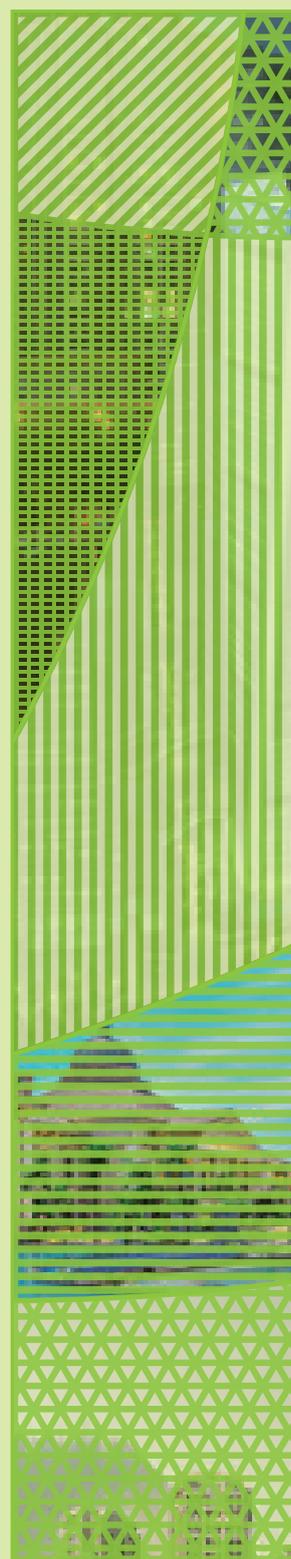




SHIMAO PROPERTY HOLDINGS LIMITED

世茂房地產控股有限公司



(Incorporated in the Cayman
Islands with limited liability)
Stock Code: 813

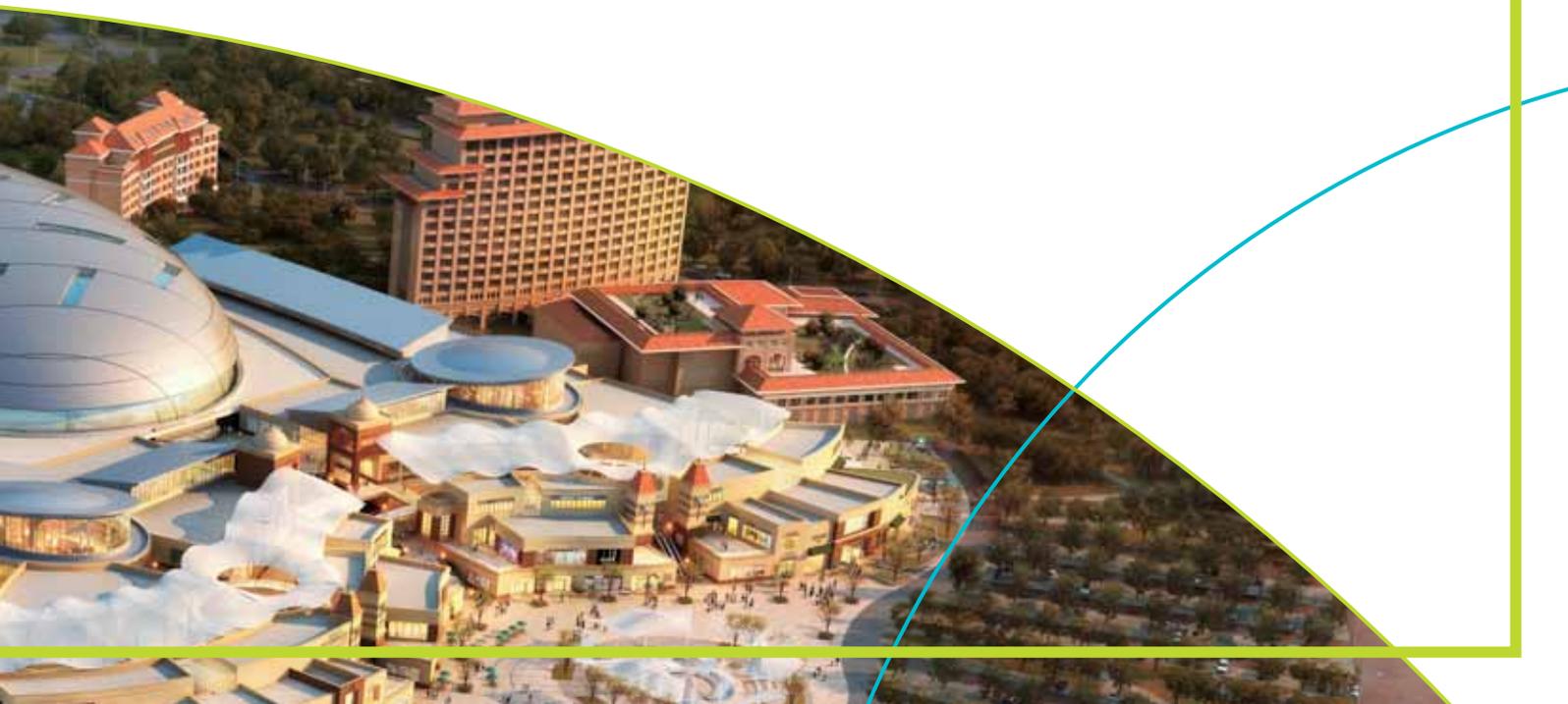


ANNUAL REPORT
2015



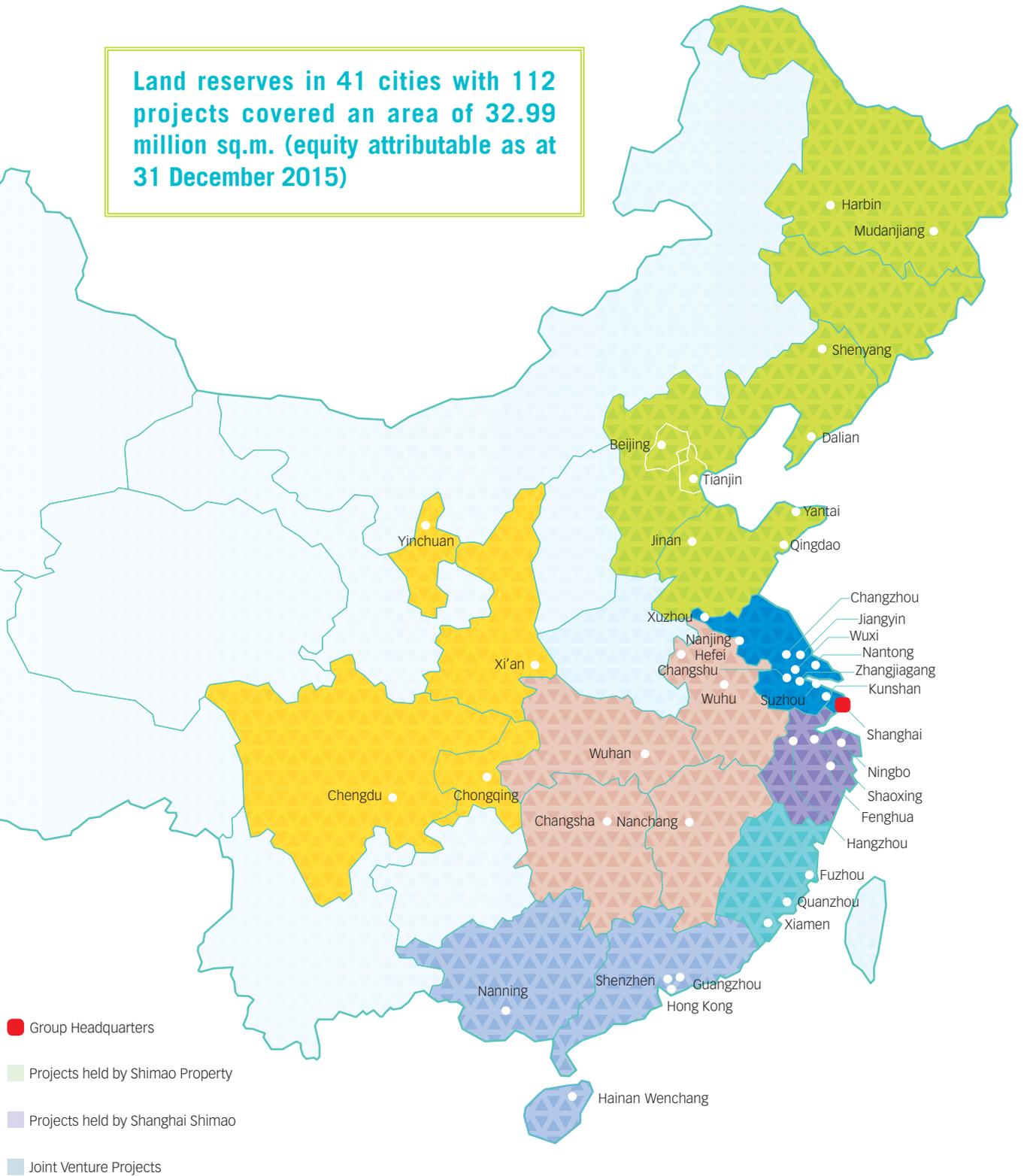
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Nationwide Quality Land Reserves

Land reserves in 41 cities with 112 projects covered an area of 32.99 million sq.m. (equity attributable as at 31 December 2015)



Shimao Property

Shandong District

Qingdao Shimao Noble Town
Yantai Shimao No.1 The Harbour
Jinan Shimao The Capital of Yuanshan

Northern China District

Beijing Shimao Lá Villa
Beijing Shimao Salamanca
Beijing Tongzhou Project
Beijing Changyang Project
Beijing Laishui Project
Shenyang Shimao Wulihe
Shenyang Shimao Wulihe (Commercial)
Shenyang Qipan Mountain
Mudanjiang Shimao Holiday Landscape
Mudanjiang Shimao South Bund
Dalian Shimao Glory City
Dalian Shimao Dragon Bay
Tianjin Wuqing Shimao Luxury Mansion
Tianjin Eco-city
Tianjin Jinnan New City
Harbin Shimao Riviera New City

Zhejiang District

Hangzhou Shimao Riviera Garden
Hangzhou Yuhang Shimao New West Lake
Hangzhou Shimao Born with Legend
Hangzhou Shimao Above the Lake
Hangzhou Shimao East No.1
Hangzhou Shimao Gate of Zhejiang
Hangzhou La Cité
Ningbo Shimao The Capital
Ningbo Shimao World Gulf
Ningbo Shimao Sea Dawn
Ningbo Shimao City
Ningbo Xiangshan Shimao Damuwan
Ningbo Yuyao Shimao Moushan Lake
Shaoxing No.2 Renmin Road Project
Shaoxing Shimao Dear Town
Fenghua Shimao Peach Garden

Central China District

Wuhan Shimao New City
Wuhan Shimao Lake Island
Wuhan Shimao Splendid River
Wuhan Shimao Carnival
Wuhan Baishazhou
Nanchang Shimao The Grand View
Nanchang Shimao Water City
Nanchang Shimao Sky City
Changsha Shimao Brilliant Bay
Changsha Shimao Plaza
Hefei Shimao Jade Mansion

Southern China District

Shenzhen Qianhai Shimao Financial Centre
Nanning Shimao Longgang Gardan
Nanning Shimao International Plaza
Hainan Wenchang Shimao Moonriver
Guangzhou Finance City
Guangzhou Asian Games City
Hong Kong Tung Chung Project
Hong Kong Kowloon Tai Wo Ping Project

Jiangsu and Shanghai District

Shanghai Shimao Riviera Garden
Shanghai Zhoupu Shimao Cloud Atlas
Shanghai Nanjing Road Project
Shanghai North Bund Project
Suzhou Shimao Canal Scene
Suzhou Shimao Canal Scene (Commercial)
Suzhou Shimao Shihu Bay
Wuxi Shimao The Capital
Nantong Shimao In the Park
Nantong Shimao Lohas City
Kunshan Shimao Butterfly Bay (Commercial)
Zhangjiagang Shimao Lake Palace
Jiangyin Shimao Dragon Bay
Changzhou Shimao Champagne Lake
Changzhou Shimao Champagne Lake (Commercial)

Nanjing District

Nanjing Shimao Bund New City
Nanjing Shimao Glory Villa
Nanjing Straits City
Nanjing Maqun Project
Nanjing Pukou Royal Real
Nanjing Yuhuatai Project
Nanjing Jiangning Higher Education Mega Centre Project
Xuzhou Shimao Dongdu
Xuzhou Shimao Dongdu (Commercial)
Wuhu Shimao Riviera Garden

Western District

Chengdu Shimao City
Chengdu Jianyang Shimao Misty Lakeside
Chengdu Baohe Project
Xián Shimao Metropolis
Yinchuan Shimao City
Yinchuan Yuehai Project
Yinchuan Yuehai Project B
Chongqing Shimao Luxury Mansion

Fujian District

Xiamen Shimao Lakeside Garden
Xiamen Shimao Royal Villa
Xiamen Jimei Project
Quanzhou Shishi Shimao Skyscraper City
Quanzhou Jinjiang Shimao Dragon Bay
Quanzhou Shimao Hi Dream
Quanzhou Shimao Zimaoshan
Fuzhou Minhou Shimao Dragon Bay
Fuzhou Pingtan Straits Future City
Fuzhou Lianpan Project
Fuzhou Nantong Village Project
Fuzhou Zhuli Hotel
Fuzhou Ebi Project

Shanghai Shimao

Shanghai Shimao Nano Magic City
Changshu Shimao The Centre
Changshu Shimao Royal Bay
Jinan Shimao International Plaza
Jinan Shimao Skyscraper City
Qingdao Shimao Noosa Bay
Qingdao Shimao International Plaza
Qingdao Shimao Shi'ao Tower
Qingdao Shimao Grand Mansion
Wuxi Shimao International City
Suzhou Shimao Royal Villa
Suzhou Shimao Bronze Swallow Terrace
Suzhou Industrial Park Riviera Garden
Xiamen Shimao Straits Mansion
Ningbo Shimao Sunlake Centre
Ningbo Shimao Riviera Garden
Ningbo Sunjia Project

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Liu Sai Fei

Independent Non-executive Directors

Kan Lai Kuen, Alice
Lu Hong Bing
Lam Ching Kam

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Lam Yee Mei, Katherine

AUDITOR

PricewaterhouseCoopers

PRINCIPAL 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

Nanchang Shimao Water City

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

38th Floor, Tower One
Lippo Centre
89 Queensway
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
Tel: (852) 2511 9968
Fax: (852) 2511 0287

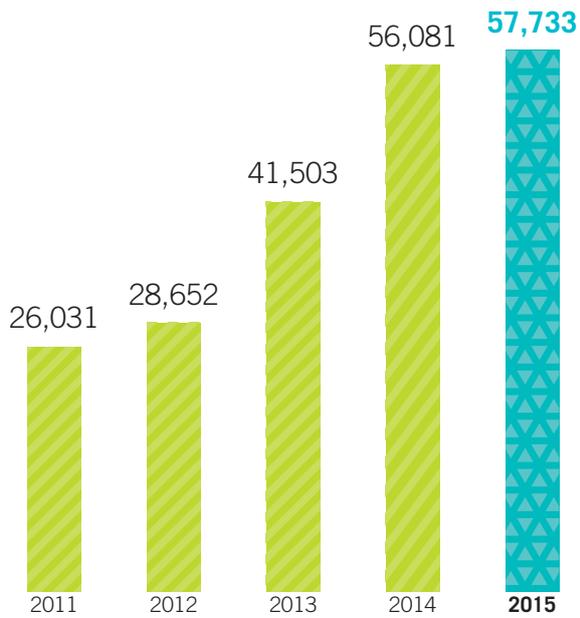
Nanchang Shimao Water City



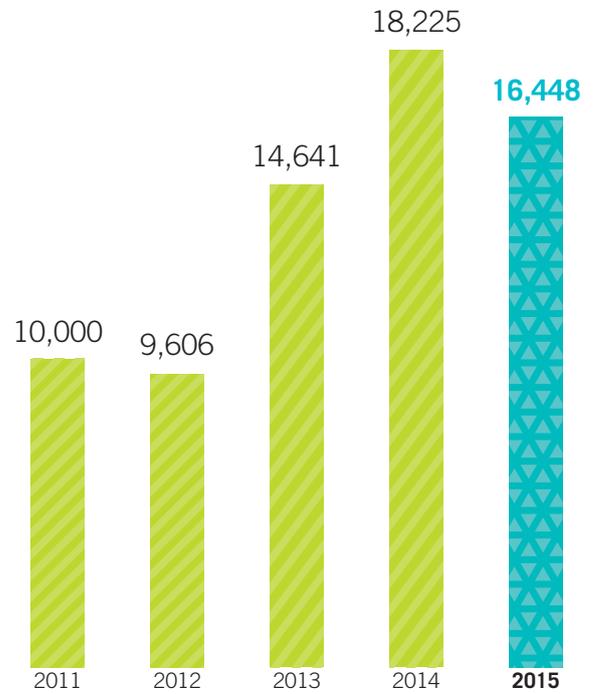
Five Years Financial Summary

| | 2011 | 2012 | 2013 | 2014 | 2015 |
|--|--------------|--------------|--------------|--------------|---------------------|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Revenue | 26,031,426 | 28,652,243 | 41,502,660 | 56,080,546 | 57,732,974 |
| Cost of sales | (16,031,376) | (19,046,444) | (26,861,772) | (37,855,393) | (41,284,575) |
| Gross profit | 10,000,050 | 9,605,799 | 14,640,888 | 18,225,153 | 16,448,399 |
| Fair value gains on investment properties | 2,527,013 | 2,362,880 | 1,031,206 | 1,510,622 | 2,776,694 |
| Other income/other gains – net | 794,320 | 1,196,104 | 845,063 | 502,184 | 1,570,998 |
| Selling and marketing costs | (769,889) | (1,046,841) | (1,305,735) | (1,495,887) | (1,615,275) |
| Administrative expenses | (1,349,272) | (1,815,871) | (2,283,303) | (2,807,693) | (3,278,396) |
| Other operating expenses | (192,173) | (266,706) | (592,136) | (262,921) | (288,194) |
| Operating profit | 11,010,049 | 10,035,365 | 12,335,983 | 15,671,458 | 15,614,226 |
| Finance costs – net | (380,346) | (22,115) | (121,361) | (240,522) | (1,408,648) |
| Share of results of | | | | | |
| – Associated companies | 97,653 | (210,938) | (51,443) | (153,470) | 108,684 |
| – Joint ventures | 24,213 | 363,125 | 895,649 | (21,033) | (591,853) |
| | 121,866 | 152,187 | 844,206 | (174,503) | (483,169) |
| Profit before income tax | 10,751,569 | 10,165,437 | 13,058,828 | 15,256,433 | 13,722,409 |
| Income tax expenses | (4,302,640) | (3,580,949) | (4,833,504) | (5,768,686) | (5,563,671) |
| Profit for the year | 6,448,929 | 6,584,488 | 8,225,324 | 9,487,747 | 8,158,738 |
| Profit for the year attributable to equity holders of the Company | 5,722,775 | 5,764,632 | 7,389,857 | 8,103,833 | 6,115,784 |
| Non-current assets | 44,034,957 | 52,221,579 | 57,819,154 | 63,647,567 | 69,317,652 |
| Current assets | 73,207,584 | 78,606,216 | 117,948,704 | 156,885,890 | 174,937,039 |
| Total assets | 117,242,541 | 130,827,795 | 175,767,858 | 220,533,457 | 244,254,691 |
| Non-current liabilities | 30,750,649 | 32,388,875 | 41,538,923 | 47,608,745 | 58,725,582 |
| Current liabilities | 51,473,815 | 57,511,688 | 82,377,073 | 107,941,628 | 110,779,789 |
| Total liabilities | 82,224,464 | 89,900,563 | 123,915,996 | 155,550,373 | 169,505,371 |
| Net assets | 35,018,077 | 40,927,232 | 51,851,862 | 64,983,084 | 74,749,320 |
| Equity attributable to equity holders of the Company | 30,591,680 | 35,907,150 | 41,742,250 | 46,863,379 | 50,161,660 |
| Non-controlling interests | 4,426,397 | 5,020,082 | 10,109,612 | 18,119,705 | 24,587,660 |
| Total equity | 35,018,077 | 40,927,232 | 51,851,862 | 64,983,084 | 74,749,320 |

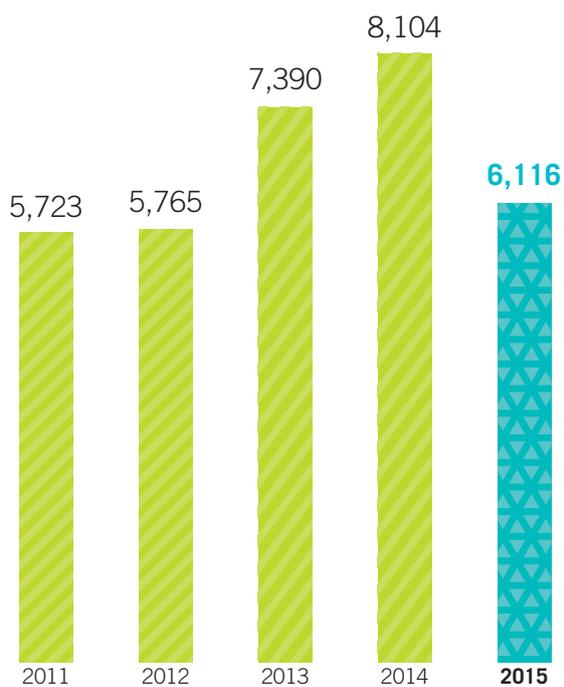
Revenue (RMB million)



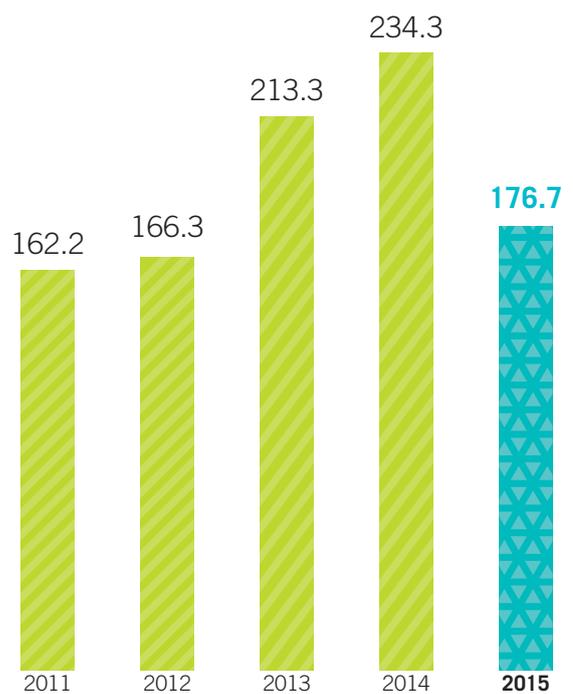
Gross Profit (RMB million)



Profit Attributable to Shareholders (RMB million)



Basic Earnings Per Share (RMB cents)



Shanghai Zhoupu Shimao Cloud Atlas



Chairman's Statement

Dear shareholders,

I am pleased to present the annual results of Shimao Property Holdings Limited ("Shimao Property", "Shimao" or the "Company", together with its subsidiaries, the "Group") for the year ended 31 December 2015.

MARKET ANALYSIS AND SHIMAO STRATEGIES

In 2015, China's real estate market was on the way to recovery. The investment, sales area and sales throughout the year accomplished year-on-year growth. This round of rebound was achieved through the joint efforts of various government authorities on inventory clearance. The government adopted two approaches to strike a balance between market demand and supply through measures of stimulating demand, including lifting of home purchase restrictions, reducing the required reserve ratio and interest rate, down payment and tax as well as measures of regulating demand and supply such as controlling land supply, adjusting the structure of land supply and the subsidy for purchase of affordable housing due to relocation. As such, the turnover of inventory of first- and second-tier cities decreased from 10-20 months at the end of 2014 to 5-10 months at the end of 2015. The turnover of inventory of major cities such as Shanghai, Nanjing, Suzhou and Hefei even dropped to less than 5 months, leading to a rapid surge of property price in certain cities. Favourable policies had little impact on the property markets of third- and fourth-tier cities due to their own industrial structures and economic conditions. Their turnover of inventory have declined but were still hovering on the high side.

The market recovery has also brought new challenges to the real estate enterprises. On the one hand, as the growth of the macro-economy has slowed down, the urban development in China became polarized with relatively high pressure from properties in stock in third- and fourth-tier cities. On the other hand, given the majority of our competitors operated business in first- and second-tier core cities which led to keen competition for limited resources, the increase in land price was higher than the increase in property price in these cities. Overall profit margin in the industry was being eroded and it became more difficult to attain profitability.

Chairman's Statement



Fuzhou Minhou Shimao Dragon Bay

In face of those challenges, in our opinions, the Group should proactively adjust the corporate business strategies according to market changes, and create sustainable competitive advantages such that the long-term interests of investors can be ensured. In light of this, the Group made prompt adjustments in 2015 which mainly included:

1. to adjust the timing and structure of supply by strictly adhering to the principle of “sales-based production” in third- and fourth-tier cities and focusing the supply on first- and second-tier cities;
2. to adjust the direction of investment in land acquisition and reinforce investment risk control by focusing 90% of its investment on first- and second-tier cities and to implement decisive measures to dispose land reserves of low productivity in third- and fourth-tier cities in order to optimise the quality and structure of the land reserves of the Group;
3. to strengthen the operation and management of investment properties to gradually increase its contribution to operating profit of the Group, and improve the Group's risk tolerance during market fluctuations; and
4. to reduce financing cost, restructure debts, manage foreign exchange risk, and explore and make innovative property financing arrangement.

Although the growth of results of Shimao slowed down during the restructuring period, the Group's results for 2015 reflected a stronger overall development of Shimao. Cash flow for the year remained adequate. Over 90% of the land reserves acquired during the year were located in first- and second-tier cities. Sell-through rate of saleable resources (inventory + supply) was 55% and net gearing ratio decreased to 58.1%. Average financing cost dropped to 6.9%. Various indicators of the Group were among the best in the industry, indicating that the Group has a solid foundation for leaping forward again.

SALES PERFORMANCE

In 2015, the real estate market of China continued to recover due to improving demand growth supported by various favorable policies. Upholding the strategy of “Quality Growth” and “Balanced Scale and Profit”, the Group carried out various reforms and used various indicators for assessment to ensure the long-term stable and solid development of the Group. In 2015, the Group realized contracted sales of RMB67.039 billion, representing approximately 93% of the annual target. The aggregate sales areas amounted to 5.54 million sq.m., at an average selling price of RMB12,100 per sq.m. during the year.

Based on our forward view of the future market trend, the Group enlarged the supply in first- and second-tier cities of higher gross profit margin and lower risk of high inventory. After adjustment of the supply plan, the supply focused on first- and second-tier cities while the supply in third- and fourth-tier cities was controlled strictly in accordance with the principle of “sale-based production” to avoid high inventory of low margin properties. Although the sales in third- and fourth-tier cities was sacrificed, such strategy was effective for inventory control.

Nanjing Shimao Bund New City



In addition to the adjustment of supply strategy, the Group also expanded its market coverage in cities and improved marketability of its products to keep high gross profit margin. In respect of cities, in 2015, four projects of Shimao in Nanjing, a prosperous property market, achieved total sales of RMB8.3 billion which enabled Shimao to maintain its leading industry position in terms of market share in Nanjing. Meanwhile, gross profit margin in Nanjing also ranked No.1 in the Group for the regional performance. In respect of projects, despite its less favourable location, Shimao Cloud Atlas in Shanghai outperformed its neighbouring competitive projects by its deliberate design of products. Shimao Cloud Atlas recorded a total sales of RMB1.5 billion for three weeks after its debut while sell-through rate stood at 100%. The project recorded highest selling price of over RMB40,000 per sq.m. and an average price 10% higher than the competitive projects nearby, becoming the benchmark price in the area. Our success in Nanjing and Shanghai has proven that our strategy to expand market coverage in cities and to improve the marketability of products is on the right track and will support Shimao to keep improving in future competition.

In the meantime, inventory clearance was still one of the Group's major marketing strategies in 2015. The Group achieved its annual target in 2015 with the sales of completed projects of RMB21.2 billion. The Central Economic Work Conference has officially announced the "Inventory Clearance" policy for the real estate market. The Group will closely observe the changes in market and optimize the inventory structure through effective strategy on inventory clearance.

FOCUS ON CORE CITIES, RESTRUCTURING OF LAND RESERVES AND ENHANCEMENT OF LAND RESERVE QUALITY

According to our forward view on market trend as mentioned above, change in the investment of land reserves was one of the most important adjustments of the Group during the year under review. In 2015, the Group strengthened its business development in core cities, restricted investment in third- and fourth-tier cities, prudently selected quality land and made 90% of its investment in first- and second-tier core cities selected by the Group for major development. In 2015, the Group acquired land reserves of 2.891 million sq.m. (before interests) in Beijing, Shanghai, Nanjing, Fuzhou, Xiamen, Hong Kong and other places. On the other hand, the Group carried out measures such as land return and land replacement to dispose of certain land reserves with weak market demand and low profitability in third- and fourth-tier cities.

Currently, the Group has 112 projects with a total area of 32.99 million sq.m. (attributable interests) of land reserves in 41 cities in China. In the future, the Group will continue to replenish land reserves in accordance with the principle of focusing on cities and risk control adopted for 2015. In view of intensifying competition in land acquisition in major investment cities, we will build resource advantage by enhancing human resources and budget for land acquisition, seeking cooperation opportunities, strictly following latest policies and urban development planning in various cities, and developing numerous land acquisition methods and channels in addition to public tender, auction and listing to pave the way for future success.

NEW BUSINESS MODEL FOR HIGHER INCOME FROM INVESTMENT PROPERTIES

During the year under review, the Group's revenue from hotels, investment properties and others was RMB3.138 billion, representing an increase of 24.8% as compared with last year. Income from hotels increased by 10.5% and all operating hotels of the Group realized growth in income and profit. Major achievements in the management of hotels and investment properties included the launch of our innovative businesses (Mini Hotel and Mini Mall) and further optimized management of traditional businesses. Progress was shown on these two aspects in 2015 and greater contribution of results is foreseeable.

Catching the trend of internet development, the Mini Hotel series integrated with O2O feature for the provision of experience-oriented e-commerce platform to customers to set up a distinctive and innovative hotel model. The first MiniMax Hotel of Shimao, opened in Songjiang, Shanghai in December 2014, achieved break-even in three months after its opening. At the end of December 2015, MiniMax Premier, the first high-end concept hotel brand of the Group, was launched in Hongqiao, Shanghai to further refine the Mini Hotel product series. In December 2015, Shimao's first 52+ Mini Mall was launched in Nanjing, which introduced brand new life experience to customers through the innovative Mini business model. The innovative community-oriented commercial models of Mini Mall and Mini Hotel not only represented the Group's attempt based on its investment goal of "Low Cost, Light Operation & High Return", but also explored new areas for uplifting value attached to saleable residential units and commercial products.

The Group also introduced internationally renowned brands of hotel management groups, including InterContinental, Starwood, Hyatt and Hilton, in order to optimize the hotel management and bring attractions to the high-end tourism market in China with their excellent platform. In January 2016, the Group and Starwood Hotels & Resorts Worldwide, Inc. signed and renewed four hotel management agreements. During the year, the Group was awarded the Best Hotel Owner Award for 2015 in China by 21st Century Business Herald, demonstrating recognition of the hotel management and operation capability as well as the brand of the Group.

The Group will accelerate future development and expect to develop a number of Mini Hotel and Mini Mall projects in major cities such as Wuhan and Chengdu in the coming year.

PRUDENT FINANCIAL STRATEGIES

In 2015, the Group continued to adopt prudent financial strategies for its operation. By focusing on collection of accounts receivable, controlling liabilities, further reducing the financing cost and optimizing asset structure, the Group was able to explore innovative and diversified financing channels for its real estate business to maintain its effective and stable development. In 2015, the annual sales return was approximately RMB57.0 billion with a sales return rate of 85%. Net gearing ratio has been maintained below 60% for 4 consecutive years, reflecting the sound operation and financial management of the Group.



Guangzhou Finance City



Dalian Shimao Dragon Bay



Wuhan Shimao Splendid River

With the opening up of China's capital market, the Group has exerted great efforts to lower its financing cost by expanding its domestic Renminbi financing channels. Shanghai Shimao Jianshe Co., Ltd., a wholly-owned subsidiary of the Group, completed the issuance of corporate bonds of RMB7.4 billion in the third quarter of 2015. The interest rates of the 5-year corporate bonds and the 7-year corporate bonds were 3.9% and 4.15%, respectively, which were among the lowest interest cost in the industry. In addition, as one of the first enterprises approved by the Shanghai Stock Exchange for the private issuance of corporate bonds, the Group was approved to issue domestic corporate bonds of RMB20.0 billion in January 2016. The issuance of the first tranche of RMB4.0 billion has been completed. Meanwhile, the Group has also been committed to the preparation for the issuance of domestic red-chip corporate bonds by its overseas subsidiaries. Approval process is expected to be completed soon. The Group's expansion in the domestic bond market enabled the optimisation of its asset structure and the reduction of its financing cost.

Furthermore, the financial team of the Group probed innovative financing model of its real estate business. In the second half of 2015, the Group launched the first ABS product backed by property management fee in China and the first ABS product backed by mortgage payments in China which earned us appreciation from the capital market and enabled us to become a role model in the industry. The Group will continue to concentrate on domestic and overseas financial markets and capitalize on opportunities arising from the capital market. The Group also probed comprehensive and customized financial services for the upstream and downstream of the real estate industry jointly with financial institutions.

To mitigate its exchange risks, the Group expanded cross-border RMB business, made timely adjustment on foreign currency debt structure and lowered proportion of foreign currency financing in due course so that its exchange risks were under control.

In 2015, riding on the Group's robust operating and financial performance, Standard & Poor's, an international rating agency, promoted the Group's rating from "BB" to "BB+", and Fitch also affirmed the Group's long-term credit rating at "BB+" with an upgrade of outlook from "Stable" to "Positive". In August 2015, the Group received "AAA" rating, the highest corporate credit rating from the three biggest domestic credit rating agencies, namely, China Chengxin Securities Rating Co., Ltd., United Ratings Co., Ltd. and Dagong Global Credit Rating Co., Ltd., successively. In addition, the Group received a high recognition from the international capital market by being selected as "The Most Popular Asian Stock" by Morgan Stanley in November 2015.

In order to avoid competition within the Group, Shimao Property announced on 14 March 2016 that it will transfer its entire or certain equity interests in the project companies for three commercial property projects, namely, Shenzhen Qianhai Shimao Financial Centre, Hangzhou Shimao Wisdom Tower and Nanchang Shimao APM, to Shanghai Shimao Co., Ltd. ("Shanghai Shimao"), specifying that Shimao Property will be primarily engaged in residential property and hotel investment, development and operation in the PRC in the future while Shanghai Shimao will be primarily engaged in commercial property investment, development and operation in the PRC. In addition, the transaction will also facilitate the release of asset value and improvement of Shimao Property's cash flow.

Looking forward to 2016, higher volatility in the international market is expected. While promoting the innovative real estate financing business, the Group will adhere to its robust financial strategy and adopt prudent financial management approach to maintain adequate cash flows, minimize the finance cost and stabilise the operating efficiency.

FINAL DIVIDEND

To demonstrate our appreciation for our shareholders' unstinting support, the board of directors of the Company (the "Board") has proposed the payment of a final dividend of HK40 cents per share (2014: HK60 cents per share). Together with an interim dividend of HK30 cents per share, the total distribution for the year will amount to HK70 cents per share (throughout 2014: HK90 cents per share).

OUTLOOK IN 2016

We have full confidence in the long-term healthy development of China's real estate market. It is anticipated that the central government will continue the reforms on the supply front which guarantee growth and clear inventory and introduce a series of policies in favour of the real estate market in 2016. In general, the market will maintain steady growth.

The Group will follow the strategic adjustments of last year to maintain prudent operation while riding on a wave of favourable markets and policies. The Group will accelerate the structural adjustment, inventory clearance and improve the marketability of products while continuing to supplement the land reserves with land in prime locations. We embrace the future with our top-notch brand, refined asset operation and stable financial structure. We are confident that we will lay a solid foundation for the long term development of Shimao Property by adhering to the principle of "Prudent Operation, Proactive Measures and Prompt Adjustment".

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 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. The Group's success together with the fulfillment of corporate goals are attributable to their support and commitment.

Hui Wing Mau

Chairman

Hong Kong, 30 March 2016



Quanzhou Shimao Hi Dream



Quanzhou Shimao Hi Dream





Management Discussion and Analysis

Management Discussion and Analysis



Changsha Shimao The Bund

BUSINESS REVIEW

Property Development

1) Recognized Sales Revenue

The Group generates its revenue primarily from property development, property investment and hotel operation. The Group's revenue for the year ended 31 December 2015 grew by 2.9% to RMB57.733 billion, from RMB56.081 billion in 2014. During the year, revenue from property sales was RMB54.595 billion, representing an increase of 1.9% over 2014. The average recognized selling price decreased by 11.7% to RMB11,102 per sq.m. (after deducting government resettlement housing) in 2015, from RMB12,580 per sq.m. in 2014. The number of projects recognized by the Group in 2015 totalled 74, more than 60 projects recognized in 2014. Quanzhou Shishi Shimao Skyscraper City achieved impressive results and recognized sales revenue of RMB4.306 billion; Nanjing Shimao Bund New City, the first runner-up, recognized sales revenue of RMB3.403 billion; and Wuhan Shimao Splendid River, the second runner-up, recognized sales revenue of RMB3.254 billion.

The delivered gross floor area ("GFA") recognized for each project in 2015 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.) |
|--|-----------------------------------|----------------------------|--|
| Quanzhou Shishi Shimao Skyscraper City | 4,306 | 873,448 | 4,930 |
| Nanjing Shimao Bund New City | 3,403 | 184,155 | 18,479 |
| Wuhan Shimao Splendid River | 3,254 | 269,772 | 12,062 |
| Fuzhou Minhou Shimao Dragon Bay | 3,036 | 318,463 | 9,533 |
| Beijing Shimao Salamanca | 2,813 | 294,436 | 9,554 |
| Nanjing Straits City | 2,809 | 140,959 | 19,928 |
| Quanzhou Jinjiang Shimao Dragon Bay | 2,063 | 207,425 | 9,946 |
| Nanjing Shimao Glory Villa | 1,894 | 108,221 | 17,501 |
| Fuzhou Pingtan Straits Future City | 1,892 | 204,133 | 9,268 |
| Chengdu Shimao Royal Bay | 1,817 | 154,553 | 11,756 |
| Suzhou Shimao Canal Scene | 1,718 | 130,984 | 13,116 |
| Tianjin Shimao Wetland Century | 1,413 | 129,524 | 10,909 |
| Xiamen Shimao Lakeside Garden | 1,275 | 41,168 | 30,971 |
| Changzhou Shimao Champagne Lake | 1,272 | 184,358 | 6,900 |
| Zhangjiagang Shimao Lake Palace | 1,123 | 88,227 | 12,729 |
| Jinan Shimao Skyscraper City | 1,123 | 105,045 | 10,691 |
| Kunshan Shimao The East Bund | 1,070 | 152,545 | 7,014 |
| Wuhan Shimao Lake Island | 960 | 125,424 | 7,654 |
| Nantong Shimao In the Park | 902 | 130,294 | 6,923 |
| Xiamen Shimao Straits Mansion | 863 | 23,493 | 36,734 |
| Qingdao Shimao Noble Town | 831 | 100,487 | 8,270 |
| Suzhou Shimao Shihu Bay | 811 | 55,318 | 14,661 |



Changsha Shimao The Bund

| Project | Recognized | Recognized | Average |
|--|------------------------|-----------------|----------------------------------|
| | Sales (RMB million) | Area (sq.m.) | Selling Price (RMB per sq.m.) |
| Beijing Shimao Lá Villa | 805 | 36,031 | 22,342 |
| Chongqing Shimao Luxury Mansion | 652 | 78,224 | 8,335 |
| Qingdao Shimao Noosa Bay | 642 | 59,095 | 10,864 |
| Jinan Shimao The Capital of Yuanshan | 608 | 89,447 | 6,797 |
| Hangzhou Shimao Riviera Garden | 604 | 93,744 | 6,443 |
| Ningbo Shimao Riviera Garden | 595 | 37,347 | 15,932 |
| Shenyang Shimao Wulihe | 587 | 65,102 | 9,017 |
| Nanchang Shimao APM | 584 | 59,846 | 9,758 |
| Hangzhou Shimao Above The Lake | 580 | 23,286 | 24,908 |
| Changshu Shimao Royal Bay | 575 | 54,115 | 10,626 |
| Hangzhou Shimao East No.1 | 561 | 33,765 | 16,615 |
| Shaoxing Shimao Dear Town | 495 | 52,078 | 9,505 |
| Wuhu Shimao Riviera Garden | 462 | 63,326 | 7,296 |
| Xiamen Shimao Royal Villa | 454 | 20,152 | 22,529 |
| Suzhou Shimao Royal Villa | 451 | 30,546 | 14,765 |
| Jinan Shimao International Plaza | 423 | 19,978 | 21,173 |
| Wuhan Shimao Dragon Bay | 394 | 55,125 | 7,147 |
| Shanghai Shimao Sheshanli | 357 | 18,267 | 19,543 |
| Tianjin Wuqing Shimao Luxury Mansion | 292 | 31,502 | 9,269 |
| Chengdu Shimao City | 262 | 40,870 | 6,411 |
| Wuxi Shimao International City | 262 | 29,821 | 8,786 |
| Ningbo Shimao Sunlake Centre | 253 | 19,322 | 13,094 |
| Nanning Shimao Luxury Mansion | 240 | 18,759 | 12,794 |
| Changzhou Shimao Champagne Lake (Commercial) | 217 | 29,023 | 7,477 |
| Ningbo Shimao The Capital | 211 | 11,619 | 18,160 |
| Nanjing Shimao Merchants Mountain | 210 | 9,979 | 21,044 |
| Suzhou Shimao Canal Scene (Commercial) | 185 | 19,338 | 9,567 |



InterContinental Shanghai Wonderland



Hainan Wenchang Shimao Moonriver

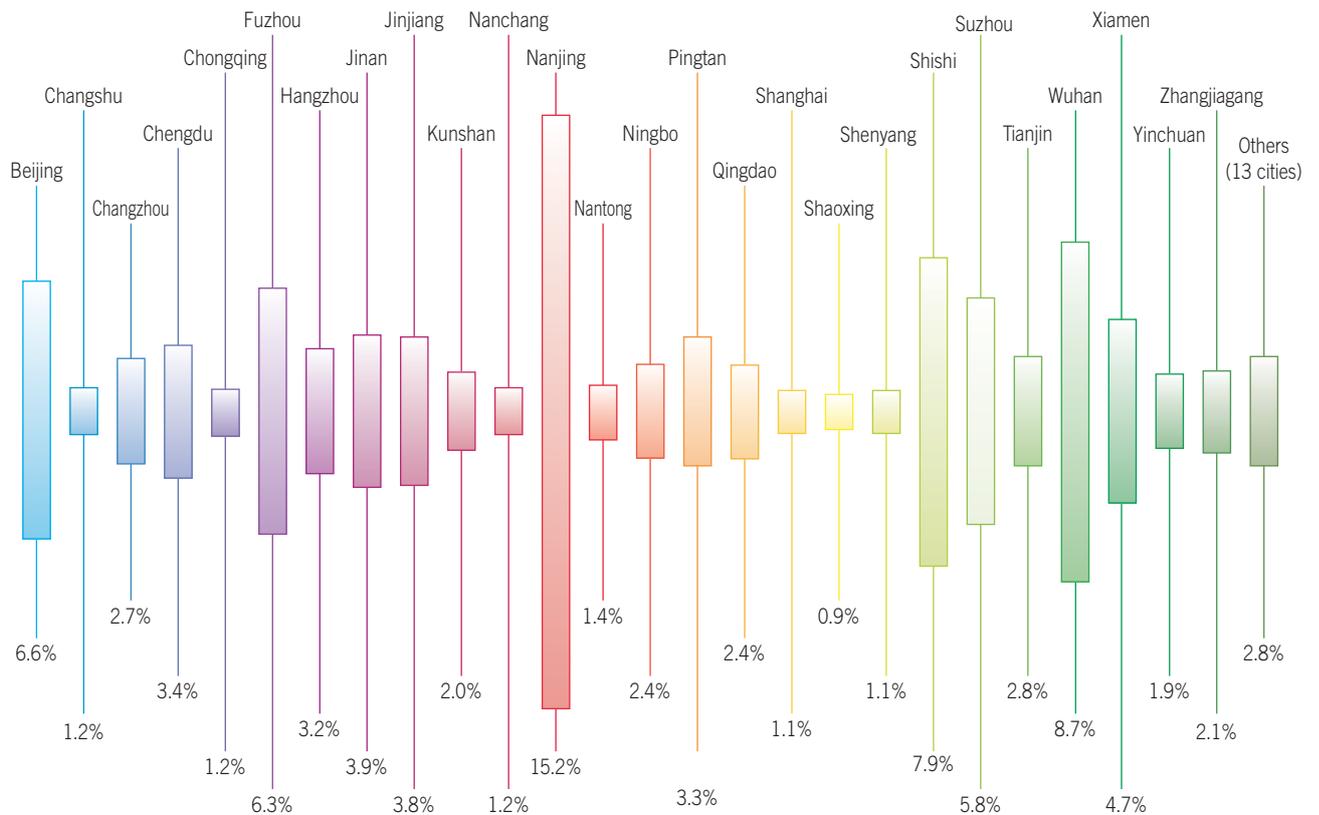
| Project | Recognized Sales (RMB million) | Recognized Area (sq.m.) | Average Selling Price (RMB per sq.m.) |
|---|-----------------------------------|----------------------------|--|
| Harbin Shimao Riviera New City | 179 | 45,686 | 3,918 |
| Shanghai Shimao Wonderland | 157 | 8,934 | 17,573 |
| Ningbo Shimao Sea Dawn | 156 | 22,914 | 6,808 |
| Xuzhou Shimao Dongdu | 153 | 18,140 | 8,434 |
| Chengdu Jianyang Shimao Misty Lakeside | 151 | 18,734 | 8,060 |
| Jiangyin Shimao Dragon Bay | 147 | 12,813 | 11,473 |
| Mudanjiang Shimao Holiday Landscape | 133 | 26,051 | 5,105 |
| Wuhan Shimao Carnival | 123 | 15,674 | 7,847 |
| Dalian Shimao Glory City | 116 | 14,626 | 7,931 |
| Shanghai Shimao Emme County | 106 | 11,783 | 8,996 |
| Xuzhou Shimao Dongdu (Commercial) | 92 | 8,877 | 10,364 |
| Nanchang Shimao The Grand View | 79 | 6,898 | 11,453 |
| Ningbo Shimao Dragon Bay | 74 | 7,132 | 10,376 |
| Fuzhou Shimao Skyscrapers | 68 | 2,881 | 23,603 |
| Changshu Shimao The Centre (Commercial) | 65 | 6,244 | 10,410 |
| Hainan Wenchang Shimao Blooming Sea | 49 | 3,875 | 12,645 |
| Shenyang Shimao Bojing Plaza | 41 | 5,188 | 7,903 |
| Shenyang Shimao Notting Hill | 36 | 3,920 | 9,184 |
| Xianyang Shimao The Centre | 17 | 3,935 | 4,320 |
| Qingdao Shimao Shi'ao Tower | 14 | 601 | 23,295 |
| Ningbo Shimao World Gulf | 11 | 1,192 | 9,228 |
| Taizhou Shimao Riverside Garden | 7 | 2,259 | 3,099 |
| Jiaxing Shimao New City | 5 | 784 | 6,378 |
| Wuhu Shimao Riviera Garden (Commercial) | 5 | 395 | 12,658 |
| Dalian Shimao Dragon Bay | 2 | 186 | 10,753 |
| Sub-total | 54,595 | 5,371,861 | 10,163 |
| Government resettlement housing | 1,687 | 606,262 | 2,782 |
| Total (excluding resettlement housing) | 52,908 | 4,765,599 | 11,102 |



Guangzhou Finance City

The breakdown of recognized sales* for 2015 by cities is set out as follows:

39 cities in total



* Excluding attributable revenue from joint ventures

2) Steady Sales Growth, Satisfactory Inventory Clearance Progress

With respect to property sales, the Group's contracted sales amounted to RMB67.039 billion in 2015, representing approximately 93% of the annual target. The aggregate sales area for the year was 5.54 million sq.m., with an average selling price of RMB12,100 per sq.m..

During the year, encouraged by the reduction of interest rate and relaxation of the control policy by the government, starting from March, the overall transaction volume in the industry recovered steadily, and the inventory turnover months of residential housing dropped significantly. As a major mission in the second half of the year, the Group's inventory clearance work progressed well as expected. In terms of overall sales results, first-tier cities were still outperformed other markets. Attributable to the meticulous regional marketing plans and customized sales strategies based on local characteristics, certain second- and third-tier cities also recorded improvement in sales. Looking forward to 2016, the Group will continue to launch saleable areas of approximately 5.35 million sq.m.. Together with the existing saleable areas of approximately 3.96 million sq.m. as at 31 December 2015, the Group's total saleable areas in 2016 will be approximately 9.31 million sq.m..

Key projects available for sale in 2016 are set out as follows:

| District | Project | Saleable Area (sq.m.) |
|--|--|--------------------------|
| Shimao Property | | |
| Northern China District | Beijing Shimao Salamanca | 230,931 |
| | Beijing Tongzhou Project | 143,141 |
| | Tianjin Eco-city | 115,505 |
| Jiangsu and Shanghai District | Shanghai Zhoupu Shimao Cloud Atlas | 35,583 |
| | Suzhou Shimao Bronze Swallow Terrace | 50,661 |
| Southern China District | Shenzhen Qianhai Shimao Financial Centre | 61,396 |
| | Guangzhou Finance City | 61,745 |
| Fujian District | Fuzhou Guling Project | 96,432 |
| | Fuzhou Lianpan Project | 80,000 |
| | Xiamen Jimei Project | 89,109 |
| | Xiamen Shimao Royal Villa | 96,209 |
| Central China District | Wuhan Shimao Splendid River | 126,195 |
| | Hefei Shimao Jade Mansion | 155,061 |
| Nanjing District | Nanjing Shimao Bund New City | 122,805 |
| | Nanjing Straits City | 111,039 |
| | Nanjing Pukou Royal Real | 124,220 |
| Zhejiang District | Zhejiang Shaoxing Project | 213,883 |
| Western District | Hangzhou Shimao Born with Legend | 61,626 |
| | Chongqing Shimao Luxury Mansion | 194,765 |
| | Chengdu Shimao City | 204,377 |
| Shanghai Shimao | Jinan Shimao International Plaza | 116,866 |
| Sub-total (Key projects above) | | 2,491,549 |
| Projects (below RMB1 billion) available for sale in 2016 | | 2,858,319 |
| Completed inventory | | 1,302,437 |
| Uncompleted projects available for sale as of 31 December 2015 | | 2,653,824 |
| Total | | 9,306,129 |

3) Adjustment of Development Projects and Plans in Response to Market Supply and Demand

The Group made timely adjustments to strategy of inventory management and construction plans, put off or cancelled the supply of certain products of similar nature and exerted efforts in clearing up projects with higher inventory level so as to correspond with the market fluctuations. In 2015, the Group's floor area under construction reached 12.67 million sq.m.. During the year, all of the Group's projects proceeded smoothly. The aggregate GFA completed by the Group in 2015 was approximately 7.56 million sq.m., representing an increase of 21.7% as compared with 6.21 million sq.m. completed last year. The growing number of projects under construction has laid a solid foundation for the Group's future development. Looking forward to 2016, the GFA under construction will be approximately 13.50 million sq.m..

Projects completed in 2015 are set out as follows:

| District | Project | Completed GFA (sq.m.) | Group's Interest (%) |
|-------------------------------|--------------------------------------|--------------------------|-------------------------|
| Shimao Property | | | |
| Northern China District | Shenyang Shimao Wulihe | 107,123 | 100% |
| | Dalian Shimao Glory City | 8,330 | 100% |
| | Mudanjiang Shimao Holiday Landscape | 110,954 | 100% |
| | Tianjin Eco-city | 59,132 | 75% |
| | Beijing Shimao Salamanca | 283,962 | 65% |
| | Beijing Shimao Lá Villa | 36,031 | 50% |
| | Beijing Changyang Project | 111,585 | 50% |
| Zhejiang District | Hangzhou Shimao Riviera Garden | 115,467 | 50% |
| | Hangzhou Yuhang Shimao New West Lake | 158,430 | 100% |
| | Hangzhou Shimao East No.1 | 33,765 | 51% |
| | Ningbo Shimao Sea Dawn | 24,849 | 50% |
| | Ningbo Xiangshan Shimao Damuwan | 55,565 | 50% |
| | Zhejiang Shaoxing Project | 254,451 | 100% |
| | Shandong District | Qingdao Project | 130,148 |
| Jiangsu and Shanghai District | Jinan Shimao The Capital of Yuanshan | 41,054 | 51% |
| | Changzhou Shimao Champagne Lake | 186,010 | 100% |
| | Wuxi Shimao the Capital | 149,358 | 49% |
| | Shanghai Shimao Emme County | 32,027 | 100% |
| | Suzhou Shimao Canal Scene | 146,166 | 100% |
| | Kunshan Shimao The East Bund | 178,228 | 100% |
| | Shanghai Shimao Sheshanli | 156,991 | 50% |
| | Nantong Shimao In the Park | 118,354 | 100% |
| | Suzhou Shimao Shihu Bay | 55,318 | 51% |
| | Nantong Complex Project | 80,864 | 50% |
| Nanjing District | Zhangjiagang Project | 88,227 | 51% |
| | Nanjing Straits City | 146,177 | 49% |
| | Nanjing Shimao Glory Villa | 116,245 | 100% |
| | Nanjing Maqun Project | 9,979 | 51% |
| | Wuhu Project | 63,326 | 100% |

| District | Project | Completed GFA (sq.m.) | Group's Interest (%) |
|--|--|--------------------------|-------------------------|
| Central China District | Wuhan Shimao Splendid River | 313,303 | 96% |
| | Nanchang Shimao Sky City | 42,334 | 50% |
| | Changsha Shimao Brilliant Bay | 61,895 | 50% |
| | Nanchang Shimao Water City | 59,846 | 100% |
| | Wuhan Hongshan K11 | 168,070 | 51% |
| Fujian District | Fuzhou Minhou Shimao Dragon Bay | 458,262 | 100% |
| | Fuzhou Pingtan Straits Future City | 227,120 | 49% |
| | Quanzhou Jinjiang Project | 513,644 | 100% |
| | Xiamen Shimao Royal Villa | 20,152 | 51% |
| Western District | Chengdu Shimao City | 104,342 | 79% |
| | Chengdu Shimao Royal Bay | 117,957 | 100% |
| | Chongqing Shimao Luxury Mansion | 145,533 | 100% |
| | Chengdu Jianyang Shimao Misty Lakeside | 18,734 | 100% |
| Southern China District | Hainan Wenchang Project | 35,843 | 51% |
| | Nanning Shimao Longgang Garden | 24,445 | 100% |
| Sub-total | | 5,369,595 | |
| Shanghai Shimao | Nanjing Shimao Bund New City | 197,359 | 80% |
| | Jinan Shimao International Plaza | 117,039 | 59% |
| | Shanghai Shimao Nano Magic City | 25,874 | 59% |
| | Suzhou Shimao Canal Scene (Commercial) | 59,684 | 59% |
| | Suzhou Shimao Royal Villa | 6,556 | 59% |
| | Tianjin Wuqing Shimao Luxury Mansion | 19,229 | 59% |
| | Wuxi Shimao International Plaza | 167,515 | 75% |
| | Changzhou Shimao Plaza | 113,542 | 59% |
| | Quanzhou Shishi Shimao Skyscraper City | 1,128,643 | 56% |
| | Xiamen Shimao Straits Mansion | 183,681 | 79% |
| | Xuzhou Project (Commercial) | 66,513 | 59% |
| | Changshu Shimao Royal Bay | 107,792 | 59% |
| | Sub-total | | 2,193,427 |
| Total (Shimao Property + Shanghai Shimao) | | 7,563,022 | |

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

Amid the gradual recovery of the property market, the Group held a prudent and optimistic attitude towards the future industry development. The Group, particularly in the second half of the year, strategically and selectively expanded its land bank in key regions in 2015, including winning the bid for a land parcel in Baishazhou in Wuhan for RMB1.25 billion on 16 September 2015, acquisitions of a land parcel in Tai Wo Ping, Kowloon, Hong Kong for HK\$7.02 billion on 29 September 2015, a land parcel No.G56 for commercial and residential development in

Chengnan of Nanjing for RMB2.28 billion on 9 December 2015 and a land parcel in Lianpan of Fuzhou for RMB4.41 billion on 23 December 2015, and winning the bid for a residential land in Shaoxing Hi-tech Zone for RMB1.12 billion on 25 December 2015. In 2015, the Group acquired land bank of approximately 1.19 million sq.m. in Beijing, Shanghai, Hong Kong, Nanjing and Xiamen. Currently, Shimao Property possesses 112 projects in 41 cities across the country, with a high-quality land of 32.99 million sq.m. (attributable interests). The premium land resources and relatively low land cost provide continued support to the development of Shimao Property in the major markets of China in the next few years.

The land parcels acquired by the Group in 2015 are as follows:

| New Land Parcels | Date of Acquisition | Usage | Land Cost (Attributable Interest) (RMB million) | Total Planned GFA (Sq.m.) | Land Cost per sq.m. (RMB) | Group's Interest (%) |
|---|---------------------|---------------------------------------|--|------------------------------------|------------------------------------|----------------------------|
| Shimao Property | | | | | | |
| 1. Fuzhou Ebi Project | March 2015 | Hotel and ancillary | 80.53 | 91,473 | 880 | 100% |
| 2. Fuzhou Zhuli Hotel | March 2015 | Tourism, hotel, commercial and office | 20.75 | 18,900 | 1,098 | 100% |
| 3. Nanjing Jiangning Higher Education Mega Centre Project | April 2015 | Residential and commercial | 340.00 | 53,349 | 6,373 | 100% |
| 4. Yinchuan Yuehai Project | April 2015 | Residential and commercial | 213.29 | 317,066 | 1,319 | 51% |
| 5. Beijing Tongzhou Project (a parcel in northern region) | February 2015 | Commercial | 640.84 | 86,600 | 14,800 | 50% |
| 6. A land parcel on Nanjing Road, Shanghai | June 2015 | Residential and commercial | 1,400.97 | 66,096 | 47,102 | 45% |
| 7. Yinchuan Yuehai Project B | July 2015 | Residential and commercial | 178.13 | 274,000 | 1,275 | 51% |
| 8. Xiamen Jimei Project | September 2015 | Residential and commercial | 2,645.39 | 378,460 | 10,363 | 67.45% |
| 9. Wuhan Baishazhou | September 2015 | Residential and commercial | 1,253.20 | 530,000 | 2,365 | 100% |
| 10. Tai Wo Ping, Kowloon, Hong Kong | September 2015 | Residential | 5,768.33 | 58,750 | 98,184 | 100% |
| 11. Beijing Laishui Project | December 2015 | Residential | 777.53 | 355,382 | 2,188 | 100% |
| 12. Nanjing Yuhuatai Project | December 2015 | Residential, commercial and office | 2,280.00 | 190,721 | 11,955 | 100% |
| 13. Fuzhou Lianpan A-14 | December 2015 | Residential and commercial | 4,410.00 | 268,923 | 16,399 | 100% |
| 14. No. 2 Renmin Road, Shaoxing | December 2015 | Residential | 1,120.00 | 201,556 | 5,557 | 100% |
| Total | | | 21,128.96 | 2,891,276 | 8,693 | |

Geographically, the majority of the land bank acquired by Shimao Property in 2015 were situated in first- and second-tier cities at provincial capital level, which have enormous potential for development and markets of which have not yet reached saturation, assuring the projects of adequate room for development and capability to resist risks. Getting the insight that the current domestic real estate market has experienced drastic changes after the past golden decade, the Group has made timely adjustment on its land acquisition policy in order to grasp more business opportunities. Apart from cooperating with other property developers for joint development projects in order to acquire quality land resources at reasonable costs indirectly, the Group also explores projects with growth potential in Hong Kong. In terms of land cost, the average floor price of the new land reserves was approximately RMB8,693 per sq.m.. As at 31 December 2015, the Group's average land cost was RMB2,957 per sq.m.. The relatively low land cost provides adequate assurance for the Group to achieve a higher profit margin in the future.

Property Investment

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

During the year, attributable to the further enhancement of its operating and management capability, Shanghai Shimao maintained the development momentum of its diversified businesses, including commercial property development, commercial plaza operation, cinema investment and management together with investment on culture and media, and its operating standard had a continuous improvement.

With respect to commercial plaza operation, Shanghai Shimao carried out a series of trade-mix refinement and quality enhancement plans for its major commercial plazas in Shaoxing, Shanghai, Beijing, Suzhou and Kunshan based on its annual operation plan in phases during the reporting year. Through the installation of user-friendly facilities, the transformation of public areas and the introduction of 3D interactive navigation facilities, Shanghai Shimao was able to make substantial improvements in various aspects of its commercial plazas, including business layout, shopping ambience, onsite management and property services, leading to continuous uplifting of shoppers’ experience as well as incremental patronage. With respect to tenant management, Shanghai Shimao strived to improve the operational efficiency of tenants with its optimized tenant management and tenant assessment, resulting in higher profitability and tenant operational quality. With respect to internal management, Shanghai Shimao made continuous efforts to improve its business management through effective internal training and promotion and external talent recruitment in order to build up an elite commercial property management team which is highly efficient and supporting-services-conscious.

During the year, Shanghai Shimao entered into strategic cooperation with Wanda Cinema, pursuant to which Shanghai Shimao would transfer its 100% equity interest in 14 companies, including Chongqing Shimao Cinema Management Co., Ltd., held by Shimao Cinema to Wanda Cinema for a total consideration of RMB1.0 billion, which has been settled by Wanda Cinema by way of private placement of shares to Shimao Cinema. The transaction facilitates the cooperation between both parties in relevant business operation and collaboration. Shanghai Shimao will align its commercial property projects under construction at present or in future with the cinema investment and movie distribution of Wanda Cinema in an effort to enhance the regional competitiveness, influence and operational efficiency of its commercial properties. Cooperation opportunities other than commercial property development will also be explored. In addition, capitalizing on the future achievements of Wanda Cinema in the cultural industry, Shanghai Shimao carried out the restructuring of its major business which will be favourable to its future operating results.

With respect to the capital market, during the reporting year, Shanghai Shimao started the preparation of the private placement of its A shares for 2015 in February and received the Reply regarding the Approval of the Private Placement of Shares of Shanghai Shimao Co., Ltd. (《關於核准上海世茂股份有限公司非公開發行股票的批覆》) from the China Securities and Regulatory Commission of the PRC (“CSRC”) in November. The private placement was completed in December. Registration and lock-up arrangement for the shares of the private placement were completed at the Shanghai Branch of China Securities Depository and Clearing Corporation Limited on 24 December. Furthermore, Shanghai Shimao also received the Reply regarding the Approval of the Public Offering of Corporate Bonds of Shanghai Shimao Co., Ltd. to Qualified Investors (《關於核准上海世茂股份有限公司向合格投資者公開發行公司債券的批覆》) from the CSRC on 30 October, laying a solid foundation for its future development.

Particulars of investment property projects of the Group in 2015 are set out as follows:

| Commercial and Office Premises | Total GFA (sq.m.) | Date of Commencement | Revenue (RMB million) | | Growth (%) |
|---|----------------------|--|--------------------------|------------|---------------|
| | | | 2015 | 2014 | |
| Shanghai Shimao International Plaza | 71,239 | Phase I – December 2004 Phase II – May 2007 | 160 | 159 | 1% |
| Changshu Shimao The Centre | 43,357 | Commercial – first quarter of 2009 | 17 | 15 | 13% |
| Beijing Shimao Tower | 70,175 | July 2009 | 141 | 135 | 4% |
| Wuhu Shimao Riviera Garden (Commercial) | 19,963 | September 2009 | 7 | 7 | – |
| Beijing Fortune Times (Commercial) | 49,147 | 2010 | 60 | 59 | 2% |
| Shanghai Shimao Shangdu | 9,584 | November 2010 | 33 | 45 | (27%) |
| Shaoxing Shimao Dear Town (Commercial) | 181,605 | May 2010 | 90 | 89 | 1% |
| Suzhou Shimao Canal Scene (Commercial) | 49,993 | June 2010 | 32 | 23 | 39% |
| Kunshan Shimao Plaza | 88,249 | April 2012 | 39 | 29 | 34% |
| Xuzhou Shimao Dongdu (Commercial) | 59,471 | January 2012 | 15 | 15 | – |
| Jinan Shimao International Plaza | 280,641 | May 2014 | 88 | 56 | 57% |
| Other rental income | – | – | 57 | 55 | 4% |
| Rental income sub-total | | | 739 | 687 | 8% |
| Others | | | 1,097 | 649 | 69% |

Hotel Operations

The Group has developed from a hotel owner into a hotel owner and operator which is a milestone of the development of the hotel operations of the Group. As of 31 December 2015, the Group had 14 hotels in operation, including Le Royal Méridien Shanghai, Hyatt on the Bund, Le Méridien Sheshan Shanghai, Hilton Nanjing Riverside, Holiday Inn Mudanjiang, Holiday Inn Shaoxing, Double Tree by Hilton Wuhu, Crowne Plaza Shaoxing, InterContinental Fuzhou, Hilton Tianjin Eco-city, Double Tree by Hilton Ningbo Chunxiao, Yuluxe Hotel Taizhou, a self-operated five-star hotel, MiniMax Hotel Shanghai Songjiang and MiniMax Premier Hotel Shanghai Hongqiao. Currently, the Group has more than 5,100 hotel guest rooms.

In 2015, the hospitality industry in China faced a tough operating environment and suffered consistent pressures arising from sluggish economic growth, tightening government policies, weakening convention market and severe pricing competition. High-end hotels in China are in the rapid consolidation cycle with decline in both room rates and occupancy rates. The Group's hotels achieved revenue of RMB1,302 million in 2015, representing a year-on-year increase of 10.5%. In 2015, the Group further promoted its "Lifestyle Operator" strategy and actively implemented the new strategic model of people-oriented operation. In addition, to stay well ahead of the coming of information-oriented society and experience-oriented economy, the Group has already been well-equipped. Subsequent to the opening of MiniMax Hotel Shanghai Songjiang last year, MiniMax Premier Hotel Shanghai Hongqiao, the first high-end concept hotel of the Group under the brand of "MiniMax Premier", commenced its operation on 22 December 2015 and has been operating smoothly so far with gross profit margin higher than other five-star hotels of the Group. The Group may be involved in multiple businesses such as elderly care, youth hostel and finance in the future. The light asset business is conducted through advanced technology, quality services and professional operating standard.

Management Discussion and Analysis

Looking forward to 2016, challenges and opportunities still coexist in the hotel market. In 2015, the growth of GDP was 6.9% and the pressure of economic downturn will not be eliminated in next two or three years. However, the government has actively carried out various regulatory measures which stabilize the economic development for the purpose of maintaining steady development of the macro economy; on the other hand, it has also accelerated efforts to promote the development of tourism industry and to boost individual consumption. At the same time, the expenditures of local tourists on four-star and five-star hotels have been increasing along with continued economic development of China. In the perspective of industrial development, the oversupply of hotel rooms still remains in the hotel market and some hoteliers are squeezed out by increasingly severe competition. On the positive side, competition will drive the hotel operators to keep improving themselves, bring greater customer satisfaction and explore new markets so as to enhance their competitiveness. Facing the complicated operating environment, the Group reacted by following its long-held policy to actively seek cooperation with partners of excellent credentials. In January 2016, the Group formed a strategic alliance with Starwood Hotels and Resorts Group, of which four hotel operation agreements were entered into with an aim to further develop the high-end tourism market in China by taking advantages of the strong backgrounds of both parties. The new hotels under the alliance include Sheraton Hong Kong, Tung Chung and Four Points by Sheraton Hong Kong, Tung Chung, which will commence operation in 2019, as well as Le Méridien Hangzhou Binjiang, which will commence operation in 2018. In addition, both parties renewed the management agreement in respect of Le Méridien Sheshan Shanghai. Since then, the number of hotels jointly operated by both parties has increased to five.

Particulars of hotel projects of the Group in 2015 are set out as follows:

| Hotel | Number of Rooms | Date of Commencement | Revenue | | EBITDA | |
|---|-----------------|----------------------|---------------|---------------|---------------|---------------|
| | | | (RMB million) | (RMB million) | (RMB million) | (RMB million) |
| | | | 2015 | 2014 | 2015 | 2014 |
| Le Méridien Sheshan Shanghai | 327 | November 2005 | 168 | 152 | 60 | 52 |
| Le Royal Méridien Shanghai | 770 | September 2006 | 380 | 379 | 153 | 151 |
| Hyatt on the Bund Shanghai | 631 | June 2007 | 354 | 341 | 124 | 117 |
| Holiday Inn Mudanjiang | 266 | December 2010 | 30 | 29 | 7 | 7 |
| Holiday Inn Shaoxing | 284 | September 2011 | 32 | 32 | 10 | 9 |
| Hilton Nanjing Riverside | 411 | December 2011 | 82 | 79 | 15 | 10 |
| DoubleTree by Hilton Wuhu | 442 | October 2013 | 55 | 44 | 3 | 1 |
| InterContinental Fuzhou | 318 | January 2014 | 92 | 66 | 16 | 6 |
| Crowne Plaza Shaoxing | 453 | March 2014 | 68 | 52 | 8 | 3 |
| Yuluxe Hotel Taizhou | 262 | August 2014 | 20 | 4 | (1) | (2) |
| MiniMax Hotel Shanghai Songjiang | 150 | December 2014 | 10 | – | – | – |
| Hilton Tianjin Eco-city | 302 | April 2015 | 10 | – | (4) | – |
| DoubleTree by Hilton Ningbo Chunxiao | 220 | December 2015 | 1 | – | – | – |
| MiniMax Premier Hotel Shanghai Hongqiao | 292 | December 2015 | – | – | – | – |
| Total | 5,128 | | 1,302 | 1,178 | 391 | 354 |

Hotel properties are stated at carrying amount, i.e. cost less accumulated depreciation and impairment losses, if any, rather than at fair value. In order to provide shareholders with additional non-GAAP information on the net assets value of the Group, the Board has appointed Vigers Appraisal and Consulting Limited, an independent valuer, to perform a valuation of the Group's hotel properties as at 31 December 2015. Had the 29 hotels (2014: 27 hotels), namely, Le Méridien Sheshan 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, Yuluxe Hotel Taizhou, DoubleTree by Hilton Ningbo Chunxiao, Hilton Yantai, Hilton Wuhan Riverside, DoubleTree by Hilton Ningbo Beilun, Yuluxe Hotel Xuzhou, Yuluxe Hotel Fuzhou Riverside, InterContinental Shanghai Wonderland, Yuluxe Hotel Jinjiang, Yuluxe Hotel Yuyao, Yuluxe Hotel Wenchang Hainan, Yuluxe Hotel Chengdu, Shimao Minimax Hotel Dalian, Le Méridien Hangzhou Binjiang, Yu Resort Quanzhou, Sheraton Hong Kong Tung Chung and Four Points by Sheraton Hong Kong Tung Chung been restated at fair value of RMB34.8 billion (2014: RMB31.9 billion), the net assets value of the Group would have been increased to RMB88.5 billion (2014: RMB78.4 billion).

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

| | As at 31 December | |
|---|--------------------------|---------------|
| | 2015 | 2014 |
| | (RMB million) | (RMB million) |
| Fair value of above-mentioned hotels | 34,787 | 31,934 |
| Less: Carrying amount | (16,387) | (14,026) |
| Amounts to adjust from carrying amount to fair value | 18,400 | 17,908 |
| Less: Deferred income taxes | (4,600) | (4,477) |
| Increase in net assets value if the above-mentioned hotels are stated at fair value | 13,800 | 13,431 |
| Net assets value per consolidated balance sheet | 74,749 | 64,983 |
| Adjusted net assets value | 88,549 | 78,414 |
| Net debt | 43,411 | 38,059 |
| Adjusted gearing ratio | 49.0% | 48.5% |



Nanjing Shimao Bund New City

FINANCIAL ANALYSIS

Key consolidated income statement figures are set out below:

| | 2015 RMB million | 2014 RMB million |
|--|---------------------|---------------------|
| Revenue | 57,733 | 56,081 |
| Gross profit | 16,448 | 18,225 |
| Operating profit | 15,614 | 15,671 |
| Profit attributable to shareholders | 6,116 | 8,104 |
| Earnings per share – Basic (RMB cents) | 176.7 | 234.3 |

Revenue

For the year ended 31 December 2015, the revenue of the Group was approximately RMB57,733 million (2014: RMB56,081 million), representing an increase of 2.9% over 2014. 94.6% (2014: 95.5%) of the revenue was generated from the sales of properties and 5.4% (2014: 4.5%) from hotel operation, leasing of commercial properties and others.

The components of the revenue are analysed as follows:

| | 2015 RMB million | 2014 RMB million |
|--|---------------------|---------------------|
| Sales of properties | 54,595 | 53,567 |
| Hotel operation income | 1,302 | 1,178 |
| Rental income from investment properties | 739 | 687 |
| Others | 1,097 | 649 |
| Total | 57,733 | 56,081 |

(i) Sales of properties

Sales of properties for the years ended 31 December 2015 and 2014 are set out below:

| | 2015 | | 2014 | |
|--------------------------------------|-----------------|-------------|-----------------|-------------|
| | Area (Sq.m.) | RMB million | Area (Sq.m.) | RMB million |
| Shimao Property | | | | |
| Wuhan Shimao Splendid River | 269,772 | 3,254 | 155,339 | 1,681 |
| Fuzhou Minhou Shimao Dragon Bay | 318,463 | 3,036 | 154,880 | 1,467 |
| Beijing Shimao Salamanca | 294,436 | 2,813 | 89,453 | 916 |
| Nanjing Straits City | 140,959 | 2,809 | 175,044 | 3,119 |
| Quanzhou Jinjiang Shimao Dragon Bay | 207,425 | 2,063 | 126,644 | 998 |
| Nanjing Shimao Glory Villa | 108,221 | 1,894 | 100,547 | 1,719 |
| Fuzhou Pingtan Straits Future City | 204,133 | 1,892 | 170,597 | 1,845 |
| Chengdu Shimao Royal Bay | 154,553 | 1,817 | 137,908 | 1,768 |
| Suzhou Shimao Canal Scene | 130,984 | 1,718 | 182,082 | 2,126 |
| Tianjin Shimao Wetland Century | 129,524 | 1,413 | 116,334 | 1,032 |
| Xiamen Shimao Lakeside Garden | 41,168 | 1,275 | 204,811 | 6,071 |
| Changzhou Shimao Champagne Lake | 184,358 | 1,272 | 99,350 | 759 |
| Zhangjiagang Shimao Lake Palace | 88,227 | 1,123 | 82,237 | 1,408 |
| Kunshan Shimao The East Bund | 152,545 | 1,070 | 172,928 | 1,257 |
| Wuhan Shimao Lake Island | 125,424 | 960 | 56,215 | 502 |
| Nantong Shimao In the Park | 130,294 | 902 | 87,564 | 519 |
| Qingdao Shimao Noble Town | 100,487 | 831 | 97,421 | 906 |
| Suzhou Shimao Shihu Bay | 55,318 | 811 | 62,438 | 992 |
| Beijing Shimao Lá Villa | 36,031 | 805 | 112,642 | 1,304 |
| Chongqing Shimao Luxury Mansion | 78,224 | 652 | – | – |
| Jinan Shimao The Capital of Yuanshan | 89,447 | 608 | – | – |
| Hangzhou Shimao Riviera Garden | 93,744 | 604 | 103,109 | 742 |
| Shenyang Shimao Wulihe | 65,102 | 587 | 62,489 | 601 |
| Nanchang Shimao APM | 59,846 | 584 | – | – |
| Hangzhou Shimao Above the Lake | 23,286 | 580 | 62,236 | 1,384 |
| Hangzhou Shimao East No.1 | 33,765 | 561 | 41,537 | 736 |
| Shaoxing Shimao Dear Town | 52,078 | 495 | 148,794 | 1,673 |
| Wuhu Shimao Riviera Garden | 63,326 | 462 | – | – |
| Xiamen Shimao Royal Villa | 20,152 | 454 | – | – |
| Wuhan Shimao Dragon Bay | 55,125 | 394 | 45,887 | 266 |
| Shanghai Shimao Sheshanli | 18,267 | 357 | 2,172 | 97 |
| Wuxi Shimao International City | 29,821 | 262 | 64,134 | 500 |
| Chengdu Shimao City | 40,870 | 262 | 125,693 | 953 |
| Nanning Shimao Luxury Mansion | 18,759 | 240 | – | – |
| Ningbo Shimao The Capital | 11,619 | 211 | 42,311 | 905 |
| Nanjing Shimao Merchants Mountain | 9,979 | 210 | – | – |
| Harbin Shimao Riviera New City | 45,686 | 179 | 80,115 | 428 |

Management Discussion and Analysis

| | 2015 | | 2014 | |
|--|------------------|---------------|-----------------|-------------|
| | Area (Sq.m.) | RMB million | Area (Sq.m.) | RMB million |
| Ningbo Shimao Sea Dawn | 22,914 | 156 | – | – |
| Xuzhou Shimao Dongdu | 18,140 | 153 | 5,323 | 48 |
| Chengdu Jianyang Shimao Misty Lakeside | 18,734 | 151 | – | – |
| Jiangyin Shimao Dragon Bay | 12,813 | 147 | – | – |
| Mudanjiang Shimao Holiday Landscape | 26,051 | 133 | 95,047 | 387 |
| Dalian Shimao Glory City | 14,626 | 116 | 22,542 | 191 |
| Shanghai Shimao Emme County | 11,783 | 106 | 20,954 | 193 |
| Nanchang Shimao The Grand View | 6,898 | 79 | – | – |
| Ningbo Shimao Dragon Bay | 7,132 | 74 | – | – |
| Fuzhou Shimao Skyscrapers | 2,881 | 68 | – | – |
| Hainan Wenchang Shimao Blooming Sea | 3,875 | 49 | 48,366 | 434 |
| Shenyang Shimao Bojing Plaza | 5,188 | 41 | 16,747 | 221 |
| Shenyang Shimao Notting Hill | 3,920 | 36 | 37,167 | 365 |
| Xianyang Shimao The Centre | 3,935 | 17 | 27,275 | 197 |
| Ningbo Shimao World Gulf | 1,192 | 11 | 2,277 | 27 |
| Taizhou Shimao Riverside Garden | 2,259 | 7 | 56,306 | 272 |
| Jiaxing Shimao New City | 784 | 5 | 30,553 | 169 |
| Dalian Shimao Dragon Bay | 186 | 2 | 81,184 | 700 |
| Yantai Shimao No.1 The Harbour | – | – | 1,275 | 11 |
| Sub-total (a) | 3,844,729 | 40,811 | 3,607,927 | 41,889 |
| Shanghai Shimao | | | | |
| Quanzhou Shishi Shimao Skyscraper City | 873,448 | 4,306 | 29,005 | 496 |
| Nanjing Shimao Bund New City | 184,155 | 3,403 | 10,351 | 184 |
| Jinan Shimao Skyscraper City | 105,045 | 1,123 | – | – |
| Xiamen Shimao Straits Mansion | 23,493 | 863 | 116,990 | 4,137 |

Wuhu Shimao Riviera Garden



| | 2015 | | 2014 | |
|--|-----------------|-------------|-----------------|-------------|
| | Area (Sq.m.) | RMB million | Area (Sq.m.) | RMB million |
| Qingdao Shimao Noosa Bay | 59,095 | 642 | 94,754 | 1,220 |
| Ningbo Shimao Riviera Garden | 37,347 | 595 | – | – |
| Changshu Shimao Royal Bay | 54,115 | 575 | – | – |
| Suzhou Shimao Royal Villa | 30,546 | 451 | 59,580 | 873 |
| Jinan Shimao International Plaza | 19,978 | 423 | 25,459 | 738 |
| Tianjin Wuqing Shimao Luxury Mansion | 31,502 | 292 | 57,983 | 499 |
| Ningbo Shimao Sunlake Centre | 19,322 | 253 | – | – |
| Changzhou Shimao Champagne Lake (Commercial) | 29,023 | 217 | 4,925 | 27 |
| Suzhou Shimao Canal Scene (Commercial) | 19,338 | 185 | 51,292 | 505 |
| Shanghai Shimao Wonderland | 8,934 | 157 | 36,926 | 796 |
| Wuhan Shimao Carnival | 15,674 | 123 | 78,408 | 736 |
| Xuzhou Shimao Dongdu (Commercial) | 8,877 | 92 | 545 | 14 |
| Changshu Shimao The Centre (Commercial) | 6,244 | 65 | 33,246 | 146 |
| Qingdao Shimao Shi'ao Tower | 601 | 14 | 47,721 | 1,272 |
| Wuhu Shimao Riviera Garden (Commercial) | 395 | 5 | 714 | 11 |
| Kunshan Shimao International City | – | – | 2,018 | 22 |
| Qingdao Shimao International Plaza | – | – | 110 | 2 |
| Sub-total (b) | 1,527,132 | 13,784 | 650,027 | 11,678 |
| Sub-total (a)+(b) | 5,371,861 | 54,595 | 4,257,954 | 53,567 |
| Less: Government Resettlement Housing (c) | (606,262) | (1,687) | – | – |
| Total (a)+(b)-(c) | 4,765,599 | 52,908 | 4,257,954 | 53,567 |

Suzhou Shimao Canal Scene



Management Discussion and Analysis

(ii) Hotel income

Hotel operation income is analysed below:

| | 2015 RMB million | 2014 RMB million |
|--------------------------------------|---------------------|---------------------|
| Le Royal Méridien Shanghai | 380 | 379 |
| Hyatt on the Bund Shanghai | 354 | 341 |
| Le Méridien Sheshan Shanghai | 168 | 152 |
| InterContinental Fuzhou | 92 | 66 |
| Hilton Nanjing Riverside | 82 | 79 |
| Crowne Plaza Shaoxing | 68 | 52 |
| DoubleTree by Hilton Wuhu | 55 | 44 |
| Holiday Inn Shaoxing | 32 | 32 |
| Holiday Inn Mudanjiang | 30 | 29 |
| Yuluxe Hotel Taizhou | 20 | 4 |
| MiniMax Hotel Shanghai Songjiang | 10 | – |
| Hilton Tianjin Eco-city | 10 | – |
| DoubleTree by Hilton Ningbo Chunxiao | 1 | – |
| Total | 1,302 | 1,178 |

Hotel operation income increased approximately 10.5% to RMB1,302 million in 2015 from RMB1,178 million in 2014. The increase was mainly derived from increasing occupancy rate and newly-opened hotels.



Shenyang Shimao Wulihe

(iii) Rental income and others

Rental income from investment properties amounted to approximately RMB739 million. The rental income increased by 7.6%, mainly due to the growth of the average rent and newly opened Jinan Shimao International Plaza in the second half of 2014.

Other income amounted to RMB1,097 million was mainly derived from the cinemas, property management and department stores.

| | 2015 RMB million | 2014 RMB million |
|---|---------------------|---------------------|
| Shanghai Shimao International Plaza | 160 | 159 |
| Beijing Shimao Tower | 141 | 135 |
| Shaoxing Shimao Dear Town (Commercial) | 90 | 89 |
| Jinan Shimao International Plaza | 88 | 56 |
| Beijing Fortune Times (Commercial) | 60 | 59 |
| Kunshan Shimao Plaza | 39 | 29 |
| Shanghai Shimao Shangdu | 33 | 45 |
| Suzhou Shimao Canal Scene (Commercial) | 32 | 23 |
| Changshu Shimao The Centre | 17 | 15 |
| Xuzhou Shimao Dongdu (Commercial) | 15 | 15 |
| Wuhu Shimao Riviera Garden (Commercial) | 7 | 7 |
| Miscellaneous rental income | 57 | 55 |
| Others | 1,097 | 649 |
| Total | 1,836 | 1,336 |



Kunshan Shimao Butterfly Bay



Changzhou Shimao Champagne Lake

Cost of sales

Cost of sales increased by 9.1% to approximately RMB41,285 million in 2015 from RMB37,856 million in 2014, 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:

| | 2015 RMB million | 2014 RMB million |
|---|---------------------|---------------------|
| Sales taxes | 3,296 | 3,230 |
| Land costs and construction costs | 33,835 | 30,960 |
| Capitalised borrowing costs | 3,451 | 3,042 |
| Direct operating costs for hotels, commercial properties and others | 703 | 624 |
| Total | 41,285 | 37,856 |

Fair value gains on investment properties

During the year, the Group recorded aggregate fair value gains of approximately RMB2,777 million (2014: fair value gains RMB1,511 million), mainly contributed by the further increase in value of certain investment properties and the addition in number of investment properties, among which, Qianhai Shimao Financial Centre in Shenzhen, the new investment property in 2015 contributed fair value gain of RMB1,481 million. Aggregate net fair value gains after deferred income tax of RMB694 million recognised were RMB2,083 million (2014: net fair value gains after deferred income tax were RMB1,133 million).

Other gains

Other gains of approximately RMB1,571 million for the year ended 31 December 2015 (2014: RMB502 million), which mainly included net gains on disposal of subsidiaries and associated companies of RMB1,039 million, gains on acquisition of equity interests in associated companies and joint ventures and obtaining control of RMB322 million, gain on government grants of RMB108 million, and fair value gain on derivative financial instruments of RMB43 million.

Selling and marketing costs and administrative expenses

Selling and marketing costs for the year was approximately RMB1,615 million (2014: RMB1,496 million), which increased by 8.0%. The increase was mainly due to number of projects with advertising activities increased. The sales team also focused on the effectiveness of sales strategy according to the changes in the market. Administrative expenses for the year increased by 16.8% from RMB2,808 million to RMB3,278 million. It was mainly due to the increase of property management area controlled by Shimao Tiancheng Property Management Co., Ltd., and in line with the commencement of three new hotels in 2015. In addition, labor cost also increased with the expansion of the business. The management will continue to strengthen controls over expenses and strictly follow the annual expenses budget.

Operating profit

Operating profit amounted to RMB15.614 billion for the year ended 31 December 2015, slightly decreased over 2014 (2014: RMB15.671 billion).

Finance costs – net

Net finance costs increased to approximately RMB1,409 million (2014: RMB241 million) mainly due to foreign exchange losses of approximately RMB1,189 million occurred during the year.

Share of results of associated companies and joint ventures

Share of profits of associated companies amounted to approximately RMB109 million (2014: share of losses of RMB153 million), which was mainly due to the profits of Beijing Fangshan Changyang Project. Share of losses of joint ventures amounted to approximately RMB592 million (2014: share of losses of RMB21 million), which was mainly due to the mark-to-market value appreciation recognized during equity interest transactions of projects such as Wuxi Railway Station Project, Ningbo Xiangshan Project, Ningbo Baoqingsi Project, Nanchang Shimao Sky City Project and Changsha Shimao Brilliant Bay Project, resulting relatively high unit cost and net loss.

Taxation

The Group's tax provisions amounted to approximately RMB5,564 million in which PRC land appreciation tax ("LAT") was RMB1,696 million (2014: RMB5,769 million, in which LAT was RMB1,840 million) for the year.

Profit attributable to shareholders

Profit attributable to shareholders for the year decreased by 24.5% from approximately RMB8,104 million in 2014 to RMB6,116 million in 2015. The decrease was mainly due to the increase of net exchange loss and additional profit attributable to non-controlling interests in 2015. Excluding the net impact of major after-tax non-cash items, net profit from core business attributable to shareholders for the year decreased by 21.5% to approximately RMB6.207 billion, compared with 2014. The profit margin from core business attributable to shareholders was 13.1% in 2015.



Nantong Shimao Lohas City

Liquidity and financial resources

As of 31 December 2015, total assets of the Group were approximately RMB244.255 billion, of which current assets were approximately RMB174.937 billion. Total liabilities were approximately RMB169.506 billion, whereas non-current liabilities were approximately RMB58.726 billion. Total equity was approximately RMB74.749 billion, of which equity attributable to the shareholders of the Company amounted to approximately RMB50.162 billion.

As of 31 December 2015, the Group had aggregate cash and bank balances (including restricted cash) of approximately RMB26.410 billion (as at 31 December 2014: RMB23.935 billion), total borrowings amounted to approximately RMB69.821 billion (as at 31 December 2014: RMB61.994 billion). Total net borrowings were RMB43.411 billion (as at 31 December 2014: RMB38.059 billion). Net gearing ratio slightly decreased from 58.6% as at 31 December 2014 to 58.1% as at 31 December 2015.

The maturity of the borrowings of the Group as at 31 December 2015 is set out as follows:

| | RMB million |
|---|---------------|
| Bank borrowings and borrowings from other financial institutions | |
| Within 1 year | 16,954 |
| Between 1 and 2 years | 10,268 |
| Between 2 and 5 years | 19,857 |
| Over 5 years | 6,630 |
| Senior notes | |
| Between 2 and 5 years | 5,128 |
| Over 5 years | 10,984 |
| Total | 69,821 |

The borrowings were denominated in different currencies set out below:

| | Original currency million | RMB equivalent million |
|------|---------------------------------|------------------------------|
| US\$ | 3,911 | 25,393 |
| HK\$ | 9,973 | 8,356 |
| RMB | 36,072 | 36,072 |

Financing activities

The Group continued to take advantage of its onshore and offshore diversified financing channels to support its sustainable development and further optimize its financing structure, of which short-term borrowings was approximately 24% and long-term borrowings was approximately 76% as at 31 December 2015. The cash coverage ratio increased from approximately 128% as at 31 December 2014 to approximately 156% as at 31 December 2015, which indicated the Group kept high liquidity and low debt pressure.

In 2015, restrictions against overseas-listed property developers were relaxed in the domestic bond market. The Group has initiated its access to the domestic corporate bond market and gradually reduced its average borrowing costs. The Group accomplished the following financing activities at favorable interest rate.

Shanghai Shimao Jianshe Co., Ltd., a wholly-owned subsidiary of the Group, issued domestic corporate bond of RMB6.0 billion and RMB1.4 billion with a term of 5 years 3.9% annual coupon rate and 7 years 4.15% annual coupon rate respectively in September and October 2015. The finance costs were one of the lowest coupon rates within the industry.

In January 2016, the Group received approval to issue domestic corporate bonds to qualified investors in the PRC and completed the issuance of RMB4.0 billion with a term of five years and an annual coupon rate of 4.8%.

In January 2016, Shanghai Shimao, a subsidiary of the Group issued a total amount of RMB2.0 billion short-term notes with an annual coupon rate of 3%.

In November 2015, Shanghai Shimao, a subsidiary of the Group received approval to issue domestic corporate bonds publicly in the PRC. In March 2016, Shanghai Shimao completed the issuance of RMB2.0 billion with a term of 3 years and an annual coupon rate of 3.29%.

In January 2016, the Group also commenced the preparation of the issuance of domestic red-chip corporate bonds when it is feasible.

The Group actively explored opportunities in innovative financing activities and asset securitisation market. During 2015, the Group successfully launched the first ABS product backed by property management fees and the first ABS product backed by mortgage payments which were pioneer milestones in the capital market. The Group will further explore the securitisation of hotels and commercial properties to revitalize its assets. The Group also actively cooperates with various financial institutions to provide comprehensively-customized financing service for its upstream and downstream partners.

The above efforts in financing activities laid the foundation of reducing the financing cost to 6.9% and optimizing the maturity structure of debts for the Group.



Wuhan Shimao New City

In July 2015, in view of the steady operating and financial performance of the Group, Standard and Poor's, an international credit rating agency, upgraded the Group's long-term corporate credit rating from "BB" to "BB+". In August 2015, Fitch Ratings, upgraded the Group's corporate credit from "Stable" to "Positive", and confirmed the Group's long-term corporate credit rating as "BB+". Moreover, in August 2015, the Group received "AAA" rating, the highest corporate credit rating from the three biggest domestic credit rating agencies, namely, China Chengxin Securities Rating Co., Ltd., United Ratings Co., Ltd. and Dagong Global Credit Rating Co., Ltd. successively.

Foreign exchange risks

The Group's foreign exchange exposure is mainly derived from the borrowings denominated in US\$ and HK\$. The Group is actively taking measures to mitigate the risk of devaluation of RMB, balance borrowing costs and exchange risks costs and gradually narrow the foreign exchange risk exposure. One of the measures is to reduce the portion of borrowings dominated in foreign currency by expanding domestic financing channels through the issuing of RMB corporate bond, asset securitisation, etc.

In March 2015, the Group early redeemed the principle amount of US\$350 million senior notes, which was originally due in March 2018. In November 2015, the Group repaid all the remaining principal of the 2012 Syndicated Loan. In December 2015, the Group repaid the matured part of the 2013 Syndicated Loan, and in February 2016, the Group early repaid the remaining principle amount of US\$272 million and HK\$1,657.5 million of 2013 Syndicated Loan.

In February 2016, the Group entered into a US\$100 million forward exchange option agreement and will continue to seek foreign exchange hedging instruments at a reasonable cost to manage foreign exchange risk more effectively.

Pledge of assets

As of 31 December 2015, the Group had pledged property and equipment, investment properties, land use rights, properties under development, completed properties held for sale and restricted cash with a total carrying amount of RMB57.313 billion to secure bank facilities granted to the Group. The corresponding bank and other loans amounted to approximately RMB22.760 billion. The Group had also pledged shares of certain subsidiaries for a total borrowing of RMB0.497 billion.



Shenyang Shimao Wulihe

Xuzhou Shimao Dongdu

Contingencies

As of 31 December 2015, the Group had provided guarantees for approximately RMB14.100 billion in respect of the mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. In addition, the Group had provided guarantees for approximately RMB6.600 billion in its portion of equity interests in associated companies and joint ventures for their bank borrowings, and RMB0.934 billion in an associated company for its borrowings from a certain financial institution.

Capital and property development expenditure commitments

As of 31 December 2015, the Group had contracted capital and property development expenditure but not provided for amounted to approximately RMB37.013 billion.

Employees and remuneration policy

As of 31 December 2015, the Group employed a total of 7,223 employees. Total remuneration for the year amounted to approximately RMB1,589 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 programs for its staff to improve their skills and develop their respective expertise.



Fuzhou Ebi Project



Quanzhou Shishi Shimao Skyscraper City



Quanzhou Shishi Shimao Skyscraper City

Report of the Directors

The directors (the “Directors”) of Shima 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 2015.

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 37 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2015 are set out on pages 75 to 204 of this annual report.

The board of Directors of the Company (the “Board”) has proposed the payment of a final dividend of HK40 cents (2014: HK60 cents) per ordinary share for the year ended 31 December 2015. The proposed final dividend together with the interim dividend of HK30 cents per ordinary share paid on 30 September 2015, will amount to a total dividend of HK70 cents per ordinary share for the year ended 31 December 2015 (throughout 2014: HK90 cents). The proposed final dividend, if approved at the annual general meeting (“AGM”) to be held on 20 June 2016, will be payable on 29 July 2016 to shareholders whose names appear on the register of members of the Company on 15 July 2016.

Closure of Register of Members

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

- (i) on Friday, 17 June 2016 and Monday, 20 June 2016, 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, 16 June 2016; and
- (ii) on Thursday, 14 July 2016 and Friday, 15 July 2016, for the purpose of ascertaining shareholders’ entitlement to the proposed final dividend. In order to qualify for 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 Wednesday, 13 July 2016.

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

BUSINESS REVIEW

A business review of the Group for the year ended 31 December 2015 and a discussion of the Group's future business development and possible risks and uncertainties that the Group may encounter are provided in the Chairman's Statement on pages 8 to 15 and the Management Discussion and Analysis on pages 16 to 41 of this annual report.

The financial risk management objectives and policies of the Group are shown in note 3 to the consolidated financial statements.

An analysis of the Group's performance during the year using key financial performance indicators is set out in the Five Years Financial Summary on pages 6 to 7 of this annual report.

Important events affecting the Group that have occurred since the end of 2015 are shown in note 42 to the consolidated financial statements.

The Group is committed to environmental protection and carries out various measures to ensure the fulfillment of its duties to the environment. During the year, the efforts of the Group on the environmental protection were highly appraised by the public and the Company was awarded as the "2015 Top 10 Green Real Estate Developer (Residential) in China" and the "2015 Top 20 Green Real Estate Developer (Commercial Property) in China" in a campaign organised by China Investment Network in August 2015, namely, "2015 Top 50 Green Real Estate Developer in China". The Group will continue to make every endeavor to protect the environment and eliminate any violation of environmental protection laws and regulations.

The Group has established systems and policies to make sure that the Group is carrying out business and its staff are performing their duties in compliance with the relevant laws and regulations which have significant impact on the Group including but not limited to the Personal Data (Privacy) Ordinance, the Minimum Wage Ordinance, the Employment Ordinance and the Occupational Safety and Health Ordinance in Hong Kong, and the Anti-Monopoly Law and the Anti-Unfair Competition Law in the People's Republic of China. For the Company itself, it also follows requirements set out in the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Companies Ordinance, the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) ("SFO") and the Companies Laws of the Cayman Islands. In addition, the Board regards employees as one of the crucial elements to success of the Group and places much emphases on long term career development of the employees. Regular trainings are conducted to ensure that the skills and knowledge of the employees are kept abreast with the times.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 23 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 revenue and 30% of the Group's total purchases respectively during the year.

None of the Directors, their close associates or any shareholders (which to the knowledge of the Directors owns more than 5% of the number of issued shares of the Company) 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 2015 are set out in note 24 to the consolidated financial statements.

DONATIONS

Charitable and other donations made by the Group during the year amounted to RMB50,652,000 (2014: RMB38,501,000).

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 for the year ended 31 December 2015 are set out in note 22 to the consolidated financial statements.

Details of the movements of the share options of the Company and its subsidiary during the year are set out on page 147 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 6 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 (the "Articles of Association") or the laws of the Cayman Islands where the Company is incorporated.

DIRECTORS

The Directors 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*)
Ms. Tang Fei
Mr. Liao Lujiang
Mr. Kan Naigui (appointed on 15 January 2016)
Mr. Xu Younong (retired on 15 January 2016)

Non-executive Director

Mr. Liu Sai Fei (re-designated on 9 January 2015)

Independent Non-executive Directors

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

Report of the Directors

In accordance with articles 86(3) and 87 of the Articles of Association, four Directors, namely, Ms. Tang Fei, Mr. Liao Lujiang, Mr. Kan Naigui and Mr. Lu Hong Bing shall retire from office by rotation respectively at the forthcoming AGM, all being eligible, have offered 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 Listing Rules. The Company considers that all the Independent Non-executive Directors are independent.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save as disclosed in this report, no transactions, arrangements and 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 or his/her connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or subsisted 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 with 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 2015, nor was there any share option outstanding as at 1 January 2015 and 31 December 2015.

Share Option Scheme of Shanghai Shimao

Shanghai Shimao Co., Ltd. (“Shanghai Shimao”) adopted a share option scheme (the “Shanghai Shimao Scheme”) on 27 June 2013 (the “Date of Adoption”), details are as follows:

- (a) The purpose of the 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’s 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 employee with incentives through profit sharing, thus securing the sustainable healthy development of Shanghai Shimao.
- (b) Options granted under the Shanghai Shimao Scheme are incentives to directors, senior management and mid-level key managerial personnel of Shanghai Shimao. The shares subject to the options granted under the 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 the Shanghai Shimao Scheme.
- (c) A total number of 10,000,000 A Shares, representing approximately 0.85% of the total number of A Shares in issue as at the Date of Adoption, was available for issue under the Shanghai Shimao Scheme. On 28 June 2013, all share options carrying rights to subscribe for a total of 10,000,000 A Shares were granted by Shanghai Shimao. No further shares would be available for issue under the Shanghai Shimao Scheme.

Report of the Directors

- (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.
- (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 the 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 was RMB9.84 per A Share, which was 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. During the year ended 31 December 2014, the exercise price of the options granted under the Shanghai Shimao Scheme has been adjusted to RMB9.60 per A Share as a result of distribution of dividends for the six months ended 30 June 2013 and for the year ended 31 December 2013. During the year ended 31 December 2015, the exercise price of the options granted under the Shanghai Shimao Scheme has been adjusted to RMB6.29 per A Share as a result of distribution of dividends and issue of bonus shares for the year ended 31 December 2014.
- (i) The options granted by Shanghai Shimao on 28 June 2013, being outstanding as at 1 January 2015 and 31 December 2015, were 6,780,000 options (before adjustment) and 2,700,000 options (after adjustment) respectively, which are exercisable in the manner as set out in paragraph (e) above. During the year ended 31 December 2015, the number of options granted under the Shanghai Shimao Scheme has been adjusted as a result of distribution of dividends and issue of bonus shares for the year ended 31 December 2014.
- (j) No options were granted by Shanghai Shimao under the Shanghai Shimao Scheme during the year ended 31 December 2015.
- (k) During the year ended 31 December 2015, 3,900,000 options (after adjustment) were lapsed under the Shanghai Shimao Scheme.

- (l) 3,570,000 options (after adjustment) were exercised and the exercise price of the options was RMB6.29 per A Share pursuant to the Shanghai Shimao Scheme during the year ended 31 December 2015. The weighted average closing price of the A Shares of Shanghai Shimao immediately before the date(s) of exercise(s) of options for the year was RMB11.64 per A Share.
- (m) The Shanghai Shimao Scheme will expire on 27 June 2016.

Other details of the Share Option Scheme and the Shanghai Shimao Scheme are set out in note 22 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 2015, 4,730,902 shares were granted to certain executive directors and selected employees of the Group under the Share Award Scheme and 4,752,690 awarded shares have been vested during the year ended 31 December 2015.

EQUITY-LINKED AGREEMENTS

Save as disclosed above, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year or subsisted at the end of the year.

DISCLOSURE OF INTERESTS IN SECURITIES

Directors' and Chief Executive's Interests and Short Position in the Company

As at 31 December 2015, the interests and short position of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Appendix 10 of 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 | 2,290,489,942 ^(Note 1) | 65.96% |
| Hui Sai Tan, Jason | Beneficial owner | 2,455,467 ^(Note 2) | 0.071% |
| Xu Younong | Beneficial owner | 356,264 ^(Note 3) | 0.010% |
| Tang Fei | Beneficial owner | 267,264 ^(Note 4) | 0.008% |
| Liao Lujiang | Beneficial owner | 301,065 ^(Note 5) | 0.009% |
| Liu Sai Fei | Beneficial owner | 833,942 ^(Note 6) | 0.024% |

Notes:

- These 2,290,489,942 shares represent 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.
- The interests disclosed include deemed interests in 32,391 shares granted under the Share Award Scheme.
- The interests disclosed include deemed interests in 76,568 shares granted under the Share Award Scheme.
- The interests disclosed include deemed interests in 70,178 shares granted under the Share Award Scheme.
- The interests disclosed include deemed interests in 47,078 shares granted under the Share Award Scheme.
- The interests disclosed include deemed interests in 94,867 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.

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 2015, 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 interests | Number of shares or underlying shares held | Approximate percentage of issued share capital |
|--|---------------------|--|--|
| Long position | | | |
| Gemfair Investments Limited (“Gemfair”) | Note (1) | 1,947,984,000 | 56.10% |
| Overseas Investment Group International Limited (“Overseas Investment”) | Note (2) | 1,947,984,000 | 56.10% |
| Shiyong Finance Limited (“Shiyong Finance”) | Note (3) | 342,505,942 | 9.86% |

Notes:

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

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

DIRECTORS’ INTERESTS IN COMPETING BUSINESS

Pursuant to Rule 8.10 of the Listing Rules, the Company disclosed below that during the year ended 31 December 2015, the following Director was considered to have interests in the following businesses which competed or were likely to compete, either directly or indirectly, with the businesses of the Group.

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

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

PERMITTED INDEMNITY PROVISIONS

The Articles of Association provides that the Directors, secretary or other officers of the Company shall be entitled to be indemnified out of the assets and profit of the Company from and against all actions, costs, charges, losses, damages and expenses which he or she may incur or sustain or about the execution of their duties in their respective offices. In addition, the Company has maintained appropriate directors and officers liability insurance in respect of the relevant legal actions against the Directors.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES

During the year ended 31 December 2015, 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 3,000,000 shares of the Company at a total consideration of approximately HK\$50,800,000.

CONTINUING DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

The Company entered into the following agreements:

1. 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 have been made available to the borrower for a term of 36 months from the date of the facility agreement.
2. 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 have been made available to the borrower for a term of 36 months from the first utilisation date.
3. A credit agreement on 12 June 2014 between, among others, the Company as borrower, certain subsidiaries of the Company as guarantors, The Hongkong and Shanghai Banking Corporation Limited and Hang Seng Bank Limited as mandated lead arrangers and coordinators, The Bank of East Asia, Limited, Standard Chartered Bank (Hong Kong) Limited, Sumitomo Mitsui Banking Corporation, Tai Fung Bank Limited, Goldman Sachs Bank USA, China CITIC Bank International Limited, JPMorgan Chase Bank, N.A., Hong Kong Branch, Morgan Stanley Senior Funding, Inc. and UBS AG, Hong Kong Branch as mandated lead arrangers, certain financial institutions as specified in the credit agreement as original lenders and Standard Chartered Bank (Hong Kong) Limited as facility agent, multi-currency term loan facilities in the amount of US\$665,000,000 and HK\$555,000,000 have been made available to the Company for a term of 48 months from the date of the credit agreement.
4. A facility agreement on 22 April 2015 between, among others, Peak Castle Assets Limited, being an indirect wholly-owned subsidiary of the Company, as borrower, the Company and Mr. Hui Wing Mau, as guarantors, Bank of China Limited, Macau Branch, Bank of China Limited, Sydney Branch, Bank of China (Malaysia) Berhad and Bank of China Limited, Manila Branch as arrangers and original lenders and Bank of China Limited, Macau Branch as agent, a term loan facility in the amount of US\$89,000,000 has been made available to the borrower for a term of 48 months from the date of the facility agreement.

