

SHIMAO 世茂房地產

SHIMAO PROPERTY HOLDINGS LIMITED

世茂房地產控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 813

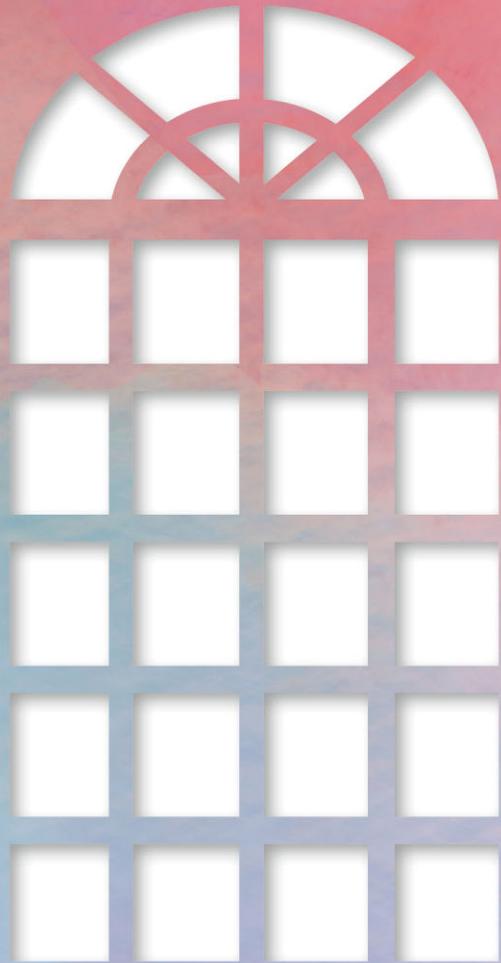


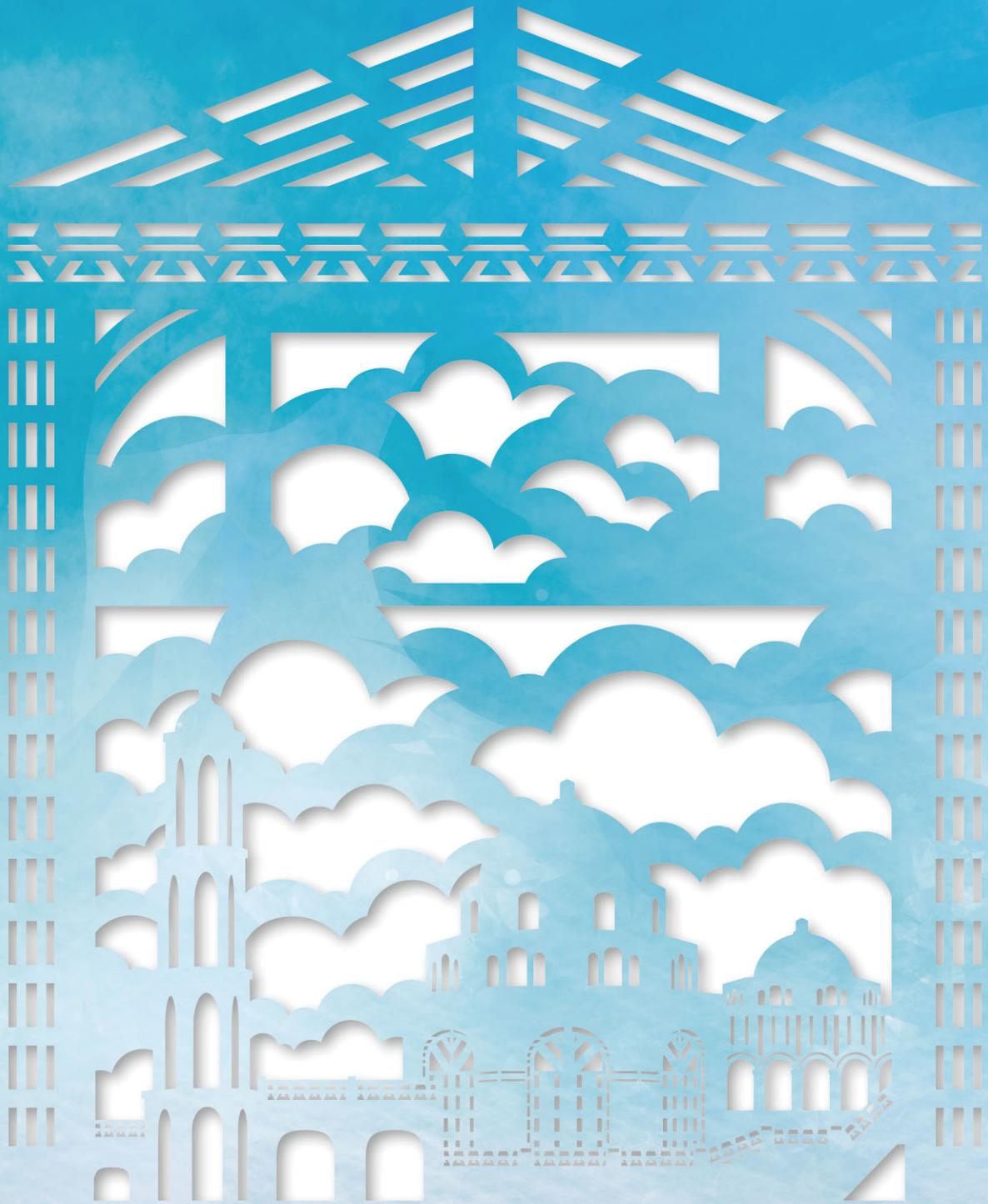
ANNUAL REPORT 2016



# CRAFTSMANSHIP

*with Professionalism and Excellence*





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# NATIONWIDE QUALITY LAND RESERVES

Land reserves in 43 cities, 132 projects, covered an area of 30.79 million sq.m. (equity attributable) (as at 31 December 2016)



## NATIONWIDE QUALITY LAND RESERVES

## SHIMAO PROPERTY

## Shandong District

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

## Northern China District

Beijing Shimao Lá Villa  
Beijing Shimao Salamanca  
Beijing Tongzhou Project  
Beijing Yidu Project  
Beijing Changyang Apex  
Beijing Shangzhuang Project  
Gu'an Project  
Shenyang Shimao Wulihe  
Shenyang Qipan Mountain  
Mudanjiang Shimao Holiday Landscape  
Mudanjiang Shimao South Bund  
Dalian Shimao Glory City  
Dalian Jinzhou Shimao Dragon Bay  
Tianjin Wuqing Shimao Luxury Mansion  
Tianjin Eco-City  
Tianjin Jinnan Project  
Harbin Shimao Riviera New City

## Zhejiang District

Hangzhou Shimao Riviera Garden  
Hangzhou Shimao East No.1  
Hangzhou Qianjiang Century City  
Hangzhou Shimao Above the Lake  
Hangzhou Shimao Born with Legend  
Hangzhou Qinglong Project  
Hangzhou Pengbu Project  
Hangzhou Yuhang Shimao New West Lake  
Hangzhou Shimao Wisdom Tower  
Hangzhou La Cité  
Ningbo Shimao The Capital  
Ningbo Xiangshan Shimao Damuwan  
Ningbo Yaojiangwan Parcel  
Ningbo Shimao City  
Ningbo Yuyao Shimao Moushan Lake  
Ningbo Shimao World Gulf  
Shaoxing Shimao Works of Time

## Central China District

Wuhan Shimao New City  
Wuhan Shimao Splendid River  
Wuhan Baishazhou Shimao Cloud Value  
Wuhan Shimao Carnival  
Wuhan Caidian Parcel Nos. 1-3  
Nanchang Shimao The Grand View  
Nanchang Shimao APM  
Nanchang Shimao Sky City  
Changsha Shimao Brilliantate Bay  
Changsha Shimao Plaza  
Hefei Shimao Jade Mansion  
Hefei Gaoxin Project

## Southern China District

Shenzhen Qianhai Shimao Financial Centre  
Nanning Shimao Longgang Garden  
Nanning Shimao International Plaza  
Hong Kong Tung Chung Project  
Hong Kong Kowloon Tai Wo Ping Project  
Hainan Wenchang Shimao Moonriver

## Guangzhou Finance City

## Guangzhou Asian Games City

## Jiangsu and Shanghai District

Shanghai North Bund Project  
Shanghai Zhoupu Shimao Cloud Atlas  
Shanghai Nanjing Road 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)  
Lingang Fengxianyuan Parcel

## Nanjing District

Nanjing Shimao Bund New City  
Nanjing Straits City  
Nanjing Maqun Project  
Nanjing Pukou Royal Real  
Nanjing Yuhuatai Project  
Nanjing Jianye Jiangdong No. 5 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  
Xi'an Shimao City  
Yinchuan Yuehai Project B  
Yinchuan Yuehai Project C  
Yinchuan Yuehai Parcel Nos. 57-59  
Yinchuan Zhuanqu Project  
Chongqing Shimao Luxury Mansion

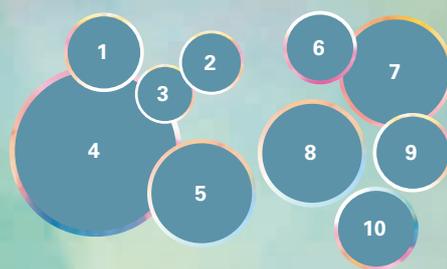
## Fujian District

Xiamen Jimei Project  
Xiamen Shimao Royal Villa  
Xiamen Tong'an TP01  
Xiamen Xiaocuo Parcel  
Xiamen Xiang'an Xilu Parcel  
Quanzhou Shishi Shimao Skyscraper City  
Quanzhou Jinjiang Shimao Dragon Bay  
Quanzhou Shimao Zimaoshan  
Quanzhou Shimao Hi Dream  
Quanzhou Luojiang Parcel Nos. 1-2  
Fuzhou Minhou Shimao Dragon Bay  
Fuzhou Nantong Village Project  
Fuzhou Pingtan Straits Future City  
Fuzhou Guling Ebi Project  
Fuzhou Guling Zhuli Hotel  
Fuzhou Lianpan Project  
Fuzhou Licuoshan Parcel

## SHANGHAI SHIMAO

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

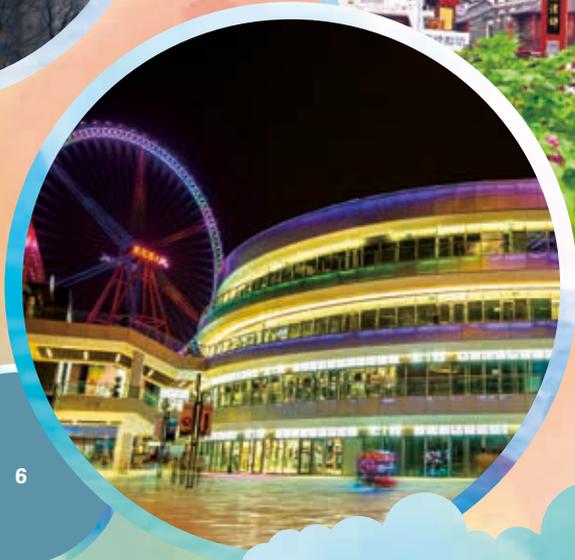
# OUR RESIDENTIAL PROPERTIES



- 1 Quanzhou Shishi Shimao Skyscraper City
- 2 Tianjin Wuqing Shimao Luxury Mansion
- 3 Beijing Yidu Project
- 4 Fuzhou Shimao Cloud Guling
- 5 Chengdu Jianyang Shimao Misty Lakeside
- 6 Hong Kong Kowloon Tai Wo Ping Project
- 7 Shenyang Qipan Mountain
- 8 Wuhan Shimao Splendid River
- 9 Xiamen Jimei Project
- 10 Quanzhou Shimao Hi Dream



# OUR INVESTMENT PROPERTIES

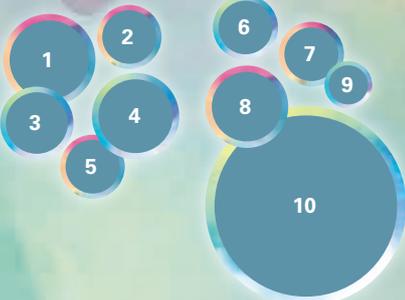


- 1 Shanghai Shimao International Plaza
- 2 Shanghai Shimao Binjiang Building
- 3 Beijing Shimao Tower
- 4 Jinan Shimao International Plaza

- 5 Quanzhou Shishi Shimao Skyscraper City
- 6 Nanjing Shimao SGC (Commercial)
- 7 Shaoxing Shimao Plaza
- 8 Jinan Shimao International Plaza
- 9 Nanjing Shimao SGC (Office)
- 10 Shenzhen Qianhai Shimao Financial Centre



# OUR HOTELS



- 1 Le Royal Méridien Shanghai
- 2 Mudanjiang Holiday Inn
- 3 The Yuluxe Sheshan, A Tribute Portfolio Hotel, Shanghai
- 4 Hyatt on the Bund Shanghai

- 5 MiniMax Premier Hotel Shanghai Hongqiao
- 6 Conrad Xiamen
- 7 Yu Resort Quanzhou
- 8 Sheraton Hong Kong Tung Chung and Four Points by Sheraton Hong Kong Tung Chung
- 9 MiniMax Premier Hotel Shanghai Hongqiao
- 10 InterContinental Shanghai Wonderland



# 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



Xiamen  
 Shimao  
 Shine City



Wuhan  
 Shimao  
 Splendid River

**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

**HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE**

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

**PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE**

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

**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](mailto:ir@shimaoproperty.com)  
 Tel: (852) 2511 9968  
 Fax: (852) 2511 0287



Tianjin Eco-City



Quanzhou Shishi Shimao Skyscraper City

# FIVE YEARS FINANCIAL SUMMARY

	2012	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Revenue</b>	28,652,243	41,502,660	56,080,546	57,732,974	<b>59,286,161</b>
Cost of sales	(19,046,444)	(26,861,772)	(37,855,393)	(41,284,575)	<b>(42,937,532)</b>
<b>Gross profit</b>	9,605,799	14,640,888	18,225,153	16,448,399	<b>16,348,629</b>
Fair value gains on investment properties	2,362,880	1,031,206	1,510,622	2,776,694	<b>1,996,673</b>
Other income/other gains – net	1,196,104	845,063	502,184	1,570,998	<b>838,785</b>
Selling and marketing costs	(1,046,841)	(1,305,735)	(1,495,887)	(1,615,275)	<b>(1,352,643)</b>
Administrative expenses	(1,815,871)	(2,283,303)	(2,807,693)	(3,278,396)	<b>(2,742,720)</b>
Other operating expenses	(266,706)	(592,136)	(262,921)	(288,194)	<b>(268,509)</b>
<b>Operating profit</b>	10,035,365	12,335,983	15,671,458	15,614,226	<b>14,820,215</b>
Finance costs – net	(22,115)	(121,361)	(240,522)	(1,408,648)	<b>(1,175,946)</b>
Share of results of					
– Associated companies	(210,938)	(51,443)	(153,470)	108,684	<b>37,584</b>
– Joint ventures	363,125	895,649	(21,033)	(591,853)	<b>(485,975)</b>
	152,187	844,206	(174,503)	(483,169)	<b>(448,391)</b>
<b>Profit before income tax</b>	10,165,437	13,058,828	15,256,433	13,722,409	<b>13,195,878</b>
Income tax expenses	(3,580,949)	(4,833,504)	(5,768,686)	(5,563,671)	<b>(5,685,493)</b>
<b>Profit for the year</b>	6,584,488	8,225,324	9,487,747	8,158,738	<b>7,510,385</b>
<b>Profit for the year attributable to equity holders of the Company</b>	5,764,632	7,389,857	8,103,833	6,115,784	<b>5,171,855</b>
Non-current assets	52,221,579	57,819,154	63,647,567	69,317,652	<b>72,712,665</b>
Current assets	78,606,216	117,948,704	156,885,890	174,937,039	<b>189,190,340</b>
<b>Total assets</b>	130,827,795	175,767,858	220,533,457	244,254,691	<b>261,903,005</b>
Non-current liabilities	32,388,875	41,538,923	47,608,745	58,725,582	<b>55,077,089</b>
Current liabilities	57,511,688	82,377,073	107,941,628	110,779,789	<b>118,608,923</b>
<b>Total liabilities</b>	89,900,563	123,915,996	155,550,373	169,505,371	<b>173,686,012</b>
<b>Net assets</b>	40,927,232	51,851,862	64,983,084	74,749,320	<b>88,216,993</b>
Equity attributable to equity holders of the Company	35,907,150	41,742,250	46,863,379	50,161,660	<b>52,456,051</b>
Non-controlling interests	5,020,082	10,109,612	18,119,705	24,587,660	<b>35,760,942</b>
<b>Total equity</b>	40,927,232	51,851,862	64,983,084	74,749,320	<b>88,216,993</b>

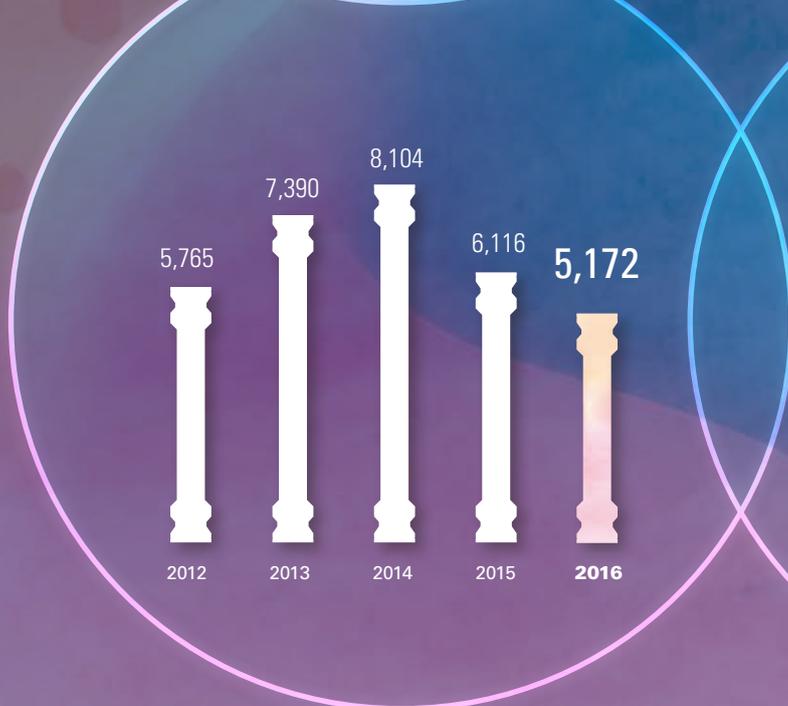
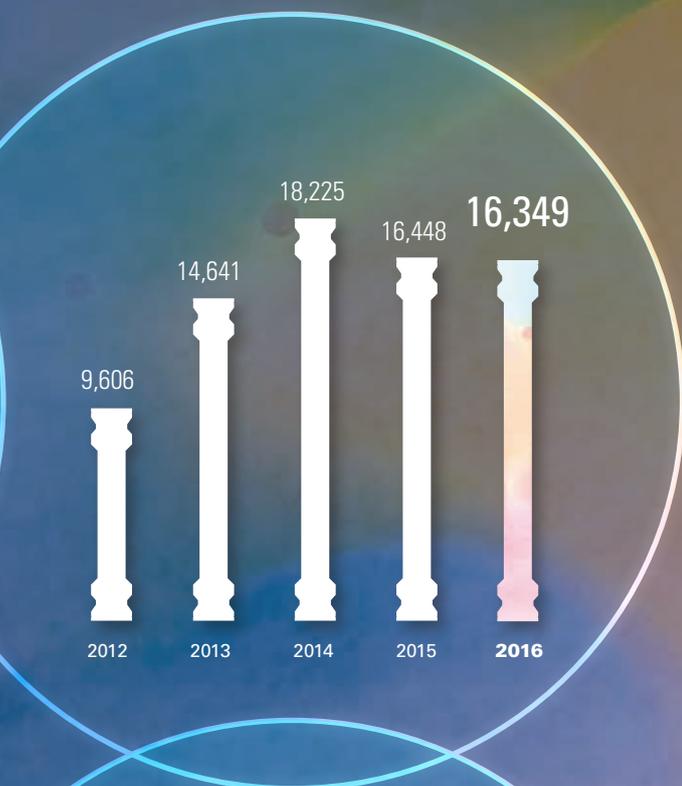
## FIVE YEARS FINANCIAL SUMMARY

**REVENUE**

(RMB million)

**GROSS PROFIT**

(RMB million)

**PROFIT ATTRIBUTABLE TO SHAREHOLDERS**

(RMB million)

**BASIC EARNINGS PER SHARE**

(RMB cents)

# 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 2016.

**Market and Outlook**

In 2016, China's real estate market moved up firstly and then setback. In the first three quarters, in view of the positive impact of government policies and the unleashing of cumulative demand, the real estate market had been "booming and hot". However, the real estate market dropped in the fourth quarter due to the policy tightening. According to the National Bureau of Statistics, impressive start with poor finish was shown in several indicators, such as real estate development and investment, sales and new starts. The gross floor area and value of national commodity properties sold recorded their historical peak. A total of approximately 1,573.49 million sq.m. of gross floor area of national commodity properties were sold for approximately RMB11,762.7 billion, representing year-on-year increases of 22.5% and 34.8% respectively.

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

## CHAIRMAN'S STATEMENT

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

The sales area of commodity properties is expected to face a decline in 2017 as the first-tier and popular second-tier cities which used to make the largest contribution (representing 64% in aggregate) to the sales growth have been hit by the shortage of supply and tightened policies. On the demand front, the record-high sales volume in 2016 was partly attributable to the release and overdraft of pent-up demand. On the other hand, the hot cities will continue to see more tightening policies in 2017, which will focus on preventing asset bubbles and curbing excessive investment. This will take a heavy toll on the investments caused by "asset shortage". Currently, filing of high-end projects and granting of pre-sale permits are suspended in popular cities, which will suppress the trading volume of commodity properties in 2017.

In view of the fierce market competition, it is expected that a new round of industry reshuffle will commence. As a result, the market will be further consolidated by the "strong" participants which always survive the competitions. It is estimated that the overall scale of top 20 real estate developers will increase by approximately 30% and the dominant position of large-scale developers will be further consolidated. The new supply of the Group will be concentrated in the second half of 2017 with focus on upgraded units. Core cities will remain the primary targets with first-tier and strong second-tier cities accounting for 70% of the Group's saleable resources. Furthermore, different level of management and control will be carried out on first and second grade projects, so as to boost the average selling prices and profit margins.

### Shimao's Strategies

The Group has experienced adjustments in the past two years, 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 focus the supply on first- and second-tier cities with relatively high gross profit margin and lower risk of inventory clearance;
2. to adjust the direction of investment in land acquisition and reinforcing investment risk control by focusing over 90% of its investment on first- and second-tier cities and implementing decisive measures to clear inventories in third- and fourth-tier cities in order to optimize 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;
4. to reduce financing cost, restructuring debts, manage foreign exchange risk, and explore and make innovative property financing arrangement; and
5. to implement various operational, products and financial innovations to sustain and enhance the existing advantages.

## CHAIRMAN'S STATEMENT

Although the earnings growth of Shimao Property slowed down during the restructuring period, the Group's results for 2016 reflected a strong overall development of Shimao Property. Over 90% of the land reserves acquired during the year were located in the first- and second-tier cities. Sell-through rate of saleable resources (inventory + supply) was 60% during the year and net gearing ratio decreased to 53.4%. Average financing cost dropped to 5.8%. Various metrics of the Group were among the best in the industry, indicating that the Group has a solid foundation for leaping forward again. The positive results of the Group were achieved in the contexts of waiving growth and visible fall behind other competitors. A solid and affluent preparation is the key to a strong and robust growth. In 2017, the Group will position for "quality growth", and will strive for a significant growth in sales and operating results. It is essential for the Group to maintain its competitiveness so as to safeguard the long term benefits of our investors.

### Product Advancement

Following the implementation of product standardization and the addition of attractions on products, ancillary as well as education, the competitiveness of the Group's projects was improved. In the last year, the Group, based on a precise research on homebuyers' residential needs, promoted human-based masterpiece residential properties which emphasize on living experiences, such as Shimao CITIN in Nanjing, Shimao Shine City in Xiamen, Shimao Works of Time in Shaoxing. Such projects were in line with the market demand and their sell-through rate and prices were relatively higher than those of other competitive projects. The Group deems ingenuity as the dedication to its career, pursuit of perfection, compliance to progress, breakthrough to innovation, integrity to interpersonal relations and self-restraint to behavior. Intelligent residence, human-based details, and live comfort have been the common characteristics of such outstanding projects. In 2017, the Group will persist on a customer-oriented approach with an aim to establish a supporting system compatible with customers' needs. More products of ingenuity will be promoted so as to create a warm, stylish and popular community with high quality and grade, as well as to enhance the brand value and profitability of the projects. With a better matching with the market needs, the Group is confident in the sales of our products in 2017.

Shaoxing Shimao  
Works of Time



## CHAIRMAN'S STATEMENT

## Sales Performance

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

In terms of cities, the average sales in each city of the Group amounted to approximately RMB1.4 billion, and the average sales per project amounted to approximately RMB860 million. The sales in Nanjing were more than RMB7.4 billion, the sales in Beijing were more than RMB5.3 billion, and the sales in Xiamen, Hangzhou, Wuhan and Tianjin were more than RMB3.0 billion, demonstrating a relatively strong competitiveness in the industry. In terms of projects with sales of more than RMB2.0 billion, the sales of Beijing Tongzhou World Chamber of Commerce Centre, Xiamen Jimei project and Fuzhou Pingtan Straits Future City were RMB4.41 billion, RMB2.11 billion and RMB2.00 billion, respectively. The prices of the above projects were upward adjusted in 2016 by more than 30% in general, some of which even increased by 65%, representing a significant premium as compared with other competitive projects. Both sales volume and prices increased and the Group performed well in the market.



Beijing Tongzhou  
World Chamber of  
Commerce Centre



Quanzhou Luojiang Parcel  
Nos. 1-2

In 2016, the sales in first- and second-tier cities of the Group accounted for approximately 82%, representing a remarkable increase as compared with that of 72% in 2015. Since 2015, Shimao has placed much emphasis on cash collection rates and profit margins instead of focusing on the sales as the single growth indicator. It places priority on stable development and quality growth. Such strategy has continued and been strengthened in 2016. In addition to maintaining its business scale, Shimao expedited the inventory clearance in third- and fourth-tier cities which further optimized the inventory structure. In respect of inventory clearance, the inventory sales of the Group in 2016 were RMB26.2 billion, representing an increase of RMB5.0 billion as compared with previous year. With respect of inventory sales strategy, pricing was strategically adjusted to boost the sales of inventory in third- and fourth-tier cities with relatively low demand, with particular focus on pricing adjustments for longer aged inventories. As a result, the inventory sales of such segment amounted to nearly RMB5.6 billion, representing an increase of RMB3.5 billion as compared with previous year, which laid a strong business foundation by optimizing the inventory structure, increasing the cash collection ratio and enhancing the competitive industry position. As of 31 December 2016, inventories of first- and second-tier cities accounted for 67%, an increase of 7% from the beginning of the year. Inventory clearance in third- and fourth-tier cities has been effective.

### Prudent Replenishment of Quality Land Reserves

In 2016, there was a trend of developers re-steering their focus on first- and second-tier cities, causing fierce competition for land resources, soaring land prices and in turn many cases of "land king lots" transacted at exceptionally high prices, and thus continually squeezing future gross profit of the industry. The Group upheld its prudent strategy and adopted a more cautious approach in replenishing land reserves. In 2016, the Group acquired land reserves of 3.96 million sq.m. (before interests) in cities including Fuzhou, Beijing, Nanjing, Hangzhou, Xiamen, Hefei, Jinan and Wuhan. Currently, Shimao Property has 132 projects with a total area of 30.79 million sq.m. (attributable interests) of quality land in 43 cities in China. 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.



Fuzhou Pingtan  
Straits Future City

## CHAIRMAN'S STATEMENT

**Promoting Light Asset Operation**

From the opening of MiniMax Hotel at the end of 2014 to the launch of the 52+ Mini Mall series in 2015, the Group has been launching new product lines in a systematic and orderly manner. Mini Hotel and Mini Mall, which are the two major projects of the "Mini" series, are known for their compact scale which distinguishes them from traditional luxury hotels and large-scale shopping malls. As the Group's brands under the asset-light strategy, they offer customized products to address specific needs. They are able to enter or exit the market nimbly and their products can be replicated easily. The "Mini" series is the Group's key commercial product. With the operation of new business models including the "Mini" series, the Group will be able to attract more investors and lower the proportion of internal capital investment in order to increase the return on assets held by the Group. Moreover, in June 2016, Shimao Hotels and Resorts entered into entrusted management arrangements for the first hotel – MiniMax Hotel Linyi Binhe in Shandong in respect of the export of hotel management, and the hotel is expected to officially commence operation in the fourth quarter of 2017. In September 2016, Shimao Hotels and Resorts entered into entrusted management arrangements for the second hotel – MiniMax Hotel Shijiazhuang Outlets in respect of the export of hotel management, and the hotel is expected to officially commence operation in the second half of 2018 and to be situated in Excellent Outlets International Centre, the first compound Italian-styled international centre in China. These arrangements signify the successful "light asset" strategic transformation of Shimao Hotels and Resorts.



Conrad Xiamen

### Determination to Uphold Prudent Financial Policy

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

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

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



Qingdao  
Shimao Noosa  
Bay



Jinan Shimao  
Skyscraper City

## CHAIRMAN'S STATEMENT

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

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

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

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

Looking forward into 2017, in line with the implementation of real estate macro-control in China, the Group will continue to enhance its internal management. While exploring innovative businesses, the Group will take advantage of market resources and its own strengths, adhere to its robust financial strategy and adopt prudent financial management approach to maintain adequate cash flows, minimize the finance cost and stabilize the operating efficiency.



Le Méridien  
Hangzhou  
Binjiang



Wuhan Baishazhou  
Shimao Cloud Value

### 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 HK44 cents per share (2015: HK40 cents per share). Together with an interim dividend of HK26 cents per share and a special dividend of HK6 cents per share paid in respect of the gain from the disposal of Beijing Fortune Times and Beijing Baiding New Century, the total distribution for the year will amount to HK76 cents per share (throughout 2015: HK70 cents per share).

### Appreciation

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

### Hui Wing Mau

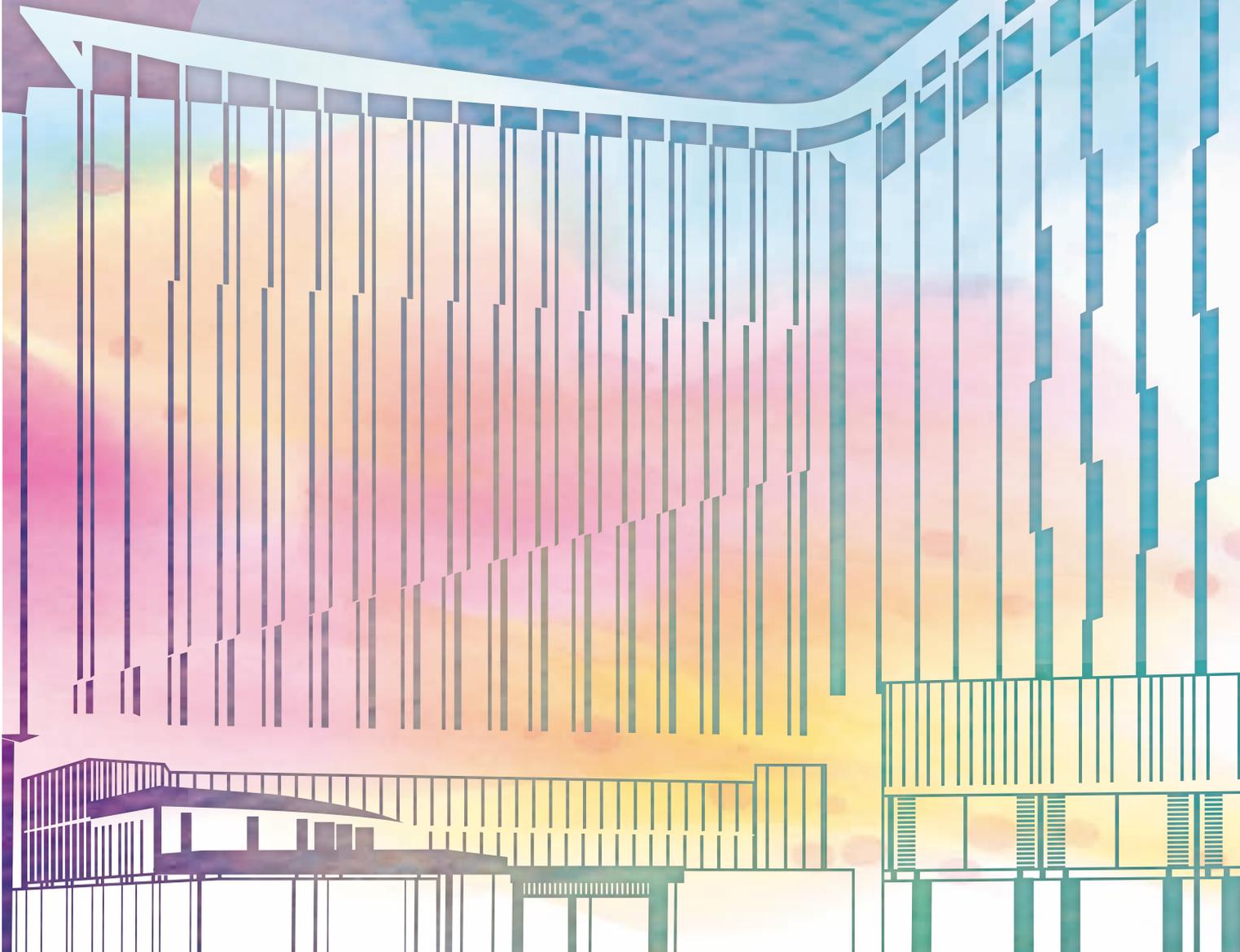
*Chairman*

Hong Kong, 29 March 2017

Dalian Shimao  
Glory City



# MANAGEMENT DISCUSSION AND ANALYSIS





## MANAGEMENT DISCUSSION AND ANALYSIS

**BUSINESS REVIEW****Property Development****1) Recognized Sales Revenue**

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

The delivered gross floor area ("GFA") recognized for each project in 2016 and the relevant particulars are set out as follows:

<b>Project</b>	<b>Recognized Area</b> (sq.m.)	<b>Recognized Sales</b> (RMB million)	<b>Average Selling Price</b> (RMB per sq.m.)
Nanjing Straits City	207,655	4,455	21,454
Beijing Tongzhou World Chamber of Commerce Centre	118,316	4,128	34,890
Nanjing Shimao Bund New City	190,081	3,406	17,919
Jinan Shimao Skyscraper City	254,332	2,613	10,274
Hangzhou Shimao Born with Legend	50,853	2,060	40,509
Hefei Shimao Jade Mansion	192,339	1,813	9,426
Xiamen Shimao Royal Villa	74,638	1,760	23,580
Wuhan Shimao Splendid River	119,844	1,718	14,335
Chongqing Shimao Luxury Mansion	204,992	1,559	7,605
Shanghai Zhoupu Shimao Cloud Atlas	40,912	1,548	37,837
Qingdao Shimao Noble Town	195,110	1,539	7,888
Fuzhou Pingtan Straits Future City	184,550	1,500	8,128
Quanzhou Shishi Shimao Skyscraper City	158,797	1,428	8,993
Beijing Shimao Salamanca	167,986	1,410	8,394
Fuzhou Shimao Cloud Guling	92,471	1,348	14,578
Zhangjiagang Shimao Lake Palace	102,781	1,195	11,627
Tianjin Shimao Wetland Century	111,845	1,175	10,506
Chengdu Shimao City	196,425	1,101	5,605
Nanning Shimao Luxury Mansion	198,642	1,042	5,246
Qingdao Shimao Noosa Bay	106,371	1,032	9,702
Changzhou Shimao Champagne Lake	135,419	1,000	7,384
Yinchuan Flourishing Mansion	223,133	977	4,379
Suzhou Shimao Shihu Bay (South)	54,248	825	15,208
Jinan Shimao The Capital of Yuanshan	117,111	811	6,925
Nanjing Shimao Merchants Mountain	32,645	803	24,598
Shenzhen Qianhai Shimao Financial Centre	8,114	803	98,965
Beijing Shimao Lá Villa	27,544	707	25,668
Hangzhou Shimao Wisdom Tower	29,990	684	22,808
Xuzhou Shimao Dongdu	94,628	674	7,123
Quanzhou Jinjiang Shimao Mansion	29,544	583	19,733

## MANAGEMENT DISCUSSION AND ANALYSIS



Guangzhou  
Asian  
Games City



Chengdu  
Shimao City

Project	Recognized Area	Recognized Sales	Average Selling Price
	(sq.m.)	(RMB million)	(RMB per sq.m.)
Chengdu Shimao Royal Bay	53,113	534	10,054
Nanjing Jiangning Higher Education Mega Centre	37,162	519	13,966
Jinan Shimao International Plaza	17,805	504	28,307
Wuhu Shimao Riviera Garden	66,818	466	6,974
Shaoxing Shimao Works of Time	34,151	455	13,323
Ningbo Shimao Riviera Garden	24,403	430	17,621
Beijing Yidu Project	32,050	412	12,855
Suzhou Shimao Shihu Bay (North)	22,143	411	18,561
Quanzhou Shimao Hi Dream	37,590	410	10,907
Nanjing Shimao Glory Villa	17,535	389	22,184
Nanchang Shimao APM	37,058	386	10,416
Quanzhou Jinjiang Shimao Dragon Bay	95,076	381	4,007
Dalian Shimao Glory City	62,228	374	6,010
Wuhan Shimao Lake Island	56,345	371	6,584
Chengdu Jianyang Shimao Misty Lakeside	43,846	369	8,416
Shenyang Shimao Wulihe	47,091	331	7,029
Wuhan Shimao Carnival	28,835	306	10,612
Wuhan Shimao Dragon Bay	35,896	303	8,441
Nanchang Shimao The Grand View	32,635	284	8,702
Dalian Shimao Dragon Bay	37,856	269	7,106
Shanghai Shimao Wonderland	15,716	268	17,053
Mudanjiang Shimao Holiday Landscape	56,693	218	3,845
Nantong Shimao In The Park	43,743	212	4,846
Fuzhou Minhou Shimao Dragon Bay	19,273	198	10,273
Tianjin Wuqing Shimao Luxury Mansion	22,007	179	8,134
Harbin Shimao Riviera New City	30,927	168	5,432
Kunshan Shimao The East Bund	14,285	159	11,131
Hainan Wenchang Shimao Blooming Sea	21,501	149	6,930
Ningbo Shimao Sunlake Centre	12,791	119	9,303
Changzhou Shimao Champagne Lake (Commercial)	22,424	114	5,084
Suzhou Shimao Canal Scene (Commercial)	10,154	96	9,454

## MANAGEMENT DISCUSSION AND ANALYSIS

Project	Recognized Area (sq.m.)	Recognized Sales (RMB million)	Average Selling Price (RMB per sq.m.)
Suzhou Shimao Royal Villa	4,959	92	18,552
Xiamen Shimao Straits Mansion	4,772	91	19,070
Hangzhou Shimao East No. 1	4,705	86	18,278
Xuzhou Shimao Dongdu (Commercial)	11,212	70	6,243
Hangzhou Shimao Above the Lake	2,848	64	22,472
Shenyang Shimao Notting Hill	5,283	45	8,518
Wuxi Shimao International City	5,314	44	8,280
Hangzhou Shimao Riviera Garden	4,687	43	9,174
Xiamen Shimao Lakeside Garden	2,707	37	13,668
Ningbo Shimao The Capital	1,329	32	24,078
Beijing Shimao Alhambra Palace	513	29	56,530
Changshu Shimao Royal Bay	2,003	29	14,478
Ningbo Shimao Dragon Bay	2,450	23	9,388
Qingdao Shimao Shi'ao Tower	1,092	23	21,062
Jiangyin Shimao Dragon Bay	405	5	12,346
Changshu Shimao The Centre (Commercial)	365	3	8,219
<b>Total</b>	<b>4,865,110</b>	<b>56,197</b>	<b>11,551</b>

The breakdown of recognized sales for 2016 by cities is set out as follows:



▲ Nanjing	17.0%	▲ Suzhou	2.5%
▲ Beijing	11.9%	▲ Tianjin	2.4%
▲ Jinan	7.0%	▲ Zhangjiagang	2.1%
▲ Shanghai	5.6%	▲ Changzhou	2.0%
▲ Hangzhou	5.2%	▲ Nanning	1.9%
▲ Wuhan	4.8%	▲ Yinchuan	1.7%
▲ Qingdao	4.6%	▲ Shenzhen	1.4%
▲ Quanzhou	3.9%	▲ Xuzhou	1.3%
▲ Xiamen	3.4%	▲ Nanchang	1.2%
▲ Hefei	3.3%	▲ Dalian	1.1%
▲ Chengdu	2.9%	▲ Ningbo	1.1%
▲ Chongqing	2.8%	▲ Jinjiang	1.0%
▲ Pingtan	2.7%	▲ Other 14 cities	5.2%

## MANAGEMENT DISCUSSION AND ANALYSIS

**2) Steady Sales Growth**

With respect to property sales, the Group's contracted sales amounted to RMB68.12 billion in 2016, exceeding the sales target. The aggregate sales area for the year was 4.918 million sq.m., with an average selling price of RMB13,850 per sq.m..

Benefited from adequate liquidity and easing of the regulatory policies, the Group achieved satisfactory sales and its inventory clearance work progressed well in 2016 as expected. In terms of overall sales results, the performance of first-tier cities maintained strong. 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 2017, the Group will launch saleable areas of approximately 6.19 million sq.m.. Together with the existing saleable areas of approximately 3.33 million sq.m. as at 31 December 2016, the Group's total saleable areas in 2017 will be approximately 9.52 million sq.m..

Key projects available for sale in 2017 are set out as follows:

District	Project	Saleable Area (sq.m.)
<b>Shimao Property</b>		
Fujian District	Fuzhou Guling Ebi Project	68,803
	Fuzhou Lianpan Project	69,387
	Xiamen Jimei Project	85,162
Northern China District	Tianjin Eco-City	191,667
	Beijing Tongzhou World Chamber of Commerce Centre	66,343
	Beijing Shangzhuang Project	18,000
Southern China District	Guangzhou Asian Games City	332,592
	Shenzhen Qianhai Shimao Financial Centre	51,784
Central China District	Hefei Gaoxin Project	95,238
	Wuhan Shimao Splendid River	106,301
	Changsha Shimao Plaza	149,038
Nanjing District	Nanjing Pukou Royal Real	115,865
	Nanjing Shimao Bund New City	152,489
	Nanjing Yuhuatai Project	93,181
Shandong District	Nanjing G11 Project	72,000
	Qingdao Shimao Noble Town	234,189
Western District	Chengdu Shimao City	285,129
Zhejiang District	Hangzhou Pengbu Project	44,444
Jiangsu and Shanghai District	Shanghai Zhoupu Shimao Cloud Atlas	25,032
	Shanghai Baoshan Luodian	45,000
	Suzhou Shimao Shihu Bay	73,537
<b>Shanghai Shimao</b>	Jinan Shimao Skycraper City	168,469
<b>Sub-total (Key projects above)</b>		<b>2,543,650</b>
Projects (below RMB1.5 billion) available for sale in 2017		3,640,986
Completed inventory		1,450,433
Uncompleted projects available for sale as of 31 December 2016		1,892,898
<b>Total</b>		<b>9,527,967</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

**3) Completion of Development Projects and Plans as Scheduled**

In 2016, the Group made proactive adjustments to strategy of supply management and construction plans, put off or cancelled the supply of certain products of similar nature and exerted efforts in clearing up projects with higher inventory level. In 2016, the Group's new starts area was 7.38 million sq.m. and its floor area under construction reached 12.80 million sq.m.. The aggregate GFA completed was approximately 7.70 million sq.m., representing an increase of 1.9% as compared with 7.56 million sq.m. completed in the corresponding period of the previous year. Looking forward to 2017, the planned new starts area of the Group for the whole year will be approximately 9.00 million sq.m. while the GFA completed will be approximately 8.00 million sq.m. and the GFA under construction will be approximately 13.80 million sq.m..

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

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

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



Quanzhou Jinjiang  
Shimao Dragon Bay

## MANAGEMENT DISCUSSION AND ANALYSIS

The land parcels acquired by the Group in 2016 are as follows:

New Land Parcels	Date of Acquisition	Usage	Land Cost	Total Planned	Cost per sq.m.	Group's Interest	
			(Attributable Interests) (RMB million)	GFA (Before Interests) (sq.m.)			
<b>Shimao Property</b>							
1.	Fuzhou Ebi Project I	January 2016	Commercial and tourism	119.49	84,987	1,406	100.00%
2.	Yinchuan Yuehai Land Parcel C	January 2016	Commercial and residential	216.14	134,635	1,605	100.00%
3.	Fuzhou Ebi Project II	June 2016	Commercial and tourism	103.23	86,521	1,193	100.00%
4.	Nanjing Jianye Jiangdong No. 5	June 2016	Commercial and residential	4,998.40	540,000	16,296	56.80%
5.	Wuhan Caidian Land Parcel 1	June 2016	Hotel and commercial ancillary	137.11	57,815	3,000	79.05%
6.	Wuhan Caidian Land Parcel 2	June 2016	Hotel and commercial ancillary	127.11	53,585	3,001	79.05%
7.	Wuhan Caidian Land Parcel 3	June 2016	Hotel and commercial ancillary	90.79	38,269	3,001	79.05%
8.	Beijing Shangzhuang	June 2016	Commercial and residential	2,400.00	106,314	22,575	100.00%
9.	Yinchuan Yuehai Land Parcel No. 57	July 2016	Commercial and residential	312.32	240,175	1,300	100.00%
10.	Yinchuan Yuehai Land Parcel No. 58	July 2016	Commercial and residential	230.65	177,361	1,300	100.00%
11.	Yinchuan Yuehai Land Parcel No. 59	July 2016	Commercial and residential	431.42	331,756	1,300	100.00%
12.	Hangzhou Qianjiang Shijicheng	July 2016	Residential	631.25	130,931	19,285	25.00%
13.	Hangzhou Qinglong Unit	August 2016	Residential	1,610.00	94,627	34,028	50.00%
14.	Xiamen Tong'an TP01	August 2016	Residential	1,364.16	92,500	30,097	49.00%
15.	Quanzhou Luojiang Land Parcel 1	September 2016	Commercial and residential	790.49	159,750	6,260	79.05%
16.	Quanzhou Luojiang Land Parcel 2	September 2016	Commercial and residential	458.48	76,345	7,597	79.05%
17.	Ningbo Yaojiangwan Land Parcel	November 2016	Residential	1,410.38	169,742	8,309	100.00%
18.	Fuzhou Licuoshan Land Parcel	November 2016	Residential	890.00	38,677	23,011	100.00%
19.	Gu'an Land Parcel	November 2016	Residential	2,185.00	582,706	4,687	80.00%
20.	Hefei Gaoxin Land Parcel	November 2016	Residential	3,330.96	205,931	16,175	100.00%
21.	Ji'nan Xiaoya Land Parcel	December 2016	Commercial and residential	1,820.57	212,479	8,568	100.00%
22.	Xiamen Xiaocuo Land Parcel	December 2016	Residential	1,100.00	37,900	29,024	100.00%
23.	Xiamen Xiang'an Xilu Land Parcel	December 2016	Commercial and residential	1,842.00	63,500	29,008	100.00%
24.	Hangzhou Pengbu Unit Land Parcel	December 2016	Residential	3,321.00	182,167	36,461	50.00%
25.	Lingang Fengxiangyuan Land Parcel	December 2016	Commercial and residential	332.00	66,000	9,863	51.00%
<b>Total</b>				<b>30,252.95</b>	<b>3,964,673</b>	<b>10,994</b>	

## Property Investment

With respect to commercial properties, Shimao Property develops commercial properties through 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

During the reporting period, the annual work plan of Shanghai Shimao was implemented accordingly. On 12 May 2016, Shanghai Shimao disposed of 100% equity interests in Beijing Fortune Times and Beijing Baiding New Century to Leshi Holdings at a consideration of RMB2.972 billion. The share transaction fully reflected the strategic mindset of Shanghai Shimao in managing assets of commercial properties. The partial disposal of commercial properties which had become matured further enhanced the structure of commercial assets of Shanghai Shimao and achieved capital appreciation of commercial properties. On 16 July 2016, Xiamen Shimao Emall Shopping Centre was grandly opened after years of preparation. Located in between the twin towers of Xiamen Shimao Straits Mansion, the shopping centre seeks to build an integrated, multi-dimensional space of city experience encompassing shopping, tourism, commerce, culture and recreation etc. On 16 December 2016, Shishi Shimao Skyscraper City was grandly opened. The planned commercial areas of such project was approximately 1 million sq.m., of which 240,000 sq.m. was Phase I, comprising of four major parts, namely Shimao International Plaza, Kuanhou Li, Xingfu Fang and Maoxian Wang Theme Park, marking a beginning of Shimao Skyscraper City in becoming an unique "Large Integrated Culture and Tourism Brand" under the Group. Further, during the reporting period, Shanghai Shimao's brand realignment initiatives targeted at its various commercial malls are aimed to uplift the overall brand attainments of the malls, and to couple with the improved and enriched internal management and property services at the malls to foster the ongoing enhancement in the shopping experience of consumers.

During the reporting period, Shanghai Shimao completed the acquisition of 51% equity interests in Shenzhen Qianhai Shimao Financial Centre and 100% equity interests in Hangzhou Shimao Wisdom Tower and Nanchang Shimao APM as well as the transfer of Xiamen Shimao Jimei project from Shimao Property.

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

Particulars of investment property projects of the Group in 2016 are set out as follows:

Commercial and Office Premises	Total GFA (sq.m.)	Date of Commencement	Revenue (RMB million)	
			2016	2015
Shanghai Shimao International Plaza	71,239	Phase I – December 2004 Phase II – May 2007	136	160
Changshu Shimao The Centre	43,357	Commercial – 1st quarter of 2009	17	17
Beijing Shimao Tower	70,175	July 2009	146	141
Wuhu Shimao Riviera Garden (Commercial)	19,963	September 2009	8	7
Beijing Fortune Times (Commercial)	49,147	2010	35	60
Shanghai Shimao Shangdu	9,584	November 2010	32	33
Shaoxing Shimao Dear Town (Commercial)	181,605	May 2010	85	86
Suzhou Shimao Canal Scene (Commercial)	49,993	June 2010	34	32
Kunshan Shimao Plaza	88,249	April 2012	41	39
Xuzhou Shimao Dongdu (Commercial)	59,471	January 2012	15	15
Jinan Shimao International Plaza	280,641	May 2014	99	88
Other rental income	–	–	62	61
<b>Total</b>			<b>710</b>	<b>739</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

## Hotel Operations

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

Particulars of hotel projects of the Group in 2016 are set out as follows:

Hotel	Number of Rooms	Date of Commencement	Revenue (RMB million)		EBITDA (RMB million)	
			2016	2015	2016	2015
The Yuluxe Sheshan, A Tribute Portfolio Hotel, Shanghai	325	November 2005	162	168	62	60
Le Royal Méridien Shanghai	770	September 2006	357	380	148	153
Hyatt on the Bund Shanghai	631	June 2007	368	354	141	124
Holiday Inn Mudanjiang	265	December 2010	30	30	8	7
Holiday Inn Shaoxing	284	September 2011	26	32	7	10
Hilton Nanjing Riverside	411	December 2011	92	82	21	15
DoubleTree by Hilton Wuhu	442	October 2013	59	55	9	3
InterContinental Fuzhou	318	January 2014	97	92	17	16
Crowne Plaza Shaoxing	453	March 2014	88	68	23	8
Yuluxe Hotel Taizhou	262	August 2014	25	20	(1)	(1)
MiniMax Hotel Shanghai Songjiang	147	December 2014	12	10	2	–
Hilton Tianjin Eco-City	301	April 2015	35	10	(3)	(4)
DoubleTree by Hilton Ningbo Chunxiao	220	December 2015	18	1	1	–
MiniMax Premier Hotel Shanghai Hongqiao	292	December 2015	30	–	2	–
Hilton Wuhan Riverside	338	July 2016	33	–	4	–
Conrad Xiamen	241	August 2016	34	–	4	–
<b>Total</b>	<b>5,700</b>		<b>1,466</b>	<b>1,302</b>	<b>445</b>	<b>391</b>

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 2016. Had the 29 hotels (2015: 29 hotels), namely, The Yuluxe Sheshan, A Tribute Portfolio Hotel, Shanghai, Le Royal Méridien Shanghai, Hyatt on the Bund Shanghai, Hilton Nanjing Riverside, Holiday Inn Mudanjiang, Crowne Plaza Shaoxing, Conrad Xiamen, Holiday Inn Shaoxing, Hilton Shenyang, Hilton Tianjin Eco-City, InterContinental Fuzhou, DoubleTree by Hilton Wuhu, Yuluxe Hotel Taizhou, DoubleTree by Hilton Ningbo Chunxiao, Hilton Yantai, Hilton Wuhan Riverside, DoubleTree by Hilton Ningbo Beilun, Yuluxe Hotel Xuzhou, Yuluxe Hotel Fuzhou Riverside, InterContinental Shanghai Wonderland, Yuluxe Hotel Jinjiang, Yuluxe Hotel Yuyao, Yuluxe Hotel Wenchang Hainan, Yuluxe Hotel Chengdu, Shimao MiniMax Hotel Dalian, Le Méridien Hangzhou Binjiang, Yu Resort Quanzhou, Sheraton Hong Kong Tung Chung and Four Points by Sheraton Hong Kong Tung Chung been restated at fair value of RMB35.8 billion (2015: RMB34.8 billion), the net assets value of the Group would have been increased to RMB98.2 billion (2015: RMB88.5 billion).

## MANAGEMENT DISCUSSION AND ANALYSIS

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

	<b>As at 31 December</b>	
	<b>2016</b>	2015
	<b>(RMB Million)</b>	(RMB Million)
Fair value of above-mentioned hotels	<b>35,830</b>	34,787
Less: Carrying amount	<b>(16,585)</b>	(16,387)
Amounts to adjust from carrying amount to fair value	<b>19,245</b>	18,400
Less: Deferred income taxes	<b>(4,811)</b>	(4,600)
Increase in net assets value if the above-mentioned hotels are stated at fair value	<b>14,434</b>	13,800
Net assets value per consolidated balance sheet (excluding perpetual capital instruments)	<b>83,717</b>	74,749
Adjusted net assets value (excluding perpetual capital instruments)	<b>98,151</b>	88,549
Net debt	<b>44,709</b>	43,411
Adjusted net gearing ratio	<b>45.6%</b>	49.0%

In 2016, the tourism industry experienced rapid growth, creating extensive development potential for the travel market. With increasing investment and innovation, the tourism industry demonstrated significant economic and social impact and became an important driver for stabilizing growth and economic restructuring for the benefit of the society. Number of tourists of domestic travel increased by 11.0% from last year to 4.44 billion, while number of inbound and outbound travelers increased by 3.9% to 260 million. Total revenue from the tourism sector of the year amounted to RMB4.69 trillion, representing a growth of 13.6%. In 2016, the Group's hotels achieved revenue of RMB1.466 billion, representing a year-on-year increase of 12.6%. EBITDA was RMB445 million, representing a year-on-year increase of 13.8%. Attributable to the replacement of business tax by value-added tax in the hotel industry since May 2016, profit from hotel operations saw improvement despite the comparatively decrease in recognized revenue of hotels due to the exclusion of value-added tax in revenue. In 2016, 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. In the future, the Group may be involved in multiple businesses such as elderly care, youth hostel and finance. The light asset business is conducted through advanced technology, quality services and professional operating standard. Further, in June 2016, Shimao Hotels and Resorts entered into entrusted management arrangements for the first hotel – MiniMax Hotel Linyi Binhe in Shandong in respect of the export of hotel management, and the hotel is expected to officially commence operation in the fourth quarter of 2017. In September 2016, Shimao Hotels and Resorts entered into entrusted management arrangements for the second hotel – MiniMax Hotel Shijiazhuang Outlets in respect of the export of hotel management, and the hotel is expected to officially commence operation in the second half of 2018 and is located at Excellent Outlets International Center, the first model of Italian-style complex in China. The agreement signings for these two hotels also signify the first step of the "light asset" strategic transformation of Shimao Hotels and Resorts.

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

## MANAGEMENT DISCUSSION AND ANALYSIS

**FINANCIAL ANALYSIS**

Key consolidated income statement figures are set out below:

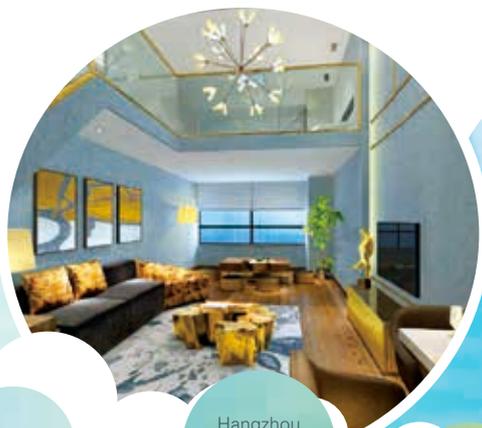
	2016 RMB million	2015 RMB million
Revenue	59,286	57,733
Gross profit	16,349	16,448
Operating profit	14,820	15,614
Profit attributable to shareholders	5,172	6,116
Earnings per share – Basic (RMB cents)	150.6	176.7

**Revenue**

For the year ended 31 December 2016, the revenue of the Group was approximately RMB59,286 million (2015: RMB57,733 million), representing an increase of 2.7% over 2015. 94.8% (2015: 94.6%) of the revenue was generated from the sales of properties and 5.2% (2015: 5.4%) from hotel operation, leasing of commercial properties and others.

The components of the revenue are analysed as follows:

	2016 RMB million	2015 RMB million
Sales of properties	56,197	54,595
Hotel operation income	1,466	1,302
Rental income from investment properties	710	739
Others	913	1,097
<b>Total</b>	<b>59,286</b>	<b>57,733</b>



Hangzhou  
Shimao  
Wisdom Tower



Yantai Shimao  
No.1 The  
Harbour

## MANAGEMENT DISCUSSION AND ANALYSIS

**(i) Sales of Properties**

Sales of properties for the years ended 31 December 2016 and 2015 are set out below:

	2016		2015	
	Area (sq.m.)	RMB million	Area (sq.m.)	RMB million
<b>(a) Shimao Property</b>				
Nanjing Straits City	207,655	4,455	140,959	2,809
Beijing Tongzhou World Chamber of Commerce Centre	118,316	4,128	–	–
Hangzhou Shimao Born with Legend	50,853	2,060	–	–
Hefei Shimao Jade Mansion	192,339	1,813	–	–
Xiamen Shimao Royal Villa	74,638	1,760	20,152	454
Wuhan Shimao Splendid River	119,844	1,718	269,772	3,254
Chongqing Shimao Luxury Mansion	204,992	1,559	78,224	652
Shanghai Zhoupu Shimao Cloud Atlas	40,912	1,548	–	–
Qingdao Shimao Noble Town	195,110	1,539	100,487	831
Fuzhou Pingtan Straits Future City	184,550	1,500	204,133	1,892
Beijing Shimao Salamanca	167,986	1,410	294,436	2,813
Fuzhou Shimao Cloud Guling	92,471	1,348	–	–
Zhangjiagang Shimao Lake Palace	102,781	1,195	88,227	1,123
Tianjin Shimao Wetland Century	111,845	1,175	129,524	1,413
Chengdu Shimao City	196,425	1,101	40,870	262
Nanning Shimao Luxury Mansion	198,642	1,042	18,759	240
Changzhou Shimao Champagne Lake	135,419	1,000	184,358	1,272
Yinchuan Flourishing Mansion	223,133	977	–	–
Suzhou Shimao Shihu Bay (South)	54,248	825	–	–
Jinan Shimao The Capital of Yuanshan	117,111	811	89,447	608
Nanjing Shimao Merchants Mountain	32,645	803	9,979	210
Beijing Shimao Lá Villa	27,544	707	36,031	805
Xuzhou Shimao Dongdu	94,628	674	18,140	153
Quanzhou Jinjiang Zimao Mansion	29,544	583	–	–
Chengdu Shimao Royal Bay	53,113	534	154,553	1,817
Nanjing Jiangning Higher Education Mega Centre Project	37,162	519	–	–
Wuhu Shimao Riviera Garden	66,818	466	63,326	462
Shaoxing Shimao Works of Time	34,151	455	–	–
Beijing Yidu Project	32,050	412	–	–
Suzhou Shimao Shihu Bay (North)	22,143	411	55,318	811
Quanzhou Shimao Hi Dream	37,590	410	–	–
Nanjing Shimao Glory Villa	17,535	389	108,221	1,894
Quanzhou Jinjiang Shimao Dragon Bay	95,076	381	207,425	2,063
Dalian Shimao Glory City	62,228	374	14,626	116
Wuhan Shimao Lake Island	56,345	371	125,424	960
Chengdu Jianyang Shimao Misty Lakeside	43,846	369	18,734	151

## MANAGEMENT DISCUSSION AND ANALYSIS

	2016		2015	
	Area (sq.m.)	RMB million	Area (sq.m.)	RMB million
<b>(a) Shimao Property</b> <i>(continued)</i>				
Shenyang Shimao Wulihe	47,091	331	65,102	587
Wuhan Shimao Dragon Bay	35,896	303	55,125	394
Nanchang Shimao The Grand View	32,635	284	6,898	79
Dalian Shimao Dragon Bay	37,856	269	186	2
Mudanjiang Shimao Holiday Landscape	56,693	218	26,051	133
Nantong Shimao In the Park	43,743	212	130,294	902
Fuzhou Minhou Shimao Dragon Bay	19,273	198	318,463	3,036
Harbin Shimao Riviera New City	30,927	168	45,686	179
Kunshan Shimao The East Bund	14,285	159	152,545	1,070
Hainan Wenchang Shimao Blooming Sea	21,501	149	3,875	49
Hangzhou Shimao East No.1	4,705	86	33,765	561
Hangzhou Shimao Above the Lake	2,848	64	23,286	580
Shenyang Shimao Notting Hill	5,283	45	3,920	36
Wuxi Shimao International City	5,314	44	29,821	262
Hangzhou Shimao Riviera Garden	4,687	43	93,744	604
Xiamen Shimao Lakeside Garden	2,707	37	41,168	1,275
Ningbo Shimao The Capital	1,329	32	11,619	211
Beijing Shimao Alhambra Palace	513	29	–	–
Ningbo Shimao Dragon Bay	2,450	23	7,132	74
Jiangyin Shimao Dragon Bay	405	5	12,813	147
Nanchang Shimao APM	–	–	59,846	584
Suzhou Shimao Canal Scene	–	–	130,984	1,718
Shaoxing Shimao Dear Town	–	–	52,078	495
Shanghai Shimao Sheshanli	–	–	18,267	357
Ningbo Shimao Sea Dawn	–	–	22,914	156
Shanghai Shimao Emme County	–	–	11,783	106
Fuzhou Shimao Skyscrapers	–	–	2,881	68
Shenyang Shimao Bojing Plaza	–	–	5,188	41
Xianyang Shimao The Centre	–	–	3,935	17
Ningbo Shimao World Gulf	–	–	1,192	11
Taizhou Shimao Riverside Garden	–	–	2,259	7
Jiaxing Shimao New City	–	–	784	5
Sub-total (a)	3,901,829	43,521	3,844,729	40,811

## MANAGEMENT DISCUSSION AND ANALYSIS

	2016		2015	
	Area (sq.m.)	RMB million	Area (sq.m.)	RMB million
<b>(b) Shanghai Shimao</b>				
Nanjing Shimao Bund New City	190,081	3,406	184,155	3,403
Jinan Shimao Skyscraper City	254,332	2,613	105,045	1,123
Quanzhou Shishi Shimao Skyscraper City	158,797	1,428	873,448	4,306
Qingdao Shimao Noosa Bay	106,371	1,032	59,095	642
Shenzhen Qianhai Shimao Financial Centre	8,114	803	–	–
Hangzhou Shimao Wisdom Tower	29,990	684	–	–
Jinan Shimao International Plaza	17,805	504	19,978	423
Ningbo Shimao Riviera Garden	24,403	430	37,347	595
Nanchang Shimao APM	37,058	386	–	–
Wuhan Shimao Carnival	28,835	306	15,674	123
Shanghai Shimao Wonderland	15,716	268	8,934	157
Tianjin Wuqing Shimao Luxury Mansion	22,007	179	31,502	292
Ningbo Shimao Sunlake Centre	12,791	119	19,322	253
Changzhou Shimao Champagne Lake (Commercial)	22,424	114	29,023	217
Suzhou Shimao Canal Scene (Commercial)	10,154	96	19,338	185
Suzhou Shimao Royal Villa	4,959	92	30,546	451
Xiamen Shimao Straits Mansion	4,772	91	23,493	863
Xuzhou Shimao Dongdu (Commercial)	11,212	70	8,877	92
Changshu Shimao Royal Bay	2,003	29	54,115	575
Qingdao Shimao Shi'ao Tower	1,092	23	601	14
Changshu Shimao The Centre (Commercial)	365	3	6,244	65
Wuhu Shimao Riviera Garden (Commercial)	–	–	395	5
Sub-total (b)	963,281	12,676	1,527,132	13,784
Total (a)+(b)	4,865,110	56,197	5,371,861	54,595

## MANAGEMENT DISCUSSION AND ANALYSIS

**(ii) Hotel Income**

Hotel operation income is analysed below:

	2016 RMB million	2015 RMB million
Hyatt on the Bund Shanghai	368	354
Le Royal Méridien Shanghai	357	380
The Yuluxe Sheshan, A Tribute Portfolio Hotel, Shanghai	162	168
InterContinental Fuzhou	97	92
Hilton Nanjing Riverside	92	82
Crowne Plaza Shaoxing	88	68
DoubleTree by Hilton Wuhu	59	55
Hilton Tianjin Eco-City	35	10
Conrad Xiamen	34	–
Hilton Wuhan Riverside	33	–
Holiday Inn Mudanjiang	30	30
MiniMax Premier Hotel Shanghai Hongqiao	30	–
Holiday Inn Shaoxing	26	32
Yuluxe Hotel Taizhou	25	20
DoubleTree by Hilton Ningbo Chunxiao	18	1
MiniMax Hotel Shanghai Songjiang	12	10
<b>Total</b>	<b>1,466</b>	<b>1,302</b>

Hotel operation income increased approximately 12.6% to RMB1,466 million in 2016 from RMB1,302 million in 2015. The increase was mainly derived from newly-opened hotels in the past two years.

MiniMax Hotel Shanghai Songjiang is the first MiniMax Hotel and MiniMax Premier Hotel Shanghai Hongqiao is the first MiniMax Premier Hotel, which are the Group's brands under the asset-light strategy.

## MANAGEMENT DISCUSSION AND ANALYSIS

**(iii) Rental Income and Others**

Rental income from investment properties amounted to approximately RMB710 million. The rental income decreased by 3.9%, mainly due to the fact that Shanghai Shimao sold Beijing Fortune Times to Leshi Holdings in May 2016 and the rental income decreased by RMB25 million accordingly. Moreover, there was a temporary decrease in rental income from Shanghai Shimao International Plaza in 2016 due to the commencement of its decoration in 2017 and certain leases which were due but not yet be renewed.

Other income amounted to RMB913 million was mainly derived from the department stores and property management. Excluding the impact of the disposal of cinema business in 2015, other income achieved an increase of 18.9% over 2015.

	2016 RMB million	2015 RMB million
Beijing Shimao Tower	146	141
Shanghai Shimao International Plaza	136	160
Jinan Shimao International Plaza	99	88
Shaoxing Shimao Dear Town (Commercial)	85	90
Kunshan Shimao Plaza	41	39
Beijing Fortune Times (Commercial)	35	60
Suzhou Shimao Canal Scene (Commercial)	34	32
Shanghai Shimao Shangdu	32	33
Changshu Shimao The Centre	17	17
Xuzhou Shimao Dongdu (Commercial)	15	15
Wuhu Shimao Riviera Garden (Commercial)	8	7
Miscellaneous rental income	62	57
Others	913	1,097
<b>Total</b>	<b>1,623</b>	<b>1,836</b>

**Cost of Sales**

Cost of sales increased by 4.0% to approximately RMB42,937 million in 2016 from RMB41,285 million in 2015, primarily due to higher average cost of sales. Since the properties in the category of property products sold at relatively higher average unit price would have a relatively higher average cost of sales, higher sales of such property products also gave rise to higher average cost of sales.

Cost of sales are analysed as follows:

	2016 RMB million	2015 RMB million
Sales taxes	1,699	3,296
Land costs and construction costs	35,929	33,835
Capitalised borrowing costs	3,606	3,451
Direct operating costs for hotels, commercial properties and others	1,703	703
<b>Total</b>	<b>42,937</b>	<b>41,285</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

**Fair Value Gains on Investment Properties**

During the year, the Group recorded aggregate fair value gains of approximately RMB1,997 million (2015: fair value gains RMB2,777 million), mainly contributed by the further increase in value of certain investment properties and the addition in number of investment properties. The decrease was due to less new investment properties in 2016 than 2015. Aggregate net fair value gains after deferred income tax of RMB499 million recognised were RMB1,498 million (2015: net fair value gains after deferred income tax were RMB2,083 million).

**Other Income/Other Gains – Net**

Other gains of approximately RMB839 million for the year ended 31 December 2016 (2015: RMB1,571 million), which mainly included net gains on disposal of subsidiaries with loss of control of RMB476 million, fair value gain on derivative financial instruments of RMB140 million, gain on disposal of investment in structured products issued by banks of RMB94 million and gain on government grants of RMB76 million. The decrease was mainly due to the decrease of net gains on disposal of subsidiaries with loss of control in 2016 and no gains on acquisition of equity interests in associated companies and joint ventures were recorded in 2016.

**Selling and Marketing Costs and Administrative Expenses**

The Group strictly linked actual cost with performance ratio through overall budget management and dynamic tracking. Cost efficiency has improved significantly. Total selling and marketing costs and administrative expenses in 2016 declined by 16.3% to RMB4,095 million (2015: RMB4,894 million). Selling and marketing costs and administrative expenses arising from property sales accounted for 4.2% of contracted sales in 2016, which was competitive in the market.

**Operating Profit**

Operating profit amounted to RMB14.820 billion for the year ended 31 December 2016, decreased by 5.1% from RMB15.614 billion for the year ended 31 December 2015, which was mainly due to the decrease of fair value gains on investment properties and the decrease of net gains on disposal of subsidiaries with loss of control in 2016.

**Finance Costs – Net**

Net finance costs decreased to approximately RMB1,176 million (2015: RMB1,409 million) mainly due to foreign exchange losses occurred decreased approximately RMB325 million during the year.

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

Share of profits of associated companies amounted to approximately RMB38 million (2015: RMB109 million), which was mainly due to the profits of Nanjing Pukou project and Beijing Fangshan Changyang project. Share of losses of joint ventures amounted to approximately RMB486 million (2015: RMB592 million), which was mainly due to the fact that some joint venture projects were under construction with no sales recognized yet. Moreover, some joint venture projects recognized losses due to inventory clearance.

**Taxation**

The Group's tax provisions amounted to approximately RMB5,685 million in which PRC land appreciation tax ("LAT") was RMB2,012 million (2015: RMB5,564 million, in which LAT was RMB1,696 million) for the year.

## MANAGEMENT DISCUSSION AND ANALYSIS

**Profit Attributable to Shareholders**

Profit attributable to shareholders for the year decreased by 15.4% from approximately RMB6,116 million in 2015 to RMB5,172 million in 2016. The decrease was mainly due to the decrease of fair value gains on investment properties and the decrease of net gain on disposal of subsidiaries with loss of control. Excluding the net impact of major after-tax non-cash items, plus after-tax profit attributable to shareholders from the disposal of Beijing Fortune Times of approximately RMB630 million, net profit from core business attributable to shareholders for the year increased by 0.7% to approximately RMB6.251 billion, compared with 2015. The profit margin from core business attributable to shareholders was 12.8% in 2016.

**Liquidity and Financial Resources**

As of 31 December 2016, total assets of the Group were approximately RMB261.903 billion, of which current assets were approximately RMB189.190 billion. Total liabilities were approximately RMB173.686 billion, whereas non-current liabilities were approximately RMB55.077 billion. Total equity was approximately RMB88.217 billion, of which equity attributable to the shareholders of the Company amounted to approximately RMB52.456 billion.

As of 31 December 2016, the Group had aggregate cash and bank balances (including restricted cash) of approximately RMB22.235 billion (as at 31 December 2015: RMB26.410 billion), total borrowings amounted to approximately RMB66.944 billion (as at 31 December 2015: RMB69.821 billion). Total net borrowings were RMB44.709 billion (as at 31 December 2015: RMB43.411 billion). Net gearing ratio is measured by the total net borrowings (total amount of borrowings net of aggregate cash and bank balances (including restricted cash balances)) over the total equity (excluding perpetual capital instruments). Net gearing ratio decreased from 58.1% as at 31 December 2015 to 53.4% as at 31 December 2016.

The maturity of the borrowings of the Group as at 31 December 2016 is set out as follows:

	RMB million
<b>Bank borrowings and borrowings from other financial institutions</b>	
Within 1 year	12,230
Between 1 and 2 years	6,290
Between 2 and 5 years	25,848
Over 5 years	5,309
<b>Senior notes</b>	
Within 1 year	5,526
Between 2 and 5 years	4,130
Over 5 years	7,611
<b>Total</b>	<b>66,944</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

The borrowings were denominated in different currencies set out below:

	Original currency million	RMB equivalent million
USD	2,489	17,267
HKD	4,926	4,406
JPY	8,700	519
AUD	75	376
RMB	44,376	44,376

### Financing Activities

The Group adheres to uphold prudent financial policy, exercises control over financing scale and optimizes its capital structure. The total amount of borrowings decreased by 4% from approximately RMB69.821 billion as at 31 December 2015 to approximately RMB66.944 billion as at 31 December 2016, of which short-term borrowings was approximately 27% and long-term borrowings was approximately 73% as at 31 December 2016.

The Group continued to lead financial innovation among real estate industry. The diverse financial innovations have enhanced the liquidity of the Group's assets and opened up new financing channels, giving the Group greater flexibility in resources integration and industry innovation. During the year, the financing activities mainly carried out as follows:

First of all, the Group seized the opportunity to issue an accumulated amount of RMB9.74 billion domestic corporate bonds to qualified investors in the PRC at an average interest rate of 4.3%, which was among the lowest during the period. And the Group was one of the first enterprises approved by the Shanghai Stock Exchange to issue corporate bonds to qualified investors in the PRC.

Secondly, the Group has successfully issued several ABS products, which were over-subscribed by the market and became a pioneer of innovation in the industry. The Group also proactively explore the feasibility of the interbank issuance of financial products of holding properties.

Thirdly, The Group commenced the preparation of issuing public panda bonds in China. The application has been accepted by National Association of Financial Market Institutional Investors. It is one of the first property companies whose applications were accepted.

Fourthly, the Group enlarged RMB financing capitalizing on government policy. It developed foreign RMB withdrawal and repaid borrowing denominated in foreign currency. In February 2017, the Group early redeemed senior notes of US\$800 million originally due on 14 January 2020. The average cost of offshore RMB borrowing was 3.02%.

## MANAGEMENT DISCUSSION AND ANALYSIS

Last but not least, the Group issued some perpetual capital instruments amounted to RMB4.5 billion as at 31 December 2016 with no maturity date and the issuance of perpetual capital instruments enhanced the Group's flexibility in financing with lower cost.

The Group has taken steps to reduce the average financing cost. The Group seized the market opportunity to issue private bonds, repay off-shore borrowings, swap and refinance some existing high-interest loans and negotiate for lower contracted interest rate. The Group strictly controlled average finance cost and selected the best option after comparing various options to the market interest. As a result, average financing cost dropped from 6.9% in year 2015 to 5.8% in year 2016, which accomplished the goal set by the management. Considering lowering financing cost has been one of the long-term goals of the management.

In April 2016, in view of the steady operating and financial performance of the Group, Fitch Ratings, an international credit rating agency, upgraded the Group's long-term issuer rating and the Group's senior notes rating from "BB+" to "BBB-", which reached investment grade. Moody and Standard & Poor's, maintained the Group's long-term corporate credit rating at "Ba2" and "BB+" respectively. In June 2016, Shimao Property continued to receive "AAA" rating, the highest corporate credit rating from the biggest domestic credit rating agencies, namely, China Chengxin Securities Rating Co., Ltd., United Ratings Co., Ltd. and Dagong Global Credit Rating Co., Ltd..

### Foreign Exchange Risks

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

The Group have proactively managed the foreign exchange risks by increasing the proportion of domestic financing and gradually lowering the proportion of foreign currency borrowings. As a result, the portion of borrowings dominated in foreign currency decreased from approximately 48% as at 31 December 2015 to approximately 34% as at 31 December 2016. The Group reduced foreign exchange loss amounted to approximately RMB0.6 billion.

Moreover, the Group adopted appropriate financial derivatives and signed a US\$150 million option contract and US\$400 million cap forward contract in 2016. In early 2017, it signed a US\$200 million currency option contract, and at appropriate price level, the Group will increase hedging ratio. The Group will continue to seek foreign exchange hedging instruments at a reasonable cost to manage foreign exchange risk.



Yantai Shimao  
No.1 The Harbour



Quanzhou  
Jinjiang  
Shimao  
Dragon Bay

### **Pledge of Assets**

As of 31 December 2016, 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 RMB52.302 billion to secure bank facilities granted to the Group. The corresponding bank and other loans amounted to approximately RMB14.213 billion.

### **Contingencies**

As of 31 December 2016, the Group had provided guarantees for approximately RMB20.615 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 RMB6.298 billion in its portion of equity interests in associated companies and joint ventures for their bank borrowings.

### **Capital and Property Development Expenditure Commitments**

As of 31 December 2016, the Group had contracted capital and property development expenditure but not provided for amounted to approximately RMB42.932 billion.

### **Employees and Remuneration Policy**

As of 31 December 2016, the Group employed a total of 7,880 employees. Total remuneration for the year amounted to approximately RMB1.603 billion. The Group has adopted a performance-based rewarding system to motivate its staff. The board of directors of the Company (the "Board") adopted a share award scheme (the "Share Award Scheme") of the Company on 30 December 2011. The purpose of the Share Award Scheme is to recognize the contributions by 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 Shimao  
Cloud Guling



# REPORT OF THE DIRECTORS



The directors (the "Directors") of Shimaop 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 2016.

## 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 2016 are set out on pages 82 to 176 of this annual report.

The board of directors of the Company (the "Board") has proposed a final dividend of HK44 cents (2015: HK40 cents) per ordinary share for the year ended 31 December 2016. The proposed final dividend, together with the interim dividend of HK26 cents per ordinary share and the special dividend of HK6 cents per ordinary share paid on 30 September 2016, will amount to a total dividend of HK76 cents per ordinary share for the year ended 31 December 2016 (throughout 2015: HK70 cents). The proposed final dividend, if approved at the forthcoming annual general meeting (the "AGM") to be held on Monday, 19 June 2017, will be payable on Friday, 28 July 2017 to shareholders whose names appear on the register of members of the Company on Friday, 14 July 2017.

## Closure of Register of Members

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

- (i) from Wednesday, 14 June 2017 to Monday, 19 June 2017 (both days inclusive), 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 p.m. on Tuesday, 13 June 2017; and
- (ii) on Thursday, 13 July 2017 and Friday, 14 July 2017, 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 p.m. on Wednesday, 12 July 2017.

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

## REPORT OF THE DIRECTORS

**BUSINESS REVIEW**

A business review of the Group for the year ended 31 December 2016 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 14 to 23 and the Management Discussion and Analysis on pages 24 to 45 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 12 to 13 of this annual report. Particulars of important events affecting the Group that have occurred after the reporting period are set out in note 42 to the consolidated financial statements on page 174. The above discussions form part of the Report of the Directors.

The Group is committed to environmental protection and carries out various measures to ensure the fulfillment of its duties to the environment. The Group carries out the concept of resource conservation and environmental protection throughout its daily operation, in order to lay the foundation for sustainable urbanization. In respect of resource application, the Group has implemented policies to effectively utilize resources (including natural resources), aiming to reduce resource waste, reuse resources and mitigate possible the significant impact on the environment and resources.

The Group complies with The Environmental Protection Law of People's Public of China, Law of the People's Republic of China on the Prevention and Control of Solid Waste Pollution, Administrative Measures for Urban Household Garbage and other relevant laws and regulations that have a great impact on the Group's operations, to reduce the impact of daily production and operation on the environment. For instance, the Group carries out comprehensive environmental management for the whole process, from operation and design, to implementation of projects and property services.

The Group considers its employees, investors, shareholders, customers, contractors, vendors, governments and non-governmental organizations as its stakeholders and adopts various ways to communicate with them, taking into account their different appeals. The Group is committed to rewarding its stakeholders for their expectation, never forgetting the mission of craftsmanship. The Group has been creating stable returns in value for its shareholders, making great strides on emphasizing both economic and social benefits. The Group grows along with its partners by adopting a development philosophy of earnest cooperation and win-win collaboration. The Group aims to continuously improve the quality of life of its customers by providing the most ingenious and customer-oriented products and services. In the meantime, 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.

Further information of the Group's policies and performance about the environment and an account of the relationships with its key stakeholders are included in the Environmental, Social and Governance Report of the Group.

**RESERVES**

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

**MAJOR CUSTOMERS AND SUPPLIERS**

The aggregate sales and purchases attributable to the Group's five largest customers and suppliers were less than 30% of the Group's total 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 2016 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 RMB123,697,000 (2015: RMB50,652,000).

## 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 2016 are set out in note 21 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 133 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 12 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

### Independent Non-executive Directors

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

## REPORT OF THE DIRECTORS

In accordance with Article 87 of the Articles of Association, three directors, namely, Mr. Hui Sai Tan, Jason, Mr. Liu Sai Fei and Ms. Kan Lai Kuen, Alice shall retire from office by rotation respectively at the forthcoming AGM and, 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 Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "HKEx"). 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, incentivizing, 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.

## REPORT OF THE DIRECTORS

- (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 HKEx on the date of grant; (ii) the average closing price of the shares of the Company on the HKEx 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 has expired on 8 June 2016.
- (i) No Share Options was granted under the Share Option Scheme for the year ended 31 December 2016, nor was there any share option outstanding as at 1 January 2016 and 31 December 2016.

**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 Share(s)"). 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.
- (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 fulfilment 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.

## REPORT OF THE DIRECTORS

- (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. During the year ended 31 December 2016, the exercise price of the options granted under the Shanghai Shimao Scheme has been adjusted to RMB4.41 per A Share as a result of distribution of dividends and issue of bonus shares for the year ended 31 December 2015.
- (i) The options granted by Shanghai Shimao on 28 June 2013, being outstanding as at 1 January 2016 and 31 December 2016, were 2,700,000 options (before adjustment) and 0 option respectively, which are exercisable in the manner as set out in paragraph (e) above. During the year ended 31 December 2016, 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 2015.
- (j) No options were granted by Shanghai Shimao under the Shanghai Shimao Scheme during the year ended 31 December 2016.
- (k) During the year ended 31 December 2016, 900,000 options (before adjustment) and 2,520,000 options (after adjustment) were cancelled and lapsed respectively under the Shanghai Shimao Scheme.
- (l) No options were exercised during the year ended 31 December 2016.
- (m) The Shanghai Shimao Scheme has expired on 28 June 2016.

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

### Share Award Scheme

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

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

During the year ended 31 December 2016, 3,517,115 shares were granted to certain executive directors and selected employees of the Group under the Share Award Scheme and 4,022,474 awarded shares have been vested during the year ended 31 December 2016.

## 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 2016, the interests and short position of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise to be notified to the Company and the HKEx pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers 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	2,299,242,942 <sup>(Note 1)</sup>	67.637%
Hui Sai Tan, Jason	Beneficial owner	2,532,227 <sup>(Note 2)</sup>	0.075%
Tang Fei	Beneficial owner	391,995 <sup>(Note 3)</sup>	0.012%
Liao Lujiang	Beneficial owner	356,847 <sup>(Note 4)</sup>	0.011%
Kan Naigui	Beneficial owner	227,482 <sup>(Note 5)</sup>	0.007%
Liu Sai Fei	Beneficial owner	833,942	0.025%

Notes:

- These 2,299,242,942 shares represent the interest in the Company held by Gemfair Investments Limited and Shiyang Finance Limited, companies which are directly wholly-owned by Mr. Hui Wing Mau.
- The interests disclosed include deemed interests in 76,760 shares granted under the Share Award Scheme.
- The interests disclosed include deemed interests in 124,731 shares granted under the Share Award Scheme.
- The interests disclosed include deemed interests in 55,782 shares granted under the Share Award Scheme.
- The interests disclosed include deemed interests in 119,533 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.

## REPORT OF THE DIRECTORS

**Interests of Substantial Shareholders**

As at 31 December 2016, the interests and short position of substantial shareholders in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

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

Name	Nature of interest	Number of shares or underlying shares held	Approximate percentage of issued share capital
<b>Long position</b>			
Gemfair Investments Limited ("Gemfair")	Note 1	1,947,984,000	57.304%
Overseas Investment Group International Limited ("Overseas Investment")	Note 2	1,947,984,000	57.304%
Shiyong Finance Limited ("Shiyong Finance")	Note 3	351,258,942	10.333%

Notes:

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

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

**DIRECTORS' INTERESTS IN COMPETING BUSINESS**

Pursuant to Rule 8.10 of the Listing Rules, the Company disclosed below that during the year ended 31 December 2016, 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.

## REPORT OF THE DIRECTORS

**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 LISTED SECURITIES**

During the year ended 31 December 2016, the Company had purchased in aggregate 85,549,000 shares on the HKEx at an aggregate consideration of approximately HK\$872,668,667 (before expenses). All the purchased shares were subsequently cancelled.

Particulars of the purchases are as follows:

Month of Purchased	Number of Shares Purchased	Purchase Price		Aggregate Purchase Price (before expenses)
		Highest HK\$	Lowest HK\$	HK\$
July 2016	39,994,500	10.46	9.73	405,124,098.20
September 2016	406,000	10.50	10.48	4,261,700.80
October 2016	23,606,500	10.50	10.04	243,614,390.15
November 2016	13,151,000	10.40	10.04	135,073,108.55
December 2016	8,391,000	10.20	9.86	84,595,369.00
	<b>85,549,000</b>			<b>872,668,666.70</b>

During the year ended 31 December 2016, the trustee of the Share Award Scheme purchased on the HKEx a total of 4,300,000 shares of the Company at a total consideration of approximately HK\$44,225,000, pursuant to the terms of the rules and trust deed of the Share Award Scheme.

The Board believes that the above share purchases are in the best interests of the Company and its shareholders and that such share purchases would lead to an enhancement of the net assets value and/or earnings per share of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2016.

## REPORT OF THE DIRECTORS

**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. The facility has been fully repaid in August 2016.
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 utilization date. The facility has been fully paid in August 2016.
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. The facilities have been fully paid in May 2016.
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. The facility has been fully paid in March 2016.
5. A facility agreement on 6 January 2017 between, among others, the Company as borrower, Shanghai Pudong Development Bank Baoshan Branch, Bank of Shanghai Xu Hui Sub-branch and Shanghai Rural Commercial Bank Baoshan Branch as original lenders, Shanghai Pudong Development Bank Baoshan Branch as the lead bank and Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch as agent, a syndicated loan facility in the amount of RMB3,000,000,000 has been made available to the Company for a term of 36 months from the date of drawdown of the loan facility.

As provided in 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 2016 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 58 to 71 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, 29 March 2017

# 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 “HKEx”) throughout the financial year ended 31 December 2016 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 2016, 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 62. 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.

## CORPORATE GOVERNANCE REPORT

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 2016 and up to the date of this report:

#### **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

#### **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 Independent 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 2016. Details of attendance of the Nomination Committee members are set out in the table on page 62.

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](http://www.shimaoproperty.com).

The work performed by the Nomination Committee for the financial year ended 31 December 2016 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. Lu Hong Bing to stand for re-election as an Independent Non-executive Director at the annual general meeting in 2016, 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.

## CORPORATE GOVERNANCE REPORT

**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	✓
Ms. Tang Fei	✓
Mr. Liao Lujiang	✓
Mr. Kan Naigui (appointed on 15 January 2016)	✓
Mr. Liu Sai Fei	✓
Ms. Kan Lai Kuen, Alice	✓
Mr. Lu Hong Bing	✓
Mr. Lam Ching Kam	✓
Mr. Xu Younong (retired on 15 January 2016)	N/A

Individual attendance records of the Directors at board meetings, board committees meetings and annual general meeting during the financial year ended 31 December 2016, 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
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. Kan Naigui (appointed on 15 January 2016)	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
Mr. Xu Younong (retired on 15 January 2016)	N/A	N/A	N/A	N/A	N/A

All Independent Non-executive Directors attended the last annual general meeting held in 2016. 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 2016.

### **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.

## **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 2016. Details of attendance of the Remuneration Committee members are set out in the table on page 62.

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](http://www.shimaoproperty.com).

The work performed by the Remuneration Committee for the financial year ended 31 December 2016 is summarized 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.

## CORPORATE GOVERNANCE REPORT

**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 2016:

- (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 recognizes that high quality corporate reporting is important in reinforcing the long term and trustworthy relationship with the Company's shareholders 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 Risk Management and Internal Control**

The Company has formulated risk management and internal control systems to provide standard guidelines for the identification, assessment, management, monitoring and reporting of all material risks of the Company, which shall be reported to the senior management, the Audit Committee and the Board when necessary. Such systems are designed to facilitate the value enhancement of shareholders, ensure performance of the Company's commitment towards equity holders, and safeguard its reputation and assets.

The Company has established appropriate internal control procedures to ensure a comprehensive, accurate and timely record of accounting and management information. It also conducts regular review and examination to ensure the financial statement is prepared in accordance with the accounting standards and applicable laws and regulations.

The Board acknowledges its responsibility for regulating and maintaining sound and effective risk management and internal control systems of the Company and reviewing their efficiency through the Audit Committee. Such systems aim to manage, rather than eliminate, risks arising from the failure in achieving the business objectives, and they can only provide reasonable, but not absolute, assurance against material misstatement or loss.

The risk management framework of the Company is consisted of the “Three Lines of Defense”:



### First Line of Defense

The Group has included the risk management system into the core operating practice of business and each operating unit (as risk tolerance unit) is responsible for identifying, assessing, reducing and supervising its risks and to timely report to the executive committee regarding such work. Relevant departments shall review the compliance and update new requirements of relevant rules, laws and regulations. Internal Audit Department shall conduct regular assessment and submit report to senior management.

### Second Line of Defense

Risk control covers all aspects of the Group's business and is a crucial process for the formulation of strategic plan, preparation of operating plan and budget, approval of specific projects and formulation of management plans. An effective risk management can uphold the Group's competitiveness, and ensure the Group to achieve its strategic, operating and governance objectives through establishing good commercial practices in order to safeguard the Company's reputation, value and integrity.

### Third Line of Defense

The Internal Audit Department plays an important role in the Group's risk management and internal control systems. It mainly supervises the Group and its major departments regarding their compliance of policies and procedures and the effectiveness of the internal control structure. It also provides independent assessment to the Group's financial and operating activities and proposes constructive advice to the relevant management for follow-up action. The Internal Audit Department conducts regular risk assessment regarding each audit unit and formulates internal audit plan for the year according to their respective risk rating. The audit result will be reported to the executive committee and the Audit Committee regularly, including but not limited to the failure in executing any of such monitoring procedures or any significant weakness regarding the procedures. In addition to the routine duties, the Internal Audit Department is also required to carry out other works involving review or investigation, coordinate corporate risk management, conduct assessment on the significant risk management work of the Group, and supervise the improvement of the relevant projects to ensure a sound supervision.

## CORPORATE GOVERNANCE REPORT

**Senior Management**

The senior management is responsible for managing the Company's risk management plan and ensuring the Company's operation is in compliance with the risk management policy in response to the external changes and risk tolerance of the Company. The senior management is accountable to the risk arising from the Company's operation, which includes to ensure the business strategies of the Company conform with its risk philosophy and culture under the regulation of the risk management policy and procedures.

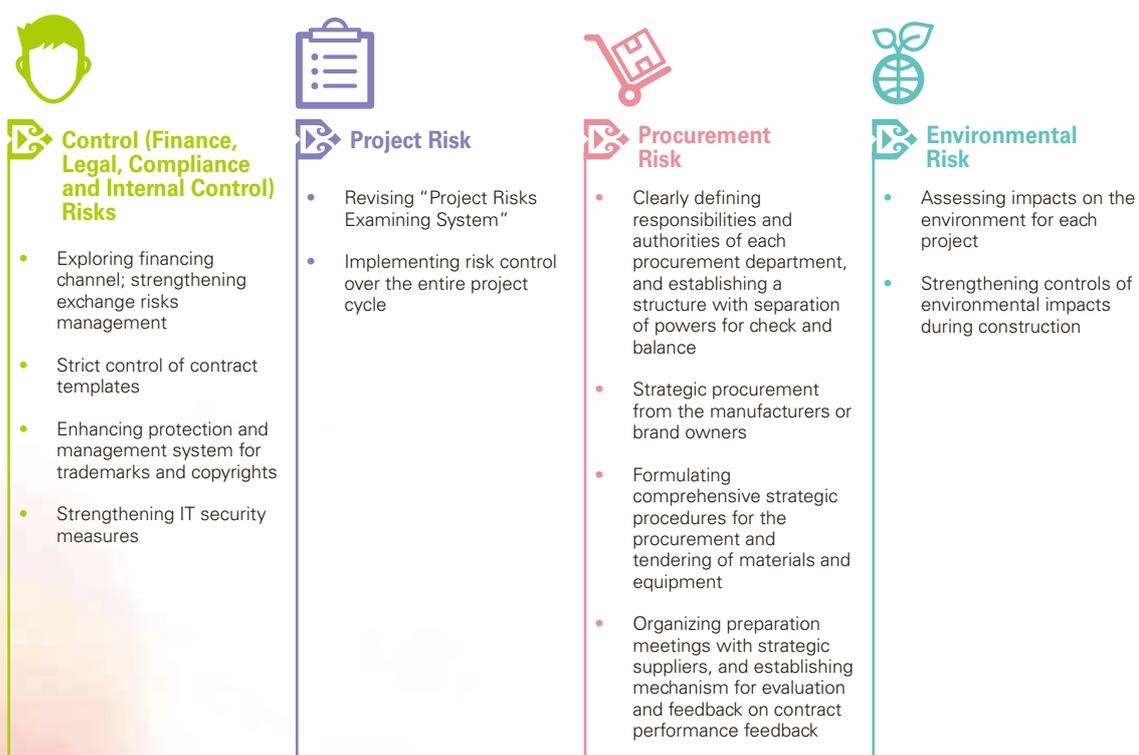
In addition to the supervision by the Board, the Company has also formulated risk management procedures for identifying, assessing and managing material risks to solve significant internal control deficiency (if any). The executive committee of the Group is responsible for the annual risk report through the Internal Audit Department of the Company. Members of the Internal Audit Department regularly hold meetings with the senior management to review and assess risks, and to discuss the solutions to significant internal control deficiency (if any), which include making changes and then reassessing the relevant risks based on the results and formulating remedial measures. The executive committee is responsible for reviewing the risk assessment results which will be presented to the Audit Committee and the Board for review.

**Audit Committee and Board**

The Audit Committee assists the Board in discharging the duties in respect of finance, operation, compliance, risk management and internal control, as well as the supervision and corporate governance of financial and internal audit resources of the Company. The internal audit results shall be reported to the Board periodically, and corresponding actions will be taken by the Board based on the recommendations of the Audit Committee.

**Risk Management**

The Company continues to enhance the comprehensive risk management system to ensure that the Company's strategies and operation will not have materially adverse effects on the economy, environment and social in pursuit of sustainable business success.



## CORPORATE GOVERNANCE REPORT

The Board has carried out an annual review on the effectiveness of the risk management and internal control systems of the Company through the Audit Committee, and considers that the existing systems are adequate and effective. Such review has covered all important aspects, including financial controls, operational controls and compliance controls. The Board is not aware of any material matters which may affect the shareholders that should be brought to their attention, and believes that the risk management and internal control systems fully comply with the code provisions set out in the Code in relation to risk management and internal controls, including requirement of laws and regulations which have significant effects on the Company.

The Company confirms that it has complied with the code provisions of the Code in relation to risk management and internal controls in 2016. The Board has also confirmed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions during the annual review of the risk management and internal control systems.

The Company has formulated an inside information policy. Directors and employees are regularly reminded for the compliance of all policies related to inside information. Executive Directors and the Company Secretary of the Company are liable for assessing the impact of any unexpected material events on the stock price and trading volume, and determining whether such information should be regarded as inside information which shall be disclosed as soon as practicable pursuant to Rules 13.09 and 13.10 of the Listing Rules and the provision of inside information under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

### **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 2016. Details of attendance of the Audit Committee members are set out in the table on page 62.

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

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](http://www.shimaoproperty.com).

## CORPORATE GOVERNANCE REPORT

The work performed by the Audit Committee for the financial year ended 31 December 2016 is summarized 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 2016 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 set out on pages 77 to 81 of this annual report.

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 2016 is set out as follows:

<b>Services rendered</b>	<b>RMB'000</b>
Audit services	9,400
Other services	
– Service in connection with the notes offering	1,500
– Others	2,450
<b>Total</b>	<b>13,350</b>

## 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 and monitoring of internal control and risk management systems, 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.

## CORPORATE GOVERNANCE REPORT

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](http://www.shimaoproperty.com). The Company's website also provides email address (for enquiry purpose only), postal address, fax number and telephone number by which the 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 the 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 2016 Annual General Meeting (the "2016 AGM") of the Company was held on 20 June 2016. Details of attendance of the Directors in the 2016 AGM are set out in the table on page 62. The Company's external auditor, PricewaterhouseCoopers, attended the 2016 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 the Shareholders on voting by way of a poll. Poll results are announced and posted on the websites of both the HKEx 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 (the "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.

## CORPORATE GOVERNANCE REPORT

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, the 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 corporate governance. The Company's website [www.shimaoproperty.com](http://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 2016, there is no significant change in the constitutional documents of the Company.

# DIRECTORS AND SENIOR MANAGEMENT PROFILES



## EXECUTIVE DIRECTORS

### Hui Wing Mau (Chairman)

Mr. Hui Wing Mau, aged 66, the Chairman and Executive Director of Shimao Property Holdings Limited (the "Company") and the founder of the Group. With over 27 years' experience in property development, property investment and hotel operation, he is primarily responsible for the Group's overall strategic planning and business management. Mr. Hui is currently a member of the National Committee of the Twelfth Chinese People's Political Consultative Conference ("CPPCC") and deputy director of the Economic Committee of the National Committee of the CPPCC, vice president of All-China Federation of Returned Overseas Chinese, the president of China Federation of Overseas Chinese Entrepreneurs, vice president of China Overseas Chinese Entrepreneurs Association, chairman of Shanghai Overseas Chinese Chamber of Commerce, 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 the chairman and a director of Shimao International Holdings Limited. He is a director of Gemfair Investments Limited and Shiyang Finance Limited, substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). He has been the Chairman and Executive Director of the Company since 8 November 2004. Mr. Hui is the father of Mr. Hui Sai Tan, Jason, the Vice Chairman and Executive Director of the Company, and Ms. Hui Mei Mei, Carol, the vice chairman of Shanghai Shimao.

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

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

### Tang Fei

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

## DIRECTORS AND SENIOR MANAGEMENT PROFILES

**Liao Lujiang**

Mr. Liao Lujiang, aged 45, has joined the Group since January 2011 and was appointed an Executive Director of the Company since 6 February 2013. Mr. Liao is currently the Chief Operation Officer of the Group, responsible for management of enterprise operation and information system of the Group. Mr. Liao holds a Master's Degree in Public Administration from Tsinghua University and has over 14 years' experience in corporate management. Prior to joining the Group, Mr. Liao worked in 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 49, has joined the Group since 2011 and has been an Executive Director of the Company since 15 January 2016. Mr. Kan is currently a Vice President of the Group, responsible for the cost management and design management of the Group. Mr. Kan holds a Master's Degree in Engineering from Chongqing Architectural University (重慶建築大學) (now being merged with Chongqing University) and has over 21 years' experience in real estate operation and management. Prior to joining the Group, Mr. Kan worked for China Overseas Property Group Co., Ltd. (中海地產集團有限公司) as a departmental general manager and as general manager of Tianjin office from 2006 to 2011.

**NON-EXECUTIVE DIRECTOR****Liu Sai Fei**

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

**INDEPENDENT NON-EXECUTIVE DIRECTORS****Kan Lai Kuen, Alice**

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

**Lu Hong Bing**

Mr. Lu Hong Bing, aged 50, has been an Independent Non-executive Director of the Company since 17 November 2004. Mr. Lu obtained a Master's Degree in law from East China University of Political Science and Law in 1991 and has more than 24 years' experience in corporate and securities laws in China. Mr. Lu currently serves as an independent non-executive director of ZTE Corporation, a company publicly listed on the Shenzhen Stock Exchange

## DIRECTORS AND SENIOR MANAGEMENT PROFILES

and the HKEx. He is also an independent director of Shanghai Shentong Metro Co., Ltd., a company publicly listed on the Shanghai Stock Exchange, and Shandong Airlines Co., Ltd., a company publicly listed on the Shenzhen Stock Exchange. Mr. Lu is the executive partner of the Grandall Legal Group, a vice-president of the All China Lawyers Association, an arbitrator and member of the Shanghai International Economic and Trade Arbitration Commission, an arbitrator and a member of the Shanghai Arbitration Committee, a concurrent professor of East China University of Political Science and Law and the Shanghai University of International Business and Economics, a member of Expert Advisory Committee for M&A and Restructuring, China Securities Regulatory Commission and a commissioner of the public offering commission of the Shanghai Stock Exchange.

### Lam Ching Kam

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

## SENIOR MANAGEMENT

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

## CHANGE IN INFORMATION OF DIRECTORS

The change in the information of the Directors of the Company since the publication of the interim report of the Company for the six months ended 30 June 2016 required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules is set out below:

Name of Directors	Details of Changes
<b>Independent Non-executive Directors</b>	
Ms. Kan Lai Kuen, Alice	Resigned as the responsible officer and managing director of Asia Investment Research Limited on 28 September 2016.
Mr. Lam Ching Kam	Became a partner of ShineWing (Beijing) International Construction Consulting Co., Ltd. on 1 October 2016.

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

# INFORMATION FOR SHAREHOLDERS

## ANNUAL REPORT

This annual report is now available in printed form and on the websites of the Company ([www.shimaoproperty.com](http://www.shimaoproperty.com)) and Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://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](mailto:shimao-ecom@hk.tricorglobal.com) or by post to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

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

## ANNUAL GENERAL MEETING ("AGM")

The 2017 AGM will be held on Monday, 19 June 2017. The notice of the 2017 AGM, which constitutes part of the circular to shareholders, is sent together with this annual report. The notice of the 2017 AGM and the proxy form are also available on the Company's website.

## 2016 DIVIDENDS

Interim dividend	HK26 cents per ordinary share
Special dividend	HK6 cents per ordinary share
Proposed final dividend	HK44 cents per ordinary share

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

For determining shareholders' eligibility to attend and vote at the 2017 AGM:

Latest time to lodge transfer documents for registration	4:30 p.m. on Tuesday, 13 June 2017
Closure of ROM	from Wednesday, 14 June 2017 to Monday, 19 June 2017 (both days inclusive)

For determining shareholders' entitlement to the final dividend:

Latest time to lodge transfer documents for registration	4:30 p.m. on Wednesday, 12 July 2017
Closure of ROM	Thursday, 13 July 2017 and Friday, 14 July 2017
Record date	Friday, 14 July 2017
Dispatch of final dividend warrants	Friday, 28 July 2017

# INDEPENDENT AUDITOR'S REPORT

## To the Shareholders of Shimao Property Holdings Limited

*(incorporated in Cayman Islands with limited liability)*

## OPINION

### What we have audited

The consolidated financial statements of Shimao Property Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 82 to 176, which comprise:

- the consolidated balance sheet as at 31 December 2016;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

### Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

## Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Valuation of investment properties
- Impairment of goodwill

## INDEPENDENT AUDITOR'S REPORT

**KEY AUDIT MATTERS** (CONTINUED)

<b>Key Audit Matter</b>	<b>How our audit addressed the Key Audit Matter</b>
<b>Valuation of investment properties</b>	
<p>Refer to note 2.7 "Summary of significant accounting policies – Investment property" and note 7 "Investment properties" to the consolidated financial statements.</p> <p>The Group's investment properties were carried at RMB32,271 million as at 31 December 2016 and a revaluation gain of RMB1,997 million was recorded in the consolidated income statement for the year ended 31 December 2016, which represented 12.3% of total assets as at 31 December 2016 and 15.1% of profit before income tax for the year ended 31 December 2016 respectively.</p> <p>We focused on this area because the investment property balance and the revaluation gain during the year based on the valuation of the investment properties are significant to the financial statements and the valuation of the investment properties, which was performed by independent and professionally qualified valuers ("the Valuers"), was highly dependent on the estimates on key assumptions, including market prices and estimated costs to be incurred.</p>	<p>We assessed the competence, independence and integrity of the Valuers.</p> <p>We assessed whether the valuation methodology used is acceptable with the assistance of our internal valuation experts.</p> <p>We tested the inputs used in the valuation, on a sample basis, to available supporting evidence including rental contracts, available third-party reports and market data of comparable properties. We also checked the mathematical accuracy of the underlying calculations in the valuation model.</p> <p>We challenged management's estimates on key assumptions adopted in the valuation by comparing market prices to the recent comparable transactions and comparing estimated costs to be incurred to the project budgets. We also evaluated past actual to budget variance to assess the reliability of the project budgets.</p> <p>In addition, we assessed the sensitivity analysis performed by management to consider the likelihood that the actual outcome differs from the estimates on key assumptions to an extent that results in significant change to the valuation of the investment properties.</p> <p>Based on the work conducted, we found that the methodology applied by management was acceptable and the estimates on key assumptions adopted were supported by the evidence we gathered.</p>

## INDEPENDENT AUDITOR'S REPORT

**KEY AUDIT MATTERS** (CONTINUED)

<b>Key Audit Matter</b>	<b>How our audit addressed the Key Audit Matter</b>
<p><b>Impairment of goodwill</b></p> <p>Refer to note 2.8 “Summary of significant accounting policies – Intangible assets – goodwill” and note 9 “Intangible assets” to the consolidated financial statements.</p> <p>As at 31 December 2016, goodwill in relation to Shanghai Shimao Co., Ltd. (“Shanghai Shimao”), a subsidiary listed in PRC stock market amounted to RMB1,710 million, representing 92.9% of the goodwill and 1.94% of net assets of the Group.</p> <p>Management is required to assess goodwill impairment on an annual basis. In view of volatility of the PRC stock market and that the market value of Shanghai Shimao was lower than its net book value as at 31 December 2016, management was required to assess if impairment was needed based on discount future cash flow calculations.</p> <p>We focused on this area because the preparation of the discounted cash flow projection involved estimates on key assumptions about Shanghai Shimao’s gross margin excluding land appreciation tax, long term growth rate of revenue and discount rate.</p>	<p>We assessed the key assumptions used in the cash flow forecasts (such as gross margin excluding land appreciation tax and long term growth rate of revenue) by comparing approved budget, historical trend, available market data and industry outlook.</p> <p>We assessed the discount rate used in the discounted cash flow projection with the assistance from our internal valuation experts.</p> <p>We tested the mathematical accuracy of the discounted cash flow projection and compared cash flow forecasts to the latest approved management plan. We also compared the current year’s actual performance with the prior year’s management plan to assess the reliability of the management plan.</p> <p>In addition, we assessed the sensitivity analysis performed by management to consider the likelihood that the actual outcome differs from the estimates on key assumptions to an extent that results in goodwill being impaired.</p> <p>Based upon the above procedures, we found that management’s estimates on key assumptions were supported by the evidence we gathered.</p>

**OTHER INFORMATION**

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor’s report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## INDEPENDENT AUDITOR'S REPORT

**RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee are responsible for overseeing the Group's financial reporting process.

**AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

## INDEPENDENT AUDITOR'S REPORT

**AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS** *(CONTINUED)*

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Cheung Chin Hoo, Albert.

**PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, 29 March 2017

# CONSOLIDATED BALANCE SHEET

As at 31 December 2016

		As at 31 December	
	Note	2016 RMB'000	2015 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	6	13,493,658	11,571,944
Investment properties	7	32,270,913	30,025,297
Land use rights	8	8,218,571	7,921,887
Intangible assets	9	1,840,658	1,840,684
Associated companies	10	912,465	898,275
Joint ventures	11	9,183,425	9,784,898
Amounts due from related parties	12	1,923,231	2,774,694
Available-for-sale financial assets	13	941,256	1,204,470
Deferred income tax assets	14	2,298,849	1,983,977
Other non-current assets	15	1,629,639	1,311,526
		<b>72,712,665</b>	69,317,652
<b>Current assets</b>			
Inventories	16	120,342,997	118,867,526
Trade and other receivables and prepayments	17	20,256,536	14,786,878
Prepayment for acquisition of land use rights	18	17,950,915	11,133,906
Prepaid income taxes		2,691,546	2,115,462
Available-for-sale financial assets	13	3,000,000	–
Amounts due from related parties	12	2,623,314	1,581,929
Derivative financial instruments	19	90,199	41,782
Restricted cash	20	2,875,658	3,817,713
Cash and cash equivalents	20	19,359,175	22,591,843
		<b>189,190,340</b>	174,937,039
<b>Total assets</b>		<b>261,903,005</b>	244,254,691
<b>EQUITY</b>			
<b>Equity attributable to the equity holders of the Company</b>			
Share capital	21	348,864	356,275
Reserves	22	52,107,187	49,805,385
		<b>52,456,051</b>	50,161,660
<b>Non-controlling interests</b>			
Perpetual capital instruments	23	4,500,000	–
Other non-controlling interests		31,260,942	24,587,660
		<b>35,760,942</b>	24,587,660
<b>Total equity</b>		<b>88,216,993</b>	74,749,320

CONSOLIDATED BALANCE SHEET  
As at 31 December 2016

		<b>As at 31 December</b>	
	Note	<b>2016</b>	2015
		<b>RMB'000</b>	RMB'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	24	49,188,203	52,867,396
Finance lease liabilities	25	222,353	386,365
Deferred income tax liabilities	14	5,666,533	5,471,821
		<b>55,077,089</b>	58,725,582
<b>Current liabilities</b>			
Trade and other payables	26	27,307,614	25,962,991
Advanced proceeds received		31,903,265	30,766,515
Income tax payable		13,682,645	12,460,061
Borrowings	24	17,755,309	16,953,596
Finance lease liabilities	25	171,420	186,620
Amounts due to related parties	27	27,788,670	24,447,996
Deferred income		–	2,010
		<b>118,608,923</b>	110,779,789
<b>Total liabilities</b>		<b>173,686,012</b>	169,505,371
<b>Total equity and liabilities</b>		<b>261,903,005</b>	244,254,691

The notes on pages 89 to 176 are an integral part of these consolidated financial statements.

The financial statements on pages 82 to 176 were approved by the Board of Directors on 29 March 2017 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 2016

	Note	Year ended 31 December	
		2016 RMB'000	2015 RMB'000
<b>Revenue</b>	5	<b>59,286,161</b>	57,732,974
Cost of sales	29	<b>(42,937,532)</b>	(41,284,575)
<b>Gross profit</b>		<b>16,348,629</b>	16,448,399
Fair value gains on investment properties	7	<b>1,996,673</b>	2,776,694
Other income/other gains – net	28	<b>838,785</b>	1,570,998
Selling and marketing costs	29	<b>(1,352,643)</b>	(1,615,275)
Administrative expenses	29	<b>(2,742,720)</b>	(3,278,396)
Other operating expenses	29	<b>(268,509)</b>	(288,194)
<b>Operating profit</b>		<b>14,820,215</b>	15,614,226
Finance income		<b>369,832</b>	341,262
Finance costs		<b>(1,545,778)</b>	(1,749,910)
Finance costs – net	30	<b>(1,175,946)</b>	(1,408,648)
Share of results of			
– Associated companies	10	<b>37,584</b>	108,684
– Joint ventures	11	<b>(485,975)</b>	(591,853)
		<b>(448,391)</b>	(483,169)
<b>Profit before income tax</b>		<b>13,195,878</b>	13,722,409
Income tax expense	33	<b>(5,685,493)</b>	(5,563,671)
<b>Profit for the year</b>		<b>7,510,385</b>	8,158,738
<b>Other comprehensive income:</b>			
<i>Items that may be reclassified to profit or loss</i>			
Fair value losses on available-for-sale financial assets, net of tax		<b>(219,911)</b>	(52,530)
<b>Total comprehensive income for the year</b>		<b>7,290,474</b>	8,106,208

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Note	Year ended 31 December	
		2016 RMB'000	2015 RMB'000
<b>Profit for the year attributable to:</b>			
Equity holders of the Company		5,171,855	6,115,784
Non-controlling interests		2,338,530	2,042,954
		<b>7,510,385</b>	8,158,738
<b>Total comprehensive income for the year attributable to:</b>			
Equity holders of the Company		5,042,283	6,082,102
Non-controlling interests		2,248,191	2,024,106
		<b>7,290,474</b>	8,106,208
<b>Earnings per share for profit attributable to the equity holders of the Company</b>			
– Basic (RMB cents)	34	150.6	176.7
– Diluted (RMB cents)	34	150.4	176.4

The notes on pages 89 to 176 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Note	Attributable to the equity holders of the Company				Total RMB'000
		Share capital RMB'000	Reserves RMB'000	Perpetual capital instruments RMB'000	Non- controlling interests RMB'000	
<b>Balance at 1 January 2016</b>		356,275	49,805,385	–	24,587,660	74,749,320
Comprehensive income						
Profit for the year		–	5,171,855	95,000	2,243,530	7,510,385
<b>Other comprehensive income for the year</b>						
<i>Items that may be reclassified to profit or loss</i>						
Fair value losses on available-for-sale financial assets		–	(172,763)	–	(120,451)	(293,214)
Tax on fair value losses on available-for-sale financial assets		–	43,191	–	30,112	73,303
<b>Total comprehensive income for the year</b>		–	5,042,283	95,000	2,153,191	7,290,474
Transfer from joint ventures to subsidiaries		–	–	–	1,229,298	1,229,298
Capital contribution from non-controlling interests	40(f(i))	–	–	–	6,556,880	6,556,880
Changes in ownership interests in subsidiaries without change of control	40(f(ii))	–	116,685	–	(3,043,613)	(2,926,928)
Disposal of subsidiaries		–	–	–	(29,999)	(29,999)
Equity-settled share-based payment						
– Value of employee services	22	–	50,005	–	–	50,005
– Purchase of shares		–	(37,198)	–	–	(37,198)
– Dividends received		–	7,518	–	–	7,518
Perpetual capital instruments	23	–	–	4,405,000	–	4,405,000
Currency translation differences		–	(36)	–	–	(36)
Buy-back of shares						
– Purchase of shares	21	–	(758,374)	–	–	(758,374)
– Dividends received		–	6,455	–	–	6,455
– Cancellation of shares		(7,411)	7,411	–	–	–
Dividends and distributions	35	–	(2,132,947)	–	(192,475)	(2,325,422)
<b>Total transactions with owners</b>		(7,411)	(2,740,481)	4,405,000	4,520,091	6,177,199
<b>Balance at 31 December 2016</b>		348,864	52,107,187	4,500,000	31,260,942	88,216,993

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Note	Attributable to the equity holders of the Company		Non-controlling interests RMB'000	Total RMB'000
		Share capital RMB'000	Reserves RMB'000		
<b>Balance at 1 January 2015</b>		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
<b>Other comprehensive income for the year</b>					
<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 gains on available-for-sale financial assets		–	11,227	6,283	17,510
<b>Total comprehensive income for the year</b>		–	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		–	(345,138)	(645,102)	(990,240)
Equity-settled share-based payment					
– Value of employee services	22	–	92,205	–	92,205
– Purchase of shares		–	(40,184)	–	(40,184)
– Dividend received		–	9,984	–	9,984
Dividends and distributions	35	–	(2,500,688)	(51,491)	(2,552,179)
<b>Total transactions with owners</b>		–	(2,783,821)	4,443,849	1,660,028
<b>Balance at 31 December 2015</b>		356,275	49,805,385	24,587,660	74,749,320

The notes on pages 89 to 176 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Note	Year ended 31 December	
		2016 RMB'000	2015 RMB'000
<b>Cash flow from operating activities</b>			
Net cash generated from operations	36	5,629,945	10,652,710
Interest received		369,832	341,262
Interest paid		(4,929,302)	(5,275,964)
PRC income tax paid		(4,530,997)	(3,391,855)
Net cash (used in)/generated from operating activities		(3,460,522)	2,326,153
<b>Cash flow from investing activities</b>			
Additions of property and equipment and investment properties		(3,730,726)	(4,033,968)
Disposal of property and equipment		19,899	26,572
Additions of land use rights and other non-current assets		(196,177)	(778,334)
Acquisition of currency options	19	(13,714)	–
Disposal of subsidiaries	40	3,097,913	1,280,450
Acquisition of subsidiaries	40	(154,462)	(3,061,634)
Closure of an associated company		–	1,663
Disposal of an associated company		–	70,514
Acquisition of available-for-sale financial assets	13	(3,100,000)	(70,000)
Capital injection to associated companies	10	(9,606)	(402,250)
Capital injection to joint ventures	11	(663,310)	(2,390,975)
(Increase)/decrease in prepayment for acquisition of equity interests	15	(660,000)	619,800
Advances to joint ventures and associated companies	12	(189,922)	(1,486,274)
Proceeds from investment in structured products issued by banks	28	93,523	–
Net cash used in investing activities		(5,506,582)	(10,224,436)
<b>Cash flow from financing activities</b>			
Proceeds from borrowings and finance lease liabilities		65,178,815	77,999,731
Repayments of borrowings and finance lease liabilities		(69,759,851)	(69,842,585)
Purchase of shares		(37,198)	(40,184)
Disposal derivative financial instruments	19	105,775	–
Buyback of shares		(758,374)	–
Capital contribution from non-controlling interests of subsidiaries		6,556,880	5,140,442
Acquisition of additional interests in subsidiaries		(1,881,928)	(990,240)
Proceeds from perpetual capital instruments		5,100,000	–
Redemption of perpetual capital instruments		(600,000)	–
Distribution to the holders of perpetual capital instruments		(95,000)	–
Dividends paid to the equity holders of the Company		(2,132,947)	(2,875,816)
Dividends paid to non-controlling interests		(192,475)	(51,491)
Increase in amounts due to non-controlling interests	27	2,951,746	1,208,497
Dividends received		13,973	9,984
Decrease/(increase) in restricted cash pledged for borrowings		1,259,756	(560,445)
Net cash generated from financing activities		5,709,172	9,997,893
<b>Net (decrease)/increase in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of the year		22,591,843	20,471,830
Effect of foreign exchange rate changes		25,264	20,403
Cash and cash equivalents at end of the year	20	19,359,175	22,591,843

The notes on pages 89 to 176 are an integral part of these consolidated financial statements

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 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 ("HKFRSs"). They have been prepared under the historical cost convention, as modified by the revaluation of investment properties, biological assets, available-for-sale financial assets and derivative financial instruments which are carried at fair value.

The preparation of financial statements in conformity with HKFRSs 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.

#### (i) 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 2016:

- Amendments from annual improvements to HKFRSs – 2012-2014 Cycle, on HKFRS 5, 'Non-current assets held for sale and discontinued operations', HKFRS 7, 'Financial instruments: Disclosures', HKAS 19, 'Employee benefits', HKAS 34, 'Interim financial reporting'
- Amendments to HKAS 16 and HKAS 38, 'Clarification of acceptable methods of depreciation and amortisation'
- Amendments to HKAS 1, 'Disclosure initiative'
- Amendments to HKAS 27, 'Equity method in separate financial statements'
- HKFRS 14, 'Regulatory Deferral Accounts'
- Amendments to HKFRS 11, 'Accounting for acquisitions of interests in joint operations'
- Amendments to HKAS 16 and HKAS 41, 'Agriculture bearer plants'
- Amendments to HKFRS 10, HKFRS 12 and HKAS 28, 'Investment entities: applying the consolidation exceptions'

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)**2.1 Basis of preparation** (continued)**(ii) 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 2016, and have not been early adopted.

Currently related to the Group:

		<b>Effective for annual periods beginning on or after</b>
Amendments to HKAS 12	Income taxes	1 January 2017
Amendments to HKAS 7	Statement of cash flows	1 January 2017
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 16	Leases	1 January 2019
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

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 2016. It is not practicable to provide a reasonable estimate of the effect of the application of HKFRS 15, until the Group performs a detailed review. Except for HKFRS 15, the Group 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.

**2.2 Subsidiaries****2.2.1 Consolidation**

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

**(a) Business combinations**

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest ("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 HKFRSs.

Acquisition-related costs are expensed as incurred.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2016***2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.2 Subsidiaries (continued)****2.2.1 Consolidation (continued)****(a) Business combinations (continued)**

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.

**(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 associated company, 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. It means that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

**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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2016***2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.3 Joint arrangements and associated companies****(i) 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 of 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.

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, including any other unsecured receivables, 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.

**(ii) Associated companies**

An associated company 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 associated companies are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associated companies include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associated company, any difference between the cost of the associated company and the Group's share of the net fair value of the associated company's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associated company 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 associated company equals or exceeds its interest in the associated company, 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 associated company.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associated company is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associated company and its carrying value and recognises the amount adjacent to 'share of profit of investments accounted for using equity method' in the income statement.

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

Gain or losses on dilution of equity interest in associated companies are recognised in the income statement.

**2.4 Segment reporting**

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.5 Foreign currency translation****(i) 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.

**(ii) 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.

**(iii) 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 is 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.

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 to 12 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 the proceeds with the carrying amount and are recognised within "other income/other gains – net" in the income statement.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2016***2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****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).

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

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

**2.8 Intangible assets – goodwill**

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

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

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2016***2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.10 Financial assets****(i) 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.

**(ii) Recognition and measurement**

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

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

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

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

**(iii) 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.10 Financial assets (continued)

#### (iv) 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 receivables 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 consolidated income statement. If a loan and receivable has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated 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 reclassified 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 designated as a hedging instrument, and if so, the nature of the item being hedged.

For derivative financial instruments do not qualify for hedge accounting, changes in fair value are recognised immediately in the consolidated income statement within 'other income/other gains – net'.

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2016***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 Biological assets**

Biological assets are measured at the end of each reporting period at their fair value less costs to sell, with any gain or loss recognised in profit or loss for the period in which it arises. Biological assets are current assets if they are to be sold within one year. The fair value of biological assets is determined based on market value and determined independently by professional valuers.

**2.15 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 recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. See Note 2.10(b) for further information about the Group's accounting for trade receivables and Note 2.10(d) for a description of the Group's impairment policies.

**2.16 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.

**2.17 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.

**2.18 Perpetual capital instruments**

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2016***2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.19 Trade payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables 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.

**2.20 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.

**2.21 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.

**2.22 Current and deferred income tax**

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

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

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated 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 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2016***2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.22 Current and deferred income tax (continued)**

Deferred income tax liabilities are provided on taxable temporary differences arising from 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.

**2.23 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 administered funds managed by the PRC government.

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

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

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

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

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

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).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)**2.23 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.

**2.24 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.

**2.25 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2016***2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.25 Revenue recognition** *(continued)***(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.

**2.26 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.

**2.27 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 pastoral station lease rights, the lease rights are shown at historical cost. Lease rights acquired in a business combination are recognised at fair value at the acquisition date. Certain lease rights that have an indefinite useful life are not subject to amortisation and are tested annually for impairment and carried at cost less accumulated impairment losses.

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.

**2.28 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.29 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.

### 2.30 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, associated companies 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. For the year ended 2016, the Group manages its foreign exchange risk by using foreign currency forward and option contracts. Such contracts have the economic effect of setting a strike rate for agreed amount of foreign currency amount. Under these contracts, the Group agrees with a third party to exchange, at specified intervals, the difference between strike and spot exchange rate amounts calculated by reference to the agreed notional amount.

As at 31 December 2016, 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 RMB1,065,767,000 (2015: RMB1,544,771,000) 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

**3 FINANCIAL RISK MANAGEMENT (CONTINUED)****(a) Market risk (continued)****(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 2016, the Group converted no borrowings from fixed rate to floating rate through interest rate swap (2015: US\$300,000,000) (Note 24).

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 RMB111,045,000(2015: RMB120,628,000) lower/higher mainly as a result of higher/lower interest expenses on borrowings with variable rates as at 31 December 2016. 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 RMB44,059,000(2015: RMB173,107,000) lower/higher mainly as a result of higher/lower interest expenses on borrowings with variable rates as at 31 December 2016.

**(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, derivative financial instrument, 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 2016.

Counterparty	Rating (Note)	As at 31 December	
		2016 RMB'000	2015 RMB'000
Bank A	BBB	2,641,974	2,798,300
Bank B	Baa2	2,519,347	1,963,211
Bank C	A	2,183,976	3,760,289
Bank D	A	1,876,057	1,714,856
Bank E	A	1,745,825	1,805,246

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

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

**(c) Liquidity risk**

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

**3 FINANCIAL RISK MANAGEMENT (CONTINUED)****(c) Liquidity risk (continued)**

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

The table below analyses the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows.

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

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
<b>As at 31 December 2016</b>					
Borrowings and interest payments	20,723,802	8,800,975	35,357,031	13,910,404	78,792,212
Finance lease liabilities	200,824	200,586	38,004	–	439,414
Trade and other payables (excluding other taxes payables)	26,178,120	12,139	34,699	11,903	26,236,861
Amounts due to related parties	27,788,670	–	–	–	27,788,670
	<b>74,891,416</b>	<b>9,013,700</b>	<b>35,429,734</b>	<b>13,922,307</b>	<b>133,257,157</b>
<b>As at 31 December 2015</b>					
Borrowings and interest payments	20,316,626	13,046,671	30,719,826	20,009,276	84,092,399
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
	<b>69,562,142</b>	<b>13,263,429</b>	<b>30,978,679</b>	<b>20,036,995</b>	<b>133,841,245</b>

Note: The interest on borrowings is calculated based on borrowings outstanding as at 31 December 2016 and 2015 without taking into account of future issues. Floating-rate interest is estimated using the applicable interest rate as at 31 December 2016 and 2015 respectively.

The amount of derivative financial instruments is measured at fair value at 31 December 2016 and 31 December 2015.

**(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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

**3 FINANCIAL RISK MANAGEMENT (CONTINUED)****(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 the 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 2016. See Note 7 for disclosures of the investment properties that are measured at fair value.

As at 31 December 2016	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>Assets</b>				
Biological assets	–	298,133	–	298,133
Derivative financial instruments	–	–	90,199	90,199
Available-for-sale financial assets				
– equity securities	133,875	–	730,281	864,156
– investment in structured products issued by banks	–	–	3,077,100	3,077,100

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2015.

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

There was no transfers within different level during the year.

Biological assets included in Level 2 are cattle located in Western Australia since no significant adjustments need to be made to the prices obtained from the local markets.

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

Derivative financial instruments included in Level 3 as at 31 December 2015 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.

Available-for-sale financial assets included in Level 1 are 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 are 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, and the investment in structured products issued by banks entered into with commercial banks, the fair value of which are determined using valuation model for which not all inputs are market observable rates.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

**3 FINANCIAL RISK MANAGEMENT** (CONTINUED)**(e) Fair value estimation** (continued)**Biological assets in inventories at fair value through profit or loss**

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Opening balances of assets	–	–
Addition	298,133	–
Fair value gains recognised in the income statement	–	–
Closing balances of assets	298,133	–

**Available-for-sale financial assets at fair value**

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Opening balances of assets	1,134,470	204,510
Addition	3,100,000	1,000,000
Fair value losses recognised in other comprehensive income	(293,214)	(70,040)
Closing balances of assets	3,941,256	1,134,470
Changes in unrealised gains, under 'Other comprehensive income'	(293,214)	(70,040)

**Derivatives at fair value through profit or loss**

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Opening balances of assets/(liabilities)	41,782	(1,611)
Acquisition of currency options and forwards	13,714	–
Gain recognised in the income statement (Note 28)	140,478	43,393
Disposal of interest rate swap	(105,775)	–
Closing balances of assets	90,199	41,782
Changes in realised gains, under 'Other income/other gains – net'	63,993	–
Changes in unrealised gains, under 'Other income/other gains – net'	76,485	43,393

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the year ended 31 December 2016

### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (f) Financial instruments by category

Financial assets	As at 31 December	
	2016 RMB'000	2015 RMB'000
Other financial assets at amortised cost:		
– Trade and other receivables	6,949,095	7,730,152
– Amounts due from related parties	4,546,545	4,356,623
– Restricted cash	2,875,658	3,817,713
– Cash and cash equivalents	19,359,175	22,591,843
Assets at fair value through the profit and loss:		
– Derivative financial instruments	90,199	41,782
– Available-for-sale financial assets	3,941,256	1,204,470
<b>Total</b>	<b>37,761,928</b>	<b>39,742,583</b>

Financial liabilities	As at 31 December	
	2016 RMB'000	2015 RMB'000
Other financial liabilities at amortised cost:		
– Borrowings	66,943,512	69,820,992
– Finance lease liabilities	393,773	572,985
– Trade and other payables (excluding other taxes payable)	26,236,861	24,628,322
– Amounts due to related parties	27,788,670	24,447,996
<b>Total</b>	<b>121,362,816</b>	<b>119,470,295</b>

### 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 tax assets

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

**4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)****4.1 Critical accounting estimates and assumptions (continued)****(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.

**(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) Impairment of trade receivable**

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

**(g) Fair value of derivatives financial instruments**

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

**4.2 Critical judgements in applying the Group's accounting policy****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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the year ended 31 December 2016

## 5 SEGMENT INFORMATION (CONTINUED)

### (a) Revenue

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

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Sales of properties	56,196,877	54,594,513
Hotel operation income	1,466,201	1,301,986
Rental income from investment properties	710,357	739,249
Others	912,726	1,097,226
	<b>59,286,161</b>	<b>57,732,974</b>

### (b) Segment information

Year ended 31 December 2016

	Property development and investment		Hotel operation RMB'000	Unallocated** RMB'000	Total RMB'000
	Shanghai Shimao Co., Ltd. ("Shanghai Shimao")* RMB'000	Others RMB'000			
Revenue					
– Sales of properties	12,675,709	43,521,168	–	–	56,196,877
– Hotel operation income	125,671	–	1,340,530	–	1,466,201
– Rental income from investment properties	553,584	156,773	–	–	710,357
– Others	353,061	559,665	–	–	912,726
Total revenue	<b>13,708,025</b>	<b>44,237,606</b>	<b>1,340,530</b>	<b>–</b>	<b>59,286,161</b>
Operating profit/(loss)	4,832,976	10,443,296	133,226	(589,283)	14,820,215
Finance income	87,723	267,225	842	14,042	369,832
Finance costs	(148,120)	(416,390)	(1,269)	(979,999)	(1,545,778)
Share of results of					
– Associated companies	(84,754)	122,338	–	–	37,584
– Joint ventures	(87,885)	(398,090)	–	–	(485,975)
Profit/(loss) before income tax	<b>4,599,940</b>	<b>10,018,379</b>	<b>132,799</b>	<b>(1,555,240)</b>	<b>13,195,878</b>
Income tax expense					(5,685,493)
Profit for the year					<b>7,510,385</b>
Other segment items are as follows:					
Capital and property development expenditure	18,763,299	35,172,000	548,656	–	54,483,955
Fair value gains on investment properties	1,251,562	745,111	–	–	1,996,673
Fair value gain on derivative financial instruments	–	140,478	–	–	140,478
Write-off of intangible assets	–	26	–	–	26
Depreciation	45,710	96,111	254,436	33,892	430,149
Amortisation of land use rights	7,009	1,208	75,963	–	84,180
Provision for impairment of receivables	57,362	–	–	–	57,362

\* The Group owns an effective equity interest of 58.92% in Shanghai Shimao as at 31 December 2016

\*\* Unallocated mainly represent corporate level activities

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

**5 SEGMENT INFORMATION** (CONTINUED)**(b) Segment information** (continued)

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 5 SEGMENT INFORMATION (CONTINUED)

## (b) Segment information (continued)

Year ended 31 December 2015

	Property development and investment		Hotel operation RMB'000	Unallocated** RMB'000	Total RMB'000
	Shanghai Shimao* RMB'000	Others RMB'000			
Revenue					
– Sales of properties	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
<b>Total revenue</b>	<b>15,088,957</b>	<b>41,423,796</b>	<b>1,220,221</b>	<b>–</b>	<b>57,732,974</b>
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)
<b>Profit/(loss) before income tax</b>	<b>4,934,424</b>	<b>10,209,330</b>	<b>191,957</b>	<b>(1,613,302)</b>	<b>13,722,409</b>
Income tax expense					(5,563,671)
<b>Profit for the year</b>					<b>8,158,738</b>
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 instruments	–	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	82,218	–	–	–	82,218

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

\*\* Unallocated mainly represent corporate level activities

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 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 RMB'000	Total RMB'000
	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
<b>Total segment assets</b>	<b>62,799,303</b>	<b>161,972,333</b>	<b>14,242,057</b>	<b>239,013,693</b>
Deferred income tax assets				1,983,977
Available-for-sale financial assets				1,204,470
Derivative financial instruments				41,782
Other assets				2,010,769
<b>Total assets</b>				<b>244,254,691</b>
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
<b>Total segment liabilities</b>	<b>37,396,489</b>	<b>92,533,741</b>	<b>9,675,369</b>	<b>139,605,599</b>
Corporate borrowings				23,933,868
Deferred income tax liabilities				5,471,821
Other liabilities				494,083
<b>Total liabilities</b>				<b>169,505,371</b>

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 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
<b>Cost</b>						
At 1 January 2016	3,117,719	9,211,844	417,478	447,218	1,034,054	14,228,313
Additions	482,850	2,126	77,995	8,093	148,609	719,673
Acquisition of subsidiaries	–	–	25,734	2,744	–	28,478
Disposal of subsidiaries	–	–	(9,160)	(1,390)	–	(10,550)
Disposals	–	(8,775)	(26,082)	(11,979)	(22,732)	(69,568)
Transfer from properties under development and completed properties held for sale	687,975	939,128	–	–	–	1,627,103
Transfer upon completion	(511,531)	511,531	–	–	–	–
At 31 December 2016	3,777,013	10,655,854	485,965	444,686	1,159,931	16,523,449
<b>Accumulated depreciation</b>						
At 1 January 2016	–	2,182,843	195,259	156,593	121,674	2,656,369
Charge for the year	–	288,947	68,715	27,914	44,573	430,149
Disposal of subsidiaries	–	–	(5,785)	(1,183)	–	(6,968)
Disposals	–	(7,015)	(24,717)	(10,159)	(7,868)	(49,759)
At 31 December 2016	–	2,464,775	233,472	173,165	158,379	3,029,791
<b>Net book value</b>						
At 31 December 2016	3,777,013	8,191,079	252,493	271,521	1,001,552	13,493,658

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 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
<b>Cost</b>						
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
<b>Accumulated depreciation</b>						
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
<b>Net book value</b>						
At 31 December 2015	3,117,719	7,029,001	222,219	290,625	912,380	11,571,944

Depreciation charge of RMB430,149,000 for the year ended 31 December 2016 (2015: RMB430,066,000) has been recorded in cost of sales and administrative expenses in the consolidated statement of comprehensive income (Note 29).

As at 31 December 2016, assets under construction and buildings of the Group with a total carrying amount of RMB2,163,756,000 (2015: RMB2,277,722,000) were pledged as collateral for certain borrowings of the Group (Note 24).

For the year ended 31 December 2016, the Group has capitalised borrowing costs amounting to RMB188,943,000 (2015: RMB145,736,000) in assets under construction. Borrowing costs were capitalised at the weighted average rate of 5.67% (2015: 6.70%).

For the year ended 31 December 2015, certain subsidiaries of the Company entered into sales and lease back agreements with third parties, 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. For the year ended 31 December 2016, no such agreement were entered into. The remaining payment of the total lease is RMB393,773,000 as at 31 December 2016 (Note 25). 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 whereby lessor's consent must be obtained for the pledge or disposal of these assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the year ended 31 December 2016

## 7 INVESTMENT PROPERTIES

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Opening balance at 1 January	30,025,297	26,975,771
Additions – Transfer from properties under development	–	1,437,077
Additions – Construction cost and others	3,196,416	3,262,460
Transfer to properties under development	(349,473)	(4,426,705)
Disposal (Note 40(b)(ii))	(2,598,000)	–
Fair value gains	1,996,673	2,776,694
Closing balance at 31 December	32,270,913	30,025,297

As at 31 December 2016, investment properties under construction of approximately RMB2,204,273,000 were measured at cost, because their constructions were at very early stage and related fair values were not reliably determinable (31 December 2015: approximately RMB1,572,482,000). 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	
	2016	2015
	RMB'000	RMB'000
Rental income	710,357	739,249
Direct operating expenses from properties that generated rental income (Note 29)	29,741	62,245
Direct operating expenses from properties that did not generate rental income (Note 29)	4,753	5,153

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

**7 INVESTMENT PROPERTIES (CONTINUED)****(b) Valuation**

The following table analyses the investment properties carried at fair value, by valuation method and fair value hierarchy as at 31 December 2016 and 2015.

Description	Fair value measurements at 31 December 2016 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	–	–	30,066,640

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

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

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

	31 December 2016 Significant unobservable Inputs-Commercial buildings – China (Level 3)		
	Completed investment properties RMB'000	Investment properties under development RMB'000	Total RMB'000
Opening balance	21,562,800	6,890,015	28,452,815
Additions	184,019	2,031,133	2,215,152
Transfer from under development to completed investment properties	1,420,000	(1,420,000)	–
Disposal	(2,598,000)	–	(2,598,000)
Net gains from fair value adjustment	747,581	1,249,092	1,996,673
Closing balance	21,316,400	8,750,240	30,066,640

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

**7 INVESTMENT PROPERTIES** (CONTINUED)**(b) Valuation** (continued)**Fair value measurements using significant unobservable inputs (Level 3)** (continued)

	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 properties 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

**Valuation processes of the Group**

The Group's investment properties were valued at 31 December 2016 and 2015 by independent and professionally qualified valuers, Vigers Appraisal & Consulting Limited ("Vigers"), who holds a recognised relevant professional qualification and has recent experience in the locations and segments of the investment properties valued. For all the 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 using term and reversionary method on the basis of capitalisation of net rental income derived from the existing tenancies and the reversionary value by reference to recent comparable sales transactions or capitalisation of comparable market rents in the relevant property market. The significant unobservable inputs adopted in the valuation included market prices, market rents, term and reversionary yields.

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 7 INVESTMENT PROPERTIES (CONTINUED)

## (b) Valuation (continued)

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

Description	Fair value at 31 Dec 2016 (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	21,316,400	Term and reversionary method	Market prices	RMB8,000 – RMB128,125 per sq.m (RMB36,001 per sq.m)	The higher the market prices, the higher the fair value
			Market rents	RMB4 – RMB363 per sq.m (RMB101 per sq.m)	The higher the market rents, the higher the fair value
			Term yields	4.50% – 8.58% (6.05%)	The higher the term yields, the lower the fair value
			Reversionary yields	5.00% – 8.83% (6.25%)	The higher the reversionary yields, the lower the fair value
Commercial buildings – China (under development)	8,750,240	Discounted cash flows with estimated costs to complete	Market prices	RMB19,146 – RMB41,750 per sq.m (RMB31,903 per sq.m)	The higher the market prices, the higher the fair value
			Estimated costs to be incurred	RMB843 – RMB14,422 per sq.m (RMB8,210 per sq.m)	The higher the estimated costs to be incurred, the lower the fair value.
			Yields	4.75% (4.75%)	The higher the capitalisation rate, the lower the fair value
<hr/>					
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	Term and reversionary method	Market prices	RMB16,307 – RMB111,143 per sq.m (RMB49,809 per sq.m)	The higher the market prices, the higher the fair value
			Market rents	RMB4 – RMB775 per sq.m (RMB107 per sq.m)	The higher the market rents, the higher the fair value
			Term yields	4.50% – 8.58% (6.03%)	The higher the term yields, the lower the fair value
			Reversionary yields	4.75% – 8.83% (6.17%)	The higher the reversionary yields, the lower the fair value
Commercial buildings – China (under development)	6,890,015	Residual method	Market price	RMB11,600 – RMB34,793 per sq.m (RMB22,462 per sq.m)	The higher the market prices, the higher the fair value
			Estimated costs to be incurred	RMB1,278 – RMB10,324 per sq.m (RMB5,001 per sq.m)	The higher the estimated costs to be incurred, the lower the fair value.
			Yields	4.35% – 4.75% (4.62%)	The higher the capitalisation rate, the lower the fair value

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

**7 INVESTMENT PROPERTIES** (CONTINUED)**(b) Valuation** (continued)**Information about fair value measurements using significant unobservable inputs (Level 3)** (continued)

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 market prices. An increase in future market prices may be linked with higher costs. There is no indication that any slight increases/(decreases) in market prices in isolation would result in a significantly higher/(lower) fair value of the investment properties.

**(c) Pledge**

As at 31 December 2016, 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 RMB12,630,800,000 (2015: RMB12,422,023,000) were pledged as collateral for the Group's borrowings (Note 24).

**(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	
	2016	2015
	RMB'000	RMB'000
Within one year	532,697	525,528
Later than one year but no later than 5 years	1,350,493	1,209,533
Later than 5 years	854,733	845,737
	<b>2,737,923</b>	2,580,798

**8 LAND USE RIGHTS**

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Land use rights relating to property and equipment under non-current assets		
Opening balance	7,921,887	7,286,582
Additions – assets group in Western Australia (Note 16(c) and Note 40(e))	199,023	–
Additions – others	196,177	851,825
Disposal of a subsidiary with loss of control	–	(25,761)
Amortisation (Note 29)	(84,180)	(73,963)
Transfer to properties under development and completed properties held for sale	(14,336)	(116,796)
	<b>8,218,571</b>	7,921,887

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

As at 31 December 2016, land use rights of RMB1,647,135,000 (2015: RMB2,045,086,000) were pledged as collateral for the Group's borrowings (Note 24).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

**9 INTANGIBLE ASSETS**

Intangible assets comprise goodwill arising from acquisitions:

	<b>Year ended 31 December</b>	
	<b>2016</b>	2015
	<b>RMB'000</b>	RMB'000
Opening balance	<b>1,840,684</b>	1,840,684
Write-off of goodwill recognised as expenses (Note 29)	<b>(26)</b>	–
Ending balance	<b>1,840,658</b>	1,840,684

**Impairment tests for goodwill**

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

	<b>As at 31 December</b>	
	<b>2016</b>	2015
	<b>RMB'000</b>	RMB'000
Property development and investment – Shanghai Shimao	<b>1,709,730</b>	1,709,730
Property development and investment – Others	<b>–</b>	26
Hotel operation	<b>130,928</b>	130,928
	<b>1,840,658</b>	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.

In view of volatility of the PRC stock market and that the market value of Shanghai Shimao was lower than its net book value as at 31 December 2016 and 2015, goodwill of CGU – Property development and investment – Shanghai Shimao was tested for impairment using the higher of value-in-use by discounted cash flow projection and the fair value (equivalent to the market value) less costs to sell. The value-in-use calculation used pre-tax cash flow projections based on approved budgets covering an eight-year period. Cash flows beyond the eight-year period are extrapolated using the estimated long term growth rate of revenue.

As at 31 December 2016 and 2015, 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.

As at 31 December 2016 and 2015, 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.

For property development and investment – Shanghai Shimao, the key assumptions, gross margin excluding land appreciation tax, long term growth rate of revenue and discount rate used in the value-in-use calculation in 2016 and 2015 are as follows:

	<b>Year ended 31 December</b>	
	<b>2016</b>	2015
Gross margin excluding land appreciation tax	<b>34.3%</b>	31.9%
Long term growth rate of revenue	<b>3.0%</b>	3.0%
Pre-tax discount rate	<b>17.4%</b>	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 rate of revenue used is consistent with the industry outlook. The discount rate used is pre-tax and reflects specific risks relating to the relevant operating segments.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 10 ASSOCIATED COMPANIES

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Share of net assets:		
Opening balance	898,275	1,258,029
Capital injection (Note (a))	9,606	402,250
Transfer from subsidiaries	–	33,000
Transfer from a joint venture	–	30,609
Transfer to a subsidiary (Note 40(a))	(33,000)	(903,024)
Share of results	37,584	108,684
Disposal	–	(28,835)
Closure	–	(2,438)
Ending balance	912,465	898,275

Notes:

- (a) For the year ended 31 December 2016, the Group made capital injection to an associated company of RMB9,606,000.
- (b) 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 (loss)/ profit RMB'000	Interest held by the Group (%)
<b>2016</b>						
Guangzhou Li He Property Development Co., Ltd. ("Guangzhou Li He")	PRC	4,581,499	(4,618,571)	600,033	(44,061)	20%
Guangzhou Chengyu Property Development Co., Ltd. ("Guangzhou Cheng Yu")	PRC	4,297,710	(4,051,316)	285,316	60,042	50%
Chengdu Heng Yu Property Development Co., Ltd. ("Chengdu Heng Yu")	PRC	2,282,235	(2,145,144)	–	(31,426)	33%
Nanjing Mingmao Real Estate Co., Ltd. ("Nanjing Mingmao")	PRC	1,568,972	(1,046,685)	832,586	139,148	49%
Others	PRC	107,858	(64,093)	7,804	(86,119)	
		12,838,274	(11,925,809)	1,725,739	37,584	
<b>2015</b>						
Guangzhou Li He	PRC	4,625,596	(4,618,607)	265,281	(27,190)	20%
Guangzhou Cheng Yu	PRC	2,873,185	(2,686,797)	667,912	165,472	50%
Chengdu Heng Yu	PRC	2,391,694	(2,388,528)	59,364	(13,248)	33%
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	

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

**10 ASSOCIATED COMPANIES** (CONTINUED)

Details of the principal associated companies of the Group as at 31 December 2016 are set out in Note 37.

There is no individually material associated company of the Group as at 31 December 2016 and 2015.

The Group provided guarantees to associated companies for their borrowings from banks and other financial institutions amounting to RMB3,130,560,000 as at 31 December 2016 (2015: RMB4,901,630,000) (Note 38).

**11 JOINT VENTURES**

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Share of net assets:		
Opening balance	9,784,898	8,534,090
Capital injections	663,310	900,527
Acquisition of joint ventures	–	1,490,448
Transfer from subsidiaries (Note 40(b)(i) and Note 40(c))	450,490	1,837,905
Capital distribution	–	(900,000)
Transfer to subsidiaries (Note 40(d))	(1,229,298)	(1,455,610)
Transfer to an associated company	–	(30,609)
Share of results	(485,975)	(591,853)
Ending balance	9,183,425	9,784,898

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

**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
<b>2016</b>						
Nantong Shimao New Era Real Estate Development Co., Ltd. ("Nantong New Era")	PRC	5,810,152	(5,466,452)	87,720	4,045	50%
Ningbo Shimao New Miles Property Co., Ltd. ("Ningbo New Miles")	PRC	3,873,200	(3,668,473)	(32,595)	(29,183)	50%
Changsha Shimao Real Estate Co., Ltd. ("Changsha Real Estate")	PRC	3,207,782	(2,792,975)	501,370	2,808	50%
Shanghai Shimao Sheshan Huiying Property Co., Ltd. ("Shanghai Sheshan Huiying")	PRC	2,777,945	(2,416,489)	365,253	(8,046)	50%
Suzhou Shimao Industrial Park Lakeside Property Co., Ltd. ("Suzhou Industrial Lakeside")	PRC	2,649,289	(1,960,134)	–	(295)	49%
Tianjin Jinnan Xincheng Real Estate Development Co., Ltd. ("Tianjin Jinnan")	PRC	2,496,133	(1,594,866)	424,834	11,606	25%
Wuhan Shimao Tianrun Property Co., Ltd. ("Wuhan Tianrun")	PRC	2,313,149	(1,468,193)	–	(4,788)	50%
Ningbo Shimao New Century Real Estate Development Co., Ltd. ("Ningbo New Century")	PRC	1,863,411	(1,347,449)	619,940	(145,626)	50%
Changsha Shimao Investment Co., Ltd. ("Changsha Investment")	PRC	1,746,215	(1,260,546)	–	(970)	49%
Wuxi Shimao Real Estate Development & Construction Co., Ltd. ("Wuxi Shimao")	PRC	1,741,551	(1,865,760)	30,958	(105,424)	50%
Suzhou Shimao Industrial Park Century Property Co., Ltd. ("Suzhou Industrial Century")	PRC	1,731,908	(1,020,774)	925,655	(79,016)	50%
Ningbo Shimao Jianianhua Property Co., Ltd. ("Ningbo Jianianhua")	PRC	1,617,582	(1,425,824)	–	(60)	50%
Xiamen Taishi Real Estate Development Co., Ltd. ("Xiamen Taishi")	PRC	1,463,487	(1,459,454)	–	(886)	49%
Shanghai Chunri Property Co., Ltd. ("Shanghai Chunri")	PRC	1,415,073	(1,411,266)	–	(592)	45%
Fast Right Investment Limited ("Fast Right")	Hong Kong	1,251,466	(345,914)	296,353	7,532	50%
Nanchang Shimao New Development Property Co., Ltd. ("Nanchang New Development")	PRC	1,178,716	(761,304)	31,744	(78,016)	50%
Xiamen Mujia Business Factoring Co., Ltd. ("Xiamen Mujia")	PRC	1,197,613	(943,797)	22,165	(3,816)	50%
Ningbo Dingfeng Real Estate Development Co., Ltd. ("Ningbo Dingfeng")	PRC	997,140	(957,273)	–	(5,790)	40%
Kingtron Enterprises Limited ("Kingtron")	Hong Kong	789,953	(442,640)	300,255	(3,554)	50%
Others	PRC	5,341,045	(3,669,802)	337,816	(45,904)	
		45,462,810	(36,279,385)	3,911,468	(485,975)	

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 11 JOINT VENTURES (CONTINUED)

	Country of Incorporation	Assets RMB'000	Liabilities RMB'000	Revenue RMB'000	Net (loss)/ profit RMB'000	Interest held by the Group
<b>2015</b>						
Tianjin Jinnan	PRC	2,333,283	(1,442,983)	151,780	(5,695)	25%
Nanchang New Development	PRC	1,264,937	(763,930)	297,536	(47,157)	50%
Changsha Real Estate	PRC	3,905,631	(3,486,088)	280,930	(36,841)	50%
Chengdu Shimao Investment Co., Ltd.	PRC	792,808	(740,224)	335,722	(34,864)	50%
Fast Right	Hong Kong	1,607,163	(709,143)	201,776	(20,063)	50%
Kingtron	Hong Kong	829,993	(479,576)	175,283	(20,883)	50%
Suzhou Industrial Century	PRC	2,161,472	(1,240,688)	56	(2,479)	40%
Wuxi Shimao	PRC	1,811,019	(2,136,016)	464,578	(325,964)	49%
Ningbo New Miles	PRC	3,999,968	(3,684,904)	(14,720)	(47,961)	50%
Ningbo New Century	PRC	1,541,462	(879,874)	–	(39,055)	50%
Suzhou Industrial Lakeside	PRC	2,580,290	(1,890,712)	–	(87)	49%
Nantong New Era	PRC	1,992,377	(1,650,076)	132,021	2,172	50%
Changsha Investment	PRC	1,173,815	(686,853)	–	(793)	49%
Shanghai Chunri	PRC	1,306,249	(1,301,764)	–	(4,009)	45%
Ningbo Dingfeng	PRC	847,097	(801,441)	–	(3,370)	40%
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)	

Details of the principal joint ventures of the Group as at 31 December 2016 are set out in Note 37.

There is no individually material joint venture of the Group as at 31 December 2016 and 2015.

The Group provided guarantees to joint ventures for their borrowings from banks amounting to RMB3,167,689,000 as at 31 December 2016 (2015: RMB2,632,447,000) (Note 38).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

**12 AMOUNTS DUE FROM RELATED PARTIES**

Advances to related parties included in non-current assets is to finance their acquisition of land use rights. The Group's intention is that the advances will only be recalled when the related companies have surplus cash.

	<b>As at 31 December</b>	
	<b>2016</b>	2015
	<b>RMB'000</b>	RMB'000
Included in non-current assets		
– Joint ventures	1,298,879	2,112,737
– Associated companies	624,352	661,957
	<b>1,923,231</b>	2,774,694

Advances to related parties included in current assets is the disbursement to finance their operating activities which will be repaid within one year.

	<b>As at 31 December</b>	
	<b>2016</b>	2015
	<b>RMB'000</b>	RMB'000
Included in current assets		
– Company with common directors	160	160
– Associated companies	2,195,889	1,458,481
– Joint ventures	427,265	123,288
	<b>2,623,314</b>	1,581,929

These advances are interest free, unsecured and have no fixed repayment terms. The carrying amounts of amounts due from related companies approximate their fair values.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

**13 AVAILABLE-FOR-SALE FINANCIAL ASSETS**

	<b>Year ended 31 December</b>	
	<b>2016</b>	2015
	<b>RMB'000</b>	RMB'000
Opening balance	1,204,470	204,510
Additions	3,100,000	1,070,000
Disposals	(70,000)	–
Fair value losses recognised in other comprehensive income	(293,214)	(70,040)
Ending balance	<b>3,941,256</b>	1,204,470

Available-for-sale financial assets include the following:

	<b>Year ended 31 December</b>	
	<b>2016</b>	2015
	<b>RMB'000</b>	RMB'000
Available-for-sale financial assets included in non-current assets		
Listed securities:		
– Equity securities		
– without lock-up period (Note(a))	133,875	134,470
– with lock-up period (Note(b))	730,281	1,000,000
Unlisted securities:		
– Equity securities (Note(c))	–	70,000
Investment in structured products issued by banks (Note (d))	77,100	–
	<b>941,256</b>	1,204,470
Available-for-sale financial assets included in current assets		
Investment in structured products issued by banks (Note(d))	3,000,000	–
	<b>3,000,000</b>	–

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. It has been disposed during the year ended 31 December 2016.
- (d) Investment in structured products issued by banks represented a combination of financial products with a floating interest measured with fair value. The fair value of these assets are determined using valuation model for which not all inputs are observable and is within Level 3 of the fair value hierarchy (Note 3).

As at 31 December 2016, no available-for-sale financial asset was pledged as collateral for the Group's borrowings (2015: Nil) (Note 24).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the year ended 31 December 2016

## 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	
	2016 RMB'000	2015 RMB'000
Deferred income tax assets		
– to be recovered after more than 12 months	1,472,132	1,246,847
– to be recovered within 12 months	826,717	737,130
	2,298,849	1,983,977
Deferred income tax liabilities		
– to be recovered after more than 12 months	5,200,327	4,866,528
– to be recovered within 12 months	466,206	605,293
	5,666,533	5,471,821
Net deferred income tax liabilities	3,367,684	3,487,844

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

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Opening balance	3,487,844	2,909,475
Disposal of subsidiaries (Note 40(b(iii)))	(456,651)	–
Charged to the consolidated income statement (Note 33)	409,794	595,879
Credited to other comprehensive income	(73,303)	(17,510)
Ending balance	3,367,684	3,487,844

Movement in deferred income tax assets and liabilities for the year ended 31 December 2016, 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 2015	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
Credited/(charged) to the consolidated income statement	123,953	(278)	180,642	304,317
Disposal of subsidiaries	(27,146)	–	–	(27,146)
At 31 December 2016	1,168,540	235,390	897,186	2,301,116

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

**14 DEFERRED INCOME TAX (CONTINUED)****Deferred income tax liabilities**

	Fair value gains on investment properties RMB'000	Fair value adjustments on assets and liabilities upon acquisition of subsidiaries RMB'000	Withholding tax on the retained earnings of certain subsidiaries RMB'000	Others RMB'000	Total RMB'000
At 1 January 2015	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
Charged/(credited) to the consolidated income statement	459,200	80,538	225,000	(50,627)	714,111
Credited to other comprehensive income	–	(73,303)	–	–	(73,303)
Disposal of subsidiaries	(351,685)	(132,112)	–	–	(483,797)
At 31 December 2016	<b>3,971,861</b>	<b>854,835</b>	<b>718,731</b>	<b>123,373</b>	<b>5,668,800</b>

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 RMB54,710,000 (2015: RMB52,646,000) in respect of accumulated losses amounting to RMB218,840,000 (2015: RMB210,582,000) that can be carried forward against future taxable income. Losses amounting to RMB82,317,000, RMB15,066,000, RMB14,198,000, RMB26,381,000 and RMB80,878,000, will expire in 2017, 2018, 2019, 2020 and 2021 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 2016, the Group has made prepayments of RMB969,639,000 (2015: RMB1,311,526,000) for certain land use rights for the purpose to develop hotel buildings, self-used buildings and investment properