and equipment of the Group are set out in note 6 to the consolidated financial statements.

### SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 21 to the consolidated financial statements.

Details of the movements of the share options of the Company during the year are set out on pages 138 and 139 of this annual report.

## FINANCIAL HIGHLIGHTS

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 4 of this annual report.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights over shares of the Company under the Company's articles of association or the laws of Cayman Islands where the Company is incorporated.

## DIRECTORS

The Directors of the Company during the year and up to the date of this report are as follows:

### Executive Directors

Mr. Hui Wing Mau (*Chairman*)  
Mr. Hui Sai Tan, Jason (*Vice Chairman*)  
Mr. Liu Sai Fei  
Mr. Xu Younong  
Ms. Tang Fei  
Mr. Liao Lujiang

### Independent Non-executive Directors

Ms. Kan Lai Kuen, Alice  
Mr. Lu Hong Bing  
Mr. Lam Ching Kam

In accordance with article 87 of the Company's articles of association, Mr. Hui Sai Tan, Jason, Mr. Xu Younong and Ms. Kan Lai Kuen, Alice will retire by rotation and, being eligible, offer themselves for re-election as Directors at the forthcoming AGM.

None of the Directors, including Directors being proposed for re-election at the forthcoming AGM, has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

The Company has received, from each of the Independent Non-executive Directors, a confirmation of his/her independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company considers all the Independent Non-executive Directors are independent.

## Report of the Directors

### DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in this report, no contracts of significance in relation to the Group's business to which the Company, any of its subsidiaries or its holding company was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

### INFORMATION ON SHARE OPTIONS

#### Share Option Scheme of the Company

The Company adopted a share option scheme (the "Share Option Scheme") on 9 June 2006, details are as follows:—

- (a) The purpose of the Share Option Scheme is to provide the participants the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and the shares of the Company for the benefit of the Company and shareholders of the Company as a whole. The Share Option Scheme will provide the Company with a flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to the participants.
- (b) The Directors may, at their discretion, invite any directors, employees and officers of any member of the Group and any advisors, consultants, distributors, contractors, contract manufacturers, agents, customers, business partners, joint venture business partners and service providers of any member of the Group to participate in the Share Option Scheme.
- (c) The total number of shares which may be issued upon exercise of all options (the "Share Options") granted and yet to be exercised under the Share Option Scheme or any other share option schemes adopted by the Company must not exceed 30% of the Company's shares in issue from time to time.
- (d) The total number of shares issued and to be issued upon exercise of the Share Options granted to each participant under the Share Option Scheme or any other share option scheme adopted by the Company in any 12-month period must not exceed 1% of the shares of the Company in issue and any further grant of Share Options which would result in the number of shares of the Company issued as aforesaid exceeding the said 1% limit must be approved by the shareholders of the Company.
- (e) The exercise price of the Share Options shall be no less than the higher of (i) the closing price of the shares of the Company on the Stock Exchange on the date of grant; (ii) the average closing price of the shares of the Company on the Stock Exchange for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a share of the Company on the date of grant.

- (f) The consideration paid by each grantee for each grant of options is HK\$1.00.
- (g) Performance targets have been imposed as conditions for the grant of options under the Share Option Scheme.
- (h) The Share Option Scheme will expire on 8 June 2016.
- (i) No share options was granted under the Share Option Scheme for the year ended 31 December 2013, nor was there any share option outstanding as at 31 December 2012 and 31 December 2013.

### Share Option Scheme of Shanghai Shimao

Shanghai Shimao Co., Ltd. ("Shanghai Shimao") adopted a share option scheme ("Shanghai Shimao Scheme") on 27 June 2013, details are as follows:-

- (a) The purpose of Shanghai Shimao Scheme is to further optimize the corporate governance structure, establish and improve the incentive and discipline mechanism of Shanghai Shimao, unleash motivation of the management, function as a measure to attract and retain quality executives, align the interests of Shanghai Shimao shareholders and corporate interests with personal interests of the management for building a common vision of long-term development of Shanghai Shimao, and to provide individual employees with incentives through profit sharing, thus securing the sustainable healthy development of Shanghai Shimao.
- (b) Options granted under Shanghai Shimao Scheme as incentives to directors, senior management and mid-level key managerial personnel of Shanghai Shimao. The shares subject to the options granted under Shanghai Shimao Scheme are share(s) of Shanghai Shimao which are listed on the Shanghai Stock Exchange and traded and denominated in RMB ("A Shares"). Participants who are granted with the options will be entitled to acquire A Shares at a pre-determined price during the exercise period of the relevant options, subject to the fulfilment of the relevant conditions and the terms of Shanghai Shimao Scheme.
- (c) The number of A Shares which will be issued under the options granted under the Shanghai Shimao Scheme is 10,000,000 A Shares, representing approximately 0.85% of the total number of A Shares in issue as at the date of this annual report if all the options are exercised.
- (d) The total number of shares to be granted under the Shanghai Shimao Scheme to an individual grantee will not exceed 1% of the total issued share capital of Shanghai Shimao.

## Report of the Directors

- (e) Subject to the fulfillment of various conditions as provided in the Shanghai Shimao Scheme, the options granted under the Shanghai Shimao Scheme can be exercised in two batches commencing from (i) the first trading day after the expiry of the 12-month period from the date of grant and (ii) the first trading day after the expiry of the 24-month period from the date of grant respectively.
- (f) Performance targets have been imposed as conditions for the grant of options under Shanghai Shimao Scheme.
- (g) No amount is payable on application or acceptance of the option by the grantees of the options.
- (h) The exercise price of the options granted under the Shanghai Shimao Scheme is RMB9.84 per A Share, which is the higher of the followings: (i) the closing price of the A Shares quoted on the Shanghai Stock Exchange on the last trading day immediately preceding the date of the announcement on the draft of the Shanghai Shimao Scheme made by Shanghai Shimao (i.e. 11 April 2013), which was RMB9.74 per A Share; and (ii) the average of the closing prices of the A Shares quoted on the Shanghai Stock Exchange for the last 30 trading days immediately preceding the date of the announcement on the draft of the Shanghai Shimao Scheme made by Shanghai Shimao, which was RMB9.84 per A Share.
- (i) Shanghai Shimao Scheme will expire on 27 June 2016.
- (j) During the year ended 31 December 2013, Shanghai Shimao granted options to various participants pursuant to Shanghai Shimao Scheme to subscribe for a total of 10,000,000 A Shares.

Other details of the Share Option Scheme and Shanghai Shimao Scheme are set out in note 21 to the consolidated financial statements.

## SHARE AWARD SCHEME

A Share Award Scheme of the Company (the “Share Award Scheme”) was adopted by 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 year ended 31 December 2013, 4,336,654 shares were granted to certain executive directors and selected employees of the Group under the Share Award Scheme.

## DISCLOSURE OF INTERESTS IN SECURITIES

### Directors' and Chief Executive's Interests and Short Position in the Share Capital of the Company

As at 31 December 2013, 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 Securities and Futures Ordinance ("SFO") (Cap. 571 of the Laws of Hong Kong)) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in the Listing Rules were as follows:

#### 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	2,238,720,942 <sup>(Note 1)</sup>	64.469%
Hui Sai Tan, Jason	Beneficial owner	2,288,203 <sup>(Note 2)</sup>	0.066%
Liu Sai Fei	Beneficial owner	508,483 <sup>(Note 3)</sup>	0.015%
Xu Younong	Beneficial owner	122,024 <sup>(Note 4)</sup>	0.004%
Tang Fei	Beneficial owner	97,520 <sup>(Note 5)</sup>	0.003%
Liao Lujiang	Beneficial owner	117,073 <sup>(Note 6)</sup>	0.003%

Notes:

- (1) These 2,238,720,942 shares represents the interest in the Company held by Gemfair Investments Limited and Shiyong Finance Limited, companies which are directly wholly-owned by Mr. Hui Wing Mau.
- (2) The interests disclosed include 176,203 shares granted under the Share Award Scheme.
- (3) The interests disclosed include 216,883 shares granted under the Share Award Scheme.
- (4) The interests disclosed represent 122,024 shares granted under the Share Award Scheme.
- (5) The interests disclosed represent 97,520 shares granted under the Share Award Scheme.
- (6) The interests disclosed represent 117,073 shares granted under the Share Award Scheme.

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.

## Report of the Directors

### Directors' Right to Acquire Shares or Debentures

Save as disclosed above, at no time during the year 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 31 December 2013, 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 under section 336 of the SFO were as follows:

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

Name	Nature of interest	Number of shares or underlying shares held	Approximate percentage of issued share capital
<b>Long position</b>			
Gemfair Investments Limited ("Gemfair")	Note 1	1,947,984,000	56.096%
Overseas Investment Group International Limited ("Overseas Investment")	Note 2	1,947,984,000	56.096%
Shiyong Finance Limited ("Shiyong Finance")	Note 3	290,736,942	8.372%

Notes:

- (1) The interests disclosed represents the interests in the Company which is held by Gemfair, a company which is directly wholly-owned by Mr. Hui Wing Mau.
- (2) The interests disclosed represents 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 associates (directly or indirectly) hold not less than 30% interest in the Company.
- (3) The interests disclosed represents the interests in the Company which is 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 year ended 31 December 2013, the following Directors were 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, currently owns property development 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 Company's Articles of Association, abstain from voting on any board resolution in respect of any contract, arrangement or proposal in which he/she or any of his/her associates has a material interest.

## PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES

During the year ended 31 December 2013, 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 6,757,500 shares of the Company at a total consideration of approximately HK\$117 million.

## CONTINUING DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

The Company entered into the following agreements:

1. A credit agreement on 26 November 2012 between, among others, the Company as borrower, certain subsidiaries of the Company as guarantors, The Hongkong and Shanghai Banking Corporation Limited, Hang Seng Bank Limited, Standard Chartered Bank (Hong Kong) Limited, The Bank of East Asia, Limited, and Sumitomo Mitsui Banking Corporation as mandated co-ordinating arrangers and lenders, multi-currency term loan facilities in the amount of US\$610,000,000 and HK\$468,000,000 will be made available to the Company for a term of 36 months from the date of the credit agreement.
2. A credit agreement on 14 June 2013 between, among others, the Company as borrower, certain subsidiaries of the Company as guarantors, The Hongkong and Shanghai Banking Corporation Limited, Bank of China Limited Macau Branch, Hang Seng Bank Limited, Standard Chartered Bank (Hong Kong) Limited, The Bank of East Asia, Limited, Sumitomo Mitsui Banking Corporation, Tai Fung Bank Limited and Deutsche Bank AG, Singapore Branch as mandated co-ordinating arrangers and lenders, multi-currency term loan facilities in the amount of US\$320,000,000 and HK\$1,950,000,000 will be made available to the Company for a term of 48 months from the date of the credit agreement.

## Report of the Directors

3. A facility agreement on 21 May 2013 between, among others, Tianjin Jinnan Xincheng Real Estate Development Co., Ltd., a company which is indirectly owned as to 25% by the Company as the borrower, the Company as one of the sponsors, certain financial institutions as specified in the facility agreement as initial lenders, a term loan facility in the amount of RMB1,000,000,000 will be made available to the borrower for a term of 36 months from the date of the facility agreement.
4. A facility agreement on 10 October 2013 between, among others, Charm Talent Limited, a company which is indirectly owned as to 25% by the Company as the borrower, the Company as one of the guarantors, The Bank of East Asia, Limited, The Hongkong and Shanghai Banking Corporation Limited and Standard Chartered Bank (Hong Kong) Limited as original lenders and mandated lead arrangers, a transferable term loan facility in the amount of HK\$2,700,000,000 will be made available to the borrower for a term of 36 months from the first utilization date.

As provided in each of the above 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 each of the above loan facilities may be cancelled and all amounts outstanding may become immediately due and payable.

### SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, throughout the year ended 31 December 2013 and up to the date of this report, the Company has maintained a sufficient public float of more than 25% of the Company's issued shares as required under the Listing Rules.

## CORPORATE GOVERNANCE

The Company is committed to achieving high standards of corporate governance which it believes is crucial to the development of the Group and safeguard the interests of the shareholders of the Company. Information on the Company's corporate governance principles and practices is set out in the Corporate Governance Report on pages 52 to 65 of this annual report.

## AUDITOR

The financial statements have been audited by PricewaterhouseCoopers who will retire and, being eligible, offer themselves for re-appointment as auditor of the Company at the forthcoming annual general meeting of the Company.

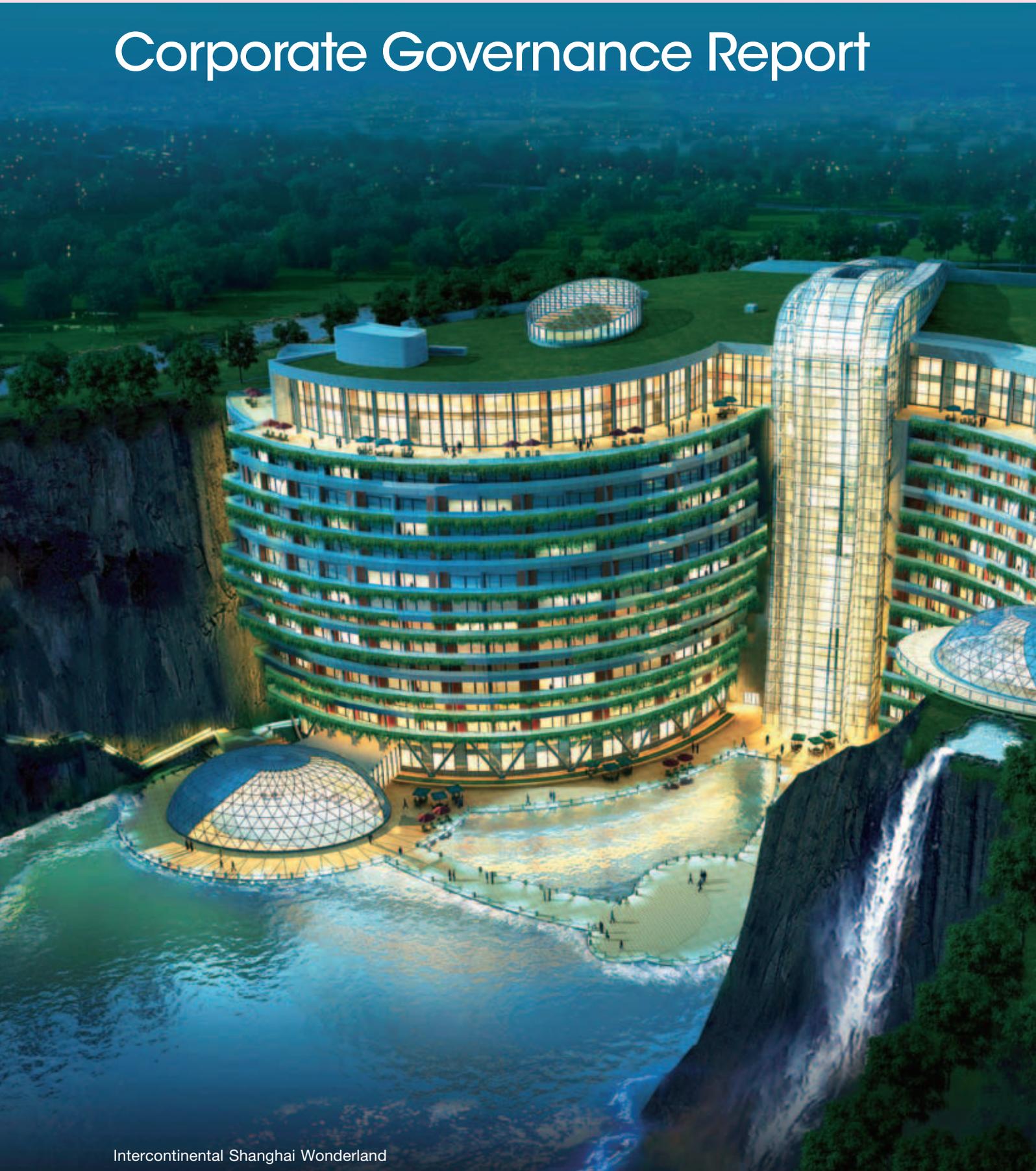
On behalf of the Board

**Hui Wing Mau**

*Chairman*

Hong Kong, 25 March 2014

# Corporate Governance Report



Intercontinental Shanghai Wonderland



Shimao Property Holdings Limited (the “Company”) is committed to achieving and maintaining high standards of corporate governance which it believes is crucial to the development of the Company and its subsidiaries (together the “Group”) and safeguard the interests of the shareholders of the Company.

The corporate governance standards of the Company are built on the principles of independence, accountability, transparency and fairness. The Company has complied with the code provisions set out in the Corporate Governance Code (the “Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) throughout the financial year ended 31 December 2013 except for one deviation as set out under the paragraph on “Chairman and Chief Executive” below.

## A. DIRECTORS

### A.1 The Board

The board of directors of the Company (the “Board”) consisted of nine directors. The directors of the Company (the “Directors”) during the year are as follows:

#### **Executive Directors**

Mr. Hui Wing Mau (*Chairman*)  
Mr. Hui Sai Tan, Jason (*Vice Chairman*)  
Mr. Liu Sai Fei  
Mr. Xu Younong  
Ms. Tang Fei  
Mr. Liao Lujiang

#### **Independent Non-executive Directors**

Ms. Kan Lai Kuen, Alice  
Mr. Lu Hong Bing  
Mr. Lam Ching Kam

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 executive management.

## Corporate Governance Report

The Board has four scheduled meetings a year at quarterly interval and meets as and when required. During the year 2013, the Board held four meetings. The attendance of the Directors at the Board meetings is set out below:

Directors	Number of attendance
<i>Executive Directors:</i>	
Hui Wing Mau ( <i>Chairman</i> )	4/4
Hui Sai Tan, Jason ( <i>Vice Chairman</i> )	4/4
Liu Sai Fei	4/4
Xu Younong	4/4
Tang Fei	4/4
Liao Lujiang	4/4
<i>Independent Non-executive Directors:</i>	
Kan Lai Kuen, Alice	4/4
Lu Hong Bing	4/4
Lam Ching Kam	4/4

### A.2 Chairman and Chief Executive

The roles of the chairman and chief executive of the Company have not been segregated as required by the 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 six Executive Directors and three Independent Non-executive Directors and therefore has a strong independence 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 set by the Board.

### A.3 Board Composition

The Company benefits from the collective experience of its Directors, who come from a variety of different backgrounds. 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 annual 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 comprises six Executive Directors and three Non-executive Directors. All of the three Non-executive Directors are Independent Non-executive Directors who represent more than one-third of the Board. All the Independent Non-executive Directors meet the guidelines for assessment of independence, as set out in Rule 3.13 of the Listing Rules.

### A.4 Appointments, Re-election and Removal

Each of the Directors has entered into a service contract with the Company for a specific term. However, such term is subject to his/her re-appointment by the Company at general meeting upon retirement by rotation pursuant to the articles of association of the Company (the “Articles”). The Articles state that each Director shall retire from office by rotation at least once every three years after he/she was last elected or re-elected and Directors holding offices as chairman and managing director are also subject to retirement by rotation. The term of appointment of all Directors, including the Non-executive Directors, is effectively three years. The Articles also provide that any Director appointed by the Board, either to fill a casual vacancy on the Board or as an addition to the existing Board, shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

### A.5 Nomination Committee

The Company has established a nomination committee on 9 June 2006 with written terms of reference. The Nomination Committee consists of four members, 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 regarding candidates to fill vacancies on the Board.

## Corporate Governance Report

The Board adopted a board diversity policy for the Company which stipulates that for identifying individuals suitably qualified to become Directors, the Nomination Committee should consider the benefits of all aspects of diversity including, but not limited to, a number of factors, such as gender, age, race, cultural and educational background, professional experience and industry and business-related experience, in order to maintain an appropriate range of balance of skills, experience and background on the Board. All appointments of Directors should have taken into account the aforesaid factors as a whole for the benefits of the Company. The Nomination Committee will regularly discuss and, if appropriate, agree on any measurable objective for achieving diversity on the Board.

Attendance of individual members at Nomination Committee meeting during the year is as follows:

Directors	Number of attendance
Hui Wing Mau ( <i>Committee Chairman</i> )	2/2
Kan Lai Kuen, Alice	2/2
Lu Hong Bing	2/2
Lam Ching Kam	2/2

During the year, the Nomination Committee has reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board.

### A.6 Responsibilities of Directors

Every newly appointed Director shall receive an information package from the company secretary on appointment. This information package is a comprehensive, formal and tailored induction on the responsibilities and on-going obligations to be observed by a Director. In addition, the package includes materials on the operations and business of the Company. The senior management and the company secretary will subsequently conduct such briefing necessary to ensure that the Directors have a proper understanding of the operations and business of the Company and that they are aware of their responsibilities under the laws and applicable regulations.

Management provides appropriate and sufficient information to Directors in a timely manner to keep them apprised of the latest development of the Group and enable them to discharge their responsibilities. Directors also have independent access to senior executives in respect of operating issues.

Every Director is aware that he should give sufficient time and attention to the affairs of the Company. The Directors are continually updated with legal and regulatory developments, business and market changes and strategic development of the Group to facilitate the discharge of their responsibilities.

According to the records of the company, the Directors participated in the following trainings during the year:

<u>Directors</u>	<u>Reading materials</u>
<i>Executive Directors:</i>	
Hui Wing Mau ( <i>Chairman</i> )	✓
Hui Sai Tan, Jason ( <i>Vice Chairman</i> )	✓
Liu Sai Fei	✓
Xu Younong	✓
Tang Fei	✓
Liao Lujiang	✓
<i>Independent Non-executive Directors:</i>	
Kan Lai Kuen, Alice	✓
Lu Hong Bing	✓
Lam Ching Kam	✓

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. All Directors confirmed they had complied with the required standard set out in the Model Code during the year.

## A.7 Supply of and Access to Information

In respect of regular Board meetings, and so far as practicable in all other cases, an agenda and accompanying Board papers are sent in full to all Directors in a timely manner.

The Directors enable, upon the reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expenses.

## Corporate Governance Report

### B. REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT AND BOARD EVALUATION

#### B.1 The Level and Make-up of Remuneration and Disclosure

The Company has established a remuneration committee on 9 June 2006 with written terms of reference. The Remuneration Committee consists of four members, 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 evaluate, make recommendations on the Company's share option schemes, share award scheme, retirement scheme and the performance assessment system and bonus and commission policies.

Attendance of individual members at Remuneration Committee meeting during the year is as follows:

Directors	Number of attendance
Lu Hong Bing ( <i>Committee Chairman</i> )	2/2
Hui Wing Mau	2/2
Kan Lai Kuen, Alice	2/2
Lam Ching Kam	2/2

During the year, the Remuneration Committee has reviewed the structure of remunerations for Directors and senior management of the Company. Details of the Directors' remuneration (including the Executive Directors who are also the senior management of the Company) are set out in note 31 to the consolidated financial statements of this annual report.

## C. ACCOUNTABILITY AND AUDIT

### C.1 Financial Reporting

The Directors are responsible for overseeing the preparation of the financial statements for each financial period which gives a true and fair view of the Group's state of affairs and the results and cash flow for that period. In preparing the financial statements for the year ended 31 December 2013, the Directors have selected suitable accounting policies and applied them consistently; adopted appropriate accounting standards; made judgments and estimates that are prudent and reasonable; and ensured the accounts are prepared on the going concern basis.

The Company recognizes that high quality corporate reporting is important in reinforcing the trustworthy relationship with the Company's stakeholders and aims at presenting a balanced, clear and comprehensible assessment of the Company's performance, position and prospects in all corporate communications. The annual and interim results of the Company are announced in a timely manner after the end of the relevant periods.

### C.2 Internal Controls

The Group has established an internal audit department which plays an important role in the Group's internal control system. The Internal Audit Department provides an independent appraisal of the Group's financial and operational activities and makes recommendations to the relevant management for necessary actions. The results of the internal audit reviews are reported to the Executive Directors and audit committee of the Company periodically. The Directors have reviewed the effectiveness of the Group's internal control system covering financial, operational, compliance and risk management functions, and consider the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting function.

### C.3 Audit Committee

The Company has established an audit committee on 9 June 2006 with written terms of reference pursuant to the rules set out in Chapter 3 of the Listing Rules. The Audit Committee consists of three members, namely Ms. Kan Lai Kuen, Alice, Mr. Lu Hong Bing and Mr. Lam Ching Kam. All of them are Independent Non-executive Directors. The chairman of the Audit Committee is Ms. Kan Lai Kuen, Alice.

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

## Corporate Governance Report

Full minutes of 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 respectively.

The Audit Committee meets the external auditor at least twice a year to discuss any areas of concerns during the audits and considers any matters raised by the 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.

Attendance of individual members at Audit Committee meetings during the year is as follows:

Directors	Number of attendance
Kan Lai Kuen, Alice ( <i>Committee Chairman</i> )	2/2
Lu Hong Bing	2/2
Lam Ching Kam	2/2

The major work performed by the Audit Committee during the year included, among other things, reviewing the internal audit report, internal audit plan, annual report, interim report and connected transactions.

The Audit Committee is provided with sufficient resources, including the advice of external auditor to discharge its duties.

The consolidated annual results of the Group for the year ended 31 December 2013 have been reviewed by the Audit Committee.

The external auditor of the Company is PricewaterhouseCoopers. A statement by the auditor about their reporting responsibilities is included in the Independent Auditor's Report on the Company's consolidated financial statements on pages 72 and 73.

In arriving at its opinion, the auditor conducted a full scope audit without any restrictions and had access to individual Directors (including Audit Committee members) and management of the Company.

The auditor will attend the annual general meeting of the Company to answer questions which the shareholders may have.

The remuneration to the Company's auditor in respect of the services rendered for the year ended 31 December 2013 is set out as follows:

<b>Services rendered</b>	<b>RMB'000</b>
Audit service	7,000
Other service	
– Service in connection with the notes offering	1,400
– Service in connection with SAP project management	3,500
– Others	2,180
	14,080

## **D. DELEGATION BY THE BOARD**

### **D.1 Management Functions**

The Board is responsible for formulating overall strategy, monitoring and controlling the performance of the Group whilst managing the Group's business is the responsibility of the management.

Major corporate matters that are specifically delegated by the Board to the management include the preparation of interim and annual reports, announcements and circulars for Board approval before publishing, execution of business strategies and initiatives adopted by the Board, implementation of systems of internal controls and risk management procedures, compliance with relevant statutory requirements and rules and regulations.

### **D.2 Board Committees**

Where board committees are established to deal with matters, the Board shall give them sufficiently clear terms of reference to enable them to perform their functions properly.

The terms of reference of the above-mentioned committees require such committees to report back to the Board on their decisions or recommendations. Material matters will be reported to the Board by the other board committees according to their respective terms of reference.

## Corporate Governance Report

### D.3 Corporate Governance Functions

The Board is responsible for performing the corporate governance duties set out in the provision D.3.1 of the Code. 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, 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.

During the year, the Board has reviewed the Company's compliance with the Code and disclosure in the Corporate Governance Report.

## E. COMMUNICATION WITH SHAREHOLDERS

### E.1 Effective Communication

The management believes that effective communication with the investment community is essential. During the year, the Executive Directors and senior management held regular briefings, attended investor forums and participated in roadshows with institutional investors and financial analysts in the PRC, Hong Kong and overseas countries to keep them abreast of the Company's business and development. In addition, questions received from the general public and individual shareholders were answered promptly. Published documents together with the latest corporate information and news are made available on the Company's website.

The annual general meeting provides a useful forum for the shareholders to exchange views with the Board. The Directors, senior management and external auditor will attend the shareholder's meetings to answer the questions of shareholders.

Attendance of the Directors at the Annual General meetings during the year is set out below:

Directors	Number of attendance
<i>Executive directors:</i>	
Hui Wing Mau ( <i>Chairman of the Board and the Nomination Committee</i> )	1/1
Hui Sai Tan, Jason ( <i>Vice Chairman of the Board</i> )	1/1
Liu Sai Fei	1/1
Xu Younong	1/1
Tang Fei	1/1
Liao Lujiang	1/1
<i>Independent Non-executive Directors:</i>	
Kan Lai Kuen, Alice ( <i>Chairman of the Audit Committee</i> )	1/1
Lu Hong Bing ( <i>Chairman of the Remuneration Committee</i> )	1/1
Lam Ching Kam	1/1

## **Shareholders' rights**

### ***Procedures for shareholders to convene an extraordinary general meeting ("EGM")***

Pursuant to Article 58 of the Articles, any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company ("EGM Requisitionists") shall at all times have the right, by written requisition sent to the Board or the company secretary, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition.

The EGM Requisitionists can deposit the written request at the Company's principal place of business in Hong Kong ("Principal Office"), which is presently situated at Units 4307-12, 43rd Floor, Office Tower, Convention Plaza, 1 Harbor Road, Wanchai, Hong Kong. The EGM Requisitionists must state in their request(s) the objects of the EGM, and such request must be signed by all the EGM Requisitionists, any may consist of several documents in like form, each signed by one or more of the EGM Requisitionists.

The Company's branch share registrar and transfer office in Hong Kong will verify the EGM Requisitionists' particulars in the EGM Requisitionists' request. Promptly after confirmation from the Company's branch share registrar and transfer office in Hong Kong that the EGM Requisitionists' request is in order, the company secretary will arrange the Board to convene an EGM by serving sufficient notice to all the registered shareholders in accordance with all the relevant statutory and regulatory requirements. On the contrary, if the EGM Requisitionists' request is verified not in order, the EGM Requisitionists will be advised of this outcome and accordingly, an EGM will not be convened as requested.

If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the EGM Requisitionists' himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the EGM Requisitionists by reason of the Board's failure to duly convene an EGM shall be reimbursed to the EGM Requisitionists by the Company.

### ***Procedures for putting forward proposals at general meeting***

There are no provisions allowing shareholders to propose new resolutions at the general meetings under the Cayman Islands Companies Law. However, shareholders are requested to follow Article 58 of the Articles for including a resolution at an EGM. The requirements and procedures are set out above.

## Corporate Governance Report

### ***Procedures for proposing a person to be elected as a director of the Company***

Pursuant to Article 88 of the Articles, no person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a notice signed by a member of the Company (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the Company's Principal Office or at the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong provided that the minimum length of the period, during which such Notice(s) are given, shall be at least seven days and that (if the Notices are submitted after the dispatch of the notice of the general meeting appointed for such election) the period for lodgment of such Notice(s) shall commence on the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting. The written notice must state that person's biographical details as required by Rule 13.51(2) of the Listing Rules. The procedures for shareholders of the Company to propose a person for election as director is posted on the Company's website.

### ***Procedures for directing shareholders' enquiries to the Board***

The Company welcomes shareholders' views and concerns relating to the Group's management and governance. Shareholders may at any time send their enquiries to the Board by addressing to the company secretary at the Company's Principal Office.

### **Significant changes in the Company's constitutional documents**

During the year ended 31 December 2013, there is no any significant change in the constitutional documents of the Company.

## **E.2 Voting by Poll**

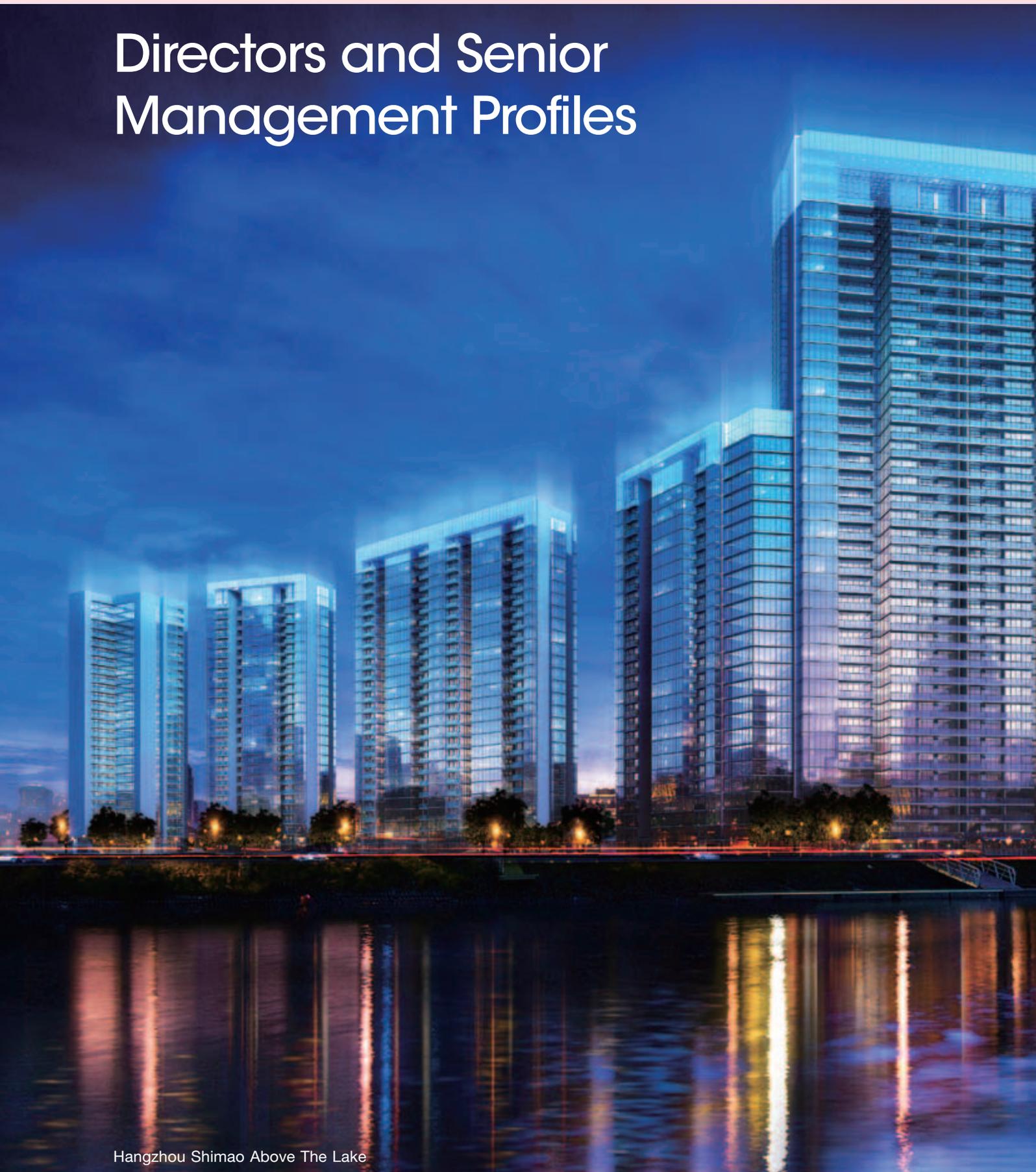
Voting at general meetings of the Company must be taken by poll as set out in Rule 13.39(4) of the Listing Rules so that each share is entitled to one vote. The chairman of general meeting shall ensure that an explanation is provided of the detailed procedures for conducting a poll and answer any questions from shareholders on voting by way of a poll.

## F. 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. During the year, Ms. Lam undertook over 15 hours of professional training to update her skills and knowledge. The company secretary plays an important role in supporting the Board by ensuring good information flow within the Board and that Board policy, procedures and all applicable rules and regulations. The company secretary reports to the Board through the chairman and vice chairman whilst all members of the Board have access to the advice of the company secretary.

The Board will continue to devote efforts to maintain good corporate governance practices of the Company in future with a view to continuously enhancing shareholder value as a whole.

# Directors and Senior Management Profiles



Hangzhou Shimao Above The Lake



## EXECUTIVE DIRECTORS

### Hui Wing Mau (Chairman)

Mr. Hui Wing Mau, aged 63, the Chairman and Executive Director of Shimao Property Holdings Limited (the “Company”) and the founder of the Group. With over 24 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, president of The Association for the Promotion of Global Chinese Traders Fraternity, executive president of China Red Ribbon Foundation and president 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 64.22% owned subsidiary of the Company listed on the Shanghai Stock Exchange, and a director of Shimao International Holdings Limited (“Shimao International”). He is a director of Gemfair Investments Limited and Shiyong Finance Limited, substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance. 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 and the President of Shanghai Shimao.

## Directors and Senior Management Profiles

### Hui Sai Tan, Jason (Vice Chairman)

Mr. Hui Sai Tan, Jason, aged 37, 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 15 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 and was an executive director of Shimao International from July 2002 to June 2006. He is also a director of Shanghai Shimao. Mr. Jason Hui is the son of Mr. Hui Wing Mau, the Chairman and Executive Director of the Company, and the brother of Ms. Hui Mei Mei, Carol, the Vice Chairman and the President of Shanghai Shimao.

### Liu Sai Fei

Mr. Liu Sai Fei, aged 52, has joined the Group since 2003 and was appointed an Executive Director of the Company on 1 February 2010. He is currently a Vice President and Regional Project Controller of the Group, responsible for project management of the Group's projects. He obtained a Master's Degree in Project Management from the University of Western Sydney, Australia in 2000. Mr. Liu has over 29 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 and 2003, he worked for Shanghai Merry Land Co. Ltd. as project manager.

### Xu Younong

Mr. Xu Younong, aged 55, has joined the Group since June 2001 and was appointed an Executive Director of the Company on 1 January 2011. He is currently a Vice President and Regional President of the Group, responsible for project management of the Group. Mr. Xu holds a Bachelor's Degree of engineering from Tong Ji University in Shanghai and has over 30 years' experience in architectural design and project management. Prior to joining the Group, he worked for Shanghai Building Material Industry Design Institute (上海市建築材料工業設計研究院) from 1983 to 1992 as an engineer and designer. From 1993 to 2001, he worked for Shanghai Fortune World Development Company Limited as project manager.

### Tang Fei

Ms. Tang Fei, aged 43, 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 20 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.

## Liao Lujiang

Mr. Liao Lujiang, aged 42, 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, human resources, information system and administrative support of the Group. Mr. Liao holds a Master's Degree in public administration from Tsinghua University and has over 11 years' experience in office administration, human resources management and staff training. Prior to joining the Group, Mr. Liao worked in Ianjia 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).

## INDEPENDENT NON-EXECUTIVE DIRECTORS

### Kan Lai Kuen, Alice

Ms. Kan Lai Kuen, Alice, aged 59, has been an Independent Non-executive Director of the Company since 16 March 2006 and has more than 22 years' experience in corporate finance. She is a responsible officer of three licensed corporations registered under the Securities and Futures Ordinance, namely Asia Investment Management Limited ("AIML"), Asia Investment Research Limited ("AIRL") and Lotus Asset Management Limited. AIML is currently the investment manager of China Investment Fund Company Limited which is listed on The Stock Exchange of Hong Kong Limited. She is also a shareholder and the managing director of AIML and AIRL. Ms. Kan currently serves as an independent non-executive director on the boards of the following companies which are listed on The Stock Exchange of Hong Kong Limited: Shougang Concord International Enterprises Company Limited, Regal Hotels International Holdings Limited, China Energin International (Holdings) Limited and Cosmopolitan International Holdings Limited. She is also a non-executive independent director of AVIC International Investments Limited, a company listed on 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. Ms. Kan held various senior positions in international and local banks and financial institutions.

### Lu Hong Bing

Mr. Lu Hong Bing, aged 47, has been an Independent Non-executive Director of the Company since 17 November 2004. Mr. Lu obtained a Master's Degree in law from the East China University of Politics and Law in 1991 and has more than 21 years' experience in corporate and securities laws in China. Mr. Lu currently serves as an independent director on the boards of the following companies which are listed on the Shanghai Stock Exchange: Shanghai Aerospace Automobile Electromechanical Co., Ltd (上海航天汽車機電股份有限公司), Shanghai Jiaoda Only Co., Ltd (上海交大昂立股份有限公司), Shanghai Metersbonwe Fashion & Accessories Co., Ltd. (上海美特斯邦威服飾股份有限公司) and Shanghai DaZhong Public Utilities (Group) Co., Ltd (上海大眾公用事業(集團)股份有限公司). Mr. Lu is an executive partner of the Grandall Legal Group, a vice-president of the Executive Council of the All China Lawyers Association, an arbitrator of the China International Economic and Trade Arbitration Commission, an arbitrator of the Shanghai Arbitration Committee, a concurrent professor of the East China University of Political Science and Law and the Shanghai Institute of Foreign Trade and a commissioner of the public offering commission of the Shanghai Stock Exchange. He was appointed as an independent non-executive director of Shimao International from October 2001 to February 2005.

## Directors and Senior Management Profiles

### Lam Ching Kam

Mr. Lam Ching Kam, aged 53, has been an Independent Non-executive Director of the Company since 1 June 2006. He is currently a fellow member and the committee member of the PRC committee (Quantity Surveying Division) 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 Building 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 12 years. Mr. Lam has been in the property development and construction industry for 30 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.

## 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 interim report of the Company for the six months ended 30 June 2013 required to be disclosed pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") is set out below:

Name of Director	Detail of changes
<b>Independent Non-executive Director</b>	
Ms. Kan Lai Kuen, Alice	Appointed as an independent non-executive director of Cosmopolitan International Holdings Limited, a company listed on the Stock Exchange, with effect from 18 December 2013.

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".

## ANNUAL REPORT

This annual report is now available in printed form and on the website of the Company ([www.shimaoproperty.com](http://www.shimaoproperty.com)). If shareholders who have received or chosen to receive this annual report by electronic means and (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 by email at [shimao-ecom@hk.tricorglobal.com](mailto: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 future corporate communications, free of charge, they could at any time notify the Company's Registrars by email or by post.

## ANNUAL GENERAL MEETING ("AGM")

The 2014 AGM will be held on Monday, 23 June 2014. The notice of the 2014 AGM, which constitutes part of the circular to shareholders, is sent together with this annual report. The notice of the 2014 AGM and the proxy form are also available on the Company's website.

## 2013 DIVIDENDS

Interim dividend	Nil
Proposed final dividend	HK\$1 cents per share

## CLOSURE OF REGISTER OF MEMBERS ("ROM")

For determining shareholders' eligibility to attend and vote at the 2014 AGM

Latest time to lodge transfer documents for registration	4:30 pm on Thursday, 19 June 2014
Closure of ROM	Friday, 20 June 2014 and Monday, 23 June 2014
Record date	23 June 2014

For determining shareholders' entitlement to the final dividend

Latest time to lodge transfer documents for registration	4:30 pm on Friday, 18 July 2014
Closure of ROM	Monday, 21 July 2014 and Tuesday, 22 July 2014
Record date	22 July 2014
Dispatch of final dividend warrants	5 August 2014

## Independent Auditor's Report

### **TO THE SHAREHOLDERS OF SHIMAO PROPERTY HOLDINGS LIMITED**

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Shimaoproperty Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 74 to 184, which comprise the consolidated and Company balance sheets as at 31 December 2013, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **AUDITOR'S RESPONSIBILITY**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Independent Auditor's Report

### **OPINION**

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, 25 March 2014

# Consolidated Balance Sheet

As at 31 December 2013

		As at 31 December	
	Note	2013	2012
		RMB'000	RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	6	10,378,052	9,702,631
Investment properties	7	26,941,944	26,248,098
Land use rights	8	5,645,416	4,717,336
Intangible assets	9	1,847,573	2,139,925
Associated companies	11	1,650,578	1,490,441
Joint ventures	12	5,365,806	3,985,956
Amount due from related parties	19	2,266,694	1,561,719
Available-for-sale financial assets	13	408,440	369,833
Deferred income tax assets	24	1,306,338	1,248,390
Other non-current assets	14	2,008,313	757,250
		<b>57,819,154</b>	<b>52,221,579</b>
<b>Current assets</b>			
Properties under development	15	62,559,873	37,608,942
Completed properties held for sale	16	11,604,899	7,103,351
Trade and other receivables and prepayments	17	11,217,421	6,638,544
Prepayment for acquisition of land use rights	18	9,632,388	6,676,235
Prepaid income taxes		2,154,779	1,165,244
Amounts due from related parties	19	1,206,095	1,316,027
Restricted cash	20	2,547,231	2,204,028
Cash and cash equivalents	20	17,026,018	15,893,845
		<b>117,948,704</b>	<b>78,606,216</b>
<b>Total assets</b>		<b>175,767,858</b>	<b>130,827,795</b>
<b>EQUITY</b>			
<b>Equity attributable to the equity holders of the Company</b>			
Share capital	21	356,275	356,275
Reserves			
– Proposed final dividend	22	2,195,555	1,548,559
– Others	22	39,190,420	34,002,316
		<b>41,742,250</b>	<b>35,907,150</b>
<b>Non-controlling interests</b>		<b>10,109,612</b>	<b>5,020,082</b>
<b>Total equity</b>		<b>51,851,862</b>	<b>40,927,232</b>

# Consolidated Balance Sheet

As at 31 December 2013

	Note	As at 31 December	
		2013 RMB'000	2012 RMB'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	23	37,553,681	28,613,297
Deferred income tax liabilities	24	3,985,242	3,775,578
		<b>41,538,923</b>	<b>32,388,875</b>
<b>Current liabilities</b>			
Trade and other payables	25	20,995,325	14,316,430
Advanced proceeds received		29,900,978	20,578,024
Income tax payable		9,327,098	7,259,690
Borrowings	23	11,775,322	12,380,644
Derivative financial instruments	26	36,898	42,572
Amounts due to related parties	27	10,336,395	2,897,713
Deferred income		5,057	36,615
		<b>82,377,073</b>	<b>57,511,688</b>
<b>Total liabilities</b>		<b>123,915,996</b>	<b>89,900,563</b>
<b>Total equity and liabilities</b>		<b>175,767,858</b>	<b>130,827,795</b>
<b>Net current assets</b>		<b>35,571,631</b>	<b>21,094,528</b>
<b>Total assets less current liabilities</b>		<b>93,390,785</b>	<b>73,316,107</b>

Hui Wing Mau  
Director

Hui Sai Tan, Jason  
Director

The notes on pages 82 to 184 are an integral part of these consolidated financial statements.

# Balance Sheet

As at 31 December 2013

		As at 31 December	
	Note	2013 RMB'000	2012 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Interests in subsidiaries	10	25,070,179	23,438,485
<b>Current assets</b>			
Other receivables and prepayments		1,082	1,117
Dividend receivable from subsidiaries	10	94,250	267,000
Cash and cash equivalents	20	59,503	38,954
		154,835	307,071
<b>Total assets</b>		<b>25,225,014</b>	<b>23,745,556</b>
<b>EQUITY</b>			
<b>Equity attributable to the equity holders of the Company</b>			
Share capital	21	356,275	356,275
Reserves			
– Proposed final dividend	22	2,195,555	1,548,559
– Others	22	4,735,388	7,405,755
<b>Total equity</b>		<b>7,287,218</b>	<b>9,310,589</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	23	16,291,756	10,810,720
<b>Current liabilities</b>			
Borrowings	23	1,021,763	3,146,369
Derivative financial instruments	26	36,898	42,572
Trade and other payables		356,577	239,635
Amounts due to subsidiaries	10	230,802	195,671
		1,646,040	3,624,247
<b>Total liabilities</b>		<b>17,937,796</b>	<b>14,434,967</b>
<b>Total equity and liabilities</b>		<b>25,225,014</b>	<b>23,745,556</b>
<b>Net current liabilities</b>		<b>(1,491,205)</b>	<b>(3,317,176)</b>
<b>Total assets less current liabilities</b>		<b>23,578,974</b>	<b>20,121,309</b>

Hui Wing Mau  
Director

Hui Sai Tan, Jason  
Director

# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2013

	Note	Year ended 31 December	
		2013 RMB'000	2012 RMB'000
<b>Revenue</b>	5	<b>41,502,660</b>	28,652,243
Cost of sales	29	<b>(26,861,772)</b>	(19,046,444)
<b>Gross profit</b>		<b>14,640,888</b>	9,605,799
Fair value gains on investment properties	7	<b>1,031,206</b>	2,362,880
Other income/other gains – net	28	<b>845,063</b>	1,196,104
Selling and marketing costs	29	<b>(1,305,735)</b>	(1,046,841)
Administrative expenses	29	<b>(2,283,303)</b>	(1,815,871)
Other operating expenses	29	<b>(592,136)</b>	(266,706)
<b>Operating profit</b>		<b>12,335,983</b>	10,035,365
Finance income		<b>190,850</b>	146,055
Finance costs		<b>(312,211)</b>	(168,170)
Finance costs – net	30	<b>(121,361)</b>	(22,115)
Share of results of			
– Associated companies	11	<b>(51,443)</b>	(210,938)
– Joint ventures	12	<b>895,649</b>	363,125
		<b>844,206</b>	152,187
<b>Profit before income tax</b>		<b>13,058,828</b>	10,165,437
Income tax expense	32	<b>(4,833,504)</b>	(3,580,949)
<b>Profit for the year</b>		<b>8,225,324</b>	6,584,488
<b>Other comprehensive income:</b>			
<i>Items that may be reclassified to profit or loss</i>			
Fair value gains on available-for-sale financial assets, net of tax		<b>28,955</b>	76,853
<b>Total comprehensive income for the year</b>		<b>8,254,279</b>	6,661,341

# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2013

	Note	Year ended 31 December	
		2013 RMB'000	2012 RMB'000
<b>Profit for the year attributable to:</b>			
Equity holders of the Company		7,389,857	5,764,632
Non-controlling interests		835,467	819,856
		<b>8,225,324</b>	<b>6,584,488</b>
<b>Total comprehensive income for the year attributable to:</b>			
Equity holders of the Company		7,408,452	5,813,987
Non-controlling interests		845,827	847,354
		<b>8,254,279</b>	<b>6,661,341</b>
<b>Earnings per share for profit attributable to the equity holders of the Company</b>			
– Basic (RMB cents)	33	213.3	166.3
– Diluted (RMB cents)	33	213.2	166.2

The notes on pages 82 to 184 are an integral part of these consolidated financial statements.

	Note	Year ended 31 December	
		2013 RMB'000	2012 RMB'000
<b>Dividends</b>	34	<b>2,195,555</b>	<b>1,548,559</b>

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Note	Attributable to the equity holders of the Company		Non-controlling	Total RMB'000
		Share capital RMB'000	Reserves RMB'000 (Note 22)	interests RMB'000	
<b>Balance at 1 January 2013</b>		356,275	35,550,875	5,020,082	40,927,232
Profit for the year		-	7,389,857	835,467	8,225,324
Other comprehensive income for the year					
<i>Items that may be reclassified to profit or loss</i>					
Fair value gains on available-for-sale financial assets		-	24,793	13,814	38,607
Tax on fair value gains on available-for-sale financial assets		-	(6,198)	(3,454)	(9,652)
Total comprehensive income for the year		-	7,408,452	845,827	8,254,279
Transactions with owners:					
Capital contribution from non-controlling interests of subsidiaries		-	-	4,305,600	4,305,600
Disposal of subsidiaries		-	-	(27,789)	(27,789)
Share award scheme					
- Value of employee services	21(d)	-	32,183	-	32,183
- Purchase of shares		-	(89,636)	-	(89,636)
2012 final dividend payable	34	-	(1,515,899)	(34,108)	(1,550,007)
Total transactions with owners		-	(1,573,352)	4,243,703	2,670,351
<b>Balance at 31 December 2013</b>		356,275	41,385,975	10,109,612	51,851,862

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Note	Attributable to the equity holders of the Company		Non-controlling interests	Total
		Share capital RMB'000	Reserves RMB'000 (Note 22)		
<b>Balance at 1 January 2012</b>		355,737	30,235,943	4,426,397	35,018,077
Profit for the year		–	5,764,632	819,856	6,584,488
Other comprehensive income for the year					
<i>Items that may be reclassified to profit or loss</i>					
Fair value gains on available-for-sale financial assets		–	65,807	36,664	102,471
Tax on fair value gains on available-for-sale financial assets		–	(16,452)	(9,166)	(25,618)
Total comprehensive income for the year		–	5,813,987	847,354	6,661,341
Transactions with owners:					
Acquisition of additional interests of subsidiaries		–	–	(330,000)	(330,000)
Capital contribution from non-controlling interests		–	–	124,502	124,502
Employee share option scheme					
– Proceeds from shares issued	21(b)	538	29,703	–	30,241
Share award scheme					
– Purchase of shares		–	(21,207)	–	(21,207)
2011 final dividend payable	34	–	(507,551)	(48,171)	(555,722)
Total transactions with owners		538	(499,055)	(253,669)	(752,186)
<b>Balance at 31 December 2012</b>		356,275	35,550,875	5,020,082	40,927,232

The notes on pages 82 to 184 are an integral part of these consolidated financial statements.

# Consolidated Cash Flow Statement

For the year ended 31 December 2013

	Note	Year ended 31 December	
		2013	2012
		RMB'000	RMB'000
<b>Cash flow from operating activities</b>			
Net cash (used in)/generated from operations	35	(3,901,786)	14,513,221
Interest received		190,850	146,055
Interest paid		(3,486,576)	(3,169,479)
PRC income tax paid		(3,613,568)	(3,095,484)
Net cash (used in)/generated from operating activities		(10,811,080)	8,394,313
<b>Cash flow from investing activities</b>			
Additions of property and equipment and investment properties		(3,749,751)	(3,627,887)
Sales of property and equipment		5,664	2,444
Additions of land use rights and other non-current assets		(1,034,007)	(647,046)
Disposal of subsidiaries with loss of control	11,12	637,816	161,070
Acquisition of a subsidiary	12	(156,101)	–
Capital injection to associated companies	11	(126,830)	(393,098)
Capital injection to joint ventures	12	(65,000)	–
Disposal of a joint venture	12	359,780	–
Prepayment for acquisition of equity interests	14	(1,296,363)	–
(Advance to)/payment from joint ventures	19	(704,975)	1,223,327
Net cash used in investing activities		(6,129,767)	(3,281,190)
<b>Cash flow from financing activities</b>			
Proceeds from borrowings		39,191,116	28,259,939
Repayments of borrowings		(29,756,334)	(28,702,243)
Repurchases of shares		(89,636)	(21,207)
Issue of new shares		–	30,241
Capital contribution from non-controlling interests of subsidiaries		4,305,600	124,502
Dividends paid to equity holders of the Company		(1,515,899)	(507,551)
Dividends paid to non-controlling interests		(34,108)	(48,171)
Increase in amounts due to non-controlling interests of subsidiary	27	6,133,132	–
Increase in restricted cash pledged for borrowings		(48,127)	(665,512)
Net cash generated from/(used in) financing activities		18,185,744	(1,530,002)
<b>Net increase in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of the year		15,893,845	12,312,740
Effect of foreign exchange rate changes		(112,724)	(2,016)
Cash and cash equivalents at end of the year	20	17,026,018	15,893,845

The notes on pages 82 to 184 are an integral part of these consolidated financial statements.

# Notes to the Consolidated Financial Statements

## 1 GENERAL INFORMATION

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.

These consolidated financial statements are presented in Renminbi, unless otherwise stated.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to both years presented, unless otherwise stated.

### 2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”). They have been prepared under the historical cost convention, as modified by the revaluation of investment properties, available-for-sale financial assets and derivative financial instruments which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

#### (a) New and amended standards adopted by the Group

HKAS 1 (Amendment) ‘Presentation of financial statements’. The main change resulting from these amendments is a requirement for entities to group items presented in ‘other comprehensive income’ (“OCI”) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.

HKFRS 10, ‘Consolidated financial statements’, builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

HKFRS 11, ‘Joint Arrangements’ reduced the types of joint arrangements to two: joint operations and joint ventures and proportional consolidation of joint ventures is no longer allowed.

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.1 Basis of preparation (continued)

#### (a) New and amended standards adopted by the Group (continued)

HKFRS 12, 'Disclosures of interests in other entities', includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. See Note 11 and Note 12 for the impact.

HKFRS 13, 'Fair value measurement' aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements, which are largely aligned between HKFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs or US GAAP. See Note 3 and Note 7 for the impact.

HKAS 27 (revised 2011), 'Separate financial statements', includes the provisions on separate financial statements that are left after the control provisions of HKAS 27 have been included in the new HKFRS 10.

HKAS 28 (revised 2011), 'Associates and joint ventures' includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of HKFRS 11.

There are no other amended standards or interpretations that are effective for the first time for the financial year beginning on or after 1 January 2013 that would be expected to 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 2013, and have not been early adopted

Currently related to the Group:

- HKAS 32 (Amendment) 'Financial instruments: Presentation-on asset and liability offsetting'. These amendments are to the application guidance in HKAS 32, 'Financial instruments: Presentation', and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The amendments are effective for annual periods beginning on or after 1 January 2014 with early adoption permitted.
- HKFRS 10, HKFRS 12 and HKAS 27 (revised 2011) (Amendment), 'Consolidation for investment entities'. These amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an 'investment entity' definition and which display particular characteristics. Changes have also been made HKFRS 12 to introduce disclosures that an investment entity needs to make. These amendments are effective for annual periods beginning on or after 1 January 2014 with early adoption permitted.

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

### 2.1 Basis of preparation *(continued)*

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

- HKAS 36 (Amendment) 'Impairment of assets – Recoverable amount disclosures for non-financial assets'. This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendments are effective for annual periods beginning on or after 1 January 2014 with early adoption permitted.
- HK (IFRIC) Interpretation 21 'Levies'. This is an interpretation of HKAS 37, 'Provisions, contingent liabilities and contingent assets'. HKAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. This interpretation is effective for annual periods beginning on or after 1 January 2014 with early adoption permitted.
- HKFRS 9, 'Financial instruments', is the first standard issued as part of a wider project to replace HKAS 39. HKFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in HKAS 39 on impairment of financial assets and hedge accounting continues to apply. This amendment is effective for annual periods beginning on or after 1 January 2015 with early adoption permitted.
- Some amendments included in Annual Improvements 2012 and 2013, including:
  - Amendment to HKFRS 2 'Share-based payment';
  - Amendment to HKFRS 3, 'Business combinations' and consequential amendments to HKFRS 9, 'Financial instruments', HKAS 37, 'Provisions, contingent liabilities and contingent assets', and HKAS 39, 'Financial instruments – Recognition and measurement';
  - Amendment to HKFRS 8, 'Operating segments';
  - Amendment to HKAS 16, 'Property, plant and equipment' and HKAS 38, 'Intangible assets';
  - Amendment to HKAS 24, 'Related Party Disclosures'
  - Amendment to HKFRS 13, 'Fair value measurement'
  - Amendment to HKAS 40, 'Investment property'

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

### 2.1 Basis of preparation *(continued)*

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

Not currently related to the Group (although they may affect the accounting for future transactions and events):

- Amendment to HKAS 39 'Financial Instruments: Recognition and Measurement' – 'Novation of derivatives', effective for annual periods beginning on or after 1 January 2014 with early adoption permitted.
- Amendment to HKAS 19 regarding defined benefit plans, effective for annual periods beginning on or after 1 January 2014 with early adoption permitted.

As at 31 December 2013, the Company's current liabilities exceed current assets by approximately RMB1,491,205 since the Company borrowed short term bank loans to finance its property development subsidiaries in the mainland China, while subsidiaries did not declare adequate dividends to the Company. The Company has prepared cash flow projections for the twelve months subsequent to 31 December 2013 and has assessed the compliance of loan covenants. The directors of the Company, having taken into consideration of long-term senior notes issued in early 2014, operation cash flows and available financial resources of the Group, are confident that the Company has adequate resources to continue in operations, to repay its liabilities when they fall due. The Company therefore continues to adopt the going concern basis in preparing its financial statements. Further information of the Company's borrowings is given in Note 23.

### 2.2 Subsidiaries

#### 2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

#### (a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

### 2.2 Subsidiaries *(continued)*

#### 2.2.1 Consolidation *(continued)*

##### (a) Business combinations *(continued)*

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement (Note 9).

Intra-group transactions, balances, and unrealized gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

##### (b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

##### (c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

### 2.3 Joint ventures and associates

Joint ventures are entities which operate under a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity. Associated companies are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in joint ventures and associated companies are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in joint ventures and associated companies includes goodwill identified on acquisition, net of any accumulated impairment loss.

If the ownership interest in a joint venture or an associated company is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in a joint venture or an associated company equals or exceeds its interest in the investee, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture or the associated company.

The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture or the associated company is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture or the associated company and its carrying value and recognises the amount adjacent to 'share of results of joint ventures or associated companies' in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its joint ventures or associated companies are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the joint ventures or associated companies. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures and associated companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in joint ventures and associated companies are recognised in the income statement.

### 2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (the "CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the management committee that makes strategic decisions.

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

### 2.5 Foreign currency translation

#### (a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's functional currency and the Group's presentation currency.

#### (b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

#### (c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each income statement are translated at average exchange rates; and
- all resulting exchange differences are recognised in other comprehensive income.

### 2.6 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Buildings comprise hotel buildings and self-use buildings.

Assets under construction are stated at historical cost less impairment losses. Historical cost includes expenditure that is directly attributable to the development of the assets which comprises construction costs, borrowing costs and professional fees incurred during the development period. On completion, the assets are transferred to buildings within property and equipment.

No depreciation is provided for assets under construction. The carrying amount of an asset under construction is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.6 Property and equipment (continued)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Depreciation on property and equipment is calculated using the straight-line method to allocate their costs less their residual values and impairment loss over their estimated useful lives, as follows:

Buildings	50 years or the remaining lease period of the land use rights, whichever is shorter
Building improvements	10 to 20 years
Furniture and equipment	5 years
Jet plane and motor vehicles	5 to 20 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognised within "other income/other gains – net" in the income statement.

### 2.7 Investment property

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the income statement as 'fair value gains/losses on investment properties'.

If an entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably determinable when construction is complete, it shall measure that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier).

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.7 Investment property (continued)

If an investment property becomes owner-occupied or commences development with a view to sale, it is reclassified as property and equipment or as properties under development or completed properties held for sale, and the property's deemed cost for subsequent accounting is its fair value at the date of change in use.

If an item of property and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised as a revaluation of property and equipment in equity under HKAS 16. If a property commences an operating lease to another party, it is transferred from properties under development or completed properties held for sale to investment property, and any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in profit or loss.

### 2.8 Intangible assets – goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiaries/associated companies/joint ventures at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associated companies/joint ventures is included in investments in associated companies/joint ventures. Goodwill is tested at least annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

### 2.9 Impairment of investments in subsidiaries, associated companies, joint ventures and non-financial assets

Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready to use, are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of the investments in subsidiaries, associated companies or joint ventures is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiaries, associated companies or joint ventures in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

### 2.10 Financial assets

#### (a) Classification

The Group classifies its financial assets in the following categories: loans and receivable and available-for-sale. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

- Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'amounts due from related companies', 'trade and other receivables', 'restricted cash' and 'cash and cash equivalents' in the balance sheet.

- Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months after the end of the reporting period.

#### (b) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as 'Other gains/(losses)-net'.

Dividends on available-for-sale equity instruments are recognised in the income statement as part of 'other income' when the Group's right to receive payments is established.

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.10 Financial assets (continued)

#### (c) Impairment of financial assets

- Loans and receivables

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivable category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement. If a loan and receivable has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

### 2.10 Financial assets *(continued)*

#### (c) Impairment of financial assets *(continued)*

- Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria set out in 'loans and receivables' above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the income statement.

### 2.11 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designed as a hedging instrument, and if so, the nature of item being hedged.

For derivative financial instruments do not qualify for hedge accounting, changes in fair value are recognized immediately in the consolidated income statement within 'other gain' or 'other operating expenses'.

The Group has entered into transactions which will mature after 7 years, where fair value is determined using valuation models for which not all inputs are market observable prices or rates. Such a financial instrument is initially recognised at the transaction price, which is the best indicator of fair value, although the value obtained from the relevant valuation model may differ. The difference between the transaction price and the model value, commonly referred to as "day one profit and loss", is not recognised immediately in the consolidated income statement.

The timing of recognition of deferred day one profit and loss is determined individually. It is either amortised over the life of the transaction, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement. The financial instrument is subsequently measured at fair value, adjusted for deferred day one profit and loss. Subsequent changes in fair value are recognised immediately in the consolidated income statement without reversal of deferred day one profit and loss.

## Notes to the Consolidated Financial Statements

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

#### 2.12 Properties under development

Properties under development are stated at the lower of cost and net realisable value. Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and the anticipated costs to completion.

Development cost of properties comprises cost of land use rights, construction costs, borrowing costs and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

#### 2.13 Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value.

Cost comprises development costs attributable to the unsold properties.

Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing marketing conditions.

#### 2.14 Trade and other receivables

Trade receivables are amounts due from customers for properties sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

#### 2.15 Cash and cash equivalents

Cash and cash equivalents include cash in hand, call deposits with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

### 2.16 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to equity holders of the Company until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

### 2.17 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### 2.18 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

### 2.19 Borrowings cost

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

### 2.20 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries, associated companies and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using the tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associated companies and joint ventures, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

### 2.21 Employee benefits

#### (i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

#### (ii) Retirement benefits

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government.

The Group also participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme") for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income. The assets of this pension scheme are held separately from those of the Group in independently administered funds.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

#### (iii) Equity-settled share-based payment transactions

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments of the Group. The fair value of the employee services received in exchange for the grant of the shares/options is recognised as costs of assets or expenses to whichever the employee service is attributable.

Under the long term incentive scheme, the fair value of shares granted to eligible employees for their services is based on the share price at the grant date.

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

### 2.21 Employee benefits *(continued)*

#### (iii) Equity-settled share-based payment transactions *(continued)*

Under the share option scheme, the fair value of the options granted to the eligible employees for their services rendered is determined by reference to:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total cost/expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Group revises its estimates of the number of shares/options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When shares are vested, the Company issues shares from treasury shares. When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

### 2.22 Provisions and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

### 2.22 Provisions and contingent liabilities *(continued)*

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

### 2.23 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sales of properties and services in the ordinary course of the Group's activities. Revenue is shown, net of discounts and after eliminating sales with the Group companies. Revenue is recognised as follows:

(i) **Sales of properties**

Revenue from sales of properties is recognised when the risks and rewards of the properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers pursuant to the sales agreement and collectibility of related receivables is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated balance sheet under current liabilities.

(ii) **Property management services**

Revenue arising from property management services is recognised in the accounting period in which the services are rendered.

(iii) **Interest income**

Interest income is recognised on a time-proportion basis using the effective interest method.

(iv) **Rental income**

Rental income from properties letting under operating leases is recognised on a straight line basis over the lease terms.

(v) **Hotel operation income**

Hotel operation income which includes rooms rental, food and beverage sales and other ancillary services is recognised when the services are rendered.

## Notes to the Consolidated Financial Statements

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.23 Revenue recognition (continued)

(vi) **Sales of goods**

The Group operates certain retail department stores. Sales of goods are recognized when the Group sells goods to the customers.

(vii) **Dividend income**

Dividend income is recognised when the right to receive payment is established.

#### 2.24 Government grants

Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property and equipment and land use rights are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight line basis over the expected lives of the related assets.

#### 2.25 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

(i) **The Group is the lessee other than operating lease of land use rights**

Payments made under operating leases (net of any incentives received from the lessor), are charged to the income statement on a straight-line basis over the period of the lease.

(ii) **The Group is the lessee under operating lease of land use rights**

The Group made upfront payments to obtain operating leases of land use rights on which properties will be developed.

For land use rights to be developed for investment properties and properties for sale, the upfront payments are included in the cost of investment properties and properties under development or completed properties held for sale respectively.

For land use rights to be developed for hotel properties and self-use buildings, the upfront payments are separately recorded in balance sheet as 'land use rights', and amortised over the leasing periods on a straight line basis. The amortisation during the period of construction of the properties is capitalised as the cost of assets under construction.

## Notes to the Consolidated Financial Statements

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.25 Leases (continued)

(iii) The Group is the lessor

Assets leased out under operating leases are included in investment property in the consolidated balance sheet.

#### 2.26 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors.

#### 2.27 Insurance contracts

An insurance contract is a contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Insurance risk is a pre-existing risk transferred from the policyholder to the insurer, and is significant only if an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance (i.e. have no discernible effect on the economics of the transaction).

The Group assesses at each reporting date whether its recognised insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of the estimated future cash flows, the entire deficiency is recognised in the consolidated income statement.

The Group regards its financial guarantee contracts provided in respect of mortgage facilities for certain property purchasers and financial guarantee contracts provided to its related parties as insurance contracts.

### 3 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk, fair value interest rate risk and cash flow interest rate risk), credit risk, and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

# Notes to the Consolidated Financial Statements

## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

### (a) Market risk

#### (i) Foreign exchange risk

The Group's businesses are principally conducted in RMB, except that certain receipts of proceeds from sales of properties, public share and notes offerings and certain bank borrowings are in other foreign currencies. The major non-RMB assets and liabilities are borrowings and bank deposits denominated in Hong Kong dollar ("HK dollar", or "HK\$") and the United States dollar ("US dollar", or "US\$").

The Company and all of its subsidiaries' functional currency is RMB, so that the fluctuation of the exchange rates of RMB against foreign currencies could affect the Group's results of operations. Given the general expectations about the strengthening of RMB and net foreign currency liabilities, the Group has not entered into any forward exchange contracts to hedge its exposure to foreign exchange risk.

As at 31 December 2013, if RMB had strengthened/weakened by 5%, against US dollar and HK dollar with all other variables held constant, post-tax profit for the year would have been RMB720,428,000 (2012: RMB749,468,000) higher/lower, mainly as a result of net foreign exchange gains/losses on translation of US dollar and HK dollar denominated bank deposits, senior notes and bank borrowings.

#### (ii) Price risk

The Group is exposed to equity securities price risk from the Group's available-for-sale financial assets which are publicly traded. The performance of the listed equity securities of the Group is closely monitored.

#### (iii) Cash flow and fair value interest rate risk

Except for cash deposits in the banks, the Group has no other significant interest-bearing assets. The Group's exposure to changes in interest rates is mainly attributable to its borrowings, especially long-term borrowings. Borrowings at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk. The interest rate and terms of repayments of borrowings are disclosed in Note 23. The Group manages certain of its fair value interest rate risk by using fixed-to-floating interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from fixed rates to floating rates. As at 31 December 2013, the Group converted borrowings of US\$300,000,000 (2012: US\$300,000,000) from fixed rate to floating rate through interest rate swap (Note 26).

The Group analyses its interest rate exposure taking into consideration of refinancing, and renewal of existing position. Based on the above consideration, the Group calculates the impact on profit and loss of a defined interest rate change.

The Group does not anticipate significant impact to interest-bearing assets resulted from the changes in interest rates as the interest rates of bank deposits are not expected to change significantly.

# Notes to the Consolidated Financial Statements

## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

### (a) Market risk (continued)

#### (iii) Cash flow and fair value interest rate risk (continued)

If interest rates on RMB denominated variable rate borrowings had been 100 basis points higher/lower with all other variables held constant, the post-tax profit for the year would have been RMB173,559,900 (2012: RMB129,547,020) lower/higher mainly as a result of higher/lower interest expenses on borrowings with variable rates as at 31 December 2013. If interest rates on US dollar and HK dollar denominated variable rate borrowings had been 100 basis points higher/lower with all other variables held constant, the post-tax profit for the year would have been RMB72,510,000 (2012: RMB54,706,515) lower/higher mainly as a result of higher/lower interest expenses on borrowings with variable rates as at 31 December 2013.

### (b) Credit risk

The Group has no concentrations of credit risk. The extent of the Group's credit exposure is represented by the aggregate balance of restricted cash, cash and cash equivalents, trade and other receivables and amounts due from related parties.

Cash transactions are limited to high-credit-quality institutions. The table below shows the bank deposit balances of the major counterparties as at 31 December 2013.

Counterparty	Rating (note)	As at 31 December	
		2013 RMB'000	2012 RMB'000
Bank A	A-	5,654,411	4,265,122
Bank B	BBB	2,802,173	2,864,095
Bank C	A	2,238,566	–
Bank D	A-	1,677,715	1,727,726
Bank E	B	1,568,346	568,090

Note: The source of credit rating is from Standard and Poor's or Moody's.

The Group has policies in place to ensure that sales of properties are made to buyers with an appropriate financial strength and appropriate percentage of down payment. Meanwhile, the Group has the right to cancel the sales contract in the event that the buyers default in payment, and put the underlying properties back to the market for re-sales. Therefore, the credit risk from sales of properties is limited. Other receivables mainly comprise bidding deposits for land use rights and prepaid tax with limited credit risk.

### (c) Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed credit facilities to meet its operation needs and commitments in respect of property projects.

# Notes to the Consolidated Financial Statements

## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

### (c) Liquidity risk (continued)

Cash flow forecast is performed by management of the Group. Management monitors the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its borrowing facilities at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecast mainly takes into consideration the Group's operational cash flows, construction of investment properties and hotel projects, committed payments for land use rights and contracted development expenditures, the Group's debt financing plans, covenant compliance and internal balance sheet ratio targets.

The table below analyses the Group's financial liabilities that will be settled on a net basis into relevant maturity groups based on the remaining period at the balance sheet date to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows.

Specifically, for term loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect. The maturity analysis for other bank borrowings is prepared based on the scheduled repayment dates.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
<b>As at 31 December 2013</b>					
Borrowings and interest payments (note)	14,910,053	11,923,962	21,495,622	12,579,771	60,909,408
Trade and other payables	19,828,750	20,675	40,491	28,296	19,918,212
Amounts due to related parties	10,336,395	–	–	–	10,336,395
Derivative financial instruments	36,898	–	–	–	36,898
	<b>45,112,096</b>	<b>11,944,637</b>	<b>21,536,113</b>	<b>12,608,067</b>	<b>91,200,913</b>
<b>As at 31 December 2012</b>					
Borrowings and interest payments (note)	15,152,613	8,714,961	18,678,245	9,372,340	51,918,159
Trade and other payables	13,656,136	14,557	21,597	14,490	13,706,780
Amounts due to related parties	2,897,713	–	–	–	2,897,713
Derivative financial instruments	42,572	–	–	–	42,572
	<b>31,749,034</b>	<b>8,729,518</b>	<b>18,699,842</b>	<b>9,386,830</b>	<b>68,565,224</b>

Note: The interest on borrowings is calculated based on borrowings outstanding as at 31 December 2013 and 2012 without taking into account of future issues. Floating-rate interest is estimated using the applicable interest rate as at 31 December 2013 and 2012 respectively.

## Notes to the Consolidated Financial Statements

### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (d) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity holders, issue new shares or sell assets/subsidiaries to reduce debt.

#### (e) 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 asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2013. See Note 7 for disclosures of the investment properties that are measured at fair value.

As at 31 December 2013	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>Assets</b>				
Available-for-sale financial assets				
– equity securities	408,440	–	–	408,440
<b>Liabilities</b>				
Derivative financial instruments	–	–	36,898	36,898

## Notes to the Consolidated Financial Statements

### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (e) Fair value estimation (continued)

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2012.

As at 31 December 2012	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>Assets</b>				
Available-for-sale financial assets				
– equity securities	369,833	–	–	369,833
<b>Liabilities</b>				
Derivative financial instruments	–	–	42,572	42,572

There were no transfers between levels 1 and 2 during the year.

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 are two interest rate swap contracts entered into with a commercial bank, the fair value of which is determined using valuation models for which not all inputs are market observable prices or rates.

## Notes to the Consolidated Financial Statements

### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (e) Fair value estimation (continued)

The following table presents the changes in level 3 instruments for the year ended 31 December 2013.

	Trading derivative's at fair value through profit or loss RMB'000	Total RMB'000
Opening balance	42,572	42,572
Gains recognised in profit or loss	(5,674)	(5,674)
Closing balance	36,898	36,898
Total gains or losses for the year included in profit or loss for assets held at the end of the year		
	(5,674)	(5,674)
Changes in unrealised gains or losses for the year included in profit or loss at the end of the year		
	(5,674)	(5,674)

The following table presents the changes in level 3 instruments for the year ended 31 December 2012.

	Trading derivative's at fair value through profit or loss RMB'000	Total RMB'000
Opening balance	52,115	52,115
Gains recognised in profit or loss	(9,543)	(9,543)
Closing balance	42,572	42,572
Total gains or losses for the year included in profit or loss for assets held at the end of the year		
	(9,543)	(9,543)
Changes in unrealised gains or losses for the year included in profit or loss at the end of the year		
	(9,543)	(9,543)

# Notes to the Consolidated Financial Statements

## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

### (f) Financial instruments by category

#### Group

	As at 31 December	
	2013	2012
<b>Financial assets</b>	<b>RMB'000</b>	<b>RMB'000</b>
Loans and receivables		
– Trade and other receivables	5,512,784	3,719,176
– Amounts due from related parties	3,472,789	2,877,746
– Restricted cash	2,547,231	2,204,028
– Cash and cash equivalents	17,026,018	15,893,845
Available-for-sale financial assets	408,440	369,833
<b>Total</b>	<b>28,967,262</b>	<b>25,064,628</b>
	As at 31 December	
	2013	2012
<b>Financial liabilities</b>	<b>RMB'000</b>	<b>RMB'000</b>
Liabilities at fair value through the profit and loss:		
– Derivative financial instruments	36,898	42,572
Other financial liabilities at amortised cost:		
– Borrowings	49,329,003	40,993,941
– Trade and other payables	19,918,212	13,706,780
– Amounts due to related parties	10,336,395	2,897,713
<b>Total</b>	<b>79,620,508</b>	<b>57,641,006</b>

## Notes to the Consolidated Financial Statements

### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (f) Financial instruments by category (continued)

##### Company

	As at 31 December	
	2013	2012
<b>Financial assets</b>	<b>RMB'000</b>	<b>RMB'000</b>
Loans and receivables		
– Trade and other receivables	1,082	1,117
– Dividend receivable from subsidiaries	94,250	267,000
– Cash and cash equivalents	59,503	38,954
<b>Total</b>	<b>154,835</b>	<b>307,071</b>
	As at 31 December	
	2013	2012
<b>Financial liabilities</b>	<b>RMB'000</b>	<b>RMB'000</b>
Liabilities at fair value through the profit and loss:		
– Derivative financial instruments	36,898	42,572
Other financial liabilities at amortised cost:		
– Borrowings	17,313,519	13,957,089
– Trade and other payables	356,577	239,635
– Amounts due to subsidiaries	230,802	195,671
<b>Total</b>	<b>17,937,796</b>	<b>14,434,967</b>

# Notes to the Consolidated Financial Statements

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### 4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### (a) Income taxes and deferred taxation

The Group is subject to income taxes in different jurisdictions. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers it to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

#### (b) Land appreciation tax

The Group is subject to land appreciation tax in the PRC. However, the implementation and settlement of the tax varies among different tax jurisdictions in various cities of the PRC, and the Group has not finalised its land appreciation tax calculation and payments with any local tax authorities in the PRC. Accordingly, significant judgement is required in determining the amount of the land appreciation and its related tax. The Group recognised the land appreciation tax based on management's best estimates according to the understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the current income tax and deferred income tax provisions in the periods in which such tax is finalised with local tax authorities.

#### (c) Impairment of goodwill

The Group tests at least annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.8. The recoverable amounts of cash-generating units have been determined based on the higher of the fair value (less cost to sell) and value in use calculation of the underlying assets, mainly properties. The fair value of the properties, when applicable, is determined by independent valuers. For a listed cash-generating unit ("CGU"), the fair value less cost to sell is determined by the quoted price in an active market. These valuations and calculations require the use of estimates.

# Notes to the Consolidated Financial Statements

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

### 4.1 Critical accounting estimates and assumptions (continued)

#### (d) Fair value of investment properties

The fair value of investment properties is determined by using valuation technique. Details of the judgement and assumptions have been disclosed in Note 7.

#### (e) Provision for properties under development and completed properties held for sale

The Group assesses the carrying amounts of properties under development and completed properties held for sale according to their net realisable value based on the realisability of these properties, taking into account costs to completion based on past experience and net sales value based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgement and estimates.

#### (f) Fair value of derivatives financial instruments

The Group's derivative financial instruments are interest rate swap contracts entered into with commercial bank, the fair value of which is determined using valuation models for which not all inputs are market observable prices or rates.

#### (g) Impairment of trade receivable

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows to determine impairment loss. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective increase rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, an impairment loss may arise.

### 4.2 Critical judgements in applying the Group's accounting policy

#### (a) Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement.

Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

## Notes to the Consolidated Financial Statements

### 5 SEGMENT INFORMATION

The Group's chief operating decision-marker (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 profit before tax. The information provided to the CODM is measured in a manner consistent with that in the financial statements.

#### (a) Revenue

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

	During the year ended	
	31 December	
	2013	2012
	RMB'000	RMB'000
Sales of properties	39,503,409	26,607,120
Hotel operation income	978,603	999,134
Rental income from investment properties	555,888	507,415
Others	464,760	538,574
	<b>41,502,660</b>	<b>28,652,243</b>

# Notes to the Consolidated Financial Statements

## 5 SEGMENT INFORMATION (CONTINUED)

### (b) Segment information

Year ended 31 December 2013

	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	9,395,284	30,108,125	–	–	39,503,409
– Hotel operation income	97,733	–	880,870	–	978,603
– Rental income from investment properties	395,933	159,955	–	–	555,888
– Others	295,193	169,567	–	–	464,760
<b>Total revenue</b>	<b>10,184,143</b>	<b>30,437,647</b>	<b>880,870</b>	<b>–</b>	<b>41,502,660</b>
Operating profit	3,528,318	8,419,080	72,244	316,341	12,335,983
Finance income	23,956	135,663	518	30,713	190,850
Finance costs	(145,462)	(147,283)	(19,466)	–	(312,211)
Share of results of					
– Associated companies	–	(51,443)	–	–	(51,443)
– Joint ventures	(51)	895,700	–	–	895,649
<b>Profit before income tax</b>	<b>3,406,761</b>	<b>9,251,717</b>	<b>53,296</b>	<b>347,054</b>	<b>13,058,828</b>
Income tax expense					(4,833,504)
<b>Profit for the year</b>					<b>8,225,324</b>
Other segment items are as follows:					
Capital and property development expenditure	16,268,785	37,357,847	1,960,815	–	55,587,447
Fair value gains on investment properties	720,906	310,300	–	–	1,031,206
Fair value gain on derivative financial instrument	–	5,674	–	–	5,674
Write-off of intangible assets	–	292,352	–	–	292,352
Depreciation	98,608	39,205	210,588	24,179	372,580
Amortisation of land use rights	9,932	903	33,907	–	44,742
Provision for impairment of receivables	17,449	29	–	–	17,478

\* The Group owns an effective equity interest of 64.22% in Shanghai Shimao.

\*\* Unallocated mainly represent corporate level activities.

## Notes to the Consolidated Financial Statements

### 5 SEGMENT INFORMATION (CONTINUED)

#### (b) Segment information (continued)

The segment assets and liabilities at 31 December 2013 are as follows:

	Property development and investment		Hotel operation	Total
	Shanghai Shimao RMB'000	Others RMB'000		
Associated companies	–	1,650,578	–	1,650,578
Joint ventures	899,949	4,465,857	–	5,365,806
Intangible assets	1,709,730	6,915	130,928	1,847,573
Other segment assets	47,902,876	103,953,002	12,948,198	164,804,076
<b>Total segment assets</b>	<b>50,512,555</b>	<b>110,076,352</b>	<b>13,079,126</b>	<b>173,668,033</b>
Deferred income tax assets				1,306,338
Available-for-sale financial assets				408,440
Other assets				385,047
<b>Total assets</b>				<b>175,767,858</b>
Borrowings	12,891,450	15,611,636	798,000	29,301,086
Other segment liabilities	11,556,219	51,868,593	6,742,766	70,167,578
<b>Total segment liabilities</b>	<b>24,447,669</b>	<b>67,480,229</b>	<b>7,540,766</b>	<b>99,468,664</b>
Corporate borrowings				20,027,917
Deferred income tax liabilities				3,985,242
Derivative financial instruments				36,898
Other liabilities				397,275
<b>Total liabilities</b>				<b>123,915,996</b>

# Notes to the Consolidated Financial Statements

## 5 SEGMENT INFORMATION (CONTINUED)

### (b) Segment information (continued)

Year ended 31 December 2012

	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	5,438,466	21,168,654	–	–	26,607,120
– Hotel operation income	101,792	–	897,342	–	999,134
– Rental income from investment properties	341,963	165,452	–	–	507,415
– Others	454,168	84,406	–	–	538,574
<b>Total revenue</b>	<b>6,336,389</b>	<b>21,418,512</b>	<b>897,342</b>	<b>–</b>	<b>28,652,243</b>
Operating profit	3,604,949	6,476,474	81,470	(127,528)	10,035,365
Finance income	37,593	102,977	2,516	2,969	146,055
Finance costs	(121,816)	(36,120)	(10,234)	–	(168,170)
Share of results of					
– Associated companies	–	(210,938)	–	–	(210,938)
– Joint ventures	–	363,125	–	–	363,125
<b>Profit before income tax</b>	<b>3,520,726</b>	<b>6,695,518</b>	<b>73,752</b>	<b>(124,559)</b>	<b>10,165,437</b>
Income tax expense					(3,580,949)
<b>Profit for the year</b>					<b>6,584,488</b>
Other segment items are as follows:					
Capital and property development expenditure	6,846,674	15,293,612	1,740,616	1,138	23,882,040
Fair value gains on investment properties	1,706,887	655,993	–	–	2,362,880
Fair value gain on derivative financial instrument	–	9,543	–	–	9,543
Write-off of intangible assets	–	124,102	–	–	124,102
Depreciation	76,495	31,602	216,872	22,062	347,031
Amortisation of land use rights	9,154	–	33,214	–	42,368
Provision for/(write back of) impairment of receivables	8,064	(13,708)	–	–	(5,644)

## Notes to the Consolidated Financial Statements

### 5 SEGMENT INFORMATION (CONTINUED)

#### (b) Segment information (continued)

The segment assets and liabilities at 31 December 2012 are as follows:

	Property development and investment		Hotel operation	Total
	Shanghai Shimao	Others		
	RMB'000	RMB'000	RMB'000	RMB'000
Associated companies	–	1,490,441	–	1,490,441
Joint ventures	–	3,985,956	–	3,985,956
Intangible assets	1,709,730	299,267	130,928	2,139,925
Other segment assets	35,968,004	73,858,285	11,373,946	121,200,235
<b>Total segment assets</b>	<b>37,677,734</b>	<b>79,633,949</b>	<b>11,504,874</b>	<b>128,816,557</b>
Deferred income tax assets				1,248,390
Available-for-sale financial assets				369,833
Other assets				393,015
<b>Total assets</b>				<b>130,827,795</b>
Borrowings	11,339,454	14,103,317	414,368	25,857,139
Other segment liabilities	10,649,375	28,517,163	5,636,560	44,803,098
<b>Total segment liabilities</b>	<b>21,988,829</b>	<b>42,620,480</b>	<b>6,050,928</b>	<b>70,660,237</b>
Corporate borrowings				15,136,802
Deferred income tax liabilities				3,775,578
Derivative financial instruments				42,572
Other liabilities				285,374
<b>Total liabilities</b>				<b>89,900,563</b>

Total segment assets consist primarily of property and equipment, investment properties, land use rights, other non-current assets, properties under development, completed properties held for sale, receivables, prepayments and cash balances. They also include goodwill recognised arising from acquisition of subsidiaries relating to respective segments. They exclude corporate assets, deferred income tax assets and available-for-sale financial assets.

Total segment liabilities comprise operating liabilities. They exclude corporate liabilities, derivative financial instrument, corporate borrowings and deferred income tax liabilities.

## Notes to the Consolidated Financial Statements

### 6 PROPERTY AND EQUIPMENT – GROUP

	Assets under construction RMB'000	Hotel buildings and improvements RMB'000	Furniture and equipment RMB'000	Jet plane and motor vehicles RMB'000	Self-use buildings RMB'000	Total RMB'000
<b>Cost</b>						
At 1 January 2013	4,577,950	5,417,664	294,515	456,810	507,485	11,254,424
Additions	1,650,766	7,935	65,004	8,614	406,054	2,138,373
Amortisation of land use rights	20,283	-	-	-	-	20,283
Disposals	-	(46,654)	(13,262)	(8,286)	(9,234)	(77,436)
Transfer to properties under development and completed properties held for sale	(1,045,221)	-	-	-	(62,003)	(1,107,224)
Transfer upon completion	(586,857)	586,857	-	-	-	-
At 31 December 2013	4,616,921	5,965,802	346,257	457,138	842,302	12,228,420
<b>Accumulated depreciation</b>						
At 1 January 2013	-	1,326,414	98,531	87,924	38,924	1,551,793
Charge for the year	-	273,977	44,902	32,789	20,912	372,580
Disposals	-	(44,870)	(11,988)	(6,783)	(8,592)	(72,233)
Transfer to properties under development and completed properties held for sale	-	-	-	-	(1,772)	(1,772)
At 31 December 2013	-	1,555,521	131,445	113,930	49,472	1,850,368
<b>Net book value</b>						
At 31 December 2013	4,616,921	4,410,281	214,812	343,208	792,830	10,378,052

## Notes to the Consolidated Financial Statements

### 6 PROPERTY AND EQUIPMENT – GROUP (CONTINUED)

	Assets under construction RMB'000	Hotel buildings and improvements RMB'000	Furniture and equipment RMB'000	Jet plane and motor vehicles RMB'000	Self-use buildings RMB'000	Total RMB'000
<b>Cost</b>						
At 1 January 2012	3,064,683	5,395,075	234,294	459,495	411,792	9,565,339
Additions	1,546,742	22,589	70,604	3,994	180,794	1,824,723
Amortisation of land use rights	20,268	–	–	–	–	20,268
Disposals	–	–	(10,383)	(6,679)	–	(17,062)
Transfer to properties under development and completed properties held for sale	(53,743)	–	–	–	(85,101)	(138,844)
At 31 December 2012	4,577,950	5,417,664	294,515	456,810	507,485	11,254,424
<b>Accumulated depreciation</b>						
At 1 January 2012	–	1,064,100	66,380	60,454	48,616	1,239,550
Charge for the year	–	262,314	40,537	32,785	11,395	347,031
Disposals	–	–	(8,386)	(5,315)	–	(13,701)
Transfer to properties under development and completed properties held for sale	–	–	–	–	(21,087)	(21,087)
At 31 December 2012	–	1,326,414	98,531	87,924	38,924	1,551,793
<b>Net book value</b>						
At 31 December 2012	4,577,950	4,091,250	195,984	368,886	468,561	9,702,631

Depreciation charge of RMB372,580,000 for the year ended 31 December 2013 (2012: RMB347,031,000) has been recorded in cost of sales and administrative expenses in the consolidated income statement (Note 29).

As at 31 December 2013, assets under construction and buildings of the Group with a total carrying amount of RMB4,808,965,000 (2012: RMB5,747,018,000) were pledged as collateral for certain borrowings of the Group (Note 23).

During the year ended 31 December 2013, the Group has capitalised borrowing costs amounting to RMB187,646,000 (2012: RMB131,231,000) on assets under construction. Borrowing costs were capitalised at the weighted average rate of 7.43% (2012: 7.48%).

## Notes to the Consolidated Financial Statements

### 7 INVESTMENT PROPERTIES – GROUP

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
<b>At fair value</b>		
Opening balance at 1 January	19,984,579	16,747,699
Additions – Transfer from properties under development	193,196	242,937
Additions – Construction cost and others	1,142,388	631,063
Disposal	(411,000)	–
Fair value gains	1,031,206	2,362,880
	<b>21,940,369</b>	19,984,579
<b>At cost</b>		
Opening balance at 1 January	6,263,519	3,819,280
Additions – Construction cost and others	2,140,581	2,444,239
Transfer to properties under development	(3,402,525)	–
	<b>5,001,575</b>	6,263,519
Closing balance at 31 December	<b>26,941,944</b>	26,248,098

As at 31 December 2013, investment properties under construction of approximately RMB5,001,575,000 were measured at cost, because their constructions were at very early stage and related fair values were not reliably determinable (31 December 2012: approximately RMB6,263,519,000). 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.

#### (a) Amounts recognised in profit and loss for investment properties

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Rental income	555,888	507,415
Direct operating expenses from properties that generated rental income	40,532	33,119
Direct operating expenses from properties that did not generate rental income	2,154	5,415

## Notes to the Consolidated Financial Statements

### 7 INVESTMENT PROPERTIES – GROUP (CONTINUED)

#### (b) Valuation

Independent valuations of the Group's investment properties were performed by the valuer, Vigers Appraisal & Consulting Limited ("Vigers") and Shanghai Zhonghua Asserts Appraisal Co., Ltd. ("Shanghai Zhonghua"), to determine the fair value of the investment properties as at 31 December 2013 and 2012. The following table analyses the investment properties carried at fair value, by valuation method.

#### Fair value hierarchy

Description	Fair value measurements at 31 December 2013 using		
	Quoted prices in active markets for identical assets (Level 1) RMB'000	Significant other observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000
Recurring fair value measurements			
Investment properties:			
– Commercial buildings-China	–	–	21,940,369

There were no transfers between Levels 1, 2 and 3 during the year.

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

	Significant unobservable Inputs-Commercial buildings-China (Level 3)		
	Completed investment properties RMB'000	Investment properties under development RMB'000	Total RMB'000
Opening balance	15,777,119	4,207,460	19,984,579
Additions	–	1,335,584	1,335,584
Disposal	–	(411,000)	(411,000)
Net gains from fair value adjustment	626,251	404,955	1,031,206
Closing balance	16,403,370	5,536,999	21,940,369
Total gains or losses for the year included in profit or loss for assets held at the end of the year	626,251	404,955	1,031,206
Change in unrealised gains or losses for the year included in profit or loss for assets held at the end of the year	626,251	404,955	1,031,206

# Notes to the Consolidated Financial Statements

## 7 INVESTMENT PROPERTIES – GROUP (CONTINUED)

### (b) Valuation (continued)

#### Valuation processes of the group

The Group's investment properties were valued at 31 December 2013 by independent professionally qualified valuers who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the best use.

The Group's finance department includes a team that review the valuations performed by the independent valuers for financial reporting purposes. Discussions of valuation processes and results are held between the financial department and the valuation team at least once every six months, in line with the Group's interim and annual reporting dates. This team reports directly to the executive director(ED) and the audit committee (AC). As at 31 December 2013, the fair values of the properties have been determined by Vigers and Shanghai Zhonghua.

At each financial year end the finance department:

- Verifies all major inputs to the independent valuation report;
- Assess property valuations movements when compared to the prior year valuation report;
- Holds discussions with the independent valuer.

#### Valuation techniques

For completed investment properties, the fair values were determined on the basis of capitalization of net rental income derived from the existing tenancies with allowance onto the reversionary interest of the properties and by reference to comparable market transactions. The valuation was determined using discounted cash flow ("DCF") projections based on significant unobservable inputs. These input include:

Future rental cash inflows	Based on the actual location, type and quality of the properties and supported by the terms of any existence lease, other contracts and external evidence such as current market rents for similar properties;
Discount rates	Reflecting current market assessments of the uncertainty in the amount and timing of cash flows;
Estimated vacancy rates	Based on current and expected future market conditions after expiry of any current lease;
Capitalisation rates	Based on actual location, size and quality of the properties and taking into account market data at the valuation date;
Terminal value	Taking into account assumptions regarding maintenance costs, vacancy rates and market rents.

## Notes to the Consolidated Financial Statements

### 7 INVESTMENT PROPERTIES – GROUP (CONTINUED)

#### (b) Valuation (continued)

##### Valuation techniques (continued)

For investment properties under development, the valuation was primarily determined using residual method of valuation involving the gross development value assessment of the hypothetical development to be erected on the property based on the latest development scheme. The estimated development costs for the hypothetical development, including construction costs and professional fees together with allowances on interest payments and developer's profits, are deducted from the established gross development value thereof. The resultant figure is then adjusted back to present value as at the valuation date to reflect the existing state of the property. The valuation was based on a DCF model taking into account the following estimates (in addition to the inputs noted above):

Costs to complete	Estimated costs to completion and profit margin required, which are largely consistent with the budgets developed internally by the Group based on management's experience and knowledge of market conditions. The higher the estimated costs or profit margin, the lower the fair values of the investment properties.
Discount rates	Discount rates, which are on the weighted average cost of capital of public companies that are comparable with the businesses being valued. The higher the discount rates used, the lower the fair values of the investment properties.

There were no changes to the valuation techniques during the year.

# Notes to the Consolidated Financial Statements

## 7 INVESTMENT PROPERTIES – GROUP (CONTINUED)

### (b) Valuation (continued)

Information about fair value measurements using significant unobservable inputs (Level 3)

Description	Fair value at 31 Dec 2013 (RMB'000)	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (probability - weighted average)	Relationship of unobservable inputs to fair value
Completed commercial buildings-China	16,422,540	Discounted cash flow	Rental value	RMB53-RMB725 per month per square meter (RMB195 per month per square meter)	The higher the rental value, the higher the fair value
			Discount rate	5%-6.07% (5.57%)	The higher the discount rate, the lower the fair value
			Capitalisation rate	1.3%-4.63% (2.85%)	The higher the capitalisation rate, the lower the fair value
Commercial buildings- China (under development)	5,517,829	Discounted cash flows with estimated costs to complete	Rental value	RMB11,477-RMB34,350 per square meter (RMB20,534 per square meter)	The higher the rental value, the higher the fair value
			Discount rate	5%-6.4% (5.88%)	The higher the discount rate, the lower the fair value
			Capitalisation rate	5.6%-6.4% (6.09%)	The higher the capitalisation rate, the lower the fair value
			Estimated costs to completion	RMB2,375,246- RMB978,046,986 (RMB291,447,180)	The higher the estimated costs, the lower the fair value.
			Estimated profit margin required to hold and develop property to completion	10%-20% (13.25%) of property value	The higher the profit margin required, the lower the fair value.

There are inter-relationships between unobservable inputs. For investment property under construction, increases in construction costs that enhance the property's features may result in an increase of future rental values. An increase in future rental income may be linked with higher costs. If the remaining lease term increases, the yield may decrease.

## Notes to the Consolidated Financial Statements

### 7 INVESTMENT PROPERTIES – GROUP (CONTINUED)

#### (c) Pledge

As at 31 December 2013, the Group's investment properties were held in the PRC on leases of between 10 to 50 years. Investment properties with a carrying amount of RMB15,686,452,000 (2012: RMB15,261,100,000) were pledged as collateral for the Group's borrowings (Note 23).

#### (d) Leasing arrangements

Some of the investment properties are leased to tenants under long term operating leases with rentals receivable monthly. Minimum lease rental receivable under non cancellable operating leases of investment properties not recognised in the financial statements are as follows:

	As at 31 December	
	2013	2012
Within one year	308,405	325,370
Later than one year but no later than 5 years	923,827	863,981
Later than 5 years	782,118	707,087
	<b>2,014,350</b>	<b>1,896,438</b>

## Notes to the Consolidated Financial Statements

### 8 LAND USE RIGHTS – GROUP

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
Land use rights relating to property and equipment under non-current assets		
Opening balance	4,717,336	2,475,068
Additions	1,072,977	2,422,593
Amortisation		
– Capitalised in property and equipment (Note 6)	(20,283)	(20,268)
– Recognised as expenses (Note 29)	(44,742)	(42,368)
Transfer to properties under development and completed properties held for sale	(79,872)	(117,689)
Ending balance	5,645,416	4,717,336
Outside Hong Kong, held on leases of:		
Over 50 years	78,102	79,103
Between 10 to 50 years	5,567,314	4,638,233
	5,645,416	4,717,336

Land use rights comprise cost of acquiring rights to use certain land, which are all located in the PRC, for assets under construction, hotel buildings and self-use buildings over fixed periods.

As at 31 December 2013, land use rights of RMB852,584,000 (2012: of RMB1,877,321,000) were pledged as collateral for the Group's borrowings (Note 23).

## Notes to the Consolidated Financial Statements

### 9 INTANGIBLE ASSETS – GROUP

Intangible assets comprise goodwill arising from acquisitions:

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Opening balance	2,139,925	2,264,027
Write-off of intangible assets (Note 29)	(292,352)	(124,102)
Ending balance	1,847,573	2,139,925

#### Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to business segment. A segment level summary of the goodwill is presented below:

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Property development and investment – Shanghai Shimao	1,709,730	1,709,730
Property development and investment – Others	6,915	299,267
Hotel operation	130,928	130,928
	1,847,573	2,139,925

The recoverable amounts of CGUs are determined based on their fair values (less cost to sell). The fair value of CGU – Property development and investment – Shanghai Shimao is determined according to the quoted price of Shanghai Shimao's equity shares in the PRC share capital market with adjustment of control premium. The fair values of other CGUs are determined according to the value of the underlying properties and decrease along with the sales of underlying properties, and the attributable goodwill is written off accordingly in other operating expenses in the consolidated income statement.

## Notes to the Consolidated Financial Statements

### 10 INTERESTS IN SUBSIDIARIES – COMPANY

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Interests in subsidiaries		
– Unlisted shares, at cost	738,078	290,902
– Amounts due from subsidiaries(note)	24,332,101	23,147,583
	<b>25,070,179</b>	23,438,485
Dividends receivable from subsidiaries	94,250	267,000
Amounts due to subsidiaries (note)	230,802	195,671

Note: The amounts due from/to subsidiaries are interest-free, unsecured and have no specific repayment terms. The Company's intention is that the amounts due from subsidiaries will only be recalled when the subsidiaries have surplus cash.

Details of the principal subsidiaries of the Group as at 31 December 2013 are set out in Note 36.

### 11 ASSOCIATED COMPANIES – GROUP

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Share of net assets:		
Opening balance	1,490,441	1,308,281
Capital injection (Note (a))	126,830	393,098
Transfer from a subsidiary (Note (b))	84,750	–
Share of results	(51,443)	(210,938)
Ending balance	<b>1,650,578</b>	1,490,441

(a) In year 2013, the Group set up several associate companies with total capital injections of RMB126,830,000.

(b) In June 2013, the Group disposed 90% equity interest in Hangzhou Shimao Century Property Co., Ltd., a then wholly owned subsidiary, to a third part at a consideration of RMB756,000,000. The disposal had resulted in a net loss of RMB188,091,000 and the net cash inflow on the disposal was RMB719,395,000.

# Notes to the Consolidated Financial Statements

## 11 ASSOCIATED COMPANIES – GROUP (CONTINUED)

The Group's share of the results of its associated companies, all of which are unlisted, and the shares of aggregated assets and liabilities at year end, are as follows:

	Country of Incorporation	Assets RMB'000	Liabilities RMB'000	Revenue RMB'000	Net profit/ (loss) RMB'000	Interest held by the Group (%)
<b>2013</b>						
Guangzhou Li He Property Development Co., Ltd. ("Guangzhou Li He") *	PRC	4,599,547	(4,538,983)	259,813	(49,571)	20%
Straits Construction Investment (Holdings) Limited ("Straits Construction")	British Virgin Islands	5,871,255	(4,568,593)	414,847	2,980	49%
Chengdu Heng Yu Property Development Co., Ltd. ("Chengdu Heng Yu")	PRC	1,332,511	(1,339,409)	-	(558)	33%
Others	PRC	544,064	(249,814)	8,259	(4,294)	
		<b>12,347,377</b>	<b>(10,696,799)</b>	<b>682,919</b>	<b>(51,443)</b>	
<b>2012</b>						
Guangzhou Li He	PRC	4,578,300	(4,468,164)	296,544	(94,627)	20%
Straits Construction	British Virgin Islands	4,331,884	(3,023,202)	-	(98,965)	49%
Others	British Virgin Islands	90,471	(9,848)	10,370	(17,346)	33%
		<b>9,000,655</b>	<b>(7,501,214)</b>	<b>306,914</b>	<b>(210,938)</b>	

\* Guangzhou Li He is an associate company of the Group in which the Group holds 20% equity interest. The land of the property development project of Guangzhou Li He consists of three phases. According to the previously agreed payment schedule of land premium, the third phase land premium of RMB10,200,000,000 should be settled in December 2011. As at 30 June 2013, land premium totaling RMB7,700,000,000 remained unsettled. In October 2013, Guangzhou Li He entered into a supplemental agreement with the relevant government authorities on the payment schedule of the above RMB7,700,000,000 of outstanding land premium. According to the payment schedule stated in the supplemental agreement, RMB4,500,000,000 of land premium was settled in 2013, while the remaining land premium will need to be settled by November 2014. Based on the fact that Guangzhou Li He has agreed the payment schedule with the relevant government authorities on the outstanding land premium and the communication with the relevant government authorities, the directors of the Company consider that the delay in payment of land premium does not render significant adverse impact on the operation results and financial position of the Group as at 31 December 2013.

There is no individually material associated company of the Group as at 31 December 2013 and 2012.

# Notes to the Consolidated Financial Statements

## 12 JOINT VENTURES – GROUP

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Share of net assets:		
Opening balance	3,985,956	1,522,831
Capital injection (note (a))	65,000	–
Transfer from subsidiaries (note(b))	949,980	2,100,000
Transfer to a subsidiary (note(c))	(305,683)	–
Disposal (note(d))	(225,096)	–
Share of result	895,649	363,125
Ending balance	5,365,806	3,985,956

(a) In year 2013, the Group set up several jointly controlled entities with total capital contributions of RMB65,000,000.

(b) In December 2013, the Group disposed 46% equity interest in a then wholly owned subsidiary, to a third party at a consideration of RMB46,920,000. According to the revised articles of association, the Group and the third party will jointly control the operation of the entity. The disposal had resulted in a net gain of RMB38,480,000 and the net cash outflow of RMB77,645,000.

In December 2013, two third parties made capital injections into two subsidiaries of the Group unilaterally at consideration of RMB1,200,000,000 and RMB104,000,000 respectively, where the Group's equity interests in these two subsidiaries were diluted from 100% to 40% and from 100% to 49% accordingly. Pursuant to the revised articles of association, the Group and the third party will jointly control the operation of these two entities. The fair value of the Group's retained interests in these two entities approximate their carrying value. A net cash outflow of approximately RMB3,934,000 from these transactions was recognised as a cash outflow from investing activities in the cash flow statement.

(c) In January 2013, the Group paid cash consideration of RMB290,000,000 to acquire 50% equity interest in Qingdao Shimao New City Property Development Co., Ltd. ("Qingdao New City"). After the acquisition, Qingdao New City became a wholly owned subsidiary of the Group. The acquisition consideration approximated the fair value of the acquired net assets of Qingdao New City. The identifiable assets acquired included cash and cash equivalents amounting to RMB134,000,000, properties under development amounting to RMB2,847,000,000 and other assets amounting to RMB357,000,000. The identifiable liabilities assumed included borrowings amounting to RMB1,130,000,000, advanced proceeds received amounting to RMB815,000,000 and other liabilities amounting to RMB1,103,000,000. The acquisition had resulted in the net cash outflow of RMB156,101,000.

(d) In January 2013, the Group disposed all its interests in Huizhou Fumao Property Development Co., Ltd. at total consideration of RMB359,780,000. The disposal gain of RMB134,684,000 was recognised in the income statement as other gains (Note 28).

## Notes to the Consolidated Financial Statements

### 12 JOINT VENTURES – GROUP (CONTINUED)

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

	Country of Incorporation	Assets RMB'000	Liabilities RMB'000	Revenue RMB'000	Net profit/ (loss) RMB'000	Interest held by the Group (%)
<b>2013</b>						
Tianjin Jinnan Xincheng Real Estate Development Co., Ltd. ("Tianjin Jinnan")	PRC	2,414,835	(1,527,793)	104,605	(17,096)	25%
Nanchang Shimao New Development Property Co., Ltd. ("Nanchang New Development")	PRC	2,408,778	(1,469,324)	698,258	106,144	50%
Changsha Shimao Real Estate Co., Ltd. ("Changsha Real Estate")	PRC	1,300,286	(802,152)	319,800	7,019	25%
Chengdu Shimao Investment Co., Ltd. ("Chengdu Investment")	PRC	990,118	(200,901)	262,165	412	50%
Fast Right Investments Limited*	Hong Kong	1,788,184	(903,041)	2,490,342	604,402	50%
Kingtron Enterprises Limited*	Hong Kong	825,426	(452,832)	1,126,219	199,791	50%
Guangzhou Cheng Yu Property – Development Co. Ltd. ("Guangzhou Cheng Yu")	PRC	2,575,136	(2,547,878)	-	(2,742)	50%
Wuxi Shimao Real Estate Development & Construction Co., Ltd. ("Wuxi Shimao")	PRC	1,222,334	(1,192,167)	-	(1,575)	49%
Others	PRC	1,017,739	(80,942)	-	(706)	
		<b>14,542,836</b>	<b>(9,177,030)</b>	<b>5,001,389</b>	<b>895,649</b>	

\* Fast Right Investments Limited and Kingtron Enterprises Limited holds 100% equity interest in two PRC property development entities, i.e. Hangzhou Shimao Shiyong Property Development Co., Ltd. and Haishu Property Development (Hangzhou) Co., Ltd..

## Notes to the Consolidated Financial Statements

### 12 JOINT VENTURES – GROUP (CONTINUED)

	Country of Incorporation	Assets RMB'000	Liabilities RMB'000	Revenue RMB'000	Net profit/ (loss) RMB'000	Interest held by the Group (%)
2012						
Tianjin Jinnan	PRC	2,162,776	(1,284,996)	182,297	(2,177)	25%
Huizhou Fumao Property Development Co., Ltd.	PRC	724,268	(499,171)	–	(13,583)	50%
Qingdao New City	PRC	1,624,482	(1,315,140)	–	(16,530)	50%
Nanchang New Development	PRC	1,933,964	(1,083,519)	251,542	50,443	50%
Changsha Real Estate	PRC	700,030	(196,488)	378,876	3,542	50%
Chengdu Investment	PRC	1,250,100	(449,596)	–	504	50%
Fast Right Investments Limited	Hong Kong	2,459,077	(2,181,777)	956,341	252,557	50%
Kingtron Enterprises Limited	Hong Kong	1,228,694	(1,088,843)	631,592	88,804	50%
Others		728,458	(499,171)	–	(14,453)	
		12,085,486	(8,099,530)	2,400,648	363,125	

Details of the principal joint ventures of the Group as at 31 December 2013 are set out in Note 36.

There is no individually material joint venture of the Group as at 31 December 2013 and 2012.

### 13 AVAILABLE-FOR-SALE FINANCIAL ASSETS – GROUP

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
Opening balance	369,833	267,362
Fair value gains recognised in other comprehensive income	38,607	102,471
Ending balance	408,440	369,833

Available-for-sale financial assets represented investment in listed equity securities in the PRC which were stated at market value based on the quoted price.

As at 31 December 2013, available-for-sale financial assets with a carrying amount of RMB405,030,000 (2012: RMB82,000,000) were pledged as collateral for the Group's borrowings (Note 23).

## Notes to the Consolidated Financial Statements

### 14 OTHER NON-CURRENT ASSETS – GROUP

As at 31 December 2013, the Group has made prepayments of RMB711,950,000 (2012: RMB757,250,000) for certain land use rights for the purpose to develop hotel buildings, self-used buildings and investment properties, the ownership certificates of which have not been obtained.

As at 31 December 2013, the Group made prepayments of RMB1,296,363,000 for acquisition of certain equity interests, including RMB996,000,000 as the prepayment for the acquisition of 7.74% interest equity in Shenyin & Wanguo Securities Co., Ltd. According to the sales and purchase agreements signed between Shanghai Shimao (the purchaser) with China Everbright Group (the seller) on 19 December 2013 and 28 January 2014, the total consideration for the acquisition is RMB2,186,000,000. Till the approval date of these consolidation financial statements, the acquisition is still pending for the approval from China Security and Regulatory Committee.

### 15 PROPERTIES UNDER DEVELOPMENT – GROUP

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Properties under development comprise:		
Land use rights	40,118,968	21,881,174
Construction costs and capitalised expenditures	18,371,350	12,384,879
Interests capitalised	4,069,555	3,342,889
	<b>62,559,873</b>	<b>37,608,942</b>

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Land use rights		
Outside Hong Kong, held on leases of:		
Over 50 years	35,226,600	17,729,216
Between 10 to 50 years	4,892,368	4,151,958
	<b>40,118,968</b>	<b>21,881,174</b>

The properties under development are all located in the PRC. The relevant land use rights are on leases of 40 to 70 years.

As at 31 December 2013, properties under development of approximately RMB21,203,862,000 (2012: RMB15,341,479,000) were pledged as collateral for the Group's borrowings (Note 23).

## Notes to the Consolidated Financial Statements

### 15 PROPERTIES UNDER DEVELOPMENT – GROUP (CONTINUED)

The capitalisation rate of borrowings was 7.43% for the year ended 31 December 2013 (2012: 7.48%).

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Properties under development:		
Expected to be completed and available for sale		
after more than 12 months	18,360,724	15,793,008
Expected to be completed and available for sale within 12 months	44,199,149	21,815,934
	<b>62,559,873</b>	<b>37,608,942</b>

### 16 COMPLETED PROPERTIES HELD FOR SALE – GROUP

All completed properties held for sale are located in the PRC. Included in completed properties held for sale are land use rights as follows:

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Outside Hong Kong, held on leases of:		
Over 50 years	2,267,370	1,020,287
Between 10 to 50 years	215,992	133,839
	<b>2,483,362</b>	<b>1,154,126</b>

As at 31 December 2013, completed properties held for sale of RMB4,442,640,000 (2012: RMB1,159,357,000) were pledged as collateral for the Group's borrowings (Note 23).

For the year ended 31 December 2013, the Group recognized impairment losses of RMB103,551,000 (2012: Nil) on completed properties held for sale.

## Notes to the Consolidated Financial Statements

### 17 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS -GROUP

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Bidding deposits for land use rights (note (a))	2,931,703	1,179,136
Trade receivables (note (b))	3,718,236	2,407,832
Prepaid business tax on pre-sale proceeds	1,525,849	1,074,301
Prepayments for construction costs	1,247,085	665,931
Other receivables	1,794,548	1,311,344
	<b>11,217,421</b>	<b>6,638,544</b>

(a) Bidding deposits for land use rights mainly represented deposits of the Group placed with various municipal government for the participation in miscellaneous 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 bid, the amount will be fully refunded.

(b) Trade receivables mainly arise from sales of properties. Consideration in respect of properties sold is paid 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:

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Within 90 days	2,585,657	1,608,555
Over 90 days and within 365 days	925,691	566,032
Over 365 days	206,888	233,245
	<b>3,718,236</b>	<b>2,407,832</b>

As at 31 December 2013, receivables arising from sales of properties was approximately RMB3,520,625,000 (2012: RMB2,217,761,000).

Trade receivables are analysed as follows:

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Fully performing under credit terms	2,477,227	1,454,429
Past due but not impaired	1,241,009	953,403
	<b>3,718,236</b>	<b>2,407,832</b>

## Notes to the Consolidated Financial Statements

### 17 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS -GROUP

(CONTINUED)

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

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Within 90 days	464,295	326,277
Over 90 days and within 365 days	569,826	393,881
Over 365 days	206,888	233,245
	<b>1,241,009</b>	<b>953,403</b>

As the Group normally holds collateral of the properties 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 31 December 2013 (2012: Nil).

As at 31 December 2013, provision for impairment of other receivables was approximately RMB34,007,000 (2012: RMB16,529,000).

As at 31 December 2013, the fair value of trade receivables, bidding deposits for land use rights, and other receivables of the Group approximate their carrying amounts, as the impact of discounting is not significant.

As at 31 December 2013 and 2012, trade and other receivables of the Group were mainly denominated in RMB.

### 18 PREPAYMENT FOR ACQUISITION OF LAND USE RIGHTS

Prepayments for acquisition of land use rights are related to acquisition of land for property development purposes, the ownership certificates of which have not been obtained as at 31 December 2013.

## Notes to the Consolidated Financial Statements

### 19 AMOUNTS DUE FROM RELATED COMPANIES – GROUP

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Included in non-current assets		
– Joint ventures	<b>2,266,694</b>	1,561,719

The Group made advances to several joint ventures 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 have surplus cash.

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Included in current assets		
– Companies with common directors	<b>632</b>	647
– Associated companies	<b>1,091,338</b>	1,151,448
– Joint ventures	<b>114,125</b>	163,932
	<b>1,206,095</b>	1,316,027

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.

## Notes to the Consolidated Financial Statements

### 20 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH – GROUP AND COMPANY

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
<b>Group</b>		
Bank balances and cash		
– denominated in RMB	18,800,939	17,932,852
– denominated in US dollar	648,832	100,201
– denominated in HK dollar	123,478	64,820
Less: Restricted cash	(2,547,231)	(2,204,028)
	<b>17,026,018</b>	<b>15,893,845</b>

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
<b>Company</b>		
Bank balances and cash – unrestricted		
– denominated in HK dollar	42,049	6,247
– denominated in US dollar	8,790	32,707
– denominated in RMB	8,664	–
	<b>59,503</b>	<b>38,954</b>

As at 31 December 2013, the Group's cash of approximately RMB517,457,000 (2012: RMB222,381,000) was restricted and deposited in certain banks as guarantee deposits for the benefit of mortgage loan facilities granted by the banks to the purchasers of the Group's properties (Note 37). The Group's cash of approximately RMB2,029,774,000 (2012: RMB1,981,647,000) was pledged as collateral for the Group's borrowings (Note 23).

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 31 December 2013 was 0.34% (2012: 0.35%).

## Notes to the Consolidated Financial Statements

### 21 SHARE CAPITAL – GROUP AND COMPANY

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

	Note	Par value HK\$	Number of shares '000	Nominal value of ordinary shares HK\$'000	Equivalent to RMB'000
Authorised:					
At 31 December 2013 and 2012		0.1	5,000,000	500,000	
Issued and fully paid:					
At 1 January 2012			3,465,951	346,595	355,737
Employee share option scheme					
– Shares issued	(b)		6,621	662	538
At 31 December 2012			3,472,572	347,257	356,275
Employee share option scheme					
– Shares issued	(b)		–	–	–
At 31 December 2013			3,472,572	347,257	356,275

#### (b) Pre-IPO Share Option Scheme

Pursuant to the shareholders' resolution passed on 9 June 2006 for approval of the Pre-IPO Share Option Scheme, options for a total of 63,920,000 ordinary shares of the Company were conditionally granted to directors and selected employees. The exercise price of HK\$5.625 per share under the Pre-IPO Share Option Scheme was determined at a 10% discount to the global offering price, which was HK\$6.25 per share, excluding brokerage, Securities and Futures Commission transaction levy and the Stock Exchange trading fee. Each option has 6-year exercise period from the date of grant, with 30% vested on 31 March 2007, another 30% vested on 31 March 2008 and the remaining 40% vested on 31 March 2009. Options are conditional on the employee completing the services up to the respective vesting dates and evaluation of performance as specified in the scheme, and become exercisable immediately after each vesting date. The Group has no legal or constructive obligation to repurchase or settle the options in cash. These options expired on 8 June 2012.

## Notes to the Consolidated Financial Statements

### 21 SHARE CAPITAL – GROUP AND COMPANY (CONTINUED)

#### (b) Pre-IPO Share Option Scheme (continued)

Movements in the number of share options outstanding are as follows:

	Year ended 31 December	
	2013 '000	2012 '000
Balance at beginning of the year	–	8,024
Exercised	–	(6,621)
Expired	–	(1,403)
Balance at end of the year	–	–

There were no outstanding options at 31 December 2013.

#### (c) Share Option Scheme

Pursuant to Shanghai Shimao's shareholders' resolution passed on 27 June 2013, a share option scheme ("A Share Option Scheme") was approved, and will expire at the end of the 36-month period from the date of grant. On 28 June 2013, options for a total of 10,000,000 ordinary shares of Shanghai Shimao ("A share option") under this scheme were granted to Shanghai Shimao's eligible employees with exercise price of RMB9.84 per share. The exercise of the granted options is subject to a restriction of 12 months from the date of grant. Subject to the fulfilment of various conditions, including service condition and non-market performance condition, as provided in the A Share Option Scheme, the granted options can be exercised in two batches evenly commencing from (i) the first trading day after the expiry of the 12-month period from the date of grant and (ii) the first trading day after the expiry of the 24-month period from the date of grant, respectively. The weighted average fair value of A share option granted determined using the Black-Scholes valuation model was RMB1.235 per option.

#### (d) 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.

## Notes to the Consolidated Financial Statements

### 21 SHARE CAPITAL – GROUP AND COMPANY (CONTINUED)

#### (d) Share Award Scheme (continued)

A Trust was constituted to manage the Share Scheme, and a wholly owned subsidiary of the Company incorporated in BVI was designated as Trustee. Up to 31 December 2013, the Trust purchased 10,757,500 ordinary shares from market, totaling HK\$138,044,000 (equivalent to RMB110,843,000), of which 4,336,654 shares were granted to eligible employees according to the Share Scheme during the year ended 31 December 2013.

The granted shares were subject to several vesting conditions, including 1 year service and non-market 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.

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

	Number of unvested shares granted	
	Year ended 31 December	
	2013	2012
Unvested shares, beginning	–	–
Granted	4,336,654	–
Vested	–	–
Expired	–	–
Unvested shares, ending	4,336,654	–

The weighted average fair value of the unvested units granted during the year ended 31 December 2013 is HK\$77,279,174 (equivalent to RMB60,756,887).

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

	Year ended 31 December	
	2013	2012
	'000	'000
Shares issued	3,472,572	3,472,572
Less: treasury shares purchased for the Share Award Scheme	(10,758)	(4,000)
Shares outstanding	3,461,814	3,468,572

#### (f) Material non-controlling interests

There is no individual material non-controlling interests of the Group as at 31 December 2013 and 2012.

# Notes to the Consolidated Financial Statements

## 22 RESERVES – GROUP AND COMPANY

### Group

	Merger reserve RMB'000 (note (a))	Share premium RMB'000 (note (b))	Share-based compensation reserve RMB'000 (note (c))	Statutory reserve RMB'000 (note (d))	Capital redemption reserve RMB'000	Available-for- sale financial assets RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2012	(185,787)	10,254,302	105,117	630,872	4,949	(117,130)	19,543,620	30,235,943
Profit for the year	-	-	-	-	-	-	5,764,632	5,764,632
Other comprehensive gains for the year, net of tax	-	-	-	-	-	49,355	-	49,355
Employee share option scheme								
- Value of employee services	-	105,117	(105,117)	-	-	-	-	-
- proceeds from shares issued	-	29,703	-	-	-	-	-	29,703
Share award scheme								
- Purchase of shares (Note 21(d))	-	(21,207)	-	-	-	-	-	(21,207)
Profit appropriations	-	-	-	123,359	-	-	(123,359)	-
2011 final dividend payable	-	(507,551)	-	-	-	-	-	(507,551)
Balance at 31 December 2012	(185,787)	9,860,364	-	754,231	4,949	(67,775)	25,184,893	35,550,875
Balance at 1 January 2013	(185,787)	9,860,364	-	754,231	4,949	(67,775)	25,184,893	35,550,875
Profit for the year	-	-	-	-	-	-	7,389,857	7,389,857
Other comprehensive gains for the year, net of tax	-	-	-	-	-	18,595	-	18,595
Equity-settled share-based payment								
- Value of employee services	-	-	32,183	-	-	-	-	32,183
- Purchase of shares (Note 21(d))	-	(89,636)	-	-	-	-	-	(89,636)
Profit appropriations	-	-	-	353,292	-	-	(353,292)	-
2012 final dividend payable	-	(1,515,899)	-	-	-	-	-	(1,515,899)
Balance at 31 December 2013	(185,787)	8,254,829	32,183	1,107,523	4,949	(49,180)	32,221,458	41,385,975
Representing:								
Proposed final dividend		2,195,555						2,195,555
Others		6,059,274						6,059,274
		8,254,829						8,254,829

# Notes to the Consolidated Financial Statements

## 22 RESERVES – GROUP AND COMPANY (CONTINUED)

### Company

	Share premium RMB'000 (note (b))	Share-based compensation reserve RMB'000 (note (c))	Capital redemption reserve RMB'000	Retained earnings/ (accumulated losses) RMB'000	Total RMB'000
Balance at 1 January 2012	10,254,302	105,117	4,949	162,536	10,526,904
Loss for the year	-	-	-	(1,073,535)	(1,073,535)
Employee share option scheme					
– Value of employee services	105,117	(105,117)	-	-	-
– proceeds from shares issued	29,703	-	-	-	29,703
Share award scheme					
– Purchase of shares (Note 21(d))	(21,207)	-	-	-	(21,207)
2011 final dividend	(507,551)	-	-	-	(507,551)
Balance at 31 December 2012	9,860,364	-	4,949	(910,999)	8,954,314
Balance at 1 January 2013	<b>9,860,364</b>	-	<b>4,949</b>	<b>(910,999)</b>	<b>8,954,314</b>
Loss for the year	-	-	-	(447,616)	(447,616)
Share award scheme					
– Value of employee services	-	29,780	-	-	29,780
– Purchase of shares(Note 21(d))	(89,636)	-	-	-	(89,636)
2012 final dividend	(1,515,899)	-	-	-	(1,515,899)
Balance at 31 December 2013	<b>8,254,829</b>	<b>29,780</b>	<b>4,949</b>	<b>(1,358,615)</b>	<b>6,930,943</b>
Representing:					
Proposed final dividend	2,195,555				2,195,555
Others	6,059,274				6,059,274
	<b>8,254,829</b>				<b>8,254,829</b>

#### Notes:

- (a) Merger reserve of the Group represents the difference between the nominal value of the shares of the subsidiary purchased pursuant to the reorganisation and the nominal value of the shares of the Company issued in exchange effected prior to the listing of the Company's shares on the Stock Exchange in 2006.
- (b) Pursuant to Section 34 of the Cayman Companies Law (2003 Revision) and the Articles of Association of the Company, share premium of the Company is available for distribution to shareholders subject to a solvency test on the Company and the provision of the Articles of Association of the Company.
- (c) Share-based compensation reserve represents value of employee services in respect of share options granted under the share option schemes and shares granted under the Share Award Scheme (Note 21).
- (d) According to the Articles of Association of the respective subsidiaries established in the PRC, which are foreign investment enterprises, the subsidiaries shall set aside certain percentage of their net income after offsetting accumulated losses from prior years as reported in their statutory accounts for the reserve fund, enterprise expansion fund and staff bonus and welfare fund. The reserve fund and enterprise expansion fund form part of the shareholders' funds. The staff bonus and welfare fund are accounted for as liabilities. Certain subsidiaries have made appropriation to such funds during the year.

## Notes to the Consolidated Financial Statements

### 23 BORROWINGS – GROUP AND COMPANY

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
<b>Group</b>		
Borrowings included in non-current liabilities		
Long-term bank borrowings		
– secured by assets (note (i))	20,728,780	17,483,356
– secured by shares of subsidiary guarantors (note (ii))	7,412,356	3,419,577
– secured by shares of a listed subsidiary (note (iii))	680,000	500,000
– unsecured	772,443	376,840
Long-term borrowings from other financial institutions		
– secured by assets (note (i))	2,556,450	4,778,246
– secured by shares of a listed subsidiary (notes (iii))	–	1,131,969
– unsecured	–	50,000
Senior notes – secured (note (iv))	9,901,163	7,391,143
	<b>42,051,192</b>	<b>35,131,131</b>
Less: Long-term bank borrowings due within one year		
	(3,568,061)	(3,058,668)
Long-term borrowings from other financial institutions due within one year		
	(929,450)	(3,459,166)
Amounts due within one year	<b>(4,497,511)</b>	<b>(6,517,834)</b>
	<b>37,553,681</b>	<b>28,613,297</b>
Borrowings included in current liabilities		
Short-term bank borrowings		
– secured by assets (notes (i))	2,591,934	3,869,063
– secured by shares of a listed subsidiary (note (iii))	490,000	–
– unsecured	1,933,021	273,000
Short-term borrowings from other financial institutions and non-financial institutions		
– secured by assets (note (i))	1,455,316	293,867
– secured by shares of a listed subsidiary (note (iii))	–	1,426,880
– unsecured (note (v))	807,540	–
Current portion of long-term borrowings	4,497,511	6,517,834
	<b>11,775,322</b>	<b>12,380,644</b>

# Notes to the Consolidated Financial Statements

## 23 BORROWINGS – GROUP AND COMPANY (CONTINUED)

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
<b>Company</b>		
Borrowings included in non-current liabilities		
Long-term bank borrowings		
– secured by shares of subsidiary guarantors (note (ii))	7,412,356	3,419,577
Senior notes – secured (note (iv))	9,901,163	7,391,143
	<b>17,313,519</b>	10,810,720
Less: Long-term bank borrowings due within one year		
– secured by shares of subsidiary guarantors (note (ii))	(1,021,763)	–
	<b>(1,021,763)</b>	–
Amounts due within one year	<b>(1,021,763)</b>	–
	<b>16,291,756</b>	10,810,720
Borrowings included in current liabilities		
Short term bank borrowings – secured by assets (note (i))	–	2,903,129
Short term bank borrowings – unsecured	–	243,240
Current portion of long-term borrowing	1,021,763	–
	<b>1,021,763</b>	3,146,369

### Notes:

(i) As at 31 December 2013, the Group's total secured bank borrowings and borrowings from other financial institutions of RMB27,332,480,000 (2012: RMB26,424,532,000) were secured by its assets under construction and buildings (Note 6), investment properties (Note 7), land use rights (Note 8), properties under development (Note 15), completed properties held for sale (Note 16), available-for-sale financial assets (Note 13) and restricted cash (Note 20). As at 31 December 2013, secured borrowings of RMB1,985,084,000 (2012: RMB4,794,664,000) were further guaranteed by Mr. Hui Wing Mau.

(ii) On 14 May 2010, the Company entered into a multi-currency loan facility agreement with a syndicate of 14 banks. Pursuant to the agreement, the Company obtained 3-year syndicated loan facilities, including a US\$440,000,000 facility and a HK\$156,000,000 facility at a floating rate of interest, 10% out of the loan principal matured in 2011, 45% matured in 2012 and remaining 45% will mature in 2013. The loan facilities were guaranteed by certain subsidiaries of the Group, and secured by pledge of the share of certain subsidiary guarantors. All the facilities have been drawn down as of 31 December 2011. On 7 December 2012, the Company early repaid the remaining 45% of the borrowings (approximately RMB1,303,016,000).

On 26 November 2012, the Company entered into a multi-currency loan facility agreement with a syndicate of 6 banks. Pursuant to the agreement, the Company obtained 3-year syndicated loan facilities, including a US\$610,000,000 facility and a HK\$468,000,000 facility at a floating rate of interest, 25% out of the loan principal will mature in 2014 and 75% will mature in 2015. The loan facilities were guaranteed by certain subsidiaries of the Group, and secured by pledge of the share of these subsidiary guarantors. As at 31 December 2013, US\$610,000,000 and HK\$468,000,000 have been drawn down (31 December 2012: US\$510,000,000 and HK\$391,278,689 were drawn down).

On 14 June 2013, the Company entered into a multi-currency loan facility agreement with a syndicate of 8 banks. Pursuant to the agreement, the Company obtained 4-year syndicated loan facilities, including a US\$320,000,000 facility and a HK\$1,950,000,000 facility at a floating rate of interest, 15% out of the loan principal will mature in 2015, 35% will mature in 2016 and 50% will mature in 2017. The loan facilities were guaranteed by certain subsidiaries of the Group, and secured by pledge of the share of these subsidiary guarantors. As of 31 December 2013, US\$320,000,000 and HK\$1,950,000,000 have been drawn down.

## Notes to the Consolidated Financial Statements

### 23 BORROWINGS – GROUP AND COMPANY (CONTINUED)

Notes: (continued)

- (iii) As at 31 December 2013, 231,400,000 (31 December 2012: 107,200,000) shares of Shanghai Shimao have been pledged for a total bank borrowings of RMB1,170,000,000 (31 December 2012: RMB500,000,000) for group companies.

As at 31 December 2012, 575,050,000 shares of Shanghai Shimao have been pledged for a total borrowings from other financial institutions of RMB2,558,849,000 for group companies.

- (iv) On 29 November 2006, the Company issued a total of US\$600,000,000 senior notes, including US\$250,000,000 at a floating interest rate due on 1 December 2011 and US\$350,000,000 at a fixed interest rate due on 1 December 2016. The Company may at its option to redeem the notes, in whole or in part, by certain dates based on the terms of the notes. The notes are senior obligations guaranteed by certain subsidiaries other than those established under the laws of the PRC ("Subsidiary Guarantors"), and secured by a pledge of the shares of these subsidiary guarantors. On 3 May 2011, the Company early redeemed senior notes of US\$250,000,000, which was originally due in December 2011. On 17 July 2013, the Company early redeemed senior notes of US\$350,000,000, which was originally due on 1 December 2016.

On 3 August 2010, the Company issued senior notes with total principal of US\$500,000,000 at a fixed interest rate of 9.65% due on 3 August 2017. On 8 March 2011, the Company issued senior notes with total principal of US\$350,000,000 at a fixed interest rate of 11% due on 8 March 2018. And 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. The Company may at its option to 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.

- (v) For the year ended 31 December 2013, the Group borrowed certain unsecured loans from a joint venture with total principal of RMB807,540,000, with interest at 6.15% per annum and repayable within one year.

The interest-bearing bank borrowings, including the term loans repayable on demand, are carried at amortised cost. RMB1,798,830,000 of the term loans due for repayment after one year which contain a repayment on demand clause were classified as current liabilities as at 31 December 2013 (2012: RMB1,538,087,600), none of these loans are expected to be settled within one year.

## Notes to the Consolidated Financial Statements

### 23 BORROWINGS – GROUP AND COMPANY (CONTINUED)

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates or maturity whichever is the earlier date is as follows:

	6 months or less RMB'000	6-12 months RMB'000	1-5 years RMB'000	Over 5 years RMB'000	Total RMB'000
<b>Group</b>					
Borrowings included in non-current liabilities:					
At 31 December 2013	24,635,518	3,017,000	5,102,976	4,798,187	37,553,681
At 31 December 2012	17,385,104	1,276,000	7,793,233	2,158,960	28,613,297
Borrowings included in current liabilities:					
At 31 December 2013	8,937,917	2,837,405	–	–	11,775,322
At 31 December 2012	8,614,533	3,766,111	–	–	12,380,644
<b>Company</b>					
Borrowings included in non-current liabilities:					
At 31 December 2013	6,390,593	–	5,102,976	4,798,187	16,291,756
At 31 December 2012	3,419,577	–	5,232,183	2,158,960	10,810,720
Borrowings included in current liabilities:					
At 31 December 2013	1,021,763	–	–	–	1,021,763
At 31 December 2012	2,903,129	243,240	–	–	3,146,369

## Notes to the Consolidated Financial Statements

### 23 BORROWINGS – GROUP AND COMPANY (CONTINUED)

The maturity of the borrowings included in non-current liabilities is as follows:

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
<b>Group</b>		
Bank borrowings:		
Between 1 and 2 years	9,141,065	4,537,491
Between 2 and 5 years	11,114,883	8,941,013
Over 5 years	5,769,570	5,242,600
Borrowings from other financial institution and non-financial institution:		
Between 1 and 2 years	247,000	2,181,050
Between 2 and 5 years	836,000	320,000
Over 5 years	544,000	–
Senior notes:		
Between 2 and 5 years	5,102,976	5,232,183
Over 5 years	4,798,187	2,158,960
	<b>37,553,681</b>	<b>28,613,297</b>
<b>Company</b>		
Bank borrowings:		
Between 1 and 2 years	3,507,226	880,713
Between 2 and 5 years	2,883,367	2,538,864
Senior notes:		
Between 2 and 5 years	5,102,976	5,232,183
Over 5 years	4,798,187	2,158,960
	<b>16,291,756</b>	<b>10,810,720</b>

## Notes to the Consolidated Financial Statements

### 23 BORROWINGS – GROUP AND COMPANY (CONTINUED)

The effective interest rates at the balance sheet date were as follows:

	As at 31 December	
	2013	2012
<b>Group</b>		
Bank borrowings – RMB	7.35%	8.57%
Bank borrowings – US dollar	4.59%	2.87%
Bank borrowings – HK dollar	3.92%	2.91%
Senior notes – US dollar	8.94%	10.02%
Borrowings from other financial institutions – RMB	8.06%	10.78%
Borrowings from non-financial institution – RMB	6.15%	–
<b>Company</b>		
Bank borrowings – US dollar	5.04%	2.87%
Bank borrowings – HK dollar	5.04%	2.87%
Senior notes – US dollar	8.94%	10.02%

The carrying amounts of bank borrowings, borrowings from other financial institution and borrowings from a related party approximate their fair values. The fair values of senior notes as at 31 December 2013 amounted to RMB10,288,000,000, which 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.

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

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
<b>Group</b>		
RMB	29,301,086	25,857,139
HK dollar	3,350,660	3,393,929
US dollar	16,677,257	11,742,873
	<b>49,329,003</b>	<b>40,993,941</b>
<b>Company</b>		
HK dollar	1,742,239	2,214,216
US dollar	15,571,280	11,742,873
	<b>17,313,519</b>	<b>13,957,089</b>

## Notes to the Consolidated Financial Statements

### 24 DEFERRED INCOME TAX – GROUP

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset and when the deferred income taxes relate to the same tax authority. The net deferred income tax balances after offsetting are as follows:

	As at 31 December	
	2013 RMB'000	2012 RMB'000
Deferred income tax assets		
– to be recovered after more than 12 months	840,960	842,944
– to be recovered within 12 months	465,378	405,446
	<b>1,306,338</b>	1,248,390
Deferred income tax liabilities		
– to be recovered after more than 12 months	3,767,321	3,547,521
– to be recovered within 12 months	217,921	228,057
	<b>3,985,242</b>	3,775,578
Net deferred income tax liabilities	<b>2,678,904</b>	2,527,188

The gross movement on the net deferred income tax account is as follows:

	Year ended 31 December	
	2013 RMB'000	2012 RMB'000
Opening balance	2,527,188	1,858,906
Charged to the consolidated income statement (Note 32)	142,064	642,664
Charged to other comprehensive income	9,652	25,618
Ending balance	<b>2,678,904</b>	2,527,188

## Notes to the Consolidated Financial Statements

### 24 DEFERRED INCOME TAX – GROUP (CONTINUED)

Movement in deferred income tax assets and liabilities for the year ended 31 December 2013, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

#### Deferred income tax assets

	Provision for land appreciation tax deductible for future income tax clearance RMB'000	Unrealized profit on intra-group transaction RMB'000	Tax loss and temporary difference on recognition of expenses RMB'000	Total RMB'000
At 1 January 2012	854,633	223,725	175,172	1,253,530
Credited/(charged) to the consolidated income statement	(83,848)	(81,232)	93,862	(71,218)
At 31 December 2012	770,785	142,493	269,034	1,182,312
Credited to the consolidated income statement	104,869	14,223	6,294	125,386
At 31 December 2013	<b>875,654</b>	<b>156,716</b>	<b>275,328</b>	<b>1,307,698</b>

#### Deferred income tax liabilities

	Fair value gains on investment properties RMB'000	Fair value adjustments on assets and liabilities upon acquisition of subsidiaries RMB'000	Withholding tax on the retained earnings of certain subsidiaries RMB'000	Total RMB'000
At 1 January 2012	1,943,994	955,021	213,421	3,112,436
Charged/(credited) to the consolidated income statement	590,720	(39,579)	20,305	571,446
Credited to other comprehensive income	–	25,618	–	25,618
At 31 December 2012	2,534,714	941,060	233,726	3,709,500
Charged to the consolidated income statement	257,802	9,648	–	267,450
Charged to other comprehensive income	–	9,652	–	9,652
At 31 December 2013	<b>2,792,516</b>	<b>960,360</b>	<b>233,726</b>	<b>3,986,602</b>

## Notes to the Consolidated Financial Statements

### 24 DEFERRED INCOME TAX – GROUP (CONTINUED)

Deferred income tax arose as a result of differences in timing of recognising certain revenue, costs and expenses between the tax based financial statements and the HKFRS financial statements. This constitutes temporary differences, being the differences between the carrying amounts of the assets or liabilities in the consolidated balance sheets and their tax bases in accordance with HKAS 12.

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of RMB40,030,000 (2012: RMB47,741,000) in respect of accumulated losses amounting to RMB160,119,000 (2012: RMB190,965,000). Accumulated losses amounting to RMB21,792,000, RMB5,591,000, RMB101,434,000, RMB17,445,000 and RMB13,857,000, as at 31 December 2013 will expire in 2014, 2015, 2016, 2017 and 2018 respectively.

### 25 TRADE AND OTHER PAYABLES – GROUP

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Trade payables (note (a))	16,796,749	11,595,770
Other taxes payable	1,077,113	609,650
Accrued expenses	982,181	732,484
Other payables (note (b))	2,139,282	1,378,526
	<b>20,995,325</b>	<b>14,316,430</b>

Notes:

(a) The ageing analysis from the recorded date of trade payables is as follows:

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Within 90 days	16,410,856	11,140,635
Over 90 days and within 1 year	385,893	455,135
	<b>16,796,749</b>	<b>11,595,770</b>

## Notes to the Consolidated Financial Statements

### 25 TRADE AND OTHER PAYABLES – GROUP (CONTINUED)

Notes: (continued)

(b) Other payables comprise:

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Deposits received from customers	1,475,543	955,517
Fees collected from customers on behalf of government agencies	96,644	85,470
Deposits from constructors	348,523	94,178
Rental deposits from tenants and hotel customers	129,709	154,546
Others	88,863	88,815
	<b>2,139,282</b>	<b>1,378,526</b>

### 26 DERIVATIVE FINANCIAL INSTRUMENTS – GROUP AND COMPANY

Derivative financial instruments liabilities as at balance sheet date are as follows:

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Interest rate swap contracts	36,898	42,572

On 6 January 2011, the Group entered into two interest rate swap contracts with The Hongkong and Shanghai Banking Corporation Limited (“HSBC”), with an aggregate notional amount of US\$300,000,000 (the “Swap Contracts”). The Swap contracts took effective from 3 August 2010, and will terminate on 3 August 2017. Pursuant to the Swap Contracts, the Group receives interest at a fixed rate of 9.65%, and pays interest at floating rate with reference to the HSBC Vol-Budgeted Dynamic Term Premium Index as published on Bloomberg but subject to a ceiling of 12.1%, semi-annually on 3 February and 3 August commencing from 3 February 2011 and up to termination.

The Swap Contracts do not qualified for hedge accounting, so that they are classified as derivative financial instruments held for trading as current assets or current liabilities, and with fair value changes recognized in the consolidated income statement.

There is a day-one loss of approximately RMB125,306,000 arising from the Swap Contracts, which is deferred and amortised in the consolidation income statement based on the straight line method within the effective lives of the Swap Contracts. For the year ended 31 December 2013, the fair value gains of the Swap Contracts amounted to RMB20,583,000, net off against the amortization of day-one loss with RMB14,909,000, is recognized in “other gains” (2012: net gain of RMB9,543,000, recognized in “other gains”).

## Notes to the Consolidated Financial Statements

### 27 AMOUNTS DUE TO RELATED PARTIES – GROUP

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
– Company with common directors	1,861	–
– Joint ventures	4,162,964	2,897,713
– Associated companies	38,438	–
– Non-controlling interests	6,133,132	–
	<b>10,336,395</b>	<b>2,897,713</b>

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.

### 28 OTHER INCOME/OTHER GAINS – NET

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Gain on deemed disposal of subsidiaries with loss of control	–	545,135
Net (loss)/gain on disposal of subsidiaries with loss of control (Note 11(b) and 12(b))	(149,611)	240,089
Gain on disposal of a joint venture (Note 12(d))	134,684	–
Government grants received	318,304	344,301
Fair value gain on derivative financial instruments (Note 26)	5,674	9,543
Net exchange gain	480,996	26,793
Others	55,016	30,243
	<b>845,063</b>	<b>1,196,104</b>

## Notes to the Consolidated Financial Statements

### 29 EXPENSES BY NATURE

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

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Cost of properties sold and others	24,147,734	16,904,213
Business taxes and other levies on sales of properties (note (a))	2,381,374	1,669,597
Staff costs – including directors' emoluments (note (b))	1,032,506	883,934
Advertising, promotion and commission costs	1,024,544	800,926
Direct expenses arising from hotel operation	507,905	496,190
Corporate and office expenses	545,333	475,223
Depreciation (Note 6)	372,580	347,031
Write off of intangible assets (Note 9)	292,352	124,102
Operating lease rental expenses	75,032	88,053
Amortisation of land use rights (Note 8)	44,742	42,368
Direct expenses arising from investment properties	42,686	38,534
Charitable donations	14,914	10,039
Provision for/(write back of) impairment of receivables (Note 17)	17,478	(5,644)
Auditor's remuneration	7,000	6,000
Provision of impairment losses on completed properties held for sale (Note 16)	103,551	–
Other expenses	433,215	295,296
Total cost of sales, selling and marketing costs, administrative expenses and other operating expenses	31,042,946	22,175,862

#### (a) Business tax and other levies

The Group's companies incorporated in the PRC are subject to business taxes of 5% and other levies on their revenue from sales of properties.

#### (b) Staff costs (including directors' emoluments) comprise:

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Wages and salaries	770,478	652,419
Pension costs – statutory pension (note (c))	74,813	64,480
Other allowances and benefits	187,215	167,035
	1,032,506	883,934

## Notes to the Consolidated Financial Statements

### 29 EXPENSES BY NATURE (CONTINUED)

#### (c) Pensions-defined contribution plans

Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on a certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees.

The Group also participates in a pension scheme under the rules and regulations of the MPF Scheme for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income.

### 30 FINANCE COSTS- NET

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Interest on bank borrowings		
– wholly repayable within five years	1,332,566	1,040,899
– not wholly repayable within five years	391,964	212,364
Interest on senior notes		
– wholly repayable within five years	631,812	481,333
– not wholly repayable within five years	468,979	262,933
Interest on borrowing from other financial institutions and non-financial institutions		
– wholly repayable within five years	766,726	1,227,056
– not wholly repayable within five years	13,451	–
	<b>3,605,498</b>	<b>3,224,585</b>
Less: interest capitalised	<b>(3,293,287)</b>	<b>(3,056,415)</b>
Finance costs	<b>312,211</b>	<b>168,170</b>
Finance income	<b>(190,850)</b>	<b>(146,055)</b>
Finance costs – net	<b>121,361</b>	<b>22,115</b>

## Notes to the Consolidated Financial Statements

### 31 EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

#### (a) Directors' emoluments

The remuneration of each of the directors of the Company for the year ended 31 December 2013 is set out as follows:

Name of directors	Salaries, allowances and benefits		Bonuses	Retirement	Employee	Total
	Fees	in kind		benefit contributions	share award schemes	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors						
Mr. Hui Wing Mau	-	4,789	1,596	12	-	6,397
Mr. Hui Sai Tan, Jason	-	4,674	2,033	12	-	6,719
Mr. Liu Sai Fei	-	2,727	3,458	12	-	6,197
Mr. Xu Younong	-	1,366	1,318	80	-	2,764
Ms. Tang Fei (Note 1)	-	1,200	627	80	-	1,907
Mr. Liao Lujiang (Note 2)	-	1,680	845	80	-	2,605
Independent non-executive directors						
Ms. Kan Lai Kuen, Alice	192	-	-	-	-	192
Mr. Lu Hong Bing	192	-	-	-	-	192
Mr. Lam Ching Kam	192	-	-	-	-	192
	576	16,436	9,877	276	-	27,165

Notes:

- Ms. Tang Fei was appointed as an executive director with effect from 6 February 2013.
- Mr. Liao Lujiang was appointed as an executive director with effect from 6 February 2013.

## Notes to the Consolidated Financial Statements

### 31 EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

(CONTINUED)

#### (a) Directors' emoluments (continued)

The remuneration of each of the directors of the Company for the year ended 31 December 2012 is set out as follows:

Name of directors	Fees RMB'000	Salaries, allowances and benefits	Bonuses RMB'000	Retirement benefit contributions	Employee share award schemes	Total RMB'000
		in kind RMB'000		RMB'000	RMB'000	
Executive directors						
Mr. Hui Wing Mau	–	4,880	1,627	11	–	6,518
Mr. Hui Sai Tan, Jason	–	3,909	2,852	11	782	7,554
Ms. Yao Li (Note)	–	–	–	–	–	–
Mr. Liu Sai Fei	–	2,201	2,780	11	–	4,992
Mr. Xu Younong	–	2,070	1,862	56	–	3,988
Independent non-executive directors						
Ms. Kan Lai Kuen, Alice	195	–	–	–	–	195
Mr. Lu Hong Bing	195	–	–	–	–	195
Mr. Lam Ching Kam	195	–	–	–	–	195
	585	13,060	9,121	89	782	23,637

Note: Ms. Yao Li was transferred from executive director to non-executive director on 18 June 2012 and she resigned from non-executive director on 6 February 2013.

## Notes to the Consolidated Financial Statements

### 31 EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

(CONTINUED)

#### (b) Five highest paid individuals

Four of the five individuals whose emoluments were the highest in the Group for the year ended 31 December 2013 are directors (2012: four). The aggregate amounts of emoluments of the five highest paid individuals are set out below:

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Salaries and allowances	15,236	14,520
Bonuses	9,250	9,434
Retirement scheme contributions	196	100
Share options granted	–	2,103
	<b>24,682</b>	<b>26,157</b>

The emoluments fell within the following bands:

	Number of individuals	
	2013	2012
RMB2,500,000 – RMB3,000,000	2	–
RMB3,000,001 – RMB3,500,000	–	1
RMB3,500,001 – RMB4,000,000	–	1
RMB4,000,001 – RMB4,500,000	–	–
RMB4,500,001 – RMB5,000,000	–	1
RMB5,000,001 – RMB5,500,000	–	–
RMB6,000,001 – RMB6,500,000	2	–
RMB6,500,001 – RMB7,000,000	1	1
RMB7,500,001 – RMB8,000,000	–	1

- (c) No emolument was paid or payable by the Group to any of the above directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office for the years ended 31 December 2013 and 2012.

## Notes to the Consolidated Financial Statements

### 32 INCOME TAX EXPENSE

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Current income tax		
– PRC enterprise income tax	2,519,429	1,985,703
– PRC withholding income tax	64,809	26,700
– PRC land appreciation tax	2,107,202	925,882
	<b>4,691,440</b>	<b>2,938,285</b>
Deferred income tax (Note 24)		
– PRC enterprise income tax	142,064	622,359
– PRC withholding income tax	–	20,305
	<b>142,064</b>	<b>642,664</b>
	<b>4,833,504</b>	<b>3,580,949</b>

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the enacted tax rate of the home country of the companies within the Group as follows:

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Profit before income tax	13,058,828	10,165,437
Less: Share of results of associated companies and joint ventures	(844,206)	(152,187)
Land appreciation tax	(2,107,202)	(925,882)
	<b>10,107,420</b>	<b>9,087,368</b>
Calculated at PRC enterprise income tax rate of 25% (2012: 25%)	2,526,855	2,271,842
Effect of different tax rates in other countries or regions	(57,771)	–
Expenses not deductible for income tax purposes (note (a))	356,906	374,963
Income not subject to tax (note (b))	(167,961)	(43,212)
Tax losses not recognised	3,464	4,469
	<b>2,661,493</b>	<b>2,608,062</b>
PRC enterprise income tax charge		
	<b>2,107,202</b>	<b>925,882</b>
Current income tax – PRC withholding income tax	64,809	26,700
Deferred income tax – PRC withholding income tax	–	20,305
	<b>4,833,504</b>	<b>3,580,949</b>

## Notes to the Consolidated Financial Statements

### 32 INCOME TAX EXPENSE (CONTINUED)

Notes:

- (a) Expenses not deductible for income tax purposes mainly resulted from expenses incurred by the Company and its subsidiaries established in the British Virgin Islands which are not deductible for tax purpose.
- (b) Income not subject to tax arose mainly from interest income and net exchange gains earned by companies incorporated in Cayman Islands, the British Virgin Islands and Hong Kong.

#### Hong Kong profits tax

No Hong Kong profits tax has been provided for as the Group has no assessable profit in Hong Kong for the year ended 31 December 2013 (2012: Nil).

#### 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 the PRC enterprise income tax purposes.

#### 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.

#### 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 arrangements 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%.

## Notes to the Consolidated Financial Statements

### 33 EARNINGS PER SHARE

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

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Profit attributable to the equity holders of the Company (RMB'000)	<b>7,389,857</b>	5,764,632
Weighted average number of ordinary shares in issue (thousands)	<b>3,464,638</b>	3,466,759
Basic earnings per share (RMB cents)	<b>213.3</b>	166.3

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 Award Scheme and the share options granted under the share option schemes assuming they were exercised.

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Profit attributable to the equity holders of the Company (RMB'000)	<b>7,389,857</b>	5,764,632
Weighted average number of ordinary shares in issue (thousands)	<b>3,464,638</b>	3,466,759
Adjustment for shares granted under Share Scheme/share options granted under the Pre-IPO Share Option Scheme (thousands)	<b>2,114</b>	1,264
Weighted average number of ordinary shares for diluted earnings per share (thousands)	<b>3,466,752</b>	3,468,023
Diluted earnings per share (RMB cents)	<b>213.2</b>	166.2

## Notes to the Consolidated Financial Statements

### 34 DIVIDENDS

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Interim dividend paid of HK0 cent (2012: Nil)		
per ordinary share (note(a))	-	-
Proposed final dividend of HK81 cents (2012: HK55 cents)		
per ordinary share (note (b))	<b>2,195,555</b>	1,548,559
	<b>2,195,555</b>	1,548,559

Notes:

- (a) No dividend in respect of the six months ended 30 June 2013 (2012: Nil) was declared at the Company's board meeting held on 27 August 2013.
- (b) At a meeting held on 25 March 2014, the directors proposed a final dividend of HK81 cents per ordinary share out of share premium as at 31 December 2013. This proposed dividend is not reflected as a dividend payable in these consolidated financial statements, but will be reflected as an appropriation of share premium for the year ending 31 December 2013 upon approval by the shareholders at the forthcoming annual general meeting of the Company. A final dividend in respect of 2012 of HK55 cents per ordinary share, amounting to approximately HK\$1,909,914,000 (equivalent to RMB1,548,559,000) was proposed at the Company's board meeting held on 26 March 2013, and was approved at the annual general meeting of the Company held on 17 June 2013.

## Notes to the Consolidated Financial Statements

### 35 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Net cash generated from operations:

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Profit before income tax	13,058,828	10,165,437
Adjustments for:		
Interest income	(190,850)	(146,055)
Finance costs	312,211	168,170
Provision for/(written-back of) impairment of receivables	17,478	(5,644)
Provision for impairment loss on completed properties held for sale	103,551	–
Depreciation	372,580	347,031
Gain on disposal of property and equipment	(904)	(92)
Share of results of associated companies	51,443	210,938
Share of results of joint ventures	(895,649)	(363,125)
Net loss/(gain) on disposal of subsidiaries with loss of control	149,611	(240,089)
Gain on deemed disposal of subsidiaries	–	(545,135)
Gain on disposal of a joint venture	(134,684)	–
Amortisation of land use rights	44,742	42,368
Fair value gain on derivative financial instruments	(5,674)	(9,543)
Fair value gains on investment properties	(1,031,206)	(2,362,880)
Write-off of intangible assets	292,352	124,102
Value of employee services arising from share award scheme	32,183	–
Net exchange gain	(480,996)	(26,793)
	<b>11,695,016</b>	<b>7,358,690</b>
Changes in working capital:		
Properties under development, completed properties held for sale and prepayment for acquisition of land use rights	(25,978,825)	105,869
Restricted cash	(295,076)	142,706
Trade and other receivables and prepayments	(4,938,302)	(2,135,921)
Amount due from related companies	109,932	135,564
Trade and other payables	3,556,939	(3,419,350)
Advanced proceeds received from customers	9,842,980	9,458,781
Amount due to related companies	2,105,550	2,866,882
Net cash (used in)/generated from operations	<b>(3,901,786)</b>	<b>14,513,221</b>

## Notes to the Consolidated Financial Statements

### 36 PRINCIPAL SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES

Particulars of the principal subsidiaries, associated companies and joint ventures of the Group as at 31 December 2013 are as follows:

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2013	Principal activities
<b>Principal subsidiaries – established and operation conducted in the PRC</b>					
上海世茂股份有限公司 (Shanghai Shimao Co., Ltd.)	1 July 1992	Foreign investment enterprise	Registered capital RMB1,170,595,338	64.2%	Property development
上海世茂房地產有限公司 (Shanghai Shimao Real Estate Co., Ltd.)	15 March 2000	Foreign investment enterprise	Registered capital US\$75,000,000	100%	Property development
上海世茂國際廣場有限責任公司 (Shanghai Shimao International Plaza Co., Ltd.)	15 September 1994	Foreign investment enterprise	Registered capital RMB1,600,000,000	100%	Hotel and shopping mall
上海世茂建設有限公司 (Shanghai Shimao Jianshe Co., Ltd.)	16 March 2001	Foreign investment enterprise	Registered capital RMB540,000,000	100%	Investment holding
上海世茂莊園置業有限公司 (Shanghai Shimao Manor Real Estate Co., Ltd.)	19 June 2002	Foreign investment enterprise	Registered capital US\$18,400,000	100%	Property development and hotel
上海世茂北外灘開發建設有限公司 (Shanghai Shimao North Bund Co., Ltd.)	17 May 2002	Foreign investment enterprise	Registered capital HK\$650,000,000	100%	Hotel
北京世茂投資發展有限公司 (Beijing Shimao Investment and Development Co., Ltd.)	26 December 2000	Foreign investment enterprise	Registered capital RMB755,780,000	100%	Property development
哈爾濱世茂濱江新城開發建設有限公司 (Harbin Shimao Riviera New City Development and Construction Co., Ltd.)	24 March 2004	Foreign investment enterprise	Registered capital HK\$548,000,000	100%	Property development

## Notes to the Consolidated Financial Statements

### 36 PRINCIPAL SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES (CONTINUED)

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2013	Principal activities
<b>Principal subsidiaries – established and operation conducted in the PRC (continued)</b>					
常熟世茂房地產開發有限公司 (Changshu Shimao Real Estate Development Co., Ltd.)	24 December 2004	Foreign investment enterprise	Registered capital HK\$440,000,000	100%	Property development
昆山世茂蝶湖灣開發建設有限公司 (Kunshan Shimao Butterfly Bay Development and Construction Co., Ltd.)	10 November 2003	Foreign investment enterprise	Registered capital RMB412,410,000	100%	Property development
武漢世茂錦繡長江房地產開發有限公司 (Wuhan Shimao Splendid River Real Estate Development Co., Ltd.)	6 June 2005	Foreign investment enterprise	Registered capital US\$114,269,000	96.1%	Property development
昆山世茂房地產開發有限公司 (Kunshan Shimao Real Estate Development Co., Ltd.)	24 December 2003	Domestic enterprise	Registered capital RMB547,668,147	64.2%	Property development
嘉興世茂新城房地產開發有限公司 (Jiaxing Shimao New City Real Estate Development Co., Ltd.)	28 September 2006	Foreign investment enterprise	Registered capital US\$70,232,000	100%	Property development
上海世茂新體驗置業有限公司 (Shanghai Shimao Wonderland Real Estate Co., Ltd.)	6 March 2006	Domestic enterprise	Registered capital RMB391,092,834	64.2%	Property development
紹興世茂新城房地產開發有限公司 (Shaoxing Shimao New City Real Estate Development Co., Ltd.)	11 July 2006	Foreign investment enterprise	Registered capital US\$52,350,000	100%	Property development
紹興世茂置業有限公司 (Shaoxing Shimao Real Estate Co., Ltd.)	11 July 2006	Foreign investment enterprise	Registered capital US\$79,030,000	100%	Property development
蕪湖世茂房地產開發有限公司 (Wuhu Shimao Real Estate Development Co., Ltd.)	8 September 2006	Foreign investment enterprise	Registered capital US\$56,500,000	100%	Property development

# Notes to the Consolidated Financial Statements

## 36 PRINCIPAL SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES (CONTINUED)

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2013	Principal activities
<b>Principal subsidiaries – established and operation conducted in the PRC (continued)</b>					
煙台世茂置業有限公司 (Yantai Shimao Real Estate Co., Ltd.)	6 September 2006	Foreign investment enterprise	Registered capital US\$48,500,000	100%	Property development
常州世茂房地產有限公司 (Changzhou Shimao Real Estate Co., Ltd.)	27 November 2006	Foreign investment enterprise	Registered capital US\$313,730,000	100%	Property development
青島世茂新城房地產開發有限公司 (Qingdao Shimao New City Property Development Co., Ltd.)	29 April 2010	Foreign Investment enterprise	Registered capital US\$159,980,000	100%	Property development
杭州世茂置業有限公司 (Hangzhou Shimao Real Estate Development Co., Ltd.)	13 December 2006	Foreign investment enterprise	Registered capital US\$111,900,000	100%	Property development
徐州世茂新城房地產開發有限公司 (Xuzhou Shimao New City Real Estate Development Co., Ltd.)	14 February 2007	Foreign investment enterprise	Registered capital US\$75,980,000	100%	Property development
徐州世茂置業有限公司 (Xuzhou Shimao Property Co., Ltd.)	14 February 2007	Domestic enterprise	Registered capital RMB491,412,600	64.2%	Property development
徐州世茂新紀元房地產開發有限公司 (Xuzhou Shimao New Era Real Estate Development Co., Ltd.)	22 June 2007	Foreign investment enterprise	Registered capital RMB50,000,000	100%	Property development
福州世茂置業有限公司 (Fuzhou Shimao Property Co., Ltd.)	5 July 2007	Foreign investment enterprise	Registered capital RMB430,000,000	100%	Property development
福州世茂新城房地產開發有限公司 (Fuzhou Shimao New City Real Estate Development Co., Ltd.)	5 July 2007	Foreign investment enterprise	Registered capital RMB880,000,000	100%	Property development
蕪湖世茂新發展置業有限公司 (Wuhu Shimao New Development Property Co., Ltd.)	16 May 2007	Domestic enterprise	Registered capital RMB110,000,000	64.2%	Property development
蕪湖世茂新世紀置業有限公司 (Wuhu Shimao New Century Property Co., Ltd.)	26 September 2007	Foreign investment enterprise	Registered capital RMB35,000,000	100%	Property development

## Notes to the Consolidated Financial Statements

### 36 PRINCIPAL SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES (CONTINUED)

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2013	Principal activities
<b>Principal subsidiaries – established and operation conducted in the PRC (continued)</b>					
瀋陽世茂新世紀房地產開發有限公司 (Shenyang Shimao New Century Real Estate Development Co., Ltd.)	24 May 2007	Domestic enterprise	Registered capital RMB580,058,500	64.2%	Property development
瀋陽世茂新紀元置業有限公司 (Shenyang Shimao New Era Property Co., Ltd.)	24 May 2007	Foreign investment enterprise	Registered capital HK\$257,000,000	100%	Property development
大連世茂龍河發展有限公司 (Dalian Shimao Dragon River Development Co., Ltd.)	9 June 2006	Foreign investment enterprise	Registered capital US\$109,600,000	95.8%	Property development
蘇州世茂投資發展有限公司 (Suzhou Shimao Investment & Development Co., Ltd.)	2 March 2007	Domestic enterprise	Registered capital RMB526,795,630	64.2%	Property development
蘇州世茂置業有限公司 (Suzhou Shimao Property Co., Ltd.)	26 January 2007	Foreign investment enterprise	Registered capital US\$178,000,000	100%	Property development
紹興世茂新世紀置業有限公司 (Shaoxing Shimao New Century Property Co., Ltd.)	13 July 2007	Domestic enterprise	Registered capital RMB453,457,740	60%	Property development
紹興世茂新紀元置業有限公司 (Shaoxing Shimao New Era Property Co., Ltd.)	13 July 2007	Domestic enterprise	Registered capital RMB245,520,127	64.2%	Property development
紹興世茂新置業發展有限公司 (Shaoxing Shimao New Property Development Co., Ltd.)	13 July 2007	Foreign investment enterprise	Registered capital US\$14,500,000	100%	Property development
嘉興世茂新世紀置業有限公司 (Jiaxing Shimao New Century Property Co., Ltd.)	6 July 2007	Foreign investment enterprise	Registered capital RMB100,000,000	64.2%	Property development
牡丹江世茂置業有限公司 (Mudanjiang Shimao Property Co., Ltd.)	4 September 2007	Foreign investment enterprise	Registered capital US\$16,000,000	95%	Property development

## Notes to the Consolidated Financial Statements

**36 PRINCIPAL SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES (CONTINUED)**

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2013	Principal activities
<b>Principal subsidiaries – established and operation conducted in the PRC (continued)</b>					
牡丹江世茂新城房地產開發有限公司 (Mudanjiang Shimao New City Real Estate Development Co., Ltd.)	4 September 2007	Foreign investment enterprise	Registered capital US\$29,980,000	100%	Property development
常熟世茂新發展置業有限公司 (Changshu Shimao New Development Property Co., Ltd.)	24 August 2007	Domestic enterprise	Registered capital RMB692,174,000	64.2%	Property development
余姚世茂牟山湖休閒度假區開發有限公司 (Yuyao Shimao Moushanhu Leisure Resort Development Co., Ltd.)	21 October 2010	Domestic enterprise	Registered capital RMB200,000,000	70%	Property development
上海世茂佘山匯置置業有限公司 (Shanghai Shimao Sheshan Huiying Property Co., Ltd.)	14 September 2012	Domestic enterprise	Registered capital RMB860,000,000	60%	Property development
南通世茂房地產開發有限公司 (Nantong Shimao Real Estate Development Co., Ltd.)	14 December 2012	Domestic enterprise	Registered capital RMB100,000,000	100%	Property development
南京碩天投資管理有限公司 (Nanjing Shuotian Investment & Management Co., Ltd.)	18 December 2012	Domestic enterprise	Registered capital RMB100,000,000	51%	Property development
天津生態城世茂投資開發有限公司 (Tianjin Eco-City Shimao Investment & Development Co., Ltd.)	12 August 2011	Domestic enterprise	Registered capital RMB36,000,000	75%	Property development
福州世茂新發展房地產開發有限公司 (Fuzhou Shimao New Development Real Estate Co., Ltd.)	18 October 2012	Domestic enterprise	Registered capital RMB878,000,000	100%	Property development
青島世奧投資發展有限公司 (Qingdao Shiao Investment & Development Co., Ltd.)	17 August 2009	Domestic enterprise	Registered capital RMB1,000,000,000	48%	Property development

## Notes to the Consolidated Financial Statements

### 36 PRINCIPAL SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES (CONTINUED)

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2013	Principal activities
<b>Principal subsidiaries – established and operation conducted in the PRC (continued)</b>					
常州世茂新城房地產開發有限公司 (Changzhou Shimao New City Real Estate Development Co., Ltd.)	12 February 2007	Domestic enterprise	Registered capital RMB269,300,000	64.2%	Property development
張家港世茂房地產開發有限公司 (Zhangjiagang Shimao Real Estate Development Co., Ltd.)	12 July 2013	Domestic enterprise	Registered capital RMB1,500,000,000	51%	Property development
昆山世茂新發展置業有限公司 (Kunshan Shimao New Development Property Co., Ltd.)	12 September 2007	Foreign investment enterprise	Registered capital US\$49,980,000	100%	Property development
成都世盈投資管理諮詢有限公司 (Chengdu Shiyong Investment Management Consulting Co., Ltd.)	20 September 2007	Foreign investment enterprise	Registered capital US\$29,980,000	100%	Property development
上海世源建材貿易有限公司 (Shanghai Shine Construction Product Co., Ltd.)	22 January 2007	Foreign investment enterprise	Registered capital HK\$65,000,000	100%	Trading of construction materials
上海世盈投資管理有限公司 (Shanghai Shiyong Investment Management Co., Ltd.)	21 August 2007	Domestic enterprise	Registered capital RMB200,000,000	100%	Investment holding
廈門信誠建築裝潢有限公司 (Xiamen Xincheng Building Decoration Co., Ltd.)	6 March 2007	Domestic enterprise	Registered capital RMB10,000,000	100%	Trading of construction materials
北京財富時代置業有限公司 (Beijing Fortune Times Property Co., Ltd.)	18 September 2001	Domestic enterprise	Registered capital RMB1,010,000,000	64.2%	Property development

## Notes to the Consolidated Financial Statements

### 36 PRINCIPAL SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES (CONTINUED)

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2013	Principal activities
<b>Principal subsidiaries – established and operation conducted in the PRC (continued)</b>					
牡丹江睿智營銷企劃有限公司 (Mudanjiang Ruizhi Marketing Planning Co., Ltd.)	4 December 2007	Domestic enterprise	Registered capital RMB1,000,000	100%	Marketing
牡丹江世拓建材貿易有限公司 (Mudanjiang Shituo Construction Product Co., Ltd.)	3 April 2008	Domestic enterprise	Registered capital RMB1,000,000	100%	Trading of construction materials
青島世茂投資發展有限公司 (Qingdao Shimao Investment &Development Co., Ltd.)	27 May 2011	Domestic enterprise	Registered capital RMB100,000,000	64.2%	Property development
咸陽世茂房地產開發有限公司 (Xianyang Shimao Real Estate Development Co., Ltd.)	29 April 2004	Foreign investment enterprise	Registered capital HK\$30,000,000	100%	Property development
上海碧橙房地產有限公司 (Shanghai Bicheng Real Estate Co., Ltd.)	28 September 2003	Domestic enterprise	Registered capital RMB236,200,000	100%	Property development
福建世茂投資發展有限公司 (Fujian Shimao Investment and Development Co., Ltd.)	17 November 2003	Foreign investment enterprise	Registered capital RMB200,000,000	82.1%	Property development
南京世茂房地產開發有限公司 (Nanjing Shimao Real Estate Development Co., Ltd.)	23 July 2004	Foreign investment enterprise	Registered capital RMB328,000,000	82.1%	Property development
上海星橙房地產有限公司 (Shanghai Xingcheng Real Estate Co., Ltd.)	25 January 2006	Domestic enterprise	Registered capital RMB28,000,000	100%	Property development
上海世茂投資管理有限公司 (Shanghai Shimao Investment Management Co., Ltd.)	11 May 2009	Domestic enterprise	Registered capital RMB50,000,000	100%	Investment holding

## Notes to the Consolidated Financial Statements

### 36 PRINCIPAL SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES (CONTINUED)

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2013	Principal activities
<b>Principal subsidiaries – established and operation conducted in the PRC (continued)</b>					
上海逸景園林景觀工程有限公司 (Shanghai Yijing Landscaping Architect Co., Ltd.)	3 September 2009	Domestic enterprise	Registered capital RMB10,000,000	100%	Architect
福建世茂新里程投資發展有限公司 (Fujan Shimao New Way Investment Development Co., Ltd.)	10 October 2009	Domestic enterprise	Registered capital RMB1,887,000,000	80.9%	Property development
上海世茂企業發展有限公司 (Shanghai Shimao Enterprises Development Co., Ltd.)	22 June 2000	Domestic enterprise	Registered capital RMB101,723,568	50.9%	Investment holding
牡丹江新睿房地產營銷代理有限公司 (Mudanjiang Xinrui Real Estate Marketing Agency Co., Ltd.)	7 March 2008	Domestic enterprise	Registered capital RMB1,000,000	100%	Real Estate Marketing
泰州世茂新發展置業有限公司 (Taizhou Shimao New Development Property Co., Ltd.)	17 January 2008	Foreign investment enterprise	Registered capital US\$20,000,000	100%	Property development
泰州世茂新城房地產開發有限公司 (Taizhou Shimao New City Real Estate Development Co., Ltd.)	22 February 2008	Foreign investment enterprise	Registered capital US\$40,000,000	100%	Property development
武漢世茂嘉年華置業有限公司 (Wuhan Shimao Jianianhua Property Co., Ltd.)	14 December 2009	Domestic enterprise	Registered capital RMB200,000,000	81.7%	Property development
嘉興世茂新里程置業有限公司 (Jiaxing Shimao Xinlicheng Property Co., Ltd.)	6 July 2007	Foreign investment enterprise	Registered capital RMB37,882,640	100%	Property development
寧波世茂房地產開發有限公司 (Ningbo Shimao Real Estate Development Co., Ltd.)	24 December 2007	Foreign investment enterprise	Registered capital US\$99,980,000	100%	Property development

## Notes to the Consolidated Financial Statements

**36 PRINCIPAL SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES (CONTINUED)**

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2013	Principal activities
<b>Principal subsidiaries – established and operation conducted in the PRC (continued)</b>					
大連世茂嘉年華置業有限公司 (Dalian Shimao Jianianhua Property Co., Ltd.)	4 September 2009	Domestic enterprise	Registered capital US\$100,000,000	100%	Property development
天津世茂新里程置業有限公司 (Tianjin Shimao Xinlichen Property Co., Ltd.)	5 November 2009	Domestic enterprise	Registered capital RMB470,000,000	100%	Property development
成都世茂置業有限公司 (Chengdu Shimao Property Co., Ltd.)	13 October 2009	Domestic enterprise	Registered capital RMB299,021,884	100%	Property development
無錫世茂新發展置業有限公司 (Wuxi Shimao New Development Property Co., Ltd.)	23 November 2009	Domestic enterprise	Registered capital RMB102,000,000	77.8%	Property development
南通世茂新里程房地產開發有限公司 (Nantong Shimao New Way Real Estate Developments Co., Ltd.)	18 June 2013	Domestic enterprise	Registered capital RMB300,000,000	100%	Property development
南通萃泰機電科技有限公司 (Nantong Cuitai electromechanical & technology Co., Ltd.)	18 December 2012	Foreign investment enterprise	Registered capital US\$15,000,000	100%	Research and trading
蘇州世茂新發展房地產開發有限公司 (Suzhou Shimao New Development Real Estate co., Ltd.)	16 April 2013	Domestic enterprise	Registered capital RMB102,000,000	51%	Property development
蘇州世茂新世紀房地產開發有限公司 (Suzhou Shimao New Century Real Estate co., Ltd.)	16 April 2013	Domestic enterprise	Registered capital RMB730,045,820	100%	Property development
張家港尚競投資管理有限公司 (Zhangjiagang Shangjing Investment & Management Co., Ltd.)	20 August 2013	Domestic enterprise	Registered capital RMB10,000,000	100%	Investment holding

## Notes to the Consolidated Financial Statements

### 36 PRINCIPAL SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES (CONTINUED)

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2013	Principal activities
<b>Principal subsidiaries – established and operation conducted in the PRC (continued)</b>					
寧波世茂新世紀房地產開發有限公司 (Ningbo Shimao New Century Real Estate Development Co., Ltd.)	1 March 2013	Domestic enterprise	Registered capital RMB1,429,000,000	51%	Property development
杭州世茂新領域房地產開發有限公司 (Hangzhou Shimao New Domain Real Estate Development Co., Ltd.)	22 March 2013	Domestic enterprise	Registered capital RMB620,000,000	51%	Property development
杭州世融匯置置業有限公司 (Hangzhou Shirong Huiying Property Co., Ltd.)	29 May 2013	Foreign investment enterprise	Registered capital US\$150,000,000	51%	Property development
杭州世茂嘉年華置業有限公司 (Hangzhou Shimao Carnival Property Co., Ltd.)	16 October 2013	Domestic enterprise	Registered capital RMB52,000,000	100%	Property development
黃石世茂房地產開發有限公司 (Huangshi Shimao Real Estate Developments Co., Ltd.)	21 March 2013	Domestic enterprise	Registered capital RMB10,000,000	90%	Property development
南昌水城投資股份有限公司 (Nanchang Shuicheng Investment Co., Ltd.)	8 December 2005	Domestic enterprise	Registered capital RMB18,000,000	100%	Property development
南昌世茂新紀元置業有限公司 (Nanchang Shimao New Era Property Co., Ltd.)	7 November 2013	Domestic enterprise	Registered capital RMB936,735,000	100%	Property development
天津世茂新體驗置業有限公司 (Tianjin Shimao New Experience Property Co., Ltd.)	11 September 2013	Domestic enterprise	Registered capital RMB50,000,000	100%	Property development
山東世盈置業有限公司 (Shandong Shiyong Property Co., Ltd.)	8 March 2013	Domestic enterprise	Registered capital RMB1,220,000,000	50.82%	Property development
北京世承投資管理有限公司 (Beijing Shicheng Investment & Management Co., Ltd.)	21 June 2013	Domestic enterprise	Registered capital RMB5,000,000	100%	Investment holding

## Notes to the Consolidated Financial Statements

### 36 PRINCIPAL SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES (CONTINUED)

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2013	Principal activities
<b>Principal subsidiaries – established and operation conducted in the PRC (continued)</b>					
上海瓊宇投資管理有限公司 (Shanghai Qiongyu Investment &Management Co., Ltd.)	21 March 2013	Domestic enterprise	Registered capital RMB5,000,000	100%	Investment holding
上海朋權投資管理有限公司 (Shanghai Pengquan Investment &Management Co., Ltd.)	21 March 2013	Domestic enterprise	Registered capital RMB5,000,000	100%	Investment holding
上海進環投資管理有限公司 (Shanghai Jinjing Investment &Management Co., Ltd.)	26 April 2013	Domestic enterprise	Registered capital RMB5,000,000	100%	Investment holding
上海建木投資管理有限公司 (Shanghai Jianmu Investment &Management Co., Ltd.)	24 July 2013	Domestic enterprise	Registered capital RMB5,000,000	100%	Investment holding
上海西科投資管理有限公司 (Shanghai Xike Investment &Management Co., Ltd.)	24 July 2013	Domestic enterprise	Registered capital RMB5,000,000	100%	Investment holding
泉州諾信投資有限公司 (Quanzhou Nuoxin Investment Co., Ltd.)	22 October 2013	Domestic enterprise	Registered capital RMB1,000,000	100%	Investment holding
大連世茂新領域置業有限公司 (Dalian Shimao New Domain Property Co., Ltd.)	29 October 2013	Foreign investment enterprise	Registered capital US\$136,000,000	100%	Property development
大連世茂新體驗置業有限公司 (Dalian Shimao New Experience Property Co., Ltd.)	29 October 2013	Foreign investment enterprise	Registered capital US\$120,000,000	100%	Property development
石獅世茂房地產開發有限公司 (Shishi Shimao Real Estate Development Co., Ltd.)	16 May 2013	Domestic enterprise	Registered capital RMB639,000,000	58%	Property development
石獅世茂新城房地產開發有限公司 (Shishi Shimao New City Real Estate Development Co., Ltd.)	16 May 2013	Domestic enterprise	Registered capital RMB781,000,000	58%	Property development

## Notes to the Consolidated Financial Statements

### 36 PRINCIPAL SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES (CONTINUED)

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2013	Principal activities
<b>Principal subsidiaries – incorporated and operation conducted in the British Virgin Islands</b>					
Shimao Property Holdings (BVI) Limited	23 August 2002	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Advance Assets Holdings Limited	22 June 2001	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Best Empire Investments Limited	2 July 2002	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Double Achieve Assets Limited	31 January 2002	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Easy Reach Group Limited	13 December 2006	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
East Light Group Limited	12 May 2006	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Everactive Properties Limited	2 May 2001	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Highsharp International Limited	23 February 2007	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Keen View Limited	10 May 2006	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Keenrich Holdings Limited	18 December 2002	Limited liability company	1 ordinary share of US\$1	100%	Trademark registration
Magic Dynasty Investments Limited	15 November 2006	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Mega Make Investments Limited	18 October 2007	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Mega Universe Limited	10 July 2001	Limited liability company	1 ordinary share of US\$1	100%	Investment holding

## Notes to the Consolidated Financial Statements

### 36 PRINCIPAL SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES (CONTINUED)

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2013	Principal activities
<b>Principal subsidiaries – incorporated and operation conducted in the British Virgin Islands (continued)</b>					
Peak Castle Assets Limited	2 July 2002	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Peak Gain International Limited	13 December 2006	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Precise Choice Investments Limited	18 October 2001	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Prime Master Holdings Limited	2 July 2002	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Shimao Management (Overseas) Limited	18 December 2002	Limited liability company	1 ordinary share of US\$1	100%	Management services
Shimao Travel Limited	5 November 2010	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Significant Asset Group Limited	2 July 2002	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
True Excel Limited	31 March 2010	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Upper Aim International Limited	8 May 2007	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Vicking International Ltd.	19 January 1994	Limited liability company	50,000 ordinary shares of US\$1	100%	Investment holding
Wickfair Investments Limited	8 October 2004	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Year Grant Investments Limited	3 September 2001	Limited liability company	1 ordinary share of US\$1	100%	Investment holding

## Notes to the Consolidated Financial Statements

### 36 PRINCIPAL SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES (CONTINUED)

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2013	Principal activities
<b>Principal subsidiaries – incorporated and operation conducted in Hong Kong</b>					
Brilliant Architectural and Construction Professional Consultancy Limited	28 July 2006	Limited liability company	100,000 ordinary shares of HK\$1	100%	Consultancy services
Bonus Boom Limited	13 November 2007	Limited liability company	1 ordinary share of HK\$1	100%	Investment holding
Clear Rise Investments Limited	8 May 2007	Limited liability company	1 ordinary share of HK\$1	100%	Investment holding
Daily Right Holdings Limited	7 May 2007	Limited liability company	1 ordinary share of HK\$1	100%	Investment holding
Bonus Goal Investments Limited	13 November 2007	Limited liability company	1 ordinary share of HK\$1	100%	Investment holding
Excel Grand Group Limited	22 May 2007	Limited liability company	1 ordinary share of HK\$1	100%	Investment holding
Excel Mode Investments Limited	27 November 2007	Limited liability company	1 ordinary share of HK\$1	100%	Investment holding
Faith Joy Investments Limited	7 May 2007	Limited liability company	1 ordinary share of HK\$1	100%	Investment holding
Fine Tune Investments Limited	5 June 2006	Limited liability company	1 ordinary share of HK\$1	100%	Holding of trademarks
Full Range International Limited	11 May 2007	Limited liability company	1 ordinary share of HK\$1	100%	Investment holding
Future Right Limited	27 November 2007	Limited liability company	1 ordinary share of HK\$1	100%	Investment holding
Global Square Investments Limited	29 October 2007	Limited liability company	1 ordinary share of HK\$1	100%	Investment holding

## Notes to the Consolidated Financial Statements

### 36 PRINCIPAL SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES (CONTINUED)

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2013	Principal activities
<b>Principal subsidiaries – incorporated and operation conducted in Hong Kong (continued)</b>					
Goodie Chance Limited	27 November 2007	Limited liability company	1 ordinary share of HK\$1	100%	Investment holding
Happy Light Group Limited	22 May 2007	Limited liability company	1 ordinary share of HK\$1	100%	Investment holding
Lion Kingdom Investments Limited	27 November 2007	Limited liability company	1 ordinary share of HK\$1	100%	Investment holding
Lion Land Investments Limited	27 November 2007	Limited liability company	1 ordinary share of HK\$1	100%	Investment holding
Modern Professional Architectural Design Limited	28 July 2006	Limited liability company	100,000 ordinary shares of HK\$1	100%	Design services
Moral Trend Limited	6 September 2007	Limited liability company	1 ordinary share of HK\$1	100%	Investment holding
Mount Profit Investments Limited	14 December 2006	Limited liability company	2 ordinary share of HK\$1	96.05%	Investment holding
New Sincere Investments Limited	11 May 2007	Limited liability company	1 ordinary share of HK\$1	100%	Investment holding
Orient Rise Investments Limited	11 May 2007	Limited liability company	1 ordinary share of HK\$1	100%	Investment holding
Power One Holdings Limited	27 November 2007	Limited liability company	1 ordinary share of HK\$1	100%	Investment holding
Profit Forest Investments Limited	11 May 2007	Limited liability company	1 ordinary share of HK\$1	100%	Investment holding
Rich Noble Group Limited	8 May 2007	Limited liability company	1 ordinary share of HK\$1	100%	Investment holding
Rise Max International Limited	16 May 2007	Limited liability company	1 ordinary share of HK\$1	100%	Investment holding

## Notes to the Consolidated Financial Statements

### 36 PRINCIPAL SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES (CONTINUED)

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2013	Principal activities
<b>Principal subsidiaries – incorporated and operation conducted in Hong Kong (continued)</b>					
S Hotels International Management Limited	10 December 2008	Limited liability company	1 ordinary share of HK\$1	100%	Investment holding
Shimao Holdings Company Limited	3 February 1994	Limited liability company	100 million ordinary shares of HK\$1	100%	Investment holding
Summer Sky Investments Limited	27 November 2007	Limited liability company	100 ordinary shares of HK\$1	51%	Investment holding
Swift Time Limited	18 March 2009	Limited liability company	1 ordinary share of HK\$1	100%	Investment holding
Time Noble Limited	25 March 2009	Limited liability company	1 ordinary share of HK\$1	100%	Investment holding
Topwise Limited	29 March 2005	Limited liability company	1 ordinary share of HK\$1	100%	Management services
<b>Associated companies – established and operation conducted in the PRC</b>					
廣州利合房地產開發有限公司 (Guangzhou Li He Property Development Co., Ltd.)	5 February 2010	Foreign Investment enterprise	Registered capital HK\$750,000,000	20%	Property development
成都恆裕房地產開發有限公司 (Chengdu Hengyu Property Development Co., Ltd.)	7 May 2010	Domestic enterprise	Registered capital RMB30,000,000	33.33%	Property development
<b>Associated companies – incorporated and operation conducted in the British Virgin Islands</b>					
Straits Construction Investment (Holdings) Limited	17 November 2009	Limited liability company	45,000 ordinary share of US\$10,000	49%	Investment holdings
Eagle Rights Limited	31 March 2010	Limited liability company	45,000,000 shares with no par value	33.33%	Investment holding

## Notes to the Consolidated Financial Statements

### 36 PRINCIPAL SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES (CONTINUED)

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2013	Principal activities
<b>Joint ventures – established and operation conducted in the PRC</b>					
無錫世茂房地產開發建設有限公司 (Wuxi Shimao Real Estate Development & Construction Co., Ltd.)	20 November 2009	Domestic enterprise	Registered capital RMB102,000,000	49%	Property development
天津津南新城房地產開發有限公司 (Tianjin Jinnan Xincheng Real Estate Development Co., Ltd.)	26 May 2010	Domestic enterprise	Registered capital RMB3,667,300,000	25%	Property development
天津和安投資有限公司 (Tianjin Hean Investment Co., Ltd.)	19 August 2010	Domestic enterprise	Registered capital RMB10,000,000	25%	Investment holding
南昌世茂新發展置業有限公司 (Nanchang Shimao New Development Property Co., Ltd.)	19 October 2010	Domestic enterprise	Registered capital RMB1,200,000,000	50%	Property development
長沙世茂房地產有限公司 (Changsha Shimao Real Estate Co., Ltd.)	21 July 2010	Domestic enterprise	Registered capital RMB500,000,000	50%	Property development
成都世茂投資有限公司 (Chengdu Shimao Investment Co., Ltd.)	17 November 2009	Domestic enterprise	Registered capital RMB1,200,000,000	50%	Property development
廣州誠譽房地產開發有限公司 (Guangzhou Cheng Yu Property Development Co., Ltd.)	25 November 2012	Domestic enterprise	Registered capital RMB60,000,000	50%	Investment holding
<b>Joint ventures – incorporated and operation conducted in Hong Kong</b>					
Fast Right Investments Limited	7 May 2007	Limited liability company	2 ordinary shares of HK\$1	50%	Investment holding
Kingtron Enterprises Limited	14 June 2007	Limited liability company	2 ordinary shares of HK\$1	50%	Investment holding

# Notes to the Consolidated Financial Statements

## 37 CONTINGENCIES

The Group had the following contingent liabilities:

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Guarantees in respect of mortgage facilities for certain purchasers (note (a))	10,054,730	8,400,117
Guarantee in respect of borrowings (note (b))	4,783,509	3,902,223
	<b>14,838,239</b>	<b>12,302,340</b>

Note:

- (a) 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 and other shareholders of Guangzhou Li He, an associated company, provided guarantees in proportion of their respective equity interests in Guangzhou Li He for its bank borrowings. The respective guarantees provided by the Group amounted to RMB1,537,352,000 as at 31 December 2013 (2012: RMB1,570,393,000).

The Group and other shareholders of Tianjin Jinnan, a jointly controlled entity, provided guarantees in proportion of their respective equity interests in Tianjin Jinnan for its borrowings from other financial institutions. As at 31 December 2013, the Group provided guarantees amounted to RMB357,000,000 (2012: RMB550,000,000), as well as the pledge of the Group's equity interest in Tianjin Jinnan.

The Group and other shareholders of Straits Construction Investment Holdings Limited, an associated company, provided guarantees in proportion of their respective equity interests in Straits Construction for its mezzanine facilities borrowed in January 2012. The respective guarantee provided by the Group to Straits Construction amounted to US\$148,149,572 (equivalent to RMB903,253,000) as at 31 December 2013 (2012: RMB931,000,000).

The Group provided guarantees for Nanchang New Development's bank borrowings before it became a jointly controlled entity. The respective guarantees provided by the Group amounted to RMB240,000,000 as at 31 December 2013 (2012: RMB240,000,000).

The Group provided guarantees for Changsha Real Estate's bank borrowings before it became a jointly controlled entity. The respective guarantees provided by the Group amounted to RMB750,000,000 as at 31 December 2013 (2012: RMB120,830,000).

Other than those disclosed elsewhere in the consolidated financial statements, the Group provided guarantees for Chengdu Investment's bank borrowings, which is a joint venture of the Group from certain banks. The respective guarantees provided by the Group amounted to RMB320,104,000 as at 31 December 2013 (2012: RMB490,000,000).

The Group provided guarantees for Wuxi Real Estate's bank borrowings before it became a jointly controlled entity. The respective guarantees provided by the Group amounted to RMB675,800,000 as at 31 December 2013 (2012: Nil).

## Notes to the Consolidated Financial Statements

### 38 COMMITMENTS

#### (a) Commitments for capital and property development expenditure

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Contracted but not provided for		
– Property and equipment	1,453,432	1,540,532
– Land use rights (including those related to associated companies and joint ventures)	17,662,724	12,117,034
– Properties being developed by the Group for sale	20,165,097	14,056,391
– Equity interest (Note 14)	1,190,000	–
	<b>40,471,253</b>	<b>27,713,957</b>

#### (b) Operating lease commitments

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

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Within one year	192,005	78,755
Between two to five years	731,440	490,334
After five years	363,989	608,263
	<b>1,287,434</b>	<b>1,177,352</b>

## Notes to the Consolidated Financial Statements

### 39 RELATED PARTY TRANSACTIONS

The group is controlled by Gemfair Investments Limited (incorporated in the British Virgin Islands), which owns 56.1% of the company's shares. The ultimate controlling party of the group is Hui Wing Mau.

- (a) Other than those disclosed elsewhere in the consolidated financial statements, the Group had entered into the following major related party transactions during the year ended 31 December 2013:

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Operating lease rental expense charged by a related company (note)	5,411	5,411

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Construction material sold to related companies	50,214	–

Note:

On 1 January 2012, the Group renewed a lease agreement with a wholly-owned subsidiary of Shimao International Holdings Limited ("Shimao International"), of which certain directors of the Company are also directors, to lease part of office premises of Shimao International in Hong Kong.

## Notes to the Consolidated Financial Statements

### 39 RELATED PARTY TRANSACTIONS (CONTINUED)

#### (b) Key management compensation

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Emoluments		
– Salaries and other short-term employee benefits	26,313	28,416
– Retirement scheme contributions	276	122
– Employee share option schemes	–	2,489
	26,589	31,027

### 40 SUBSEQUENT EVENTS

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

### 41 APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors on 25 March 2014.