As provided in each of the above agreements, 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 2015 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 and maintaining 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 54 to 67 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 AGM of the Company.

On behalf of the Board

Hui Wing Mau

Chairman

Hong Kong, 30 March 2016



Dalian Shimao Dragon Bay

Yu Resort Quanzhou

Corporate Governance Report

A. CORPORATE GOVERNANCE PRACTICES

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

The Company 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 (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) throughout the financial year ended 31 December 2015 with the exception of one deviation, namely, code provision A.2.1 providing for the roles of the chairman and chief executive to be performed by different individuals. The reason of the said deviation from the relevant code provision is set out under the paragraph on “C.2 Chairman and Chief Executive” below.

B. DIRECTORS’ SECURITIES TRANSACTIONS

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 of the Company (the “Directors”). Before the Group’s interim and annual results are announced, notifications are sent to the Directors to remind them not to deal in the securities of the Company during the blackout periods. The Company has made specific enquiry of all Directors and all the Directors confirmed that they had complied with the required standard set out in the Model Code during the financial year.

C. DIRECTORS

C.1 The Board

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

The Board has four scheduled meetings a year at quarterly interval and meets as and when required. During the financial year ended 31 December 2015, four Board meetings were held, all of which were attended by all Directors. All Directors attended Board meetings in person or through electronic means of communication during the year. Details of the attendance records of the Directors are set out in the table on page 59. Apart from formal meetings, matters requiring the Board approval were dealt with by way of written resolutions.

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

C.2 Chairman and Chief Executive

Mr. Hui Wing Mau serves as the Chairman and also as the chief executive of the Company during the year. This is at variance with code provision A.2.1 of the Code, which provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

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

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

C.3 Board Composition

The Board has a balance of skills and experience appropriate for the Company's business. Given below are names of Directors during the financial year ended 31 December 2015 and up to the date of this report:

Executive Directors

Mr. Hui Wing Mau (*Chairman*)
Mr. Hui Sai Tan, Jason (*Vice Chairman*)
Mr. Xu Younong (retired on 15 January 2016)
Ms. Tang Fei
Mr. Liao Lujiang
Mr. Kan Naigui (appointed effective from 15 January 2016)

Non-executive Director

Mr. Liu Sai Fei (re-designated on 9 January 2015)

Independent Non-executive Directors

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

Brief biographical particulars of all existing 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.

The Board comprises five Executive Directors and four Non-executive Directors. Three out of the four Non-executive Directors are Independent Non-executive Directors who represent one-third of the Board. The Non-executive Directors bring independent advice, judgment and scrutiny of executives and review of performance and risks. The audit committee of the Company (the “Audit Committee”) comprises only Non-executive Directors.

The Board considers that all the three Independent Non-executive Directors are independent in character and judgment and meet the guidelines for assessment of independence as set out in Rule 3.13 of the Listing Rules. Confirmation has been received from all Independent Non-executive Directors that they are independent as set out in Rule 3.13 of the Listing Rules.

Independent Non-executive Directors are identified as such in all corporate communications containing the names of the Directors.

C.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 annual 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 upcoming annual general meeting of the Company and shall then be eligible for re-election.

C.5 Nomination Committee

The Company has established a nomination committee (the “Nomination Committee”) on 9 June 2006 with a majority of its members being Independent Non-executive Directors. The Nomination Committee consists of four members, comprising Mr. Hui Wing Mau (as the chairman of the Nomination Committee) and three Independent Non-executive Directors.

There was two Nomination Committee meetings held during the financial year ended 31 December 2015. Details of attendance of the Nomination Committee members are set out in the table on page 59.

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

The terms of reference of the Nomination Committee have been reviewed with reference to the Code and are available on the Company's website at www.shimaoproperty.com.

The work performed by the Nomination Committee for the financial year ended 31 December 2015 is the review of the structure, size and composition (including the skills, knowledge and experience) of the Board.

For the nomination by the Board of Mr. Lam Ching Kam to stand for re-election as an Independent Non-executive Director at the annual general meeting in 2015, explanatory statements were included in the circular accompanying the relevant notice of meeting to set out reasons why the Board considers him to be independent.

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 gender, age, race, cultural and educational background, professional experience, industry and business-related experience, skills, knowledge and length of service, 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 monitor the implementation of the board diversity policy. It will also from time to time review the board diversity policy, as appropriate, to ensure the effectiveness of the policy.

C.6 Responsibilities of Directors

Every newly appointed Director receives briefings and orientation containing their legal and other responsibilities as a Director and the role of the Board together with materials on the Company's business and operations from the Company Secretary. The Company provides appropriate and sufficient information to Directors in a timely manner to keep them apprised of the latest development of the Group and to enable them to make an informed decision as well as to discharge their duties and responsibilities as Directors of the Company. Each Director has independent access to senior executives on operating issues.

Every Director is aware that he/she should give sufficient time and attention to the affairs of the Company. Each Director discloses to the Company at the time of his/her appointment, and in a timely manner for any change, the number and nature of offices held in public companies or organisations and other significant commitments with indication of relevant time commitment.

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. Since January 2012, all Directors have been required to provide training records to the Company and the training records have been maintained by the Company Secretary.

According to the records maintained by the Company Secretary, all Directors pursued continuous professional development during the year and relevant details are set out below:

| Directors | Reading materials |
|---|-------------------|
| Mr. Hui Wing Mau | ✓ |
| Mr. Hui Sai Tan, Jason | ✓ |
| Mr. Xu Younong (retired on 15 January 2016) | ✓ |
| Ms. Tang Fei | ✓ |
| Mr. Liao Lujiang | ✓ |
| Mr. Liu Sai Fei | ✓ |
| Ms. Kan Lai Kuen, Alice | ✓ |
| Mr. Lu Hong Bing | ✓ |
| Mr. Lam Ching Kam | ✓ |

Individual attendance records of the Directors at board meetings, board committees meetings and annual general meeting during the financial year ended 31 December 2015, are set out below:

| Directors | Attendance/Number of Meeting(s) | | | | Annual general meeting |
|--|---------------------------------|-------------------------------|------------------------------------|--------------------------------------|------------------------------|
| | Board meeting | Audit Committee meeting | Nomination Committee meeting | Remuneration Committee meeting | |
| Mr. Hui Wing Mau | 4/4 | N/A | 2/2 | 2/2 | 1/1 |
| Mr. Hui Sai Tan, Jason | 4/4 | N/A | N/A | N/A | 1/1 |
| Mr. Xu Younong (retired on 15 January 2016) | 4/4 | N/A | N/A | N/A | 1/1 |
| Ms. Tang Fei | 4/4 | N/A | N/A | N/A | 1/1 |
| Mr. Liao Lujiang | 4/4 | N/A | N/A | N/A | 1/1 |
| Mr. Liu Sai Fei | 4/4 | N/A | N/A | N/A | 1/1 |
| Ms. Kan Lai Kuen, Alice | 4/4 | 2/2 | 2/2 | 2/2 | 1/1 |
| Mr. Lu Hong Bing | 4/4 | 2/2 | 2/2 | 2/2 | 1/1 |
| Mr. Lam Ching Kam | 4/4 | 2/2 | 2/2 | 2/2 | 1/1 |

All Independent Non-executive Directors attended the last annual general meeting held in 2015. Please refer to the table set out above for details of attendance records of all Directors at the last annual general meeting of the Company held in June 2015.

C.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 circulated in full to all Directors in a timely manner to enable the Directors to make informed decisions on matters to be raised at the Board meetings.

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



Suzhou Shimao Shihu Bay

D. REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT AND BOARD EVALUATION

D.1 The Level and Make-up of Remuneration and Disclosure

The Company has established a remuneration committee (the “Remuneration Committee”) on 9 June 2006 with a majority of its members being Independent Non-executive Directors. 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.

There were two Remuneration Committee meetings held during the financial year ended 31 December 2015. Details of attendance of the Remuneration Committee members are set out in the table on page 59.

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

The terms of reference of the Remuneration Committee have been reviewed with reference to the Code and are available on the Company’s website at www.shimaoproperty.com.

The work performed by the Remuneration Committee for the financial year ended 31 December 2015 is summarised below:

- (a) review of the Company’s policy and structure for all remunerations of Directors and senior management of the Company; and
- (b) consideration and approval of the remunerations for all Directors and senior management of the Company.

Details of the Directors’ remunerations (including the Executive Directors who are also the senior management of the Company) are set out in note 32 to the consolidated financial statements of this annual report.



Shenyang Qipan Mountain



Xiamen Jimei Project

E. ACCOUNTABILITY AND AUDIT

E.1 Financial Reporting

All Directors are provided with a review of the Group's major business activities and key financial information on a monthly basis.

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, results and cash flows for relevant period.

In preparing the financial statements for the financial year ended 31 December 2015:

- (a) suitable accounting policies are selected and applied consistently in accordance with appropriate accounting standards;
- (b) prudent and reasonable judgments and estimates are made; and
- (c) appropriate application of the going concern assumption is ensured.

The Directors are not aware of material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern as referred to in the code provision C.1.3 of the Code.

The Company recognises that high quality corporate reporting is important in reinforcing the long term and 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.

E.2 Internal Controls

The Board acknowledges its responsibility to set up, maintain and review the effectiveness of the internal controls' system of the Group in order to make sure that shareholders' investments and the Company's assets are safeguarded. The Directors, through the Audit Committee, have reviewed the effectiveness of the Group's internal controls system including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting function.

The Group has established an Internal Audit Department which plays an important role in the Group's internal controls 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 the Audit Committee periodically.

A review of the effectiveness of the Group's internal controls system and procedures covering all controls, including financial, operational and compliance and financial reporting function was conducted by the Audit Committee and subsequently reported to the Board during the year ended 31 December 2015. According to the result of the review, the Directors considered that the internal controls system and procedures of the Group were effective and adequate in respect of the financial year ended 31 December 2015.

E.3 Audit Committee

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

The Company has established the Audit Committee on 9 June 2006 with all the three members being Independent Non-executive Directors, namely, Ms. Kan Lai Kuen, Alice (as the chairman of the Audit Committee), Mr. Lu Hong Bing and Mr. Lam Ching Kam.

No member of the Audit Committee is a former partner of the existing auditing firm of the Company during the one year after he/she ceases to be a partner of the auditing firm. In addition, Ms. Kan Lai Kuen, Alice has the appropriate professional qualifications and experience in financial matters.

There were two Audit Committee meetings held during the financial year ended 31 December 2015. Details of attendance of the Audit Committee members are set out in the table on page 59.

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

The terms of reference of the Audit Committee have been reviewed with reference to the Code and are available on the Company's website at www.shimaoproperty.com.

The work performed by the Audit Committee for the financial year ended 31 December 2015 is summarised below:

- (a) review of the audit plan of the external auditor and discussion with them about the nature and scope of the audit;
- (b) approval of the remuneration and terms of engagement of external auditor;
- (c) review of the external auditor's independence and objectivity and the effectiveness of audit process according to applicable standards;
- (d) review of the interim and annual consolidated financial results of the Group before submission to the Board;
- (e) review of the audit programme of the internal audit function; and
- (f) review of the Group's financial controls, internal control and risk management systems.

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 2015 have been reviewed by the Audit Committee.

The external auditor of the Company is PricewaterhouseCoopers. The Audit Committee meets the external auditor at least twice a year. 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 73 and 74.

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 remuneration to the Company's auditor in respect of the services rendered for the year ended 31 December 2015 is set out as follows:

| Services rendered | RMB'000 |
|---|----------------|
| Audit services | 9,000 |
| Other services | |
| – Service in connection with the notes offering | 1,480 |
| – Service in connection with SAP project management | 5,380 |
| – Others | 3,400 |
| Total | 19,260 |

F. DELEGATION BY THE BOARD

F.1 Management Functions

There is clear division of responsibilities between the Board and the management. The Board formulates, directs and approves the Group's overall strategies, and monitors as well as controls the performance of the Group whilst execution of strategies and daily operations are delegated to the management. The Board gives clear directions about the management's power, and reviews the delegations to the management from time to time so as to ensure that they are suitable and continue to be beneficial to the Group.

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 the Board approval before publication, 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.

F.2 Board Committees

The Company has established three Board Committees, namely, Audit Committee, Remuneration Committee and Nomination Committee, with specific terms of reference which clearly define their authorities and responsibilities.

All three Board Committees are required by their terms of reference to report to the Board with respect to their decisions, findings or recommendations.

F.3 Corporate Governance Functions

The Board is responsible for performing the corporate governance duties set out in the code provision D.3.1 of the Code. During the year, the Board has performed, *inter alia*, the followings:

- (a) developed and reviewed the Company's policies and practices on corporate governance and made recommendations to the Board;
- (b) reviewed and monitored the Company's policies on compliance with legal and regulatory requirements; and
- (c) reviewed the Company's compliance with the Code and disclosure in the Corporate Governance Report.

G. COMMUNICATION WITH SHAREHOLDERS

G.1 Effective Communication

A Shareholders Communication Policy has been adopted by the Company to ensure that the Company's shareholders, both individual and institutional (collectively, the "Shareholders"), and, in appropriate circumstances, the investment community at large, are provided with ready, equal and timely access to balanced and understandable information about the Company (including its financial performance, strategic goals and plans, material developments, governance and risk profile), in order to enable Shareholders to exercise their rights in an informed manner, and to allow Shareholders and the investment community to engage actively with the Company.

The management of the Company 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 Group's business and development. In addition, the Company makes full use of the internet to make information broadly available to the Shareholders. Electronic copies of annual and interim reports, slides of presentations given at investor conferences, latest news, announcements and general information about the Group's businesses are made available on the Company's website at www.shimaoproperty.com. The Company's website also provides email address (for enquiry purpose only), postal address, fax number and telephone number by which Shareholders may at any time address their enquiries to the Board.

The annual general meeting provides a useful forum for the Shareholders to exchange views with the Board. The Company encourages its Shareholders to attend annual general meetings to ensure a high level of accountability and for Shareholders to stay informed of the Group's strategy and goals. The Directors, senior management and external auditor will attend the Shareholder's meetings to answer the questions of Shareholders.

The 2015 Annual General Meeting ("2015 AGM") of the Company was held on 8 June 2015. Details of attendance of the Directors in 2015 AGM are set out in the table on page 59. The external auditor, PricewaterhouseCoopers, attended the 2015 AGM, during which its representative was available to answer questions raised by the Shareholders.

G.2 Voting by Poll

Voting at general meeting(s) 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. Poll results are announced and posted on the websites of both the Stock Exchange and the Company.

H. 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 efficient information flow within the Board and that Board procedures, and all applicable law, rules and regulations are followed. The Company Secretary reports to the Board through the Chairman and Vice Chairman whilst all Directors have access to the advice and services of the Company Secretary.

I. SHAREHOLDERS' RIGHTS

I.1 Procedures for convening 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 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 38th Floor, Tower One, Lippo Centre, 89 Queensway, 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, and 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 at the EGM Requisitionists' request. Promptly after receipt of confirmation from the Company's branch share registrar and transfer office in Hong Kong that the EGM Requisitionists' request is valid, 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 confirmed invalid, the requested EGM will not be convened and notification will be made to the EGM Requisitionists accordingly.

If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the EGM Requisitionists' himself (or 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.

I.2 Procedures for putting forward proposals at general meeting(s)

There are no provisions allowing the Shareholders to propose new resolution(s) at a general meeting(s) under the Cayman Islands Companies Law. However, Shareholders are requested to follow Article 58 of the Articles for moving proposing resolution(s) at a general meeting(s). The requirements and procedures are set out above.

I.3 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 the Shareholders to propose a person for election as director is posted on the Company's website.

I.4 Procedures for sending enquiries to the Board

The Company welcomes Shareholders' views and concerns relating to the Group's management and governance. The Company's website www.shimaoproperty.com provides email address (for enquiry purpose only), postal address, fax number and telephone number by which Shareholders may at any time send their enquiries to the Board.

J. SIGNIFICANT AMENDMENTS TO CONSTITUTIONAL DOCUMENTS

During the financial year ended 31 December 2015, there is no significant change in the constitutional documents of the Company.

Dalian Shimao Dragon Bay



Fuzhou Ebi Project



Directors and Senior Management Profiles

EXECUTIVE DIRECTORS

Hui Wing Mau (Chairman)

Mr. Hui Wing Mau, aged 65, the Chairman and Executive Director of Shimao Property Holdings Limited (the “Company”) and the founder of the Group. With over 26 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 58.92% 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 Shiyang Finance Limited, substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (“SFO”). He has been the Chairman and Executive Director of the Company since 8 November 2004. Mr. Hui is the father of Mr. Hui Sai Tan, Jason, the Vice Chairman and Executive Director of the Company, and Ms. Hui Mei Mei, Carol, the Vice Chairman of Shanghai Shimao.

Hui Sai Tan, Jason (Vice Chairman)

Mr. Hui Sai Tan, aged 39, 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 17 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 of Shanghai Shimao.

Tang Fei

Ms. Tang Fei, aged 45, 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 22 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 44, has joined the Group since January 2011 and was appointed an Executive Director of the Company since 6 February 2013. Mr. Liao is currently the Chief Operation Officer of the Group, responsible for management of enterprise operation and information system of the Group. Mr. Liao holds a Master's Degree in Public Administration from Tsinghua University and has over 13 years' experience in corporate management. 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).

Kan Naigui

Mr. Kan Naigui, aged 48, has joined the Group since 2011 and has been an Executive Director of the Company since 15 January 2016. Mr. Kan is currently a Vice President of the Group, responsible for the cost management and design management of the Group. Mr. Kan holds a Master's Degree in Engineering from Chongqing Architectural University (重慶建築大學) (now being merged with Chongqing University) and has over 20 years' experience in real estate operation and management. Prior to joining the Group, Mr. Kan worked for China Overseas Property Group Co., Ltd. (中海地產集團有限公司) as a departmental general manager and as general manager of Tianjin office from 2006 to 2011.

NON-EXECUTIVE DIRECTOR

Liu Sai Fei

Mr. Liu Sai Fei, aged 54, has joined the Group since 2003, was appointed an Executive Director of the Company on 1 February 2010 and has been re-designated as a Non-executive Director of the Company since 9 January 2015. He is also a director and the President of Shanghai Shimao. He obtained a Master's Degree in Project Management from the University of Western Sydney, Australia in 2000. Mr. Liu has over 31 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Kan Lai Kuen, Alice

Ms. Kan Lai Kuen, Alice, aged 61, has been an Independent Non-executive Director of the Company since 16 March 2006 and has more than 24 years' experience in corporate finance. She is a responsible officer of two licensed corporations registered under the SFO, namely, Asia Investment Management Limited ("AIML") and Asia Investment Research Limited ("AIRL"). 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 (the "Stock Exchange"): Shougang Concord International Enterprises Company Limited, Regal Hotels International Holdings Limited, China Engene International (Holdings) Limited and Cosmopolitan International Holdings Limited. She is also an independent director of AVIC International Maritime Holdings 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 49, has been an Independent Non-executive Director of the Company since 17 November 2004. Mr. Lu obtained a Master's Degree in law from East China University of Political Science and Law in 1991 and has more than 23 years' experience in corporate and securities laws in China. Mr. Lu currently serves as an independent non-executive director of ZTE Corporation, a company publicly listed on the Shenzhen Stock Exchange and the Stock Exchange. He is also an independent director of Shanghai Shentong Metro Co., Ltd. (上海申通地鐵股份有限公司), a company listed on the Shanghai Stock Exchange. 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 Shanghai International Economic and Trade Arbitration Commission, an arbitrator of the Shanghai Arbitration Committee, a concurrent professor of 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.

Lam Ching Kam

Mr. Lam Ching Kam, aged 55, has been an Independent Non-executive Director of the Company since 1 June 2006. He is currently a fellow member of The Hong Kong Institute of Surveyors. Mr. Lam obtained a Master's Degree in Business Administration from the Hong Kong Open University in 2004 and is a fellow member of the Chartered Institute of Civil Engineering Surveyors and the Royal Institution of Chartered Surveyors. Mr. Lam was the Vice Chairman of the Royal Institution of Chartered Surveyors China Group from 2003 to 2006. He is a member of the China Civil Engineering Society (中國土木工程師學會會員) and also a registered China Costing Engineer (中國造價工程師執業資格). Mr. Lam has been a consultant to the Beijing Construction Project Management Association (北京市建設監理協會) since 2003 and has engaged in professional training and vocational education in China for more than 14 years. Mr. Lam has been in the property development and construction industry for 32 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.

Information for Shareholders

ANNUAL REPORT

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

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

ANNUAL GENERAL MEETING ("AGM")

The 2016 AGM will be held on Monday, 20 June 2016. The notice of the 2016 AGM, which constitutes part of the circular to shareholders, is sent together with this annual report. The notice of the 2016 AGM and the proxy form are also available on the Company's website.

2015 DIVIDENDS

| | |
|-------------------------|-------------------------------|
| Interim dividend | HK30 cents per ordinary share |
| Proposed final dividend | HK40 cents per ordinary share |

CLOSURE OF REGISTER OF MEMBERS ("ROM")

For determining shareholders' eligibility to attend and vote at the 2016 AGM

| | |
|--|---|
| Latest time to lodge transfer documents for registration | 4:30 p.m. on Thursday, 16 June 2016 |
| Closure of ROM | Friday, 17 June 2016 and Monday, 20 June 2016 |
| Record date | 20 June 2016 |

For determining shareholders' entitlement to the final dividend

| | |
|--|---|
| Latest time to lodge transfer documents for registration | 4:30 p.m. on Wednesday, 13 July 2016 |
| Closure of ROM | Thursday, 14 July 2016 and Friday, 15 July 2016 |
| Record date | Friday, 15 July 2016 |
| Dispatch of final dividend warrants | Friday, 29 July 2016 |

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 Shimaao Property Holdings Limited (the “Company”) and its subsidiaries set out on pages 75 to 204, which comprise the consolidated balance sheet as at 31 December 2015, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows 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 financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 30 March 2016

Consolidated Balance Sheet

As at 31 December 2015

| | Note | As at 31 December | |
|---|------|--------------------|-----------------|
| | | 2015 RMB'000 | 2014 RMB'000 |
| ASSETS | | | |
| Non-current assets | | | |
| Property and equipment | 6 | 11,571,944 | 11,951,703 |
| Investment properties | 7 | 30,025,297 | 26,975,771 |
| Land use rights | 8 | 7,921,887 | 7,286,582 |
| Intangible assets | 9 | 1,840,684 | 1,840,684 |
| Associated companies | 10 | 898,275 | 1,258,029 |
| Joint ventures | 11 | 9,784,898 | 8,534,090 |
| Amounts due from related parties | 12 | 2,774,694 | 2,499,546 |
| Available-for-sale financial assets | 13 | 1,204,470 | 204,510 |
| Deferred income tax assets | 14 | 1,983,977 | 1,429,899 |
| Other non-current assets | 15 | 1,311,526 | 1,666,753 |
| | | 69,317,652 | 63,647,567 |
| Current assets | | | |
| Properties under development | 16 | 100,727,237 | 83,539,896 |
| Completed properties held for sale | 17 | 18,140,289 | 21,166,548 |
| Trade and other receivables and prepayments | 18 | 14,786,878 | 12,457,212 |
| Prepayment for acquisition of land use rights | 19 | 11,133,906 | 12,752,932 |
| Prepaid income taxes | | 2,115,462 | 2,055,122 |
| Amounts due from related parties | 12 | 1,581,929 | 979,346 |
| Derivative financial instruments | 20 | 41,782 | – |
| Restricted cash | 21 | 3,817,713 | 3,463,004 |
| Cash and cash equivalents | 21 | 22,591,843 | 20,471,830 |
| | | 174,937,039 | 156,885,890 |
| Total assets | | 244,254,691 | 220,533,457 |

Consolidated Balance Sheet

As at 31 December 2015

| | | As at 31 December | |
|---|------|--------------------------|-------------|
| | Note | 2015 | 2014 |
| | | RMB'000 | RMB'000 |
| EQUITY | | | |
| Equity attributable to the equity holders of the Company | | | |
| Share capital | 22 | 356,275 | 356,275 |
| Reserves | 23 | 49,805,385 | 46,507,104 |
| | | 50,161,660 | 46,863,379 |
| Non-controlling interests | | 24,587,660 | 18,119,705 |
| Total equity | | 74,749,320 | 64,983,084 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Borrowings | 24 | 52,867,396 | 43,269,371 |
| Finance lease liabilities | 25 | 386,365 | – |
| Deferred income tax liabilities | 14 | 5,471,821 | 4,339,374 |
| | | 58,725,582 | 47,608,745 |
| Current liabilities | | | |
| Trade and other payables | 26 | 25,962,991 | 29,866,339 |
| Dividend payable | | – | 375,128 |
| Advanced proceeds received | | 30,766,515 | 33,220,166 |
| Income tax payable | | 12,460,061 | 11,017,765 |
| Borrowings | 24 | 16,953,596 | 18,724,718 |
| Finance lease liabilities | 25 | 186,620 | – |
| Derivative financial instruments | 20 | – | 1,611 |
| Amounts due to related parties | 27 | 24,447,996 | 14,731,308 |
| Deferred income | | 2,010 | 4,593 |
| | | 110,779,789 | 107,941,628 |
| Total liabilities | | 169,505,371 | 155,550,373 |
| Total equity and liabilities | | 244,254,691 | 220,533,457 |

The notes on pages 82 to 204 are an integral part of these consolidated financial statements.

The financial statements on pages 75 to 204 were approved by the Board of Directors on 30 March 2016 and were signed on its behalf:

Hui Wing Mau
Director

Hui Sai Tan, Jason
Director

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2015

| | Note | Year ended 31 December | |
|--|------|------------------------|-----------------|
| | | 2015 RMB'000 | 2014 RMB'000 |
| Revenue | 5 | 57,732,974 | 56,080,546 |
| Cost of sales | 29 | (41,284,575) | (37,855,393) |
| Gross profit | | 16,448,399 | 18,225,153 |
| Fair value gains on investment properties | 7 | 2,776,694 | 1,510,622 |
| Other income/other gains – net | 28 | 1,570,998 | 502,184 |
| Selling and marketing costs | 29 | (1,615,275) | (1,495,887) |
| Administrative expenses | 29 | (3,278,396) | (2,807,693) |
| Other operating expenses | 29 | (288,194) | (262,921) |
| Operating profit | | 15,614,226 | 15,671,458 |
| Finance income | | 341,262 | 171,568 |
| Finance costs | | (1,749,910) | (412,090) |
| Finance costs – net | 30 | (1,408,648) | (240,522) |
| Share of results of | | | |
| – Associated companies | 10 | 108,684 | (153,470) |
| – Joint ventures | 11 | (591,853) | (21,033) |
| | | (483,169) | (174,503) |
| Profit before income tax | | 13,722,409 | 15,256,433 |
| Income tax expense | 33 | (5,563,671) | (5,768,686) |
| Profit for the year | | 8,158,738 | 9,487,747 |
| Other comprehensive income: | | | |
| <i>Items that will not be reclassified subsequently to profit or loss</i> | | | |
| Transfer of fair value losses previously taken to reserve to income statement upon disposal of available-for-sale financial assets, net of tax | | – | 19,794 |
| <i>Items that may be reclassified to profit or loss</i> | | | |
| Fair value (losses)/gains on available-for-sale financial assets, net of tax | | (52,530) | 119,965 |
| Total comprehensive income for the year | | 8,106,208 | 9,627,506 |

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2015

| | Note | Year ended 31 December | |
|--|------|------------------------|-----------------|
| | | 2015 RMB'000 | 2014 RMB'000 |
| Profit for the year attributable to: | | | |
| Equity holders of the Company | | 6,115,784 | 8,103,833 |
| Non-controlling interests | | 2,042,954 | 1,383,914 |
| | | 8,158,738 | 9,487,747 |
| Total comprehensive income for the year attributable to: | | | |
| Equity holders of the Company | | 6,082,102 | 8,193,586 |
| Non-controlling interests | | 2,024,106 | 1,433,920 |
| | | 8,106,208 | 9,627,506 |
| Earnings per share for profit attributable to the equity holders of the Company | | | |
| – Basic (RMB cents) | 34 | 176.7 | 234.3 |
| – Diluted (RMB cents) | 34 | 176.4 | 233.9 |

The notes on pages 82 to 204 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

| | Note | Attributable to the equity holders of the Company | | Non-controlling | Total |
|--|-------|---|-------------|-----------------|-------------|
| | | Share capital | Reserves | interests | |
| | | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Balance at 1 January 2015 | | 356,275 | 46,507,104 | 18,119,705 | 64,983,084 |
| Comprehensive income | | | | | |
| Profit for the year | | – | 6,115,784 | 2,042,954 | 8,158,738 |
| Other comprehensive income for the year | | | | | |
| <i>Items that may be reclassified to profit or loss</i> | | | | | |
| Fair value losses on available-for-sale financial assets | | – | (44,909) | (25,131) | (70,040) |
| Tax on fair value losses on available-for-sale financial assets | | – | 11,227 | 6,283 | 17,510 |
| Total comprehensive income for the year | | – | 6,082,102 | 2,024,106 | 8,106,208 |
| Capital contribution from non-controlling interests | | – | – | 5,140,442 | 5,140,442 |
| Changes in ownership interests in subsidiaries without change of control | 40(d) | – | (345,138) | (645,102) | (990,240) |
| Equity-settled share-based payment | | | | | |
| – Value of employee services | 23 | – | 92,205 | – | 92,205 |
| – Purchase of shares | | – | (40,184) | – | (40,184) |
| – Dividend received | | – | 9,984 | – | 9,984 |
| 2014 final dividend paid | | – | (1,644,540) | (51,491) | (1,696,031) |
| 2015 interim dividend paid | 35 | – | (856,148) | – | (856,148) |
| Total transactions with owners | | – | (2,783,821) | 4,443,849 | 1,660,028 |
| Balance at 31 December 2015 | | 356,275 | 49,805,385 | 24,587,660 | 74,749,320 |

Consolidated Statement of Changes in Equity
For the year ended 31 December 2015

| | Note | Attributable to the equity holders of the Company | | Non-controlling interests | Total |
|--|------|---|---------------------|---------------------------|-------------|
| | | Share capital RMB'000 | Reserves RMB'000 | | |
| Balance at 1 January 2014 | | 356,275 | 41,385,975 | 10,109,612 | 51,851,862 |
| Comprehensive income | | | | | |
| Profit for the year | | – | 8,103,833 | 1,383,914 | 9,487,747 |
| Other comprehensive income for the year | | | | | |
| <i>Items that will not be reclassified subsequently to profit or loss</i> | | | | | |
| Transfer of fair value losses previously taken to reserve to income statement upon disposal of available-for-sale financial assets, net of tax | | – | 12,711 | 7,083 | 19,794 |
| <i>Items that may be reclassified to profit or loss</i> | | | | | |
| Fair value gains on available-for-sale financial assets | | – | 102,723 | 57,231 | 159,954 |
| Tax on fair value gains on available-for-sale financial assets | | – | (25,681) | (14,308) | (39,989) |
| Total comprehensive income for the year | | – | 8,193,586 | 1,433,920 | 9,627,506 |
| Transactions with owners: | | | | | |
| Transfer from joint ventures to subsidiaries | | – | – | 19,601 | 19,601 |
| Transfer from an associated company to a subsidiary | | – | – | 1,236,548 | 1,236,548 |
| Capital contribution from non-controlling interests | | – | – | 6,582,605 | 6,582,605 |
| Changes in ownership interests in subsidiaries without change of control | | – | (15,978) | (1,176,905) | (1,192,883) |
| Closure of a subsidiary | | – | – | (40,516) | (40,516) |
| Equity-settled share-based payment | | | | | |
| – Value of employee services | 23 | – | 65,557 | – | 65,557 |
| – Purchase of shares | | – | (75,068) | – | (75,068) |
| – Dividend received | | – | 12,548 | – | 12,548 |
| 2013 final dividend paid | | – | (2,233,912) | (45,160) | (2,279,072) |
| 2014 interim dividend paid | | – | (825,604) | – | (825,604) |
| Total transactions with owners | | – | (3,072,457) | 6,576,173 | 3,503,716 |
| Balance at 31 December 2014 | | 356,275 | 46,507,104 | 18,119,705 | 64,983,084 |

The notes on pages 82 to 204 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

| | | Year ended 31 December | |
|--|----------|------------------------|-----------------|
| | Note | 2015 RMB'000 | 2014 RMB'000 |
| Cash flow from operating activities | | | |
| Net cash generated from/(used in) operations | 36 | 10,652,710 | (4,068,328) |
| Interest received | | 341,262 | 171,568 |
| Interest paid | | (5,275,964) | (4,251,427) |
| PRC income tax paid | | (3,391,855) | (3,586,975) |
| Net cash generated from/(used in) operating activities | | 2,326,153 | (11,735,162) |
| Cash flow from investing activities | | | |
| Additions of property and equipment and investment properties | | (4,033,968) | (2,450,543) |
| Sales of property and equipment | | 26,572 | 3,754 |
| Additions of land use rights and other non-current assets | | (778,334) | (1,846,043) |
| Disposal of subsidiaries | 10,11,40 | 1,280,450 | 2,217,664 |
| Acquisition of subsidiaries | 10,11,40 | (3,061,634) | 1,779,826 |
| Closure of an associated company | 10 | 1,663 | – |
| Disposal of an associated company | 10 | 70,514 | – |
| (Acquisition)/disposal of available-for-sale financial assets | 13 | (70,000) | 363,884 |
| Capital injection to associated companies | 10 | (402,250) | (3,100) |
| Capital injection to joint ventures | 11 | (2,390,975) | (572,170) |
| Decrease in prepayment for acquisition of equity interests | 18 | 619,800 | 317,699 |
| Advances to joint ventures and associated companies | | (1,486,274) | (6,103) |
| Net cash used in investing activities | | (10,224,436) | (195,132) |
| Cash flow from financing activities | | | |
| Proceeds from borrowings | | 77,426,746 | 41,601,585 |
| Repayments of borrowings | | (69,842,585) | (27,511,401) |
| Purchase of shares | | (40,184) | (75,068) |
| Proceeds from finance lease liabilities | 25 | 572,985 | – |
| Capital contribution from non-controlling interests of subsidiaries | | 5,140,442 | 6,582,605 |
| Acquisition of additional interests in subsidiaries | | (990,240) | (1,218,992) |
| Repayment to non-controlling interests due to closure of subsidiary | | – | (40,516) |
| Dividends paid to equity holders of the Company | | (2,875,816) | (2,684,388) |
| Dividends paid to non-controlling interests | | (51,491) | (45,160) |
| Increase/(decrease) in amounts due to non-controlling interests of subsidiary and joint ventures | 27 | 1,208,497 | (284,004) |
| Dividends received | | 9,984 | 12,548 |
| Increase in restricted cash pledged for borrowings | | (560,445) | (956,563) |
| Net cash generated from financing activities | | 9,997,893 | 15,380,646 |
| Net increase in cash and cash equivalents | | | |
| Cash and cash equivalents at beginning of the year | | 20,471,830 | 17,026,018 |
| Effect of foreign exchange rate changes | | 20,403 | (4,540) |
| Cash and cash equivalents at end of the year | 21 | 22,591,843 | 20,471,830 |

The notes on pages 82 to 204 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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 all applicable 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

The following amendments to standards have been adopted by the group for the first time for the financial year beginning on or after 1 January 2015:

Amendment to HKAS 19 on contributions from employees or third parties to defined benefit plans. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits.

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

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

Amendments from annual improvements to HKFRSs – 2010–2012 Cycle, on HKFRS 8, ‘Operating segments’, HKAS 16, ‘Property, plant and equipment’ and HKAS 38, ‘Intangible assets’ and HKAS 24, ‘Related party disclosures’.

Amendments from annual improvements to HKFRSs – 2011–2013 Cycle, on HKFRS 3, ‘Business combinations’, HKFRS 13, ‘Fair value measurement’ and HKAS 40, ‘Investment property’.

The adoption of the improvements made in the 2010–2012 Cycle has required additional disclosures in the segment note. Other than that, the remaining amendments are not material to 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 2015, and have not been early adopted.

Currently related to the Group:

| | | Effective for annual periods beginning on or after |
|------------------------------------|---|---|
| Amendment to HKFRS 11 | Accounting for acquisitions of interests in joint operations | 1 January 2016 |
| Amendments to HKFRS 10 and HKAS 28 | Sale or contribution of assets between an investor and its associate or joint venture | 1 January 2016 |
| Amendment to HKAS 27 | Equity method in separate financial statements | 1 January 2016 |
| Amendments to HKAS 1 | Disclosure initiative | 1 January 2016 |
| HKFRS 15 | Revenue from contracts with customers | 1 January 2018 |
| HKFRS 9 | Financial Instruments | 1 January 2018 |

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

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

Apart from the above, the HKICPA has issued the annual improvements project which addresses several issues in the 2012-2014 reporting cycle, and includes changes to the following standards. The Group has not applied the following revised HKFRSs published in the annual improvements project.

| | | Effective for annual periods beginning on or after |
|---------|--|---|
| HKFRS 5 | Non-current assets held for sale and discontinued operations | 1 January 2016 |
| HKFRS 7 | Financial instruments: Disclosures | 1 January 2016 |
| HKAS 34 | Interim financial reporting | 1 January 2016 |

The Group has not early adopted any new accounting and financial reporting standards, amendments and interpretations to existing standards which have been issued but are not yet effective for the year ended 31 December 2015. The Group is in the process of making an assessment on the impact of these new standards, amendments and interpretations and does not anticipate that the adoption when they become effective will result in any material impact on the Group's results of operations and financial position, except for the new financial reporting standard HKFRS 15 "Revenue from Contracts with Customers" (effective for annual periods beginning on or after 1 January 2018) which the Group is not yet in a position to conclude.

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

- Amendments to HKAS 16 and HKAS 41 regarding Agriculture: 'bearer plants', effective for annual periods beginning on or after 1 January 2016 with early adoption permitted.

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.

2 Summary of significant accounting policies *(continued)*

2.2 Subsidiaries *(continued)*

2.2.1 Consolidation *(continued)*

(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 (“NCI”) in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity’s net assets in the event of liquidation are measured at either fair value or the present ownership interests’ proportionate share in the recognised amounts of the acquiree’s identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer’s previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in 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 in profit or loss. 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 unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group’s accounting policies

2 Summary of significant accounting policies *(continued)*

2.2 Subsidiaries *(continued)*

2.2.1 Consolidation *(continued)*

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

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount 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.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend received and receivable. Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary 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.

2.3 Joint arrangements and associates

(a) **Joint arrangements**

The group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

2 Summary of significant accounting policies *(continued)*

2.3 Joint arrangements and associates *(continued)*

(a) Joint arrangements *(continued)*

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses and movements in other comprehensive income. The group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the group's net investment in the joint ventures), the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the group and its joint ventures are eliminated to the extent of the group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the group.

(b) Associates

An associate is an entity 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 associates 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 investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but 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 an associate equals or exceeds its interest in the associate, 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 associate.

2 Summary of significant accounting policies *(continued)*

2.3 Joint arrangements and associates *(continued)*

(b) Associates *(continued)*

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

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

Gain or losses on dilution of equity interest in associates 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.

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 'finance costs – net', except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

2 Summary of significant accounting policies *(continued)*

2.5 Foreign currency translation *(continued)*

(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.

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.

2 Summary of significant accounting policies (continued)

2.6 Property and equipment (continued)

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 | 10 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).

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.

2 Summary of significant accounting policies *(continued)*

2.9 Impairment of investments in subsidiaries, associated companies, joint ventures and non-financial assets *(continued)*

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.

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.

2 Summary of significant accounting policies (continued)

2.10 Financial assets (continued)

(b) Recognition and measurement (continued)

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.

(c) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

(d) 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.

2 Summary of significant accounting policies *(continued)*

2.10 Financial assets *(continued)*

(d) **Impairment of financial assets** *(continued)*

- *Loans and receivables (continued)*

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.

- *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. In the case of equity investments, 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 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 profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated 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.

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.

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 Summary of significant accounting policies *(continued)*

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.

Borrowing costs include interest expense, finance charges in respect of finance lease and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on interest rates on similar borrowings in the entity's functional currency and forward currency rates at the inception of the borrowings.

When the construction of the qualifying assets takes more than one accounting period, the amount of foreign exchange differences eligible for capitalisation is determined for each annual period and are limited to the difference between the hypothetical interest amount for the functional currency borrowings and the actual interest incurred for foreign currency borrowings. Foreign exchange differences that did not meet the criteria for capitalisation in previous years should not be capitalised in subsequent years.

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.

2 Summary of significant accounting policies *(continued)*

2.20 Current and deferred income tax *(continued)*

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.

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.

2 Summary of significant accounting policies *(continued)*

2.21 Employee benefits *(continued)*

(ii) Retirement benefits *(continued)*

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.

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).

2 Summary of significant accounting policies *(continued)*

2.21 Employee benefits *(continued)*

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

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.

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 Summary of significant accounting policies *(continued)*

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.

(vi) Commission income

Commission income from concessionaire sales is recognised upon sales of goods by the relevant stores.

(vii) Dividend income

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

2 Summary of significant accounting policies *(continued)*

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.

(iii) The Group is the lessor

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

2 Summary of significant accounting policies *(continued)*

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.

2.28 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of subsidiaries, associates and joint ventures to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms, and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised. Subsequent to initial recognition, the company's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised in accordance with HKAS 18, and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by management's judgement. Any increase in the liability relating to guarantees is reported in the consolidated income statement within other operating expenses.

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.

(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 Group mainly operates in the PRC with most of the transactions denominated and settled in RMB, the Group has not entered into any forward exchange contracts to hedge its exposure to foreign exchange risk for the year ended 31 December 2015 and 2014.

As at 31 December 2015, 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 RMB1,544,771,000 (2014: RMB1,037,884,000) 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 24. 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 2015, the Group converted borrowings of US\$300,000,000 (2014: US\$300,000,000) from fixed rate to floating rate through interest rate swap (Note 24).

3 Financial risk management *(continued)*

(a) Market risk *(continued)*

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

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.

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 RMB120,628,000 (2014: RMB191,246,000) lower/higher mainly as a result of higher/lower interest expenses on borrowings with variable rates as at 31 December 2015. 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 RMB173,107,000 (2014: RMB129,182,000) lower/higher mainly as a result of higher/lower interest expenses on borrowings with variable rates as at 31 December 2015.

(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 2015.

| Counterparty | Rating (Note) | As at 31 December | |
|--------------|---------------|-------------------|-----------------|
| | | 2015 RMB'000 | 2014 RMB'000 |
| Bank A | BBB+ | 4,265,308 | 5,411,196 |
| Bank B | A | 3,760,289 | 4,030,936 |
| Bank C | BBB | 2,798,300 | 568,195 |
| Bank D | A- | 2,405,214 | 182,846 |
| Bank E | Ba1 | 1,963,211 | 51,400 |

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

3 Financial risk management *(continued)*

(b) Credit risk *(continued)*

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.

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.

3 Financial risk management *(continued)*

(c) Liquidity risk *(continued)*

| | 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 |
|--|--------------------------------|-------------------------------------|-------------------------------------|----------------------------|--------------------|
| As at 31 December 2015 | | | | | |
| Borrowings and interest payments | 24,314,892 | 10,499,861 | 25,522,906 | 17,719,478 | 78,057,137 |
| Finance lease liabilities | 210,250 | 213,446 | 248,832 | – | 672,528 |
| Trade and other payables (excluding other taxes payables) | 24,587,270 | 3,312 | 10,021 | 27,719 | 24,628,322 |
| Amounts due to related parties | 24,447,996 | – | – | – | 24,447,996 |
| | 73,560,408 | 10,716,619 | 25,781,759 | 17,747,197 | 127,805,983 |
| As at 31 December 2014 | | | | | |
| Borrowings and interest payments | 22,181,194 | 14,286,793 | 20,980,398 | 16,111,740 | 73,560,125 |
| Trade and other payables (excluding other taxes payables) | 28,410,112 | 22,991 | 42,406 | 29,919 | 28,505,428 |
| Amounts due to related parties | 14,731,308 | – | – | – | 14,731,308 |
| Derivative financial instruments | 1,611 | – | – | – | 1,611 |
| Dividend payable | 375,128 | – | – | – | 375,128 |
| | 65,699,353 | 14,309,784 | 21,022,804 | 16,141,659 | 117,173,600 |

Note: The interest on borrowings is calculated based on borrowings outstanding as at 31 December 2015 and 2014 without taking into account of future issues. Floating-rate interest is estimated using the applicable interest rate as at 31 December 2015 and 2014 respectively.

The amount of derivative financial instruments is measured at fair value at 31 December 2015 and 2014.

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 2015. See Note 7 for disclosures of the investment properties that are measured at fair value.

| As at 31 December 2015 | Level 1 RMB'000 | Level 2 RMB'000 | Level 3 RMB'000 | Total RMB'000 |
|-------------------------------------|--------------------|--------------------|--------------------|------------------|
| Assets | | | | |
| Available-for-sale financial assets | | | | |
| – equity securities | 134,470 | – | 1,000,000 | 1,134,470 |
| Derivative financial instruments | – | – | 41,782 | 41,782 |
| Liabilities | | | | |
| Derivative financial instruments | – | – | – | – |

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 2014.

| As at 31 December 2014 | Level 1 RMB'000 | Level 2 RMB'000 | Level 3 RMB'000 | Total RMB'000 |
|-------------------------------------|--------------------|--------------------|--------------------|------------------|
| Assets | | | | |
| Available-for-sale financial assets | | | | |
| – equity securities | 204,510 | – | – | 204,510 |
| Liabilities | | | | |
| Derivative financial instruments | – | – | 1,611 | 1,611 |

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.

Available-for-sale financial assets included in Level 3 is the restricted shares of Wanda Cinema Line Co., Ltd. (“Wanda Cinema Line”) (Note 13) traded in Shenzhen Stock Exchange with one year lock-up period, the fair value of which is determined using valuation model for which not all inputs are market observable rates.

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.

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 2015.

| | Trading derivative's at fair value through profit or loss RMB'000 |
|--|--|
| Opening balance | (1,611) |
| Gains recognised in profit or loss | 43,393 |
| Closing balance | 41,782 |
| Total gains for the year included in profit for assets held at the end of the year | 43,393 |
| Changes in unrealised gains for the year included in profit or loss at the end of the year | 43,393 |

The following table presents the changes in level 3 instruments for the year ended 31 December 2014.

| | Trading derivative's at fair value through profit or loss RMB'000 |
|--|--|
| Opening balance | (36,898) |
| Gains recognised in profit or loss | 35,287 |
| Closing balance | (1,611) |
| Total gains for the year included in profit for assets held at the end of the year | 35,287 |
| Changes in unrealised gains for the year included in profit or loss at the end of the year | 35,287 |

3 Financial risk management *(continued)*

(f) Financial instruments by category

| Financial assets | As at 31 December | |
|---|-------------------|------------|
| | 2015 | 2014 |
| | RMB'000 | RMB'000 |
| Other financial assets at amortised cost: | | |
| – Trade and other receivables | 7,730,152 | 6,632,885 |
| – Amounts due from related parties | 4,356,623 | 3,478,892 |
| – Restricted cash | 3,817,713 | 3,463,004 |
| – Cash and cash equivalents | 22,591,843 | 20,471,830 |
| Assets at fair value through the profit and loss: | | |
| – Derivative financial instruments | 41,782 | – |
| Available-for-sale financial assets | 1,204,470 | 204,510 |
| Total | 39,742,583 | 34,251,121 |

| Financial liabilities | As at 31 December | |
|--|-------------------|-------------|
| | 2015 | 2014 |
| | RMB'000 | RMB'000 |
| Liabilities at fair value through the profit and loss: | | |
| – Derivative financial instruments | – | 1,611 |
| Other financial liabilities at amortised cost: | | |
| – Borrowings | 69,820,992 | 61,994,089 |
| – Finance lease liabilities | 572,985 | – |
| – Trade and other payables (excluding other taxes payable) | 24,628,322 | 28,505,428 |
| – Amounts due to related parties | 24,447,996 | 14,731,308 |
| Total | 119,470,295 | 105,232,436 |

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 value in use. These valuations and calculations require the use of estimates.

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 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.

5 Segment information

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:

| | As at 31 December | |
|--|-------------------|------------|
| | 2015 | 2014 |
| | RMB'000 | RMB'000 |
| Sales of properties | 54,594,513 | 53,566,794 |
| Hotel operation income | 1,301,986 | 1,178,044 |
| Rental income from investment properties | 739,249 | 687,367 |
| Others | 1,097,226 | 648,341 |
| | 57,732,974 | 56,080,546 |

5 Segment information *(continued)***(b) Segment information**

Year ended 31 December 2015

| | Property development and investment | | Hotel operation | Unallocated** | Total |
|---|--|------------|--------------------|---------------|-------------|
| | Shanghai Shimao Co., Ltd. ("Shanghai Shimao")* | Others | | | |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Revenue | | | | | |
| – Sales of properties | 13,783,760 | 40,810,753 | – | – | 54,594,513 |
| – Hotel operation income | 81,765 | – | 1,220,221 | – | 1,301,986 |
| – Rental income from investment properties | 536,236 | 203,013 | – | – | 739,249 |
| – Others | 687,196 | 410,030 | – | – | 1,097,226 |
| Total revenue | 15,088,957 | 41,423,796 | 1,220,221 | – | 57,732,974 |
| Operating profit/(loss) | 5,071,634 | 10,745,825 | 204,904 | (408,137) | 15,614,226 |
| Finance income | 52,431 | 286,115 | 760 | 1,956 | 341,262 |
| Finance costs | (165,276) | (363,806) | (13,707) | (1,207,121) | (1,749,910) |
| Share of results of | | | | | |
| – Associated companies | (9,132) | 117,816 | – | – | 108,684 |
| – Joint ventures | (15,233) | (576,620) | – | – | (591,853) |
| Profit/(loss) before income tax | 4,934,424 | 10,209,330 | 191,957 | (1,613,302) | 13,722,409 |
| Income tax expense | | | | | (5,563,671) |
| Profit for the year | | | | | 8,158,738 |
| Other segment items are as follows: | | | | | |
| Capital and property development expenditure | 15,377,886 | 37,171,311 | 856,457 | – | 53,405,654 |
| Fair value gains on investment properties | 962,248 | 1,814,446 | – | – | 2,776,694 |
| Fair value gain on derivative financial instrument | – | 43,393 | – | – | 43,393 |
| Depreciation | 73,913 | 77,342 | 243,895 | 34,916 | 430,066 |
| Amortisation of land use rights | 10,035 | 2,360 | 61,568 | – | 73,963 |
| Provision for impairment of receivables | 75,128 | – | – | – | 75,128 |

* The Group owns an effective equity interest of 58.92% in Shanghai Shimao as at 31 December 2015

** Unallocated mainly represent corporate level activities

5 Segment information *(continued)*

(b) Segment information *(continued)*

The segment assets and liabilities at 31 December 2015 are as follows:

| | Property development and investment | | Hotel operation | Total |
|-------------------------------------|--|--------------------|--------------------|--------------------|
| | Shanghai Shimao RMB'000 | Others RMB'000 | | |
| Associated companies | 117,922 | 780,353 | – | 898,275 |
| Joint ventures | 2,150,523 | 7,634,375 | – | 9,784,898 |
| Intangible assets | 1,709,730 | 26 | 130,928 | 1,840,684 |
| Other segment assets | 58,821,128 | 153,557,579 | 14,111,129 | 226,489,836 |
| Total segment assets | 62,799,303 | 161,972,333 | 14,242,057 | 239,013,693 |
| Deferred income tax assets | | | | 1,983,977 |
| Available-for-sale financial assets | | | | 1,204,470 |
| Other assets | | | | 2,052,551 |
| Total assets | | | | 244,254,691 |
| Borrowings | 14,444,947 | 31,268,177 | 174,000 | 45,887,124 |
| Other segment liabilities | 22,951,542 | 61,265,564 | 9,501,369 | 93,718,475 |
| Total segment liabilities | 37,396,489 | 92,533,741 | 9,675,369 | 139,605,599 |
| Corporate borrowings | | | | 23,933,868 |
| Deferred income tax liabilities | | | | 5,471,821 |
| Other liabilities | | | | 494,083 |
| Total liabilities | | | | 169,505,371 |

5 Segment information (continued)**(b) Segment information (continued)**

Year ended 31 December 2014

| | Property development and investment | | | | Total RMB'000 |
|---|--|-------------------|----------------------------|--------------------------|------------------|
| | Shanghai Shimao* RMB'000 | Others RMB'000 | Hotel operation RMB'000 | Unallocated** RMB'000 | |
| Revenue | | | | | |
| – Sales of properties | 11,677,788 | 41,889,006 | – | – | 53,566,794 |
| – Hotel operation income | 110,822 | – | 1,067,222 | – | 1,178,044 |
| – Rental income from investment properties | 525,304 | 162,063 | – | – | 687,367 |
| – Others | 403,698 | 244,643 | – | – | 648,341 |
| Total revenue | 12,717,612 | 42,295,712 | 1,067,222 | – | 56,080,546 |
| Operating profit/ (loss) | 4,893,111 | 11,183,446 | 99,254 | (504,353) | 15,671,458 |
| Finance income | 31,063 | 128,109 | 762 | 11,634 | 171,568 |
| Finance costs | (142,872) | (254,982) | (14,236) | – | (412,090) |
| Share of results of | | | | | |
| – Associated companies | (5,061) | (148,409) | – | – | (153,470) |
| – Joint ventures | (3,298) | (17,735) | – | – | (21,033) |
| Profit/ (loss) before income tax | 4,772,943 | 10,890,429 | 85,780 | (492,719) | 15,256,433 |
| Income tax expense | | | | | (5,768,686) |
| Profit for the year | | | | | 9,487,747 |
| Other segment items are as follows: | | | | | |
| Capital and property development expenditure | 14,496,972 | 49,773,942 | 2,708,694 | – | 66,979,608 |
| Fair value gains on investment properties | 1,150,074 | 360,548 | – | – | 1,510,622 |
| Fair value gain on derivative financial instrument | – | 35,287 | – | – | 35,287 |
| Write-off of intangible assets | – | 6,889 | – | – | 6,889 |
| Depreciation | 73,840 | 109,940 | 260,726 | 30,982 | 475,488 |
| Amortisation of land use rights | 10,172 | 52,795 | 48,394 | – | 111,361 |
| Provision for impairment of receivables | 15,164 | – | – | – | 15,164 |

* The Group owns an effective equity interest of 64.12% in Shanghai Shimao as at 31 December 2014

** Unallocated mainly represent corporate level activities

5 Segment information *(continued)*

(b) Segment information *(continued)*

The segment assets and liabilities at 31 December 2014 are as follows:

| | Property development and investment | | Hotel operation | Total |
|-------------------------------------|--|--------------------|--------------------|--------------------|
| | Shanghai Shimao RMB'000 | Others RMB'000 | | |
| Associated companies | 978,325 | 279,704 | – | 1,258,029 |
| Joint ventures | 3,734,890 | 4,799,200 | – | 8,534,090 |
| Intangible assets | 1,709,730 | 26 | 130,928 | 1,840,684 |
| Other segment assets | 51,128,330 | 137,449,842 | 17,625,763 | 206,203,935 |
| Total segment assets | 57,551,275 | 142,528,772 | 17,756,691 | 217,836,738 |
| Deferred income tax assets | | | | 1,429,899 |
| Available-for-sale financial assets | | | | 204,510 |
| Other assets | | | | 1,062,310 |
| Total assets | | | | 220,533,457 |
| Borrowings | 11,901,490 | 26,802,564 | 1,834,500 | 40,538,554 |
| Other segment liabilities | 24,654,771 | 55,886,245 | 7,687,697 | 88,228,713 |
| Total segment liabilities | 36,556,261 | 82,688,809 | 9,522,197 | 128,767,267 |
| Corporate borrowings | | | | 21,455,535 |
| Deferred income tax liabilities | | | | 4,339,374 |
| Derivative financial instruments | | | | 1,611 |
| Other liabilities | | | | 986,586 |
| Total liabilities | | | | 155,550,373 |

5 Segment information (continued)

(b) Segment information (continued)

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.

6 Property and equipment

| | 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 |
|---|--|---|--|---|----------------------------------|------------------|
| Cost | | | | | | |
| At 1 January 2015 | 3,710,902 | 8,557,275 | 468,818 | 463,446 | 1,049,622 | 14,250,063 |
| Additions | 810,482 | 16,806 | 92,947 | 4,094 | 27,587 | 951,916 |
| Acquisition of subsidiaries | – | – | 542 | 3,902 | – | 4,444 |
| Disposal of subsidiaries | (10,951) | – | (124,498) | – | (23,205) | (158,654) |
| Disposals | – | – | (20,331) | (24,224) | – | (44,555) |
| Transfer to properties under development and completed properties held for sale | (754,951) | – | – | – | (19,950) | (774,901) |
| Transfer upon completion | (637,763) | 637,763 | – | – | – | – |
| At 31 December 2015 | 3,117,719 | 9,211,844 | 417,478 | 447,218 | 1,034,054 | 14,228,313 |
| Accumulated depreciation | | | | | | |
| At 1 January 2015 | – | 1,902,274 | 162,770 | 143,427 | 89,889 | 2,298,360 |
| Charge for the year | – | 280,569 | 72,251 | 30,381 | 46,865 | 430,066 |
| Acquisition of subsidiaries | – | – | 46 | – | – | 46 |
| Disposal of subsidiaries | – | – | (33,745) | – | (12,911) | (46,656) |
| Disposals | – | – | (6,063) | (17,215) | – | (23,278) |
| Transfer to properties under development and completed properties held for sale | – | – | – | – | (2,169) | (2,169) |
| At 31 December 2015 | – | 2,182,843 | 195,259 | 156,593 | 121,674 | 2,656,369 |
| Net book value | | | | | | |
| At 31 December 2015 | 3,117,719 | 7,029,001 | 222,219 | 290,625 | 912,380 | 11,571,944 |

6 Property and equipment (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 |
|--|--|---|--|---|----------------------------------|------------------|
| Cost | | | | | | |
| At 1 January 2014 | 4,616,921 | 5,965,802 | 346,257 | 457,138 | 842,302 | 12,228,420 |
| Additions | 1,927,351 | – | 143,597 | 9,927 | 304,822 | 2,385,697 |
| Acquisition of subsidiaries | – | – | 6,104 | 1,563 | – | 7,667 |
| Amortisation of land use rights | 27,213 | – | – | – | – | 27,213 |
| Disposal of subsidiaries | (177,553) | – | (155) | – | – | (177,708) |
| Disposals | – | – | (26,985) | (5,182) | – | (32,167) |
| Transfer to properties under development and completed properties held for sale | (91,557) | – | – | – | (97,502) | (189,059) |
| Transfer upon completion | (2,591,473) | 2,591,473 | – | – | – | – |
| At 31 December 2014 | 3,710,902 | 8,557,275 | 468,818 | 463,446 | 1,049,622 | 14,250,063 |
| Accumulated depreciation | | | | | | |
| At 1 January 2014 | – | 1,555,521 | 131,445 | 113,930 | 49,472 | 1,850,368 |
| Charge for the year | – | 346,753 | 52,355 | 33,176 | 43,204 | 475,488 |
| Acquisition of subsidiaries | – | – | 3,578 | 360 | – | 3,938 |
| Disposal of subsidiaries | – | – | (6) | – | – | (6) |
| Disposals | – | – | (24,602) | (4,039) | – | (28,641) |
| Transfer to properties under development and completed properties held for sale | – | – | – | – | (2,787) | (2,787) |
| At 31 December 2014 | – | 1,902,274 | 162,770 | 143,427 | 89,889 | 2,298,360 |
| Net book value | | | | | | |
| At 31 December 2014 | 3,710,902 | 6,655,001 | 306,048 | 320,019 | 959,733 | 11,951,703 |

Depreciation charge of RMB430,066,000 for the year ended 31 December 2015 (2014: RMB475,488,000) has been recorded in cost of sales and administrative expenses in the consolidated statement of comprehensive income (Note 29).

As at 31 December 2015, assets under construction and buildings of the Group with a total carrying amount of RMB2,277,722,000 (2014: RMB5,098,331,000) were pledged as collateral for certain borrowings of the Group (Note 24).

During the year ended 31 December 2015, the Group has capitalised borrowing costs amounting to RMB145,736,000 (2014: RMB191,589,000) in assets under construction. Borrowing costs were capitalised at the weighted average rate of 6.70% (2014: 7.28%).

6 Property and equipment *(continued)*

During the year ended 31 December 2015, certain subsidiaries of the Company entered into sales and lease back agreements with third parties (the “Agreements”), whereby hotel facilities carried at RMB309,965,000 were sold at RMB570,000,000 and leased back for three to five years at a total lease payment of RMB572,985,000. These subsidiaries have a repurchase option to reacquire the title of the hotel facilities at prices that are much lower than the market price upon the completion of the lease term. During such lease term and before the exercise of the completion repurchase option, such facilities are restricted under the Agreements where leaser’s consent must be obtained for the pledge or disposal of these assets.

7 Investment properties

| | Year ended 31 December | |
|--|------------------------|-------------|
| | 2015 | 2014 |
| | RMB'000 | RMB'000 |
| Opening balance at 1 January | 26,975,771 | 26,941,944 |
| Additions – Transfer from properties under development | 1,437,077 | 568,282 |
| Additions – Construction cost and others | 3,262,460 | 1,773,633 |
| Transfer to properties under development | (4,426,705) | (3,538,648) |
| Disposal | – | (280,062) |
| Fair value gains | 2,776,694 | 1,510,622 |
| Closing balance at 31 December | 30,025,297 | 26,975,771 |

As at 31 December 2015, investment properties under construction of approximately RMB1,572,482,000 were measured at cost, because their constructions were at very early stage and related fair values were not reliably determinable (31 December 2014: approximately RMB1,582,370,000). 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 | |
|--|------------------------|---------|
| | 2015 | 2014 |
| Rental income | 739,249 | 687,367 |
| Direct operating expenses from properties that generated rental income (Note 29) | 62,245 | 56,267 |
| Direct operating expenses from properties that did not generate rental income (Note 29) | 5,153 | 5,385 |

7 Investment properties (continued)

(b) Valuation

Independent valuations of the Group's investment properties were performed by the valuers, Vigers Appraisal & Consulting Limited and Shanghai Zhonghua Asserts Appraisal Co., Ltd., to determine the fair value of the investment properties as at 31 December 2015 and 2014. The following table analyses the investment properties carried at fair value, by valuation method and fair value hierarchy.

| Description | Fair value measurements at 31 December 2015 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 | – | – | 28,452,815 |
| | | | |
| | Fair value measurements at 31 December 2014 using | | |
| Description | 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 | – | – | 25,393,401 |

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

7 Investment properties (continued)**(b) Valuation (continued)****Fair value measurements using significant unobservable inputs (Level 3)**

| | 31 December 2015 | | |
|--|--|---|------------------|
| | Significant unobservable | | |
| | Inputs-Commercial buildings – China (Level 3) | | |
| | Completed investment properties RMB'000 | Investment properties under development RMB'000 | Total RMB'000 |
| Opening balance | 17,381,150 | 8,012,251 | 25,393,401 |
| Additions | 3,654,269 | 833,951 | 4,488,220 |
| Transfer to property under development | – | (4,205,500) | (4,205,500) |
| Net gains from fair value adjustment | 527,381 | 2,249,313 | 2,776,694 |
| Closing balance | 21,562,800 | 6,890,015 | 28,452,815 |

| | 31 December 2014 | | |
|--------------------------------------|--|---|------------------|
| | Significant unobservable | | |
| | Inputs-Commercial buildings – China (Level 3) | | |
| | Completed investment properties RMB'000 | Investment properties under development RMB'000 | Total RMB'000 |
| Opening balance | 16,403,370 | 5,536,999 | 21,940,369 |
| Additions | 442,410 | 1,624,403 | 2,066,813 |
| Disposal | – | (124,403) | (124,403) |
| Net gains from fair value adjustment | 535,370 | 975,252 | 1,510,622 |
| Closing balance | 17,381,150 | 8,012,251 | 25,393,401 |

7 Investment properties *(continued)*

(b) Valuation *(continued)*

Valuation processes of the Group

The Group's investment properties were valued at 31 December 2015 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 directors and the audit committee.

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 capitalisation 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 inputs 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. |

7 Investment properties (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.

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

| Description | Fair value at 31 Dec 2015 (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 | 21,562,800 | Discounted cashflow | Rental value | RMB45-RMB1,017 per month per square meter (RMB225 per month per square meter) | The higher the rental value, the higher the fair value |
| | | | Discount rate | 4.50%-8.58% (6.01%) | The higher the discount rate, the lower the fair value |
| | | | Capitalisation rate | 1.85%-7.51% (3.88%) | The higher the capitalisation rate, the lower the fair value |

7 Investment properties (continued)

(b) Valuation (continued)

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

| Description | Fair value at 31 Dec 2015 (RMB'000) | Valuation technique(s) | Unobservable inputs | Range of unobservable inputs (probability-weighted average) | Relationship of unobservable inputs to fair value |
|--|---|---|---|--|---|
| Commercial buildings – China (under development) | 6,890,015 | Discounted cash flows with estimated costs to complete | Market price | RMB11,600-RMB37,850 per square meter (RMB21,988 per square meter) | The higher the market price, the higher the fair value |
| | | | Discount rate | 4.35%-4.75% (4.66%) | The higher the discount rate, the lower the fair value |
| | | | Capitalisation rate | 4.35%-4.75% (4.66%) | The higher the capitalisation rate, the lower the fair value |
| | | | Budgeted construction cost | RMB59,834,480- RMB3,085,544,640 (RMB594,097,978) | The higher the total development costs, the lower the fair value. |
| | | | Estimated profit margin required to hold and develop property to completion | 12%-15% (14%) of property value | The higher the profit margin required, the lower the fair value. |
| Completed commercial buildings – China | 17,381,150 | Discounted cashflow | Rental value | RMB43-RMB814 per month per square meter(RMB229 per month per square meter) | The higher the rental value, the higher the fair value |
| | | | Discount rate | 5%-8.58%(6.24%) | The higher the discount rate, the lower the fair value |
| | | | Capitalisation rate | 1.33%-8.57% (3.64%) | The higher the capitalisation rate, the lower the fair value |

7 Investment properties (continued)

(b) Valuation (continued)

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

| Description | Fair value at 31 Dec 2014 (RMB'000) | Valuation technique(s) | Unobservable inputs | Range of unobservable inputs (probability-weighted average) | Relationship of unobservable inputs to fair value |
|--|---|---|---|---|---|
| Commercial buildings – China (under development) | 8,012,251 | Discounted cash flows with estimated costs to complete | Market price | RMB13,000-RMB34,793 per square meter (RMB19,725 per square meter) | The higher the market price, the higher the fair value |
| | | | Discount rate | 5.6%-6.15%(5.94%) | The higher the discount rate, the lower the fair value |
| | | | Capitalisation rate | 5.6%-6.15% (5.9%) | The higher the capitalisation rate, the lower the fair value |
| | | | Budgeted construction cost | RMB239,235,150- RMB3,056,034,042 (RMB756,979,775) | The higher the total development costs, the lower the fair value. |
| | | | Estimated profit margin required to hold and develop property to completion | 10%-15% (12.22%) 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. There is no indication that any slight increases/(decreases) in market unit rent in isolation would result in a significantly higher/(lower) fair value of the investment properties.

(c) Pledge

As at 31 December 2015, 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 RMB12,422,023,000 (2014: RMB13,765,913,000) were pledged as collateral for the Group's borrowings (Note 24).

7 Investment properties (continued)

(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 are as follows:

| | As at 31 December | |
|---|-------------------|-----------|
| | 2015 | 2014 |
| | RMB'000 | RMB'000 |
| Within one year | 525,528 | 427,193 |
| Later than one year but no later than 5 years | 1,209,533 | 1,215,519 |
| Later than 5 years | 845,737 | 975,360 |
| | 2,580,798 | 2,618,072 |

8 Land use rights

| | Year ended 31 December | |
|---|------------------------|-----------|
| | 2015 | 2014 |
| | RMB'000 | RMB'000 |
| Land use rights relating to property and equipment under non-current assets | | |
| Opening balance | 7,286,582 | 5,645,416 |
| Additions | 851,825 | 1,997,829 |
| Disposal of a subsidiary with loss of control | (25,761) | (151,866) |
| Amortisation | | |
| – Capitalised in property and equipment (Note 6) | – | (27,213) |
| – Recognised as expenses (Note 29) | (73,963) | (111,361) |
| Transfer to properties under development and completed properties held for sale | (116,796) | (66,223) |
| | 7,921,887 | 7,286,582 |

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 2015, land use rights of RMB2,045,086,000 (2014: of RMB2,081,267,000) were pledged as collateral for the Group's borrowings (Note 24).

9 Intangible assets

Intangible assets comprise goodwill arising from acquisitions:

| | Year ended 31 December | |
|--|------------------------|-----------|
| | 2015 | 2014 |
| | RMB'000 | RMB'000 |
| Opening balance | 1,840,684 | 1,847,573 |
| Write-off of goodwill recognised as expenses (Note 29) | – | (6,889) |
| Ending balance | 1,840,684 | 1,840,684 |

Impairment tests for goodwill

Goodwill is allocated to the Group's CGUs identified according to business segment. A segment level summary of the goodwill is presented below:

| | As at 31 December | |
|---|-------------------|-----------|
| | 2015 | 2014 |
| | RMB'000 | RMB'000 |
| Property development and investment – Shanghai Shimao | 1,709,730 | 1,709,730 |
| Property development and investment – Others | 26 | 26 |
| Hotel operation | 130,928 | 130,928 |
| | 1,840,684 | 1,840,684 |

The recoverable amounts of CGUs are determined based on the higher of fair values (less cost to sale) and value in use calculation. The fair value of CGU – Property development and investment – Shanghai Shimao is determined based on value-in-use calculation. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a eight-year period. Cash flows beyond the eight-year period are extrapolated using the estimated growth rates (the fair value of Shanghai Shimao in 2014) is determined based on quoted price of Shanghai Shimao's equity shares in the PRC share capital market.

For the years ended 31 December 2015 and 2014, the fair values of other property development and investment 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.

For the years ended 31 December 2015 and 2014, the fair values of hotel operation are valued by independent professionally qualified valuers who held a recognised relevant professional qualification and have recent experience in the locations and segments of the hotels valued.

9 Intangible assets *(continued)*

Impairment tests for goodwill *(continued)*

For property development and investment – Shanghai Shimao the key assumptions, gross margin (excluding Land appreciation tax), long term growth rate and discount rate used in the value-in-use calculations in 2015 are as follows:

| | Shanghai Shimao |
|---|----------------------------|
| Gross margin excluding Land appreciation tax (% of revenue) | 31.9% |
| Long term growth rate | 3.0% |
| Pre-tax discount rate | 17.4% |

These assumptions have been used for the analysis of Shanghai Shimao CGU within the operating segment.

Gross margin is the average margin as a percentage of revenue over the eight-year forecast period. It is based on the current sales margin.

The long term growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segments.

10 Associated companies

| | Year ended 31 December | |
|--|------------------------|-------------|
| | 2015 | 2014 |
| | RMB'000 | RMB'000 |
| Share of net assets: | | |
| Opening balance | 1,258,029 | 1,650,578 |
| Capital injection (Note (a)) | 402,250 | 3,100 |
| Transfer from subsidiaries (Note (b)) | 33,000 | 945,877 |
| Transfer from a joint venture (Note (c)) | 30,609 | – |
| Transfer to subsidiaries (Note (d)) | (903,024) | (1,188,056) |
| Share of results | 108,684 | (153,470) |
| Disposal (Note (e)) | (28,835) | – |
| Closure (Note (f)) | (2,438) | – |
| Ending balance | 898,275 | 1,258,029 |

Notes:

- (a) In 2015, the Group set up two associated companies with total capital injections of RMB402,250,000.
- (b) In 2015, the Group disposed certain equity interests in a then wholly owned subsidiary. The disposal had resulted in net cash inflow of RMB66,950,000 while no material gain or loss (Note 40(b)(ii)).
- (c) In 2015, according to the amended articles of association, the Group lost the joint control in Guangzhou Chengyu Real Estate Development Co., Ltd., which then became the Group's associated company.
- (d) In July 2015, the Group acquired 51.68% equity interest in Ningbo Shimao Xintengfei Property Co., Ltd., which became a wholly owned subsidiary. The acquisition had resulted in a net gain of RMB68,056,000 (Note 28) and the net cash outflow of RMB542,357,000 (Note 40(a)(i)).

In September 2015, the Group acquired 62.35% equity interest in Changshu Shimao New Era Property Co., Ltd., which became a wholly owned subsidiary. The acquisition had resulted in a net gain of RMB43,992,000 (Note 28) and the net cash outflow of RMB493,425,000 (Note 40(a)(i)).

- (e) In October 2015, the Group disposed 30% equity interest in Jiaxing Shimao New Century Property Co., Ltd. at total consideration of RMB70,514,000. The disposal gain of RMB41,679,000 was recognised in the income statement as other gain (Note 28).
- (f) In January 2015 and October 2015, two associated companies of the Group were closed. The closure had resulted in a net loss of RMB775,000 (Note 28) and net cash inflow of RMB1,663,000.

10 Associated companies *(continued)*

- (g) 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 (%) |
|---|-----------------------------|-------------------|------------------------|--------------------|----------------------------------|--------------------------------------|
| 2015 | | | | | | |
| Guangzhou Li He Property Development Co., Ltd. ("Guangzhou Li He") | PRC | 4,625,596 | (4,618,607) | 265,281 | (27,190) | 20% |
| Guangzhou Chengyu Property Development Co., Ltd. ("Guangzhou Cheng Yu") | PRC | 2,873,185 | (2,686,797) | 667,912 | 165,472 | 50% |
| Chengdu Heng Yu Property Development Co., Ltd. ("Chengdu Heng Yu") | PRC | 2,391,694 | (2,388,528) | 59,364 | (13,248) | 33% |
| Nanjing Mingmao Real Estate Co., Ltd. ("Nanjing Mingmao") | PRC | 1,322,058 | (924,603) | – | (4,346) | 49% |
| Others | PRC | 357,747 | (53,470) | 6,783 | (12,004) | |
| | | 11,570,280 | (10,672,005) | 999,340 | 108,684 | |
| 2014 | | | | | | |
| Guangzhou Li He Property Development Co., Ltd. ("Guangzhou Li He") | PRC | 4,584,281 | (4,550,102) | 382,448 | (26,385) | 20% |
| Chengdu Heng Yu Property Development Co., Ltd. ("Chengdu Heng Yu") | PRC | 3,116,011 | (3,099,538) | – | (1,600) | 33% |
| Ningbo Shimao Xintengfei Property Co., Ltd. ("Ningbo Xintengfei") | PRC | 1,217,234 | (621,756) | – | (4,098) | 48% |
| Jiaxing Shimao New Century Property Co., Ltd. ("Jiaxing New Century") | PRC | 64,214 | (35,149) | – | 61 | 30% |
| Changshu Shimao New Era Property Co., Ltd. ("Changshu New Era") | PRC | 606,170 | (289,607) | – | (3,230) | 38% |
| Others | PRC | 297,870 | (31,599) | 545,820 | (118,218) | |
| | | 9,885,780 | (8,627,751) | 928,268 | (153,470) | |

10 Associated companies *(continued)*

Details of the principal associated companies of the Group as at 31 December 2015 are set out in Note 37.

There is no individually material associated company of the Group as at 31 December 2015 and 2014.

The Group provided guarantees to associated companies for their borrowings from banks and other financial institutions. The value of financial guarantee liabilities attributable to the Group amounted to RMB4,901,630,000 as at 31 December 2015 (2014: RMB3,388,812,000) (Note 38).

11 Joint ventures

| | Year ended 31 December | |
|--|------------------------|-----------|
| | 2015 | 2014 |
| | RMB'000 | RMB'000 |
| Share of net assets: | | |
| Opening balance | 8,534,090 | 5,365,806 |
| Capital injection (Note (a)) | 900,527 | 572,170 |
| Acquisition of joint ventures (Note (b)) | 1,490,448 | – |
| Transfer from subsidiaries (Note (c) and Note (f)) | 1,837,905 | 2,890,081 |
| Capital distribution (Note (d)) | (900,000) | – |
| Transfer to subsidiaries (Note (e) and Note (f)) | (1,455,610) | (272,934) |
| Transfer to an associated company (Note (c)) | (30,609) | – |
| Share of results | (591,853) | (21,033) |
| Ending balance | 9,784,898 | 8,534,090 |

Notes:

- (a) In 2015, the Group made capital injection with amount of RMB50,000,000 into a third party's subsidiary. Pursuant to the revised article of association, the Group and the third party will jointly control the operation of the entity.

In 2015, the Group set up two joint ventures with total capital injection of RMB850,527,000.

- (b) In 2015, the Group acquired equity interests in four companies wholly owned by third parties. Pursuant to the revised articles of association, the Group and the third parties will jointly control the operation of the entities. The total amount of cash consideration is RMB1,490,448,000.

11 Joint ventures *(continued)*

- (c) For the year ended 31 December 2015, certain third parties made capital injections into three then wholly owned subsidiaries. Pursuant to the revised articles of association, the Group and the third parties will jointly control the operation of these entities. The disposal had resulted in a net gain of RMB7,123,000 (Note 28) and the net cash outflow of RMB28,630,000 (Note 40(c)).

For the year ended 31 December 2015, the Group disposed certain equity interests in two then wholly owned subsidiaries. Pursuant to the revised articles of association, the Group and the third parties will jointly control the operation of these entities. The disposal had resulted in a net gain of RMB133,580,000 and the net cash outflow of RMB62,927,000 (Note 40(b)(i)).

In April 2015 and August 2015, certain joint ventures of the Group, Chengdu Shimao Investment Co., Ltd. and Nanchang Shimao New Development Property Co., Ltd. made capital distribution to their investors. Pursuant to the revised article of association, the Group and the third parties still jointly control the operation of these two entities and the amount of capital distribution was RMB700,000,000 and RMB200,000,000 respectively. There were no cash inflow from these capital distributions because the receivables had been offset with the amount due to joint ventures.

- (d) In June 2015, the Group acquired 51% equity interest in Shanghai Maoqin Investment Management Co., Ltd. (“Shanghai Maoqin”) which became a wholly owned subsidiary. The acquisition had resulted in a net gain of RMB80,807,000 (Note 28) and the net cash outflow of RMB674,217,000 (Note 40(a)(ii)).
- (e) In June 2015, the Group acquired 60% equity interest in Suzhou Shimao Industrial Park Century Property Co., Ltd. (“Suzhou Industrial Century”), which became a wholly owned subsidiary. The acquisition had resulted in a net gain of RMB129,261,000 (Note 28) and the net cash outflow of RMB1,351,635,000 (Note 40(a)(ii)).

In October 2015, the Group disposed 60% equity interests in Suzhou Industrial Century. Pursuant 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 RMB6,254,000 (Note 28) and the net cash inflow of RMB1,310,777,000 (Note 40(b)(i)).

11 Joint ventures (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 (%) |
|--|-----------------------------|-------------------|------------------------|--------------------|----------------------------------|--------------------------------------|
| 2015 | | | | | | |
| Tianjin Jinnan Xincheng Real Estate Development Co., Ltd. ("Tianjin Jinnan") | PRC | 2,333,283 | (1,442,983) | 151,780 | (5,695) | 25% |
| Nanchang Shimao New Development Property Co., Ltd. ("Nanchang New Development") | PRC | 1,264,937 | (763,930) | 297,536 | (47,157) | 50% |
| Changsha Shimao Real Estate Co., Ltd. ("Changsha Real Estate") | PRC | 3,905,631 | (3,486,088) | 280,930 | (36,841) | 50% |
| Chengdu Shimao Investment Co., Ltd. ("Chengdu Investement") | PRC | 792,808 | (740,224) | 335,722 | (34,864) | 50% |
| Fast Right Investment Limited ("Fast Right")* | Hong Kong | 1,607,163 | (709,143) | 201,776 | (20,063) | 50% |
| Kingtron Enterprises Limited ("Kingtron")* | Hong Kong | 829,993 | (479,576) | 175,283 | (20,883) | 50% |
| Suzhou Shimao Industrial Park Century Property Co., Ltd. ("Suzhou Industrial Century") | PRC | 2,161,472 | (1,240,688) | 56 | (2,479) | 40% |
| Wuxi Shimao Property Development Co., Ltd. ("Wuxi Shimao") | PRC | 1,811,019 | (2,136,016) | 464,578 | (325,964) | 49% |
| Ningbo Shimao New Miles Property Co., Ltd. ("Ningbo New Miles") | PRC | 3,999,968 | (3,684,904) | (14,720) | (47,961) | 50% |
| Ningbo Shimao New Century Property Development Co., Ltd. ("Ningbo New Century") | PRC | 1,541,462 | (879,874) | – | (39,055) | 50% |
| Suzhou Shimao Industrial Park Lakeside Co., Ltd. ("Suzhou Industrial Lakeside") | PRC | 2,580,290 | (1,890,712) | – | (87) | 49% |
| Nantong Shimao New Era Property Development Co., Ltd. ("Nantong New Era") | PRC | 1,992,377 | (1,650,076) | 132,021 | 2,172 | 50% |
| Changsha Shimao Investment Co., Ltd. ("Changsha Investment") | PRC | 1,173,815 | (686,853) | – | (793) | 49% |
| Shanghai Chunri Property Co., Ltd. ("Shanghai Chunri") | PRC | 1,306,249 | (1,301,764) | – | (4,009) | 45% |
| Ningbo Dingfeng Real Estate Development Co., Ltd. ("Ningbo Dingfeng") | PRC | 847,097 | (801,441) | – | (3,370) | 40% |
| Shanghai Shimao Sheshan Huiying Property Co., Ltd. ("Shanghai Sheshan Huiying") | PRC | 1,603,130 | (1,229,868) | – | – | 50% |
| Others | PRC | 6,739,546 | (3,581,202) | 35,844 | (4,804) | |
| | | 36,490,240 | (26,705,342) | 2,060,806 | (591,853) | |

* Fast Right and Kingtron hold 100% equity interest in two respective PRC property development entities, i.e. Hangzhou Shimao Shiyang Property Development Co., Ltd. and Haishu Property Development (Hangzhou) Co., Ltd.

11 Joint ventures (continued)

| | Country of Incorporation | Assets RMB'000 | Liabilities RMB'000 | Revenue RMB'000 | Net profit/ (loss) RMB'000 | Interest held by the Group (%) |
|---|-----------------------------|-------------------|------------------------|--------------------|----------------------------------|--------------------------------------|
| 2014 | | | | | | |
| Tianjin Jinnan Xincheng Real Estate Development Co., Ltd. ("Tianjin Jinnan") | PRC | 2,379,902 | (1,483,907) | 509,708 | 8,954 | 25% |
| Nanchang Shimao New Development Property Co., Ltd. ("Nanchang New Development") | PRC | 2,225,621 | (1,377,457) | 452,677 | 1,231 | 50% |
| Changsha Shimao Real Estate Co., Ltd. ("Changsha Real Estate") | PRC | 1,198,711 | (742,326) | 252,989 | (12,150) | 50% |
| Chengdu Shimao Investment Co., Ltd. ("Chengdu Investment") | PRC | 847,753 | (60,306) | 260,480 | 2,410 | 50% |
| Fast Right Investment Limited | Hong Kong | 1,810,699 | (892,616) | 340,593 | 32,940 | 50% |
| Kingtron Enterprises Limited | Hong Kong | 888,584 | (517,332) | 40,814 | (6,877) | 50% |
| Guangzhou Chengyu Property Development Co., Ltd. ("Guangzhou Cheng Yu") | PRC | 2,921,402 | (2,903,321) | 23 | (20,729) | 50% |
| Wuxi Shimao Property Development Co., Ltd. ("Wuxi Shimao") | PRC | 1,205,324 | (1,204,357) | 283,517 | (17,449) | 49% |
| Ningbo Shimao New Miles Property Co., Ltd. ("Ningbo New Miles") | PRC | 1,513,543 | (1,150,518) | 72,631 | 2,031 | 50% |
| Ningbo Shimao New Century Property Development Co., Ltd. ("Ningbo New Century") | PRC | 2,016,429 | (1,315,787) | – | (5,422) | 50% |
| Suzhou Shimao Industrial Park Lakeside Co., Ltd. ("Suzhou Industrial Lakeside") | PRC | 2,051,869 | (1,362,204) | – | – | 49% |
| Nantong Shimao New Era Property Development Co., Ltd. ("Nantong New Era") | PRC | 1,292,024 | (951,896) | 71,143 | 8,384 | 50% |
| Changsha Shimao Investment Co., Ltd. ("Changsha Investment") | PRC | 510,152 | (22,397) | – | – | 49% |
| Others | PRC | 4,383,776 | (2,727,275) | 5,361 | (14,356) | |
| | | 25,245,789 | (16,711,699) | 2,289,936 | (21,033) | |

Details of the principal joint ventures of the Group as at 31 December 2015 are set out in Note 37.

There is no individually material joint venture of the Group as at 31 December 2015 and 2014.

The Group provided guarantees to joint ventures for their borrowings from banks. The value of financial guarantee liabilities attributable to the Group amounted to RMB2,632,447,000 as at 31 December 2015 (2014: RMB3,391,365,000) (Note 38).

12 Amounts due from related companies

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

| | As at 31 December | |
|--------------------------------|--------------------------|-----------|
| | 2015 | 2014 |
| | RMB'000 | RMB'000 |
| Included in non-current assets | | |
| – Joint ventures | 2,112,737 | 1,865,588 |
| – Associated companies | 661,957 | 633,958 |
| | 2,774,694 | 2,499,546 |

| | As at 31 December | |
|-----------------------------------|--------------------------|---------|
| | 2015 | 2014 |
| | RMB'000 | RMB'000 |
| Included in current assets | | |
| – Companies with common directors | 160 | 160 |
| – Associated companies | 1,458,481 | 909,534 |
| – Joint ventures | 123,288 | 69,652 |
| | 1,581,929 | 979,346 |

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

13 Available-for-sale financial assets

| | Year ended 31 December | |
|---|------------------------|-----------|
| | 2015 | 2014 |
| | RMB'000 | RMB'000 |
| Opening balance | 204,510 | 408,440 |
| Additions | 1,070,000 | – |
| Disposals | – | (363,884) |
| Fair value (losses)/ gains recognised in other comprehensive income | (70,040) | 159,954 |
| Ending balance | 1,204,470 | 204,510 |

Available-for-sale financial assets include the following:

| | Year ended 31 December | |
|------------------------------------|------------------------|---------|
| | 2015 | 2014 |
| | RMB'000 | RMB'000 |
| Listed securities: | | |
| – Equity securities | | |
| – without lock-up period (Note(a)) | 134,470 | 204,510 |
| – with lock-up period (Note(b)) | 1,000,000 | – |
| Unlisted securities: | | |
| – Equity securities (Note(c)) | 70,000 | – |
| Ending balance | 1,204,470 | 204,510 |

Notes:

- (a) Listed securities without lock-up period represented investment in listed equity securities in the PRC which were stated at market value based on the quoted price.
- (b) Listed securities with lock-up period represented 1.15% equity interest (13,506,212 shares) in Wanda Cinema Line, a company listed on the Shenzhen Stock Exchange, with a lock-up period up to 3 January 2017. The fair value of this asset is determined using valuation model for which not all inputs are observable and within Level 3 of the fair value hierarchy (Note 3(e)).
- (c) Unlisted securities represented a 2.12% equity interest in an unlisted company which was established in the PRC.

As at 31 December 2015, no available-for-sale financial asset was pledged as collateral for the Group's borrowings (2014: Nil) (Note 24).

14 Deferred income tax

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 | |
|---|-------------------|-----------|
| | 2015 | 2014 |
| | RMB'000 | RMB'000 |
| Deferred income tax assets | | |
| – to be recovered after more than 12 months | 1,246,847 | 938,989 |
| – to be recovered within 12 months | 737,130 | 490,910 |
| | 1,983,977 | 1,429,899 |
| Deferred income tax liabilities | | |
| – to be recovered after more than 12 months | 4,866,528 | 4,143,051 |
| – to be recovered within 12 months | 605,293 | 196,323 |
| | 5,471,821 | 4,339,374 |
| Net deferred income tax liabilities | 3,487,844 | 2,909,475 |

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

| | Year ended 31 December | |
|--|------------------------|-----------|
| | 2015 | 2014 |
| | RMB'000 | RMB'000 |
| Opening balance | 2,909,475 | 2,678,904 |
| Charged to the consolidated income statement (Note 33) | 595,879 | 183,986 |
| (Credited)/ charged to other comprehensive income | (17,510) | 46,585 |
| Ending balance | 3,487,844 | 2,909,475 |

14 Deferred income tax (continued)

Movement in deferred income tax assets and liabilities for the year ended 31 December 2015, 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 2014 | 875,654 | 156,716 | 275,328 | 1,307,698 |
| Credited/(charged) to the consolidated income statement | 94,343 | 32,455 | (2,843) | 123,955 |
| At 31 December 2014 | 969,997 | 189,171 | 272,485 | 1,431,653 |
| Credited to the consolidated income statement | 101,736 | 46,497 | 444,059 | 592,292 |
| At 31 December 2015 | 1,071,733 | 235,668 | 716,544 | 2,023,945 |

14 Deferred income tax (continued)**Deferred income tax liabilities**

| | Fair value gains on investment properties | Fair value adjustments on assets and liabilities upon acquisition of subsidiaries | Withholding tax on the retained earnings of certain subsidiaries | Others | Total |
|--|--|--|---|----------------|------------------|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| At 1 January 2014 | 2,792,516 | 960,360 | 233,726 | – | 3,986,602 |
| Charged/(credited) to the consolidated income statement | 377,656 | (69,715) | – | – | 307,941 |
| Charged to other comprehensive income | – | 46,585 | – | – | 46,585 |
| At 31 December 2014 | 3,170,172 | 937,230 | 233,726 | – | 4,341,128 |
| Charged to the consolidated income statement | 694,174 | 59,992 | 260,005 | 174,000 | 1,188,171 |
| Credited to other comprehensive income | – | (17,510) | – | – | (17,510) |
| At 31 December 2015 | 3,864,346 | 979,712 | 493,731 | 174,000 | 5,511,789 |

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 carried forward to the extent that the realisation of the related benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of RMB52,646,000 (2014: RMB43,179,000) in respect of accumulated losses amounting to RMB210,582,000 (2014: RMB172,716,000) that can be carried forward against future taxable income. Losses amounting to RMB94,871,000, RMB16,369,000, RMB17,599,000, RMB28,663,000 and RMB53,080,000, expire in 2016, 2017, 2018, 2019 and 2020 respectively.

Deferred income tax liabilities have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries in the PRC. Such amounts will be reinvested according to the distribution and reinvestment plan of the Group.

15 Other non-current assets

As at 31 December 2015, the Group has made prepayments of RMB1,311,526,000 (2014: RMB688,089,000) 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.

16 Properties under development

| | As at 31 December | |
|---|--------------------------|------------|
| | 2015 | 2014 |
| | RMB'000 | RMB'000 |
| Properties under development comprise: | | |
| Land use rights | 56,587,118 | 48,403,637 |
| Construction costs and capitalised expenditures | 37,746,624 | 30,773,187 |
| Interests capitalised | 6,393,495 | 4,363,072 |
| | 100,727,237 | 83,539,896 |

| | As at 31 December | |
|---------------------------------------|--------------------------|------------|
| | 2015 | 2014 |
| | RMB'000 | RMB'000 |
| Land use rights | | |
| Outside Hong Kong, held on leases of: | | |
| Over 50 years | 45,962,104 | 44,576,647 |
| Between 10 to 50 years | 10,625,014 | 3,826,990 |
| | 56,587,118 | 48,403,637 |

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 2015, properties under development of approximately RMB31,294,587,000 (2014: RMB29,200,537,000) were pledged as collateral for the Group's borrowings (Note 24).

The capitalisation rate of borrowings was 6.70% for the year ended 31 December 2015 (2014: 7.28%).

| | As at 31 December | |
|---|--------------------------|------------|
| | 2015 | 2014 |
| | RMB'000 | RMB'000 |
| Properties under development: | | |
| Expected to be completed and available for sale after more than 12 months | 33,903,090 | 25,042,744 |
| Expected to be completed and available for sale within 12 months | 66,824,147 | 58,497,152 |
| | 100,727,237 | 83,539,896 |

17 Completed properties held for sale

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 | |
|---------------------------------------|-------------------|-----------|
| | 2015 | 2014 |
| | RMB'000 | RMB'000 |
| Outside Hong Kong, held on leases of: | | |
| Over 50 years | 5,650,000 | 5,809,632 |
| Between 10 to 50 years | 1,049,932 | 705,091 |
| | 6,699,932 | 6,514,723 |

As at 31 December 2015, completed properties held for sale of RMB5,727,010,000 (2014: RMB6,414,183,000) were pledged as collateral for the Group's borrowings (Note 24).

For the year ended 31 December 2015, the Group recognized impairment losses of RMB152,469,000 (2014: RMB135,078,000) on completed properties held for sale (Note 29).

18 Trade and other receivables and prepayments

| | As at 31 December | |
|---|-------------------|------------|
| | 2015 | 2014 |
| | RMB'000 | RMB'000 |
| Bidding deposits for land use rights (Note (a)) | 4,116,809 | 2,520,888 |
| Trade receivables (Note (c)) | 4,967,963 | 4,696,612 |
| Prepaid business tax on pre-sale proceeds | 1,700,264 | 1,796,915 |
| Prepayments for construction costs | 1,239,653 | 886,724 |
| Receivable for equity interest (Note (b)) | – | 619,800 |
| Other receivables | 2,762,189 | 1,936,273 |
| | 14,786,878 | 12,457,212 |

Notes:

- (a) Bidding deposits for land use rights mainly represented deposits of the Group placed with various municipal governments for the participation in 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.

18 Trade and other receivables and prepayments *(continued)*

- (b) In August 2014, the Group disposed of 50.71% equity interests in Suzhou Shimao Industrial Park Lakeside Co., Ltd. ("Suzhou Industrial Lakeside"), a then wholly-owned subsidiary, to a third party at a total cash consideration of RMB710,000,000. Pursuant to the sales and purchase agreement and the revised articles of association, the cash payment would be made by installments and the Group lost control over Suzhou Industrial Lakeside after the first payment. As at 31 December 2014, the Group had received RMB90,200,000 and the remaining RMB619,800,000 has been received in 2015.
- (c) 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 the respective balance sheet dates is as follows:

| | As at 31 December | |
|----------------------------------|--------------------------|-----------|
| | 2015 | 2014 |
| | RMB'000 | RMB'000 |
| Within 90 days | 3,911,781 | 3,547,773 |
| Over 90 days and within 365 days | 651,316 | 846,343 |
| Over 365 days | 404,866 | 302,496 |
| | 4,967,963 | 4,696,612 |

As at 31 December 2015, receivables arising from sales of properties was approximately RMB4,332,638,000 (2014: RMB4,543,132,000).

Trade receivables are analysed as follows:

| | As at 31 December | |
|-------------------------------------|--------------------------|-----------|
| | 2015 | 2014 |
| | RMB'000 | RMB'000 |
| Fully performing under credit terms | 3,694,870 | 2,910,558 |
| Past due but not impaired | 1,273,093 | 1,786,054 |
| | 4,967,963 | 4,696,612 |

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

| | As at 31 December | |
|----------------------------------|--------------------------|-----------|
| | 2015 | 2014 |
| | RMB'000 | RMB'000 |
| Within 90 days | 245,613 | 1,039,580 |
| Over 90 days and within 365 days | 622,614 | 443,978 |
| Over 365 days | 404,866 | 302,496 |
| | 1,273,093 | 1,786,054 |

18 Trade and other receivables and prepayments (continued)

As the Group normally holds the title of the properties sold as collateral before collection of the outstanding balances and passing the titles to the purchasers, the Directors consider that the past due trade receivables would be recovered and no provision was made against past due receivables as at 31 December 2015 and 2014.

As at 31 December 2015, provision for impairment of other receivables was approximately RMB131,389,000 (2014: RMB49,171,000).

As at 31 December 2015 and 2014, 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 2015 and 2014, trade and other receivables of the Group were mainly denominated in RMB.

19 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 2015.

20 Derivative financial instruments

Derivative financial instruments assets/(liabilities) as at balance sheet date are as follows:

| | As at 31 December | |
|------------------------------|-------------------|---------|
| | 2015 | 2014 |
| | RMB'000 | RMB'000 |
| Interest rate swap contracts | 41,782 | (1,611) |

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, and are classified as derivative financial instruments held for trading as current assets or current liabilities, with any 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 2015, the fair value gains of the Swap Contracts amounted to RMB64,927,000 net off against the amortisation of day-one loss of RMB21,534,000 is recognized in “other gains” (2014: net gain of RMB35,287,000 recognised in “other gains”) (Note 28).

21 Cash and cash equivalents and restricted cash

| | As at 31 December | |
|----------------------------|--------------------|-------------|
| | 2015 | 2014 |
| | RMB'000 | RMB'000 |
| Bank balances and cash | | |
| – denominated in RMB | 25,904,554 | 23,743,835 |
| – denominated in US dollar | 416,324 | 176,514 |
| – denominated in HK dollar | 88,678 | 14,485 |
| Less: Restricted cash | (3,817,713) | (3,463,004) |
| | 22,591,843 | 20,471,830 |

As at 31 December 2015, the Group's restricted cash comprised approximately RMB270,931,000 (2014: RMB476,667,000) of guarantee deposits for the benefit of mortgage loan facilities granted by the banks to the purchasers of the Group's properties (Note 39) and approximately RMB3,546,782,000 (2014: RMB2,986,337,000) of deposits pledged as collateral for the Group's borrowings (Note 24).

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 2015 was 0.34% (2014: 0.35%).

22 Share capital

(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 2015 and 2014 | | 0.1 | 5,000,000 | 500,000 | – |
| Issued and fully paid: | | | | | |
| At 31 December 2015 and 1 January 2015 | | | 3,472,572 | 347,257 | 356,275 |
| At 31 December 2014 and 1 January 2014 | | | 3,472,572 | 347,257 | 356,275 |

22 Share capital (continued)

(b) 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.

For the year ended 31 December 2015, Shanghai Shimao capitalised 586,207,669 shares from capital reserve, in consequence, the exercise price of the options granted under the A Share Option Scheme has been adjusted to RMB6.29 per A 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.

For the year ended 31 December 2015, 6,300,000 shares have been exercised, and 6,000,000 shares were lapsed by Shanghai Shimao pursuant to the A Share Option Scheme. As at 31 December 2015, total number of A shares which were granted but not exercised under the A Share Option Scheme was 2,700,000 (number of shares were adjusted after the capitalisation of 586,207,669 shares).

(c) Share Award Scheme

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

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

A Trust was constituted to manage the Share Scheme, and a wholly-owned subsidiary of the Company incorporated in the British Virgin Islands was designated as Trustee. Up to 31 December 2015, the Trust purchased 19,770,000 ordinary shares from market, totaling HK\$284,145,000 (equivalent to RMB226,095,000), of which 14,536,452 shares were granted to eligible employees according to the Share Scheme up to 31 December 2015. Up to 31 December 2015, there were 8,774,393 shares which have been vested, and 1,031,157 shares which have been lapsed.

22 Share capital *(continued)***(c) Share Award Scheme** *(continued)*

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 | |
| | 2015 | 2014 |
| Unvested shares, beginning | 5,468,896 | 4,336,654 |
| Granted | 4,730,902 | 5,468,896 |
| Vested | (4,752,690) | (4,021,703) |
| Lapsed | (716,206) | (314,951) |
| Unvested shares, ending | 4,730,902 | 5,468,896 |

The weighted average fair value of the unvested units granted during the year ended 31 December 2015 is HK\$65,286,448, equivalent to RMB54,696,986 (2014: HK\$94,830,657, equivalent to RMB74,809,060).

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

| | Year ended 31 December | |
|--|------------------------|-----------|
| | 2015 | 2014 |
| | '000 | '000 |
| Shares issued | 3,472,572 | 3,472,572 |
| Treasury shares at 1 January | (12,748) | (10,758) |
| Treasury shares purchased for Share Award Scheme | (3,000) | (6,012) |
| Vested shares under the Share Award Scheme | 4,753 | 4,022 |
| Shares outstanding | 3,461,577 | 3,459,824 |

(e) Material non-controlling interests

There is no individual material non-controlling interests of the Group as at 31 December 2015 and 2014.

23 Reserves

| | Merger reserve RMB'000 | Share premium RMB'000 | Share-based compensation reserve RMB'000 | Statutory reserve RMB'000 | Capital redemption reserve RMB'000 | Available-for- sale financial assets RMB'000 | Retained earnings RMB'000 | Total RMB'000 |
|---|------------------------------|-----------------------------|---|---------------------------------|---|---|---------------------------------|------------------|
| Balance at 1 January 2014 | (185,787) | 8,254,829 | 32,183 | 1,107,523 | 4,949 | (49,180) | 32,221,458 | 41,385,975 |
| Profit for the year | - | - | - | - | - | - | 8,103,833 | 8,103,833 |
| Fair value gains on available-for-sale financial assets, net of tax | - | - | - | - | - | 77,042 | - | 77,042 |
| Transfer of fair value losses previously taken to reserve to income statement upon disposal of available-for-sale financial assets, net of tax | - | - | - | - | - | 12,711 | - | 12,711 |
| Changes in ownership interests in subsidiaries without change of control | - | (15,978) | - | - | - | - | - | (15,978) |
| Equity-settled share-based payment | | | | | | | | |
| – Value of employee services | - | - | 65,557 | - | - | - | - | 65,557 |
| – Purchase of shares (Note 22(c)) | - | (75,068) | - | - | - | - | - | (75,068) |
| – Dividend received | - | 12,548 | - | - | - | - | - | 12,548 |
| Profit appropriations | - | - | - | 500,933 | - | - | (500,933) | - |
| 2013 final dividend paid | - | (2,233,912) | - | - | - | - | - | (2,233,912) |
| 2014 interim dividend paid | - | (825,604) | - | - | - | - | - | (825,604) |
| Balance at 31 December 2014 | (185,787) | 5,116,815 | 97,740 | 1,608,456 | 4,949 | 40,573 | 39,824,358 | 46,507,104 |
| Representing: | | | | | | | | |
| Proposed final dividend | | 1,629,075 | | | | | | 1,629,075 |
| Others | | 3,487,740 | | | | | | 44,878,029 |
| | | 5,116,815 | | | | | | 46,507,104 |

23 Reserves (continued)

| | Merger reserve RMB'000 | Share premium RMB'000 | Share-based compensation reserve RMB'000 | Statutory reserve RMB'000 | Capital redemption reserve RMB'000 | Available-for- sale financial assets RMB'000 | Retained earnings RMB'000 | Total RMB'000 |
|---|------------------------------|-----------------------------|---|---------------------------------|---|---|---------------------------------|------------------|
| Balance at 1 January 2015 | (185,787) | 5,116,815 | 97,740 | 1,608,456 | 4,949 | 40,573 | 39,824,358 | 46,507,104 |
| Profit for the year | - | - | - | - | - | - | 6,115,784 | 6,115,784 |
| Fair value losses on available-for-sale financial assets, net of tax | - | - | - | - | - | (33,682) | - | (33,682) |
| Changes in ownership interests in subsidiaries without change of control | - | (345,138) | - | - | - | - | - | (345,138) |
| Equity-settled share-based payment | | | | | | | | |
| - Value of employee services | - | - | 92,205 | - | - | - | - | 92,205 |
| - Purchase of shares (Note 22(c)) | - | (40,184) | - | - | - | - | - | (40,184) |
| - Dividend received | - | 9,984 | - | - | - | - | - | 9,984 |
| Profit appropriations | - | - | - | 258,084 | - | - | (258,084) | - |
| 2014 final dividend paid | - | (1,644,540) | - | - | - | - | - | (1,644,540) |
| 2015 interim dividend paid | - | (856,148) | - | - | - | - | - | (856,148) |
| Balance at 31 December 2015 | (185,787) | 2,240,789 | 189,945 | 1,866,540 | 4,949 | 6,891 | 45,682,058 | 49,805,385 |
| Representing: | | | | | | | | |
| Proposed final dividend | | 1,163,728 | | | | | | 1,163,728 |
| Others | | 1,077,061 | | | | | | 48,641,657 |
| | | 2,240,789 | | | | | | 49,805,385 |

24 Borrowings

| | As at 31 December | |
|--|--------------------|-----------------|
| | 2015 RMB'000 | 2014 RMB'000 |
| Borrowings included in non-current liabilities | | |
| Long-term bank borrowings | | |
| – secured by assets (Note (i)) | 15,570,749 | 23,096,353 |
| – secured by shares of subsidiary guarantors (Note (ii)) | 7,821,483 | 11,824,685 |
| – secured by shares of a listed subsidiary (Note (iii)) | 35,000 | 215,000 |
| – unsecured | 2,382,441 | 1,833,045 |
| Long-term borrowings from other financial institutions | | |
| – secured by assets (Note (i)) | 3,490,000 | 3,480,000 |
| – secured by shares of a listed subsidiary (Note (iii)) | – | 500,000 |
| Senior notes – secured (Note (iv)) | 16,112,385 | 10,576,561 |
| Medium-term notes – unsecured (Note(v)) | 5,000,000 | 1,982,110 |
| Long-term bonds (Note(vi)) | 7,365,900 | – |
| Asset-backed securitisation (Note (viii)) | 1,339,507 | – |
| | 59,117,465 | 53,507,754 |
| Less: Long-term bank borrowings due within one year | (5,710,562) | (8,898,383) |
| Long-term borrowings from other financial institutions due within one year | (539,507) | (1,340,000) |
| Amounts due within one year | (6,250,069) | (10,238,383) |
| | 52,867,396 | 43,269,371 |

24 Borrowings (continued)

| | As at 31 December | |
|---|-------------------|------------|
| | 2015 | 2014 |
| | RMB'000 | RMB'000 |
| Borrowings included in current liabilities | | |
| Short-term bank borrowings | | |
| – secured by assets (Note (i)) | 3,614,898 | 2,049,049 |
| – secured by shares of a listed subsidiary (Note (iii)) | 462,000 | 894,900 |
| – unsecured | 2,489,629 | 3,522,386 |
| Short-term borrowings from other financial institutions | | |
| – secured by assets (Note (i)) | 85,000 | 1,400,000 |
| – secured by shares of a listed subsidiary (Note (iii)) | – | 440,000 |
| – unsecured | 52,000 | 180,000 |
| Short-term bonds – unsecured (Note(vii)) | 4,000,000 | – |
| Current portion of long-term borrowings | 6,250,069 | 10,238,383 |
| | 16,953,596 | 18,724,718 |

Notes:

- (i) As at 31 December 2015, the Group's total secured bank borrowings and borrowings from other financial institutions of RMB22,760,647,000 (2014: RMB30,025,402,000) were secured by its assets under construction and buildings (Note 6), investment properties (Note 7), land use rights (Note 8), properties under development (Note 16), completed properties held for sale (Note 17) and restricted cash (Note 21). As at 31 December 2015, secured borrowings of RMB1,331,000,000 (2014: RMB3,367,782,000) were further guaranteed by Mr. Hui Wing Mau.
- (ii) 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 matured in 2014 and 75% matured in 2015. The loan facilities were guaranteed by certain subsidiaries of the Group, and secured by pledge of the shares of these subsidiary guarantors. On 27 November 2015 the Company repaid all the remaining principal of the syndicated loan.

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 matured 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 shares of these subsidiary guarantors. As at 31 December 2015, US\$320,000,000 and HK\$1,950,000,000 have been drawn down (31 December 2014: US\$320,000,000 and HK\$1,950,000,000). As at 31 December 2015, US\$272,000,000 and HK\$1,657,500,000 of the principal remained outstanding (31 December 2014: US\$320,000,000 and HK\$1,950,000,000).

On 12 June 2014, the Company entered into a multi-currency loan facility agreement with a syndicate of 10 banks. Pursuant to the agreement, the Company obtained 4-year syndicated loan facilities, including a US\$665,000,000 facility and a HK\$555,000,000 facility at a floating rate of interest, 15% out of the loan principal will mature in 2016, 35% will mature in 2017 and 50% will mature in 2018. The loan facilities were guaranteed by certain subsidiaries of the Group, and secured by pledge of the shares of these subsidiary guarantors. As at 31 December 2015, US\$665,000,000 and HK\$555,000,000 have been drawn down.

24 Borrowings (continued)

Notes: (continued)

- (iii) As at 31 December 2015, 98,420,000 shares (31 December 2014: 222,860,000 shares) of Shanghai Shimao have been pledged for a total bank borrowings of RMB497,000,000 (31 December 2014: RMB1,109,000,000) for group companies.

As at 31 December 2014, 172,000,000 shares of Shanghai Shimao were pledged for a total borrowings from other financial institutions of RMB940,000,000 for group companies. This pledge expired in 2015.

- (iv) 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. 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. And on 22 January 2014, the Company issued senior notes with total principal of US\$600,000,000 at a fixed rate of 8.125% due on 22 January 2021. On 10 February 2015, the Company issued senior notes with total principal of US\$800,000,000 at a fixed interest rate of 8.375% due on 10 February 2022. On 17 March 2015, the Company issued senior notes with total principal of US\$300,000,000 at a fixed interest rate 8.375% due on 10 February 2022. The Company may at its option redeem these notes, in whole or in part, by certain dates based on the terms of these notes. The notes are senior obligations guaranteed by certain restricted offshore subsidiaries and secured by a pledge of the shares of these offshore restricted subsidiaries. On 8 March 2015, the Company early redeemed the senior notes of US\$350,000,000 which was originally due on 8 March 2018 (approximately RMB2,153,655,000).
- (v) On 15 April 2014, Shanghai Shimao issued medium-term notes with total principal of RMB1,000,000,000 at a fixed interest rate of 8.37% due on 15 April 2017. On 22 Aug 2014, Shanghai Shimao issued medium-term notes with total principal of RMB1,000,000,000 at a fixed interest rate of 7.6% due on 22 Aug 2017. On 10 March 2015, Shanghai Shimao issued medium-term notes with total principal of RMB1,500,000,000 at a fixed interest rate of 6.08% due on 10 March 2018. On 10 July 2015, Shanghai Shimao issued medium-term notes with total principal of RMB1,500,000,000 at a fixed interest rate of 5.35% due on 10 July 2018.
- (vi) On 18 September 2015, Shanghai Shimao Jianshe Co., Ltd. ("Shimao Jianshe") issued long-term bonds in an aggregate principal amount of RMB6,000,000,000 at a fixed interest rate of 3.90% per annum, which will mature on 18 September 2020. On 15 October 2015, Shimao Jianshe issued long-term bonds with total principal of RMB1,400,000,000 at a fixed interest rate of 4.15% due on 15 October 2022.
- (vii) On 26 January 2015, Shanghai Shimao issued short-term notes with total principal of RMB2,000,000,000 at a fixed interest rate of 5.55% due on 27 January 2016. On 22 April 2015, Shanghai Shimao issued short-term notes with total principal of RMB2,000,000,000 at a fixed interest rate of 4.65% due on 23 April 2016.
- (viii) In July 2015, Shimao Tiancheng Property Services Group Co., Ltd. entered into asset-backed special agreement with a third-party financing company in the form of asset securitisation. Asset-backed securities are divided into priority level and subprime level with total principal of RMB1,400,000,000 and RMB110,000,000 respectively. The Group repurchased all the subprime level asset-backed securities in the year ended 31 December 2015. The priority level securities were guaranteed by Shimao Jianshe and the Group. As at 31 December 2015, RMB1,339,507,000 of the principal remained outstanding.

The interest-bearing bank borrowings, including the term loans repayable on demand, are carried at amortised cost.

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24 Borrowings (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 |
|---|--------------------------------|------------------------|----------------------|-------------------------|-------------------|
| Borrowings included in non-current liabilities: | | | | | |
| At 31 December 2015 | 29,624,791 | 2,691,346 | 4,438,875 | 16,112,384 | 52,867,396 |
| At 31 December 2014 | 27,295,615 | 5,397,195 | 2,111,974 | 8,464,587 | 43,269,371 |
| Borrowings included in current liabilities: | | | | | |
| At 31 December 2015 | 14,767,514 | 2,186,082 | - | - | 16,953,596 |
| At 31 December 2014 | 17,117,793 | 1,606,925 | - | - | 18,724,718 |

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

| | As at 31 December | |
|--|-------------------|-----------------|
| | 2015 RMB'000 | 2014 RMB'000 |
| Bank borrowings: | | |
| Between 1 and 2 years | 7,578,121 | 10,642,122 |
| Between 2 and 5 years | 7,256,883 | 13,371,419 |
| Over 5 years | 5,264,108 | 6,039,269 |
| Borrowings from other financial institution: | | |
| Between 1 and 2 years | 430,000 | 1,060,000 |
| Between 2 and 5 years | 2,700,000 | 1,480,000 |
| Over 5 years | - | 100,000 |
| Asset-backed securitisation: | | |
| Between 1 and 2 years | 260,000 | - |
| Between 2 and 5 years | 900,000 | - |
| Senior notes: | | |
| Between 2 and 5 years | 5,127,912 | 2,111,974 |
| Over 5 years | 10,984,472 | 8,464,587 |
| Medium-term notes: | | |
| Between 1 and 2 years | 2,000,000 | - |
| Between 2 and 5 years | 3,000,000 | - |
| Long-term bonds: | | |
| Between 2 and 5 years | 6,000,000 | - |
| Over 5 years | 1,365,900 | - |
| | 52,867,396 | 43,269,371 |

24 Borrowings *(continued)*

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

| | As at 31 December | |
|--|--------------------------|-------|
| | 2015 | 2014 |
| Bank borrowings – RMB | 6.95% | 7.18% |
| Bank borrowings – US dollar | 4.08% | 4.43% |
| Bank borrowings – HK dollar | 2.84% | 3.63% |
| Senior notes – US dollar | 8.16% | 8.47% |
| Borrowings from other financial institutions – RMB | 8.79% | 7.86% |
| Borrowings from non-financial institution – RMB | – | 6.15% |

The carrying amounts and fair value of non-current borrowings are as follows:

| | Carrying amounts | Fair values |
|---------------------|-----------------------------|--------------------|
| | RMB'000 | RMB'000 |
| Fixed – rate | 17,563,945 | 18,704,352 |
| Floating – rate | 35,303,451 | 35,351,471 |
| At 31 December 2015 | 52,867,396 | 54,055,823 |
| Fixed – rate | 12,761,721 | 13,103,211 |
| Floating – rate | 30,507,650 | 30,502,130 |
| At 31 December 2014 | 43,269,371 | 43,605,341 |

The fair values of current borrowings approximated their carrying amount, as the impact of discounting is not significant. The fair values of non-current borrowings are based on discounted cash flow approach using the prevailing market rates of interest available to the Group for financial institution with substantially the same terms and characteristics at the respective balance sheet dates. The fair values of senior notes as at 31 December 2015 amounting to RMB17,250,063,000 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.

24 Borrowings (continued)

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

| | As at 31 December | |
|-----------|-------------------|-------------------|
| | 2015 | 2014 |
| | RMB'000 | RMB'000 |
| RMB | 36,072,121 | 34,111,072 |
| HK dollar | 8,355,624 | 5,432,352 |
| US dollar | 25,393,247 | 22,450,665 |
| | 69,820,992 | 61,994,089 |

25 Finance lease liabilities

| | As at 31 December |
|-------------------------------------|-------------------|
| | 2015 |
| | RMB'000 |
| Included in current liabilities | 186,620 |
| Included in non-current liabilities | 386,365 |

Finance lease liabilities for hotel facilities are repayable by installment in three to five years and have effective interest rates from 5.81% to 13.62% (Note 6).

As at 31 December 2015, finance lease liabilities of the Group were denominated in RMB.

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

| | As at 31 December |
|----------------------------------|-------------------|
| | 2015 |
| | RMB'000 |
| Finance lease liabilities | |
| Between 1 and 2 years | 180,889 |
| Between 2 and 5 years | 205,476 |
| | 386,365 |

26 Trade and other payables

| | As at 31 December | |
|---------------------------|--------------------------|------------|
| | 2015 | 2014 |
| | RMB'000 | RMB'000 |
| Trade payables (Note (a)) | 21,271,645 | 24,043,332 |
| Other taxes payable | 1,334,669 | 1,360,911 |
| Accrued expenses | 1,310,797 | 1,257,328 |
| Other payables (Note (b)) | 2,045,880 | 3,204,768 |
| | 25,962,991 | 29,866,339 |

Notes:

(a) As at 31 December 2015, the ageing analysis of the trade payables based on invoice date is as follows:

| | As at 31 December | |
|--------------------------------|--------------------------|------------|
| | 2015 | 2014 |
| | RMB'000 | RMB'000 |
| Within 90 days | 21,139,006 | 23,665,439 |
| Over 90 days and within 1 year | 132,639 | 377,893 |
| | 21,271,645 | 24,043,332 |

(b) Other payables comprise:

| | As at 31 December | |
|--|--------------------------|-----------|
| | 2015 | 2014 |
| | RMB'000 | RMB'000 |
| Deposits received from customers | 1,240,333 | 2,183,637 |
| Fees collected from customers on behalf of government agencies | 116,509 | 87,336 |
| Deposits from constructors | 360,388 | 577,062 |
| Rental deposits from tenants and hotel customers | 294,340 | 221,514 |
| Others | 34,310 | 135,219 |
| | 2,045,880 | 3,204,768 |

27 Amounts due to related parties

| | As at 31 December | |
|---------------------------------|-------------------|-------------------|
| | 2015 | 2014 |
| | RMB'000 | RMB'000 |
| – Company with common directors | 1,861 | 1,861 |
| – Associated companies | 1,573,152 | 568,340 |
| – Joint ventures | 16,803,440 | 8,311,979 |
| – Non-controlling interests | 6,069,543 | 5,849,128 |
| | 24,447,996 | 14,731,308 |

Amounts due to non-controlling interests represent funds injected by the non-controlling shareholders for the development of properties. Amounts due to associated companies and joint ventures mainly represent prepayment for purchasing construction materials and other operating and financing activities.

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 | |
|--|------------------------|----------------|
| | 2015 | 2014 |
| | RMB'000 | RMB'000 |
| Gains on deemed disposal of subsidiaries with loss of control (Notes 11(c) and 40(c)) | 7,123 | 36,262 |
| Net gains on disposal of subsidiaries with loss of control (Notes 10(b), 11(c), 11(f), 13 and 40(b)) | 991,456 | 75,279 |
| Gains on acquisition of equity interests in associated companies, jointly ventures and obtaining control (Notes 10(d), 11(e) and 11(f)) | 322,116 | – |
| Loss on disposal of available-for-sale financial assets | – | (26,391) |
| Gains on disposal/closure of associated companies (Notes 10(e) and 10(f)) | 40,904 | – |
| Government grants | 108,076 | 376,449 |
| Fair value gain on derivative financial instruments (Note 20) | 43,393 | 35,287 |
| Net exchange losses | – | (76,414) |
| Others | 57,930 | 81,712 |
| | 1,570,998 | 502,184 |

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 | |
|--|------------------------|------------|
| | 2015 | 2014 |
| | RMB'000 | RMB'000 |
| Cost of properties sold and others | 37,412,175 | 34,063,755 |
| Including: interests capitalized | 3,450,500 | 3,041,700 |
| land and construction | 33,834,800 | 30,960,200 |
| Business taxes and other levies on sales of properties (Note (a)) | 3,216,851 | 3,120,037 |
| Staff costs – including directors' emoluments (Note 31(a)) | 1,589,176 | 1,396,534 |
| Advertising, promotion and commission costs | 1,302,885 | 1,191,492 |
| Direct expenses arising from hotel operation | 767,791 | 652,616 |
| Corporate and office expenses | 753,355 | 653,623 |
| Depreciation (Note 6) | 430,066 | 475,488 |
| Write off of intangible assets (Note 9) | – | 6,889 |
| Amortisation of land use rights (Note 8) | 73,963 | 111,361 |
| Operating lease rental expenses | 105,515 | 102,825 |
| Direct expenses arising from investment properties (Note 7(a)) | 67,398 | 61,652 |
| Charitable donations | 50,652 | 38,501 |
| Auditor's remuneration | 19,260 | 19,100 |
| – Audit services | 9,000 | 8,600 |
| – Non-audit services | 10,260 | 10,500 |
| Provision for impairment of receivables | 82,218 | 15,164 |
| Provision of impairment losses on completed properties held for sale (Note 17) | 152,469 | 135,078 |
| Other expenses | 442,666 | 377,779 |
| Total cost of sales, selling and marketing costs, administrative expenses and other operating expenses | 46,466,440 | 42,421,894 |

(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.

30 Finance costs – net

| | Year ended 31 December | |
|---|------------------------|-------------|
| | 2015 | 2014 |
| | RMB'000 | RMB'000 |
| Interest on bank borrowings | | |
| – wholly repayable within five years | 2,724,278 | 2,276,238 |
| – not wholly repayable within five years | 308,980 | 371,815 |
| Interest on senior notes | | |
| – wholly repayable within five years | 537,904 | 623,749 |
| – not wholly repayable within five years | 794,259 | 608,835 |
| Interest on borrowing from other financial institutions | | |
| – wholly repayable within five years | 1,130,062 | 453,591 |
| – not wholly repayable within five years | – | 3,780 |
| Interest on finance lease liabilities | | |
| – wholly repayable within five years | 5,818 | – |
| – not wholly repayable within five years | – | – |
| | 5,501,301 | 4,338,008 |
| Less: interest capitalised | (4,940,418) | (3,925,918) |
| Net foreign exchange losses | 1,970,760 | – |
| Less: foreign exchange losses capitalised | (781,733) | – |
| Finance costs | 1,749,910 | 412,090 |
| Finance income | (341,262) | (171,568) |
| Finance costs – net | 1,408,648 | 240,522 |

31 Employee benefit expense

(a) Staff costs (including directors' emoluments) comprise:

| | Year ended 31 December | |
|--|------------------------|-----------|
| | 2015 | 2014 |
| | RMB'000 | RMB'000 |
| Wages and salaries | 1,198,083 | 1,051,992 |
| Pension costs – statutory pension (Note (b)) | 125,601 | 106,813 |
| Other allowances and benefits | 265,492 | 237,729 |
| | 1,589,176 | 1,396,534 |

(b) 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.

31 Employee benefit expense (continued)

(b) Pensions-defined contribution plans (continued)

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.

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include five (2014: five) directors whose emoluments are reflected in the analysis show in Note 32.

32 Benefits and interests of directors

(a) Directors' emoluments

The remuneration of each of the directors of the Company for the year ended 31 December 2015 is set out as follows:

Emoluments paid or receivable in respect of a person's services as a director, whether of the company or its subsidiary undertaking:

| Name of directors | Fees RMB'000 | Salary RMB'000 | Bonuses RMB'000 | Housing allowance RMB'000 | Employer's contribution to a retirement benefit scheme | Employee share award schemes | Total RMB'000 |
|--|-----------------|-------------------|--------------------|---------------------------------|--|------------------------------------|------------------|
| | | | | | RMB'000 | RMB'000 | |
| Executive directors | | | | | | | |
| Mr. Hui Wing Mau | - | 5,027 | 838 | - | 8 | - | 5,873 |
| Mr. Hui Sai Tan, Jason | - | 5,666 | 468 | - | 15 | 1,301 | 7,450 |
| Mr. Xu Younong | - | 1,571 | 687 | - | 90 | 1,519 | 3,867 |
| Ms. Tang Fei | - | 1,440 | 866 | 60 | 90 | 990 | 3,446 |
| Mr. Liao Lujiang | - | 1,932 | 501 | 144 | 92 | 1,364 | 4,033 |
| Non-executive directors | | | | | | | |
| Mr. Liu Sai Fei (Note 1) | - | 3,570 | 595 | - | 8 | 2,261 | 6,434 |
| Independent non-executive directors | | | | | | | |
| Ms. Kan Lai Kuen, Alice | 302 | - | - | - | - | - | 302 |
| Mr. Lu Hong Bing | 302 | - | - | - | - | - | 302 |
| Mr. Lam Ching Kam | 302 | - | - | - | - | - | 302 |
| | 906 | 19,206 | 3,955 | 204 | 303 | 7,435 | 32,009 |

32 Benefits and interests of directors (continued)**(a) Directors' emoluments** (continued)

Note 1:

Mr. Liu Sai Fei was re-designated from an executive director to a non-executive director with effect from 9 January 2015.

The remuneration of each of the directors of the Company for the year ended 31 December 2014 is set out as follows (Restated):

Certain of the comparative information of directors' emoluments for the year ended 31 December 2014 previously disclosed in accordance with the predecessor Companies Ordinance (Cap. 32 of the laws of Hong Kong) have been restated in order to comply with the new scope and requirements by the Hong Kong Companies Ordinance (Cap. 622 of the laws of Hong Kong).

Emoluments paid or receivable in respect of a person's services as a director, whether of the company or its subsidiary undertaking:

| Name of directors | Fees RMB'000 | Salary RMB'000 | Bonuses RMB'000 | Housing allowance RMB'000 | Employer's contribution to a retirement | Employee share award schemes RMB'000 | Total RMB'000 |
|--|-----------------|-------------------|--------------------|---------------------------------|---|---|------------------|
| | | | | | benefit scheme RMB'000 | | |
| Executive directors | | | | | | | |
| Mr. Hui Wing Mau | - | 4,733 | 1,578 | - | 13 | - | 6,324 |
| Mr. Hui Sai Tan, Jason | - | 5,335 | - | - | 13 | 1,783 | 7,131 |
| Mr. Liu Sai Fei (Note 1) | - | 3,677 | 2,095 | - | 13 | 2,293 | 8,078 |
| Mr. Xu Younong | - | 1,768 | 1,163 | - | 83 | 1,548 | 4,562 |
| Ms. Tang Fei | - | 1,560 | 792 | 60 | 83 | 1,244 | 3,739 |
| Mr. Liao Lujiang | - | 2,093 | 716 | 144 | 87 | 1,509 | 4,549 |
| Independent non-executive directors | | | | | | | |
| Ms. Kan Lai Kuen, Alice | 260 | - | - | - | - | - | 260 |
| Mr. Lu Hong Bing | 260 | - | - | - | - | - | 260 |
| Mr. Lam Ching Kam | 260 | - | - | - | - | - | 260 |
| | 780 | 19,166 | 6,344 | 204 | 292 | 8,377 | 35,163 |

Note 1:

Mr. Liu Sai Fei was re-designated from an executive director to a non-executive director with effect from 9 January 2015.

32 Benefits and interests of directors *(continued)***(b) Directors' retirement benefits**

None of the directors received or will receive any retirement benefits during the year.

(c) Directors' termination benefits

None of the directors received or will receive any termination benefits during the year.

(d) Consideration provided to third parties for making available directors' services

The Group did not pay consideration to any third parties for making available directors' services during the year.

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

No loans, quasi-loans and other dealings were made available in favour of directors, bodies corporate controlled by and entities connected with directors subsisted at the end of the year or at any time during the year.

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

33 Income tax expense

| | Year ended 31 December | |
|-------------------------------|------------------------|-----------|
| | 2015 | 2014 |
| | RMB'000 | RMB'000 |
| Current income tax | | |
| – PRC enterprise income tax | 3,241,700 | 3,709,480 |
| – PRC withholding income tax | 30,127 | 35,411 |
| – PRC land appreciation tax | 1,695,965 | 1,839,809 |
| | 4,967,792 | 5,584,700 |
| Deferred income tax (Note 14) | | |
| – PRC enterprise income tax | 335,874 | 183,986 |
| – PRC withholding income tax | 260,005 | – |
| | 5,563,671 | 5,768,686 |

33 Income tax expense (continued)

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 | |
|--|------------------------|-------------|
| | 2015 | 2014 |
| | RMB'000 | RMB'000 |
| Profit before income tax | 13,722,409 | 15,256,433 |
| Add: Share of results of associated companies and joint ventures | 483,169 | 174,503 |
| Land appreciation tax | (1,695,965) | (1,839,809) |
| | 12,509,613 | 13,591,127 |
| Calculated at PRC enterprise income tax rate of 25% (2014: 25%) | 3,127,403 | 3,397,782 |
| Effect of different tax rates in other countries or regions | (49,504) | (54,550) |
| Expenses not deductible for income tax purposes (Note (a)) | 615,573 | 585,488 |
| Income not subject to tax (Note (b)) | (129,168) | (42,892) |
| Tax losses not recognised | 13,270 | 7,638 |
| PRC enterprise income tax charge | 3,577,574 | 3,893,466 |
| PRC land appreciation tax | 1,695,965 | 1,839,809 |
| Current income tax – PRC withholding income tax | 30,127 | 35,411 |
| Deferred income tax – PRC withholding income tax | 260,005 | – |
| | 5,563,671 | 5,768,686 |

Notes:

- (a) Expenses and losses not deductible for income tax purposes mainly resulted from net exchange losses and 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 2015(2014: Nil).

33 Income tax expense *(continued)*

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%.

34 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 | |
|--|------------------------|-----------|
| | 2015 | 2014 |
| Profit attributable to the equity holders of the Company (RMB'000) | 6,115,784 | 8,103,833 |
| Weighted average number of ordinary shares in issue (thousands) | 3,460,330 | 3,459,153 |
| Basic earnings per share (RMB cents) | 176.7 | 234.3 |

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For the year ended 31 December 2015

34 Earnings per share (continued)

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 | |
|--|------------------------|-----------|
| | 2015 | 2014 |
| Profit attributable to the equity holders of the Company (RMB'000) | 6,115,784 | 8,103,833 |
| Weighted average number of ordinary shares in issue (thousands) | 3,460,330 | 3,459,153 |
| Adjustment for shares granted under Share Scheme/share options granted under the Pre-IPO Share Option Scheme (thousands) | 5,047 | 4,683 |
| Weighted average number of ordinary shares for diluted earnings per share (thousands) | 3,465,377 | 3,463,836 |
| Diluted earnings per share (RMB cents) | 176.4 | 233.9 |

35 Dividends

| | Year ended 31 December | |
|--|------------------------|-----------|
| | 2015 | 2014 |
| | RMB'000 | RMB'000 |
| Interim dividend paid of HK30 cents (2014: 30 cents) per ordinary share (Note(a)) | 821,541 | 826,958 |
| Proposed final dividend of HK40 cents (2014: HK60 cents) per ordinary share (Note (b)) | 1,163,728 | 1,629,075 |
| | 1,985,269 | 2,456,033 |

Notes:

- (a) An interim dividend of RMB821,541,000 relating to the six months ended 30 June 2015 was paid in September 2015 (RMB826,958,000 relating to 2014 interim dividend paid in 2014).
- (b) At a meeting held on 30 March 2016, the directors proposed a final dividend of HK40 cents per ordinary share out of share premium as at 31 December 2015. 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 2015 upon approval by the shareholders at the forthcoming annual general meeting of the Company.

A final dividend of RMB1,629,075,000 relating to the year ended 31 December 2014 was paid in 2015.

36 Notes to the consolidated cash flow statement

Net cash generated from operations:

| | Year ended 31 December | |
|--|-------------------------------|--------------|
| | 2015 | 2014 |
| | RMB'000 | RMB'000 |
| Profit before income tax | 13,722,409 | 15,256,433 |
| Adjustments for: | | |
| Interest income | (341,262) | (171,568) |
| Finance costs | 560,883 | 412,090 |
| Net provision for impairment of receivables | 82,218 | 15,164 |
| Provision for impairment loss on completed properties held for sale | 143,814 | 135,078 |
| Depreciation | 430,066 | 475,488 |
| Gain on disposal of property and equipment | (5,295) | (228) |
| Loss on disposal of available-for-sale financial assets | – | 26,391 |
| Share of results of associated companies | (108,684) | 153,470 |
| Share of results of joint ventures | 591,853 | 21,033 |
| Net gain on disposal of subsidiaries | (991,456) | (75,279) |
| Gain on deemed disposal of subsidiaries with loss of control | (7,123) | (36,262) |
| Gain on disposal/closure of associated companies | (40,904) | – |
| Gain on acquisition of equity interests in associated companies, jointly ventures and obtaining control | (328,626) | – |
| Amortisation of land use rights | 73,963 | 111,361 |
| Fair value gain on derivative financial instruments | (43,393) | (35,287) |
| Fair value gains on investment properties | (2,776,694) | (1,510,622) |
| Write-off of intangible assets | – | 6,889 |
| Value of employee services arising from equity-settled share based payment scheme | 92,205 | 65,557 |
| Net exchange losses | 1,189,027 | 76,414 |
| | 12,243,001 | 14,926,122 |
| Changes in working capital: | | |
| Properties under development, completed properties held for sale and prepayment for acquisition of land use rights | (4,104,780) | (25,118,629) |
| Restricted cash | 205,736 | 40,790 |
| Trade and other receivables and prepayments | (1,766,817) | (4,323,339) |
| Trade and other payables | (423,880) | 9,310,932 |
| Advanced proceeds received from customers | (4,909,206) | (3,583,121) |
| Amount due to related companies | 9,408,656 | 4,678,917 |
| Net cash generated from/(used in) operations | 10,652,710 | (4,068,328) |

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

37 Principal subsidiaries, associated companies and joint ventures

Particulars of the principal subsidiaries, associated companies and joint ventures of the Group as at 31 December 2015 are as follows:

| Company name | Date of incorporation/ establishment | Legal status | Issued/ registered capital | Effective interest held as at 31 December 2015 | Principal activities |
|--|---|-------------------------------|--|--|--------------------------------|
| Principal subsidiaries – established and operation conducted in the PRC | | | | | |
| 上海世茂股份有限公司 (Shanghai Shimao Co., Ltd.) | 1 July 1992 | Foreign investment enterprise | Registered capital RMB1,172,415,338 | 58.92% | 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 |

37 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 2015 | Principal activities |
|---|---|-------------------------------|---------------------------------------|--|----------------------|
| Principal subsidiaries – established and operation conducted in the PRC <i>(continued)</i> | | | | | |
| 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 Co., Ltd.) | 24 December 2003 | Domestic enterprise | Registered capital RMB547,668,147 | 58.92% | 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 | 58.92% | 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

For the year ended 31 December 2015

37 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 2015 | Principal activities |
|---|--------------------------------------|-------------------------------|---------------------------------------|--|----------------------|
| Principal subsidiaries – established and operation conducted in the PRC <i>(continued)</i> | | | | | |
| 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 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 | 58.92% | 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 |

37 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 2015 | Principal activities |
|---|---|-------------------------------|---------------------------------------|--|----------------------|
| Principal subsidiaries – established and operation conducted in the PRC <i>(continued)</i> | | | | | |
| 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 | 58.92% | 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 |
| 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 RMB581,512,000 | 58.92% | 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 | 100% | 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 | 58.92% | 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 | 58.92% | Property development |

37 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 2015 | Principal activities |
|--|---|----------------------------------|--------------------------------------|---|----------------------|
| Principal subsidiaries – established and operation conducted in the PRC (continued) | | | | | |
| 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 |
| 北京良譽房地產開發有限公司 (Beijing Liangyu Real Estate Development Co., Ltd.) | 7 April 2013 | Foreign investment enterprise | Registered capital RMB20,000,000 | 50% | 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 |
| 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 | 58.92% | Property development |
| 余姚世茂半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 |
| 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 | 100% | Property development |

37 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 2015 | Principal activities |
|--|---|-------------------------------|--|--|-----------------------------------|
| Principal subsidiaries – established and operation conducted in the PRC (continued) | | | | | |
| 天津生態城世茂投資發展有限公司 (Tianjin Eco-City Shimao Investment & Development Co., Ltd.) | 12 August 2011 | Domestic enterprise | Registered capital RMB162,644,691 | 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 | 44% | Property development |
| 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 | 58.92% | 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 Shiying 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 Materials Product Trading Co., Ltd.) | 22 January 2007 | Foreign investment enterprise | Registered capital HK\$65,000,000 | 100% | Trading of construction materials |

37 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 2015 | Principal activities |
|---|---|-------------------------------|--|--|-----------------------------------|
| Principal subsidiaries – established and operation conducted in the PRC <i>(continued)</i> | | | | | |
| 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 | 58.92% | Property development |
| 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 |
| 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 RMB450,000,000 | 58.92% | 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 |

37 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 2015 | Principal activities |
|--|---|-------------------------------|--|--|----------------------|
| Principal subsidiaries – established and operation conducted in the PRC (continued) | | | | | |
| 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 | 79.46% | 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 | 79.46% | 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 |
| 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 (Fujian Shimao New Miles Investment Development Co., Ltd.) | 10 October 2009 | Domestic enterprise | Registered capital RMB1,887,000,000 | 79.05% | 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 | 50.85% | Investment holding |
| 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 |

37 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 2015 | Principal activities |
|---|---|----------------------------------|---------------------------------------|---|----------------------|
| Principal subsidiaries – established and operation conducted in the PRC <i>(continued)</i> | | | | | |
| 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 | 79.05% | 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 |
| 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 Xinlicheng 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 | 75.28% | 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\$30,000,000 | 100% | Research and trading |

37 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 2015 | Principal activities |
|--|---|-------------------------------|--|--|----------------------|
| Principal subsidiaries – established and operation conducted in the PRC (continued) | | | | | |
| 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 RMB1,020,000,000 | 51% | Property development |
| 蘇州世茂新世紀房地產開發有限公司 (Suzhou Shimao New Century Development Real Estate Co., Ltd.) | 16 April 2013 | Domestic enterprise | Registered capital RMB1,470,678,120 | 51% | Property development |
| 上海澤承投資管理有限公司 (Shanghai Zecheng Investment & Management Co., Ltd.) | 20 December 2013 | Domestic enterprise | Registered capital RMB60,000,000 | 50% | Investment holding |
| 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 | 62% | Property development |
| 杭州世融匯盈置業有限公司 (Hangzhou Shirong Huiying Property Co., Ltd.) | 29 May 2013 | Foreign investment enterprise | Registered capital US\$150,000,000 | 100% | 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 RMB2,000,000,000 | 52% | 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 RMB350,000,000 | 100% | Property development |

37 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 2015 | Principal activities |
|---|--------------------------------------|---------------------|--|--|----------------------|
| Principal subsidiaries – established and operation conducted in the PRC <i>(continued)</i> | | | | | |
| 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 RMB1,836,735,000 | 51% | 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 |
| 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 |
| 上海進璟投資管理有限公司 (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 |

37 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 2015 | Principal activities |
|---|---|-------------------------------|--|--|----------------------|
| Principal subsidiaries – established and operation conducted in the PRC <i>(continued)</i> | | | | | |
| 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 | 55.67% | 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 | 55.67% | Property development |
| 大廠回族自治縣中基太業房地產開發有限公司 (Dachang Hui Autonomous County Real Estate Development Co., Ltd.) | 11 August 2011 | Domestic enterprise | Registered capital RMB493,570,000 | 65% | Property development |
| 福建世茂置業有限公司 (Fujian Shimao Property Co., Ltd.) | 16 July 2009 | Domestic enterprise | Registered capital RMB986,560,000 | 100% | Property development |
| 泉州世茂新領域置業有限公司 (Quanzhou Shimao New Domain Property Co., Ltd.) | 15 January 2011 | Domestic enterprise | Registered capital RMB1,037,750,000 | 100% | Property development |

37 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 2015 | Principal activities |
|---|---|---------------------|--|--|----------------------|
| Principal subsidiaries – established and operation conducted in the PRC <i>(continued)</i> | | | | | |
| 廈門世茂新紀元置業有限公司 (Xiamen Shimao New Era Property Co., Ltd.) | 21 August 2014 | Domestic enterprise | Registered capital RMB1,300,000,000 | 51% | Property development |
| 上海容承企業管理有限公司 (Shanghai Rongcheng Enterprises Management Co., Ltd.) | 21 January 2014 | Domestic enterprise | Registered capital RMB200,000,000 | 100% | Investment holding |
| 文昌世茂置業有限公司 (Wenchang Shimao Property Co., Ltd.) | 19 April 2011 | Domestic enterprise | Registered capital RMB550,000,000 | 51% | Property development |
| 紹興世茂投資發展有限公司 (Shaoxing Shimao Investment Development Co., Ltd.) | 13 July 2007 | Domestic enterprise | Registered capital RMB483,457,740 | 58.92% | Property development |
| 蘇州世茂新里程置業有限公司 (Suzhou Shimao New Miles Property Co., Ltd.) | 17 January 2013 | Domestic enterprise | Registered capital RMB600,000,000 | 58.92% | Property development |
| 青島世茂濱海置業有限公司 (Qingdao Shimao Binhai Property Co., Ltd.) | 8 November 2011 | Domestic enterprise | Registered capital RMB200,000,000 | 58.92% | Property development |
| 上海翊宇投資管理有限公司 (Shanghai Yiyu Investment Management Co., Ltd.) | 30 January 2015 | Domestic enterprise | Registered capital RMB5,000,000 | 100% | Investment holding |
| 上海晟翊投資管理有限公司 (Shanghai Shengyi Investment Management Co., Ltd.) | 30 January 2015 | Domestic enterprise | Registered capital RMB5,000,000 | 100% | Investment holding |
| 上海幻境投資管理有限公司 (Shanghai Huanjing Investment Management Co., Ltd.) | 15 February 2015 | Domestic enterprise | Registered capital HK\$10,000,000 | 100% | Investment holding |

37 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 2015 | Principal activities |
|--|---|---------------------|---------------------------------------|--|----------------------|
| Principal subsidiaries – established and operation conducted in the PRC (continued) | | | | | |
| 武漢濱江天地商業經營管理有限公司 (Wuhan River Tiandi Business Management Co., Ltd.) | 12 January 2015 | Domestic enterprise | Registered capital RMB1,000,000 | 100% | Investment holding |
| 南京漢佑商業管理有限公司 (Nanjing Hanyou Business Management Co., Ltd.) | 21 January 2015 | Domestic enterprise | Registered capital RMB1,000,000 | 100% | Investment holding |
| 大連旅順茂盛商業經營管理有限公司 (Dalian Lvshun Maosheng Business Management Co., Ltd.) | 12 January 2015 | Domestic enterprise | Registered capital RMB1,000,000 | 100% | Investment holding |
| 南京世招葦置業有限公司 (Nanjing Shizhao Quansheng Property Co., Ltd.) | 27 January 2015 | Domestic enterprise | Registered capital RMB250,000,000 | 51% | Investment holding |
| 南京世茂星空投資有限公司 (Nanjing Shimao Xingkong Investment Co., Ltd.) | 17 April 2015 | Domestic enterprise | Registered capital RMB500,000,000 | 80% | Investment holding |
| 銀川海茂房地產有限公司 (Yinchuan Haimao Real Estate Co., Ltd.) | 20 May 2015 | Domestic enterprise | Registered capital RMB100,000,000 | 51% | Property development |
| 上海愛世集商務服務有限公司 (Shanghai Aishiji Business Service Co., Ltd.) | 27 May 2015 | Domestic enterprise | Registered capital RMB1,000,000 | 100% | Investment holding |
| 上海世茂旅遊發展有限公司 (Shanghai Shimao Travel Development Co., Ltd.) | 11 June 2015 | Domestic enterprise | Registered capital RMB10,000,000 | 100% | Others |
| 重慶浚亮房地產開發有限公司 (Chongqing Junliang Real Estate Development Co., Ltd.) | 25 July 2007 | Domestic enterprise | Registered capital US\$200,000,000 | 100% | Property development |

37 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 2015 | Principal activities |
|---|---|---------------------|--|--|----------------------|
| Principal subsidiaries – established and operation conducted in the PRC (continued) | | | | | |
| 福州世茂新世紀房地產開發有限公司 (Fuzhou Shimao New Century Real Estate Development Co., Ltd.) | 23 December 2010 | Domestic enterprise | Registered capital RMB1,192,700,000 | 100% | Property development |
| 福州世茂新紀元置業有限公司 (Fuzhou Shimao New Era Property Co., Ltd.) | 23 December 2010 | Domestic enterprise | Registered capital RMB887,900,000 | 100% | Property development |
| 南京海峽城開發建設有限公司 (Nanjing Straits City Development Construction Co., Ltd.) | 26 April 2011 | Domestic enterprise | Registered capital US\$692,000,000 | 49% | Property development |
| 平潭海峽如意城開發建設有限公司 (Pingtan Straits Ruyi City Development Construction Co., Ltd.) | 31 May 2011 | Domestic enterprise | Registered capital RMB615,630,000 | 49% | Property development |
| 平潭海峽如意城新都會開發建設有限公司 (Pingtan Straits Ruyi City Xinduhui Development Construction Co., Ltd.) | 31 May 2011 | Domestic enterprise | Registered capital RMB226,050,000 | 49% | Property development |
| 成都世茂房地產開發有限公司 (Chengdu Shimao Real Estate Development Co., Ltd.) | 26 November 2010 | Domestic enterprise | Registered capital RMB1,430,000,000 | 100% | Property development |
| 天津生態世茂新紀元投資開發有限公司 (Tianjin Shengtai City Shimao New Era Investment Development Co., Ltd.) | 9 November 2009 | Domestic enterprise | Registered capital RMB409,140,400 | 75% | Property development |
| 武漢虹玉置業有限公司 (Wuhan Hongyu Property Co., Ltd.) | 9 May 2012 | Domestic enterprise | Registered capital RMB1,295,600,000 | 51.22% | Property development |
| 瀋陽世茂新發展置業有限公司 (Shenyang Shimao New Development Co., Ltd.) | 5 December 2006 | Domestic enterprise | Registered capital US\$108,900,000 | 100% | Property development |

37 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 2015 | Principal activities |
|--|---|---------------------|--|--|----------------------|
| Principal subsidiaries – established and operation conducted in the PRC (continued) | | | | | |
| 武漢世茂新城房地產開發有限公司 (Wuhan Shimao New City Real Estate development Co., Ltd.) | 23 March 2012 | Domestic enterprise | Registered capital RMB526,000,000 | 100% | Property development |
| 南寧世茂新紀元房地產開發有限公司 (Nanning Shimao New Era Real Estate development Co., Ltd.) | 23 March 2012 | Domestic enterprise | Registered capital RMB120,000,000 | 100% | Property development |
| 寧波世茂新領域置業有限公司 (Ningbo Shimao New Domain Property Co., Ltd.) | 6 February 2013 | Domestic enterprise | Registered capital US\$72,000,000 | 100% | Property development |
| 簡陽世茂房地產開發有限公司 (Jianyang Shimao Real Estate Development Co., Ltd.) | 20 January 2014 | Domestic enterprise | Registered capital RMB100,000,000 | 100% | Property development |
| 寧波世茂新紀元置業有限公司 (Ningbo Shimao New Era Property Co., Ltd.) | 27 May 2010 | Domestic enterprise | Registered capital RMB50,000,000 | 100% | Property development |
| 寧波世茂新騰飛置業有限公司 (Ningbo Shimao Xintengfei Property Co., Ltd.) | 09 June 2013 | Domestic enterprise | Registered capital RMB1,238,500,000 | 58.92% | Property development |
| 常熟世茂新紀元置業有限公司 (Changshu Shimao New Era Property Co., Ltd.) | 11 September 2013 | Domestic enterprise | Registered capital RMB850,000,000 | 58.92% | Property development |
| 上海茂沁投資管理有限公司 (Shanghai Maoqin Investment Management Co., Ltd.) | 5 December 2013 | Domestic enterprise | Registered capital RMB1,371,770,000 | 58.92% | Investment holding |
| 濟南世茂天城置業有限公司 (Jinan Shimao Tiancheng Property Co., Ltd.) | 7 January 2014 | Domestic enterprise | Registered capital RMB1,131,000,000 | 58.92% | Property development |

37 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 2015 | Principal activities |
|--|---|---------------------------|-------------------------------|---|----------------------|
| Principal subsidiaries – incorporated and operation conducted in the British Virgin Islands | | | | | |
| 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 |
| Magic Dynasty Investments Limited | 15 November 2006 | 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 |
| Peak Castle Assets Limited | 2 July 2002 | Limited liability company | 1 ordinary share of US\$1 | 100% | Investment holding |

37 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 2015 | Principal activities |
|---|---|---------------------------|---------------------------------|---|----------------------|
| Principal subsidiaries – incorporated and operation conducted in the British Virgin Islands <i>(continued)</i> | | | | | |
| 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 |
| Significant Asset Group Limited | 2 July 2002 | 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 |
| Advance Solution Holdings Limited | 9 June 2015 | Limited liability company | 1 ordinary share of US\$1 | 100% | Investment holding |
| Ideal Sense Limited | 27 May 2015 | Limited liability company | 1 ordinary share of US\$1 | 100% | Investment holding |
| One Best Limited | 29 May 2015 | Limited liability company | 1 ordinary share of US\$1 | 100% | Investment holding |
| Peak Dragon Limited | 16 January 2015 | Limited liability company | 1 ordinary share of US\$1 | 100% | Investment holding |

37 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 2015 | Principal activities |
|---|---|---------------------------|----------------------------------|---|----------------------|
| Principal subsidiaries – incorporated and operation conducted in Hong Kong | | | | | |
| 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 shares of HK\$1 | 100% | Investment holding |
| Brand Rise Limited | 5 March 2013 | Limited liability Company | 1 ordinary share HK\$1 | 80% | Property holding |
| Charm Field Group Limited | 1 August 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 |
| Excel Grand Group Limited | 22 May 2007 | Limited liability company | 1 ordinary share of HK\$1 | 100% | Investment holding |
| Excellent Space Limited | 9 June 2015 | Limited liability company | 1 ordinary share of HK\$1 | 100% | Investment holding |
| Fast Award Limited | 9 June 2015 | Limited liability company | 1 ordinary share of HK\$1 | 100% | Investment holding |
| Adventure Success Limited | 25 November 2014 | 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 |

37 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 2015 | Principal activities |
|--|---|---------------------------|--|---|-----------------------|
| Principal subsidiaries – incorporated and operation conducted in Hong Kong <i>(continued)</i> | | | | | |
| Fine Tune Investments Limited | 5 June 2006 | Limited liability company | 1 ordinary share of HK\$1 | 100% | Holding of trademarks |
| 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 |
| Lion Kingdom 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\$100,000 | 100% | Design services |
| Mount Profit Investments Limited | 14 December 2006 | Limited liability company | 2 ordinary share of HK\$1,040,199,528 | 86.84% | Investment holding |
| New Sincere 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 |
| 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 |
| Shimao Holdings Company Limited | 3 February 1994 | Limited liability company | 100 million ordinary shares of HK\$1 million | 100% | Investment holding |

37 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 2015 | Principal activities |
|--|--------------------------------------|-------------------------------|-------------------------------------|--|----------------------|
| Principal subsidiaries – incorporated and operation conducted in Hong Kong <i>(continued)</i> | | | | | |
| Swift Time Limited | 18 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 |
| Associated companies – established and operation conducted in the PRC | | | | | |
| 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 |
| 成都恒裕房地產開發有限公司 (Chengdu Heng Yu Real Estate Development Co., Ltd.) | 7 May 2010 | Domestic enterprise | Registered capital RMB58,820,000 | 17% | Property development |
| 南京明茂置業有限公司 (Nanjing Mingmao Real Estate Co., Ltd.) | 5 February 2015 | Domestic enterprise | Registered capital RMB820,000,000 | 49% | Property development |
| 廣州誠譽房地產開發有限公司 (Guangzhou Chengyu Real Estate Development Co., Ltd.) | 25 November 2012 | Domestic enterprise | Registered capital RMB60,000,000 | 50% | Investment holding |
| Associated company – established and operation conducted in the British Virgin Islands | | | | | |
| Eagle Rights Limited | 31 March 2010 | Limited liability company | 45,000,000 shares with no par value | 33.33% | Investment holding |

37 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 2015 | Principal activities |
|---|---|---------------------|--|--|----------------------|
| Joint ventures – established and operation conducted in the PRC | | | | | |
| 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 RMB800,000,000 | 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 RMB200,000,000 | 50% | Property development |
| 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 | 50% | Property development |
| 南通世茂新紀元房地產開發有限公司 (Nantong Shimao New Era Real Estate Development Co., Ltd.) | 18 June 2013 | Domestic enterprise | Registered capital RMB700,000,000 | 50% | Property development |
| 蘇州工業園區世茂湖濱置業有限公司 (Suzhou Shimao Industrial Park Lakeside Co., Ltd.) | 29 October 2013 | Domestic enterprise | Registered capital RMB1,400,000,000 | 49% | Property development |

37 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 2015 | Principal activities |
|--|---|------------------------------|--|---|----------------------|
| Joint ventures – established and operation conducted in the PRC (continued) | | | | | |
| 寧波世茂新里置業有限公司 (Ningbo Shimao New Way Property Co., Ltd.) | 5 August 2011 | Domestic enterprise | Registered capital RMB600,000,000 | 50% | Property development |
| 長沙世茂投資有限公司 (Changsha Shimao Investment Co., Ltd.) | 21 July 2010 | Domestic enterprise | Registered capital RMB1,000,000,000 | 49% | Property development |
| 寧波世茂新城房地產開發有限公司 (Ningbo Shimao New City Real Estate Development Co., Ltd.) | 19 May 2010 | Domestic enterprise | Registered capital RMB160,000,000 | 50% | Property development |
| 上海世茂佘山匯盈置業有限公司 (Shanghai Shimao Sheshan Huiying Property Co., Ltd.) | 14 September 2012 | Domestic enterprise | Registered capital RMB860,000,000 | 50% | Property development |
| 上海春日置業有限公司 (Shanghai Chunri Property Co., Ltd.) | 3 August 2001 | Domestic enterprise | Registered capital RMB90,000,000 | 45% | Property development |
| Joint ventures – established and operation conducted in Hong Kong | | | | | |
| Fast Right Investments Limited | 7 May 2007 | Limited liability company | 2 ordinary shares of HK\$2 | 50% | Investment holding |
| Kingtron Enterprises Limited | 14 June 2007 | Limited liability company | 2 ordinary shares of HK\$2 | 50% | Investment holding |

38 Contingencies and financial guarantee contracts

(a) The Group had the following contingent liabilities:

| | As at 31 December | |
|---|-------------------|------------|
| | 2015 | 2014 |
| | RMB'000 | RMB'000 |
| Guarantees in respect of mortgage facilities for certain purchasers | 14,099,968 | 11,703,075 |

Note:

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

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

| | Year of maturity | As at 31 December | |
|------------------------------------|------------------|-------------------|-----------|
| | | 2015 | 2014 |
| | | RMB'000 | RMB'000 |
| Guarantee in respect of borrowings | 2015-2020 | 7,534,077 | 6,780,177 |

Note:

The fair value of the financial guarantee contracts are not significant. The Directors are of the view that such obligation will not cause an outflow of the Group's resources embodying economic benefits.

The Group and other shareholders of Guangzhou Li He Property Development Co.,Ltd. ("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 RMB1,781,900,000 as at 31 December 2015 (2014: RMB2,233,980,000).

The Group and other shareholders of Chengdu Heng Yu Real Estate Development Co.,Ltd. ("Chengdu Heng Yu"), an associated company, provided guarantees in proportion of their respective equity interests in Chengdu Heng Yu for its bank borrowings. As at 31 December 2015, the Group provided guarantees amounted to RMB1,033,230,000 (2014: RMB924,000,000).

The Group and other shareholders of Tianjin Jinnan, a joint venture, provided guarantees in proportion of their respective equity interests in Tianjin Jinnan for its borrowings from other financial institutions. As at 31 December 2015, the Group provided guarantees amounted to RMB128,558,000 (2014: RMB206,085,000), as well as the pledge of the Group's equity interest in Tianjin Jinnan.

38 Contingencies and financial guarantee contracts *(continued)*

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

The Group and other shareholders of Suzhou Industrial Century, a joint venture, provided guarantees in proportion of their respective equity interests in Suzhou Industrial Century for its bank borrowings. The respective guarantees provided by the Group amounted to RMB176,730,000 as at 31 December 2015 (2014: RMB256,480,000).

The Group and other shareholders of Nanjing Mingmao Real Estate Co., Ltd., an associated company, provided guarantees in proportion of their respective equity interests in Nanjing Mingmao Real Estate Co., Ltd. for its bank borrowings. The respective guarantees provided by the Group amounted to RMB612,500,000 as at 31 December 2015 (2014: Nil).

The Group and other shareholders of Suzhou Shimao Industrial Park Lakeside Co., Ltd. ("Suzhou Industrial Lakeside"), a joint venture, provided guarantees in proportion of their respective equity interests in Suzhou Industrial Lakeside for its bank borrowings. The respective guarantees provided by the Group amounted to RMB589,100,000 as at 31 December 2015 (2014: RMB641,200,000).

The Group and other shareholders of Beijing Chuangyu Real Estate Development Co., Ltd., an associated company, provided guarantees in proportion of their respective equity interests in Beijing Chuangyu Real Estate Development Co., Ltd. for its bank borrowings. The respective guarantees provided by the Group amounted to RMB540,000,000 as at 31 December 2015 (2014: Nil).

The Group provided guarantee in Jinan Shimao Caishi Development Property Co., Ltd., an associated company, for its borrowings from a certain financial institution. The guarantee provided by the Group amounted to RMB934,000,000 as at 31 December 2015 (2014: Nil).

The Group and other shareholders of Beijing FuWah Yuntong Real Estate Development Co., Ltd., a joint venture, provided guarantees in proportion of their respective equity interests in Beijing FuWah Yuntong Real Estate Development Co., Ltd. for its bank borrowings. The respective guarantees provided by the Group amounted to RMB325,000,000 as at 31 December 2015 (2014: Nil).

The Group and other shareholders of Beijing FuWah Wulan Real Estate Development Co., Ltd., a joint venture, provided guarantees in proportion of their respective equity interests in Beijing FuWah Wulan Real Estate Development Co., Ltd. for its bank borrowings. The respective guarantees provided by the Group amounted to RMB139,800,000 as at 31 December 2015 (2014: Nil).

The Group and other shareholders of Beijing FuWah Borong Real Estate Development Co., Ltd., a joint venture, provided guarantees in proportion of their respective equity interests in Beijing FuWah Borong Real Estate Development Co., Ltd. for its bank borrowings. The respective guarantees provided by the Group amounted to RMB199,985,000 as at 31 December 2015 (2014: Nil).

The Group and other shareholders of Beijing FuWah Great Wall Real Estate Development Co., Ltd., a joint venture, provided guarantees in proportion of their respective equity interests in Beijing FuWah Great Wall Real Estate Development Co., Ltd. for its bank borrowings. The respective guarantees provided by the Group amounted to RMB490,065,000 as at 31 December 2015 (2014: Nil).

The Group and other shareholders of Changsha Shimao Investment Co., Ltd., a joint venture, provided guarantees in proportion of their respective equity interests in Changsha Shimao Investment Co., Ltd. for its bank borrowings. The respective guarantees provided by the Group amounted to RMB583,209,000 as at 31 December 2015 (2014: Nil).

39 Commitments

(a) Commitments for capital and property development expenditure

| | As at 31 December | |
|--|-------------------|------------|
| | 2015 | 2014 |
| | RMB'000 | RMB'000 |
| Contracted but not provided for | | |
| – Property and equipment | 2,170,294 | 1,702,645 |
| – Land use rights (including those related to associated companies and joint ventures) | 14,517,215 | 14,509,320 |
| – Properties being developed by the Group for sale | 20,325,672 | 22,448,656 |
| | 37,013,181 | 38,660,621 |

(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 | |
|---------------------------|-------------------|-----------|
| | 2015 | 2014 |
| | RMB'000 | RMB'000 |
| Within one year | 129,443 | 186,710 |
| Between two to five years | 430,095 | 542,957 |
| After five years | 239,280 | 315,853 |
| | 798,818 | 1,045,520 |

40 Significant acquisition or disposal of subsidiaries and transactions with NCI

(a) Certain associated companies and joint ventures transferred to subsidiaries

(i) Certain associated companies transferred to subsidiaries

During the year 2015, the Group gained control in the following then associated companies:

In July 2015, the Group ended the cooperation with its venture party in Ningbo Xintengfei, by acquiring the remaining 51.68% equity interest from the associated company party at a consideration of RMB706,187,000.

In September 2015, the Group ended the cooperation with its venture party in Changshu New Era, by acquiring all 62.35% equity interest from the associated company party at a consideration of RMB587,561,000.

| | RMB'000 |
|--|------------------|
| Consideration: | |
| Cash | 1,293,748 |
| Fair value of equity interest in above companies held before the business combination | 1,015,072 |
| Total consideration | 2,308,820 |
| Recognised amounts of identifiable assets acquired and liabilities assumed | |
| Cash and cash equivalents | 257,966 |
| Properties under development | 2,936,433 |
| Property and equipment (Note 6) | 119 |
| Trade and other receivables and prepayments | 2,063,172 |
| Trade and other payables | (1,504,034) |
| Borrowings | (200,000) |
| Advanced proceeds received | (1,244,836) |
| Total identifiable net assets | 2,308,820 |
| Cash consideration paid | 1,293,748 |
| Cash and cash equivalents in the entity acquired | (257,966) |
| Net cash outflow arising from acquisition | 1,035,782 |

40 Significant acquisition or disposal of subsidiaries and transactions with NCI *(continued)***(a) Certain associated companies and joint ventures transferred to subsidiaries** *(continued)***(ii) Certain joint ventures transferred to subsidiaries**

During the year 2015, the Group gained control in the following then joint ventures:

In June 2015, the Group ended the cooperation with its venture party in Shanghai Maoqin, by acquiring all 51% equity interest from the joint venture party at a consideration of RMB771,950,000.

In June 2015, the Group ended the cooperation with its venture party in Suzhou Industrial Century, by acquiring all 60% equity interest from the joint venture party at a consideration of RMB1,386,000,000.

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

| | RMB'000 |
|---|------------------|
| Consideration: | |
| Cash | 2,157,950 |
| Fair value of equity interest in above companies held before the business combination | 1,665,678 |
| Total consideration | 3,823,628 |
| Recognised amounts of identifiable assets acquired and liabilities assumed | |
| Cash and cash equivalents | 132,098 |
| Properties under development | 6,189,633 |
| Property and equipment (Note 6) | 4,279 |
| Trade and other receivables and prepayments | 2,562,076 |
| Amount due from related parties | 62,047 |
| Other assets | 5,488 |
| Trade and other payables | (2,673,695) |
| Borrowings | (673,570) |
| Advanced proceeds received | (1,784,728) |
| Total identifiable net assets | 3,823,628 |
| Cash consideration paid | 2,157,950 |
| Cash and cash equivalents in the entity acquired | (132,098) |
| Net cash outflow arising from acquisition | 2,025,852 |

40 Significant acquisition or disposal of subsidiaries and transactions with NCI *(continued)*

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

For the year ended 31 December 2015, the Group disposed certain equity interests in several wholly owned subsidiaries as follows:

| | RMB'000 |
|--|-----------|
| Consideration received: | |
| Shanghai Shimao Sheshan Huiying Property Co., Ltd. | 430,000 |
| Ningbo Shimao New City Real Estate Development Co., Ltd. | 80,250 |
| Suzhou Shimao Industrial Park Century Property Co., Ltd. | 1,386,000 |
| Jinan Shimao Caishi Development Property Co., Ltd. | 67,000 |
| Jiaxing Shimao New Miles Property Co., Ltd. | 42,400 |
| Shimao Cinema Investment Development Co., Ltd. | 1,000,000 |
| | 3,005,650 |

The disposal had resulted in total net gain of RMB991,456,000 (Note 28).

(i) Disposal of subsidiaries with loss of control retained as joint ventures

Net assets disposed with reconciliation of disposal gains and cash inflow on disposal are as follow:

| | RMB'000 |
|--|-------------|
| Properties under development | 4,944,944 |
| Completed properties held for sale | 585,861 |
| Property and equipment (Note 6) | 665 |
| Trade and other receivables and prepayments | 2,469,345 |
| Amount due from related parties | 670,590 |
| Other assets | 20,859 |
| Cash and cash equivalents | 648,400 |
| Borrowings | (2,585,000) |
| Trade and other payables | (3,016,481) |
| Advanced proceeds received | (548,517) |
| Net assets | 3,190,666 |
| Fair value of interests retained in joint ventures (Note 11) | 1,434,250 |
| Total consideration | 1,896,250 |
| Net assets disposed | (3,190,666) |
| Disposal gain | 139,834 |
| Total consideration | 1,896,250 |
| Less: Cash and cash equivalents in the entities disposed | (648,400) |
| Net cash inflow arising from disposal | 1,247,850 |

40 Significant acquisition or disposal of subsidiaries and transactions with NCI *(continued)***(b) Disposal of subsidiaries (with loss of control)** *(continued)***(ii) Disposal of subsidiaries with loss of control retained as an associated company**

Net assets disposed with reconciliation of disposal gains and cash outflow on disposal are as follow:

| | RMB'000 |
|---|-----------|
| Trade and other receivables and prepayments | 160,000 |
| Cash and cash equivalents | 50 |
| Trade and other payables | (60,050) |
| Net assets | 100,000 |
| Fair value of interests retained in an associated company (Note 10) | 33,000 |
| Total consideration | 67,000 |
| Net assets disposed | (100,000) |
| Disposal gain | – |
| Total consideration | 67,000 |
| Less: Cash and cash equivalents in the entities disposed | (50) |
| Net cash inflow arising from disposal | 66,950 |

(iii) Disposal of subsidiaries without retained equity interest

Net assets disposed with reconciliation of disposal gains and cash outflow on disposal are as follow:

| | RMB'000 |
|--|-------------|
| Properties under development | 1,209 |
| Property and equipment (Note 6) | 109,773 |
| Land use right (Note 8) | 25,761 |
| Trade and other receivables and prepayments | 68,250 |
| Cash and cash equivalents | 48,120 |
| Trade and other payables | (36,993) |
| Advanced proceeds received | (16,942) |
| Other liabilities | (8,400) |
| Net assets | 190,778 |
| Total consideration | 1,042,400 |
| Net assets disposed | (190,778) |
| Disposal gain | 851,622 |
| Total consideration | 1,042,400 |
| Less: Acquisition of available-for sale financial assets (Note 13) | (1,000,000) |
| Less: Cash and cash equivalents in the entities disposed | (48,120) |
| Net cash outflow arising from disposal | (5,720) |

40 Significant acquisition or disposal of subsidiaries and transactions with NCI *(continued)*

(c) Deemed disposal of subsidiaries

For the year ended 31 December 2015, the Group lost control of three then wholly owned subsidiaries, namely, Ningbo Dingfeng, Shenzhen Dejia Business Factoring Co., Ltd. and Shangjun Business Factoring (Shanghai) Co., Ltd., pursuant to capital injection by three new investors into these companies in the amount of RMB75,000,000, RMB100,000,000 and RMB323,655,000 respectively. After such capital injections, these companies became joint ventures of the Group.

The following table summarises the net assets of Ningbo Dingfeng, Shenzhen Dejia Business Factoring Co., Ltd. and Shangjun Business Factoring (Shanghai) Co., Ltd. at the date of disposal. The disposal had resulted in a net gain of RMB7,123,000 and the net cash outflow of RMB28,630,000.

| | The date of disposal RMB'000 |
|--|---|
| Property and equipment (Note 6) | 1,560 |
| Properties under development | 1,979,997 |
| Trade and other receivables and prepayments | 666,713 |
| Cash and cash equivalents | 28,630 |
| Trade and other payables | (1,977,189) |
| Borrowings | (294,629) |
| Advanced proceeds received | (8,550) |
| Net assets | 396,532 |
| Gain on deemed disposal of subsidiaries: | |
| Fair value of interests retained in joint ventures (Note 11) | 403,655 |
| Net assets disposal of | (396,532) |
| Gain on deemed disposal | 7,123 |
| Net cash outflow arising from deemed disposal | (28,630) |

(d) Transaction with NCI

In the year ended 31 December 2015, the Group acquired the non-controlling interests in certain companies including Nanjing Shuotian Investment & Management Co., Ltd., Fuzhou Shimao Jianianhua Property Co., Ltd., Hangzhou Shimao New Domain Real Estate Development Co., Ltd. and Shanxi Chuangxin Property Co., Ltd. for a total purchase consideration of RMB990,240,000. The total carrying amount of the non-controlling interests in these companies on the date of acquisition was RMB838,704,000.

In December 2015, Shanghai Shimao approved the non-public issue of 151,668,351 restricted A shares to six investors with price of RMB9.89 per share which resulted in RMB193,602,000 as reserve reclassification. After then the Company's equity interests in Shanghai Shimao diluted to 58.92%.

41 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 2015.

| | Year ended 31 December | |
|---|------------------------|---------|
| | 2015 | 2014 |
| | RMB'000 | RMB'000 |
| Operating lease rental expense charged by a related company | 4,533 | 4,286 |

| | Year ended 31 December | |
|---|------------------------|---------|
| | 2015 | 2014 |
| | RMB'000 | RMB'000 |
| Construction material sold to related companies | 10,368 | 861 |

Notes:

On 1 January 2014, the Group renewed a lease agreement with a wholly-owned subsidiary of Shimao International, of which certain directors of the Company are also directors, to lease part of office premises of Shimao International in Hong Kong.

(b) Key management compensation

| | Year ended 31 December | |
|---|------------------------|---------|
| | 2015 | 2014 |
| | RMB'000 | RMB'000 |
| Emoluments | 10,368 | 861 |
| – Salaries and other short-term employee benefits | 19,200 | 25,714 |
| – Retirement scheme contributions | 295 | 292 |
| | 19,495 | 26,006 |

42 Events after the reporting period

On 18 January 2016, the company issued domestic corporate bonds (the “Domestic Bonds”) with total principal of RMB4,000,000,000 at an annual coupon rate of 4.8% with a term of five years. The company shall be entitled to increase the coupon rate and the investors shall be entitled to sell back the Domestic Bonds at the end of the third year.

On 11 January 2016, Shanghai Shimao issued short-term notes with total principal of RMB2,000,000,000 at a fixed interest rate of 3% with a term of one year and repaid RMB2,000,000,000 of the short-term notes issued on 26 January 2015 at maturity.

On 14 March 2016, Shanghai Shimao approved the proposal of non-public issue of not more than 750,000,000 New A Shares (“Issue Proposal”) to a fixed number of investors (including Shimao Jianshe). The Issue Proposal is proposed to raise an amount not more than RMB6,670,442,700. The New A Shares will be subscribed for by Shimao Jianshe in consideration of its holding of 48.57% equity interests in Qianhai Shimao Development (Shenzhen) Co., Ltd. (“Qianhai Shimao”) and by other selected allottees in cash. Correspondently, Shanghai Shimao and certain other subsidiaries of the Company (including Shimao Jianshe) entered into the agreements pursuant to which Shanghai Shimao has conditionally agreed to acquire the certain equity interests in Qianhai Shimao, Nanchang Shuicheng Investment Co., Ltd. and Hangzhou Shimao Ruiying Real Estate Co., Ltd. in consideration of which Shanghai Shimao shall issue certain New A Shares to Shimao Jianshe as stated in 2016 Issue Proposal, and of which Shanghai Shimao will further pay in cash to using part of the proceeds raised from the Issue Proposal.

On 22 March 2016, Shanghai Shimao issued long-term bonds in an aggregate principal amount of RMB2,000,000,000 at a fixed interest rate of 3.29% per annum, which will mature on 22 March 2019.

Approved by the State Council on April 27 2016, real estate industry is subject to value added tax of 11% since 1 May 2016.

43 Approval of the consolidated financial statements

The consolidated financial statements were approved by the Company’s board of directors on 30 March 2016.

44 Balance sheet and reserve movement of the holding company**Balance sheet of the Company**

| | Note | Audited 31 December 2015 RMB'000 | Audited 31 December 2014 RMB'000 |
|---|------|---|---|
| ASSETS | | | |
| Non-current assets | | | |
| Interests in subsidiaries | | 23,742,901 | 25,872,641 |
| Current assets | | | |
| Other receivables and prepayments | | 6,694 | 41,313 |
| Derivate financial instruments | | 41,782 | – |
| Dividend receivable from subsidiaries | | 4,000,000 | 100,000 |
| Cash and cash equivalents | | 36,320 | 40,061 |
| | | 4,084,796 | 181,374 |
| Total assets | | 27,827,697 | 26,054,015 |
| EQUITY | | | |
| Equity attributable to the equity holders of the Company | | | |
| Share capital | | 356,275 | 356,275 |
| Reserves | | | |
| – Proposed final dividend | a | 1,163,728 | 1,629,075 |
| – Others | a | 1,623,703 | 1,424,239 |
| Total equity | | 3,143,706 | 3,409,589 |

44 Balance sheet and reserve movement of the holding company (continued)

Balance sheet of the Company (continued)

| | Note | Audited 31 December 2015 RMB'000 | Audited 31 December 2014 RMB'000 |
|--|------|---|---|
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Borrowings | | 21,945,630 | 17,883,833 |
| Current liabilities | | | |
| Borrowings | | 1,988,238 | 3,571,702 |
| Derivative financial instruments | | – | 1,611 |
| Trade and other payables | | 527,065 | 605,248 |
| Dividend payable | | – | 375,128 |
| Amounts due to subsidiaries | | 223,058 | 206,904 |
| | | 2,738,361 | 4,760,593 |
| Total liabilities | | 24,683,991 | 22,644,426 |
| Total equity and liabilities | | 27,827,697 | 26,054,015 |
| Net current liabilities | | 1,346,435 | (4,579,219) |
| Total assets less current liabilities | | 25,089,336 | 21,293,422 |

The financial statements on pages 75 to 204 were approved by the Board of Directors on 30 March 2016 and were signed on its behalf.

Hui Wing Mau
Director

Hui Sai Tan, Jason
Director

44 Balance sheet and reserve movement of the holding company (continued)**Balance sheet of the Company (continued)**

Note:

(a): Reserve movement of the Company

| | Share premium RMB'000 (Note (b)) | Share-based compensation reserve RMB'000 (Note (c)) | Capital reserve RMB'000 | Retained earnings/ redemption (accumulated losses) RMB'000 | Total RMB'000 |
|--------------------------------------|---|---|-------------------------------|---|--------------------|
| Balance at 1 January 2014 | 8,254,829 | 29,780 | 4,949 | (1,358,615) | 6,930,943 |
| Loss for the year | – | – | – | (819,339) | (819,339) |
| Share award scheme | | | | | |
| – Value of employee services | – | 63,746 | – | – | 63,746 |
| – Purchase of shares (Note 22(c)) | (75,068) | – | – | – | (75,068) |
| – Dividend received | 12,548 | – | – | – | 12,548 |
| 2013 final dividend | (2,233,912) | – | – | – | (2,233,912) |
| 2014 interim dividend | (825,604) | – | – | – | (825,604) |
| Balance at 31 December 2014 | 5,132,793 | 93,526 | 4,949 | (2,177,954) | 3,053,314 |
| Representing: | | | | | |
| Proposed final dividend | 1,629,075 | | | | 1,629,075 |
| Others | 3,503,718 | | | | 1,424,239 |
| | 5,132,793 | | | | 3,053,314 |
| Balance at 1 January 2015 | 5,132,793 | 93,526 | 4,949 | (2,177,954) | 3,053,314 |
| Income for the year | – | – | – | 2,195,194 | 2,195,194 |
| Share award scheme | | | | | |
| – Value of employee services | – | 69,811 | – | – | 69,811 |
| – Purchase of shares (Note 22(c)) | (40,184) | – | – | – | (40,184) |
| – Dividend received | 9,984 | – | – | – | 9,984 |
| 2014 final dividend paid | (1,644,540) | – | – | – | (1,644,540) |
| 2015 interim dividend paid | (856,148) | – | – | – | (856,148) |
| Balance at 31 December 2015 | 2,601,905 | 163,337 | 4,949 | 17,240 | 2,787,431 |
| Representing: | | | | | |
| Proposed final dividend | 1,163,728 | | | | 1,163,728 |
| Others | 1,438,177 | | | | 1,623,703 |
| | 2,601,905 | | | | 2,787,431 |

44 Balance sheet and reserve movement of the holding company *(continued)*

Balance sheet of the Company *(continued)*

Notes: *(continued)*

- (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 22).
- (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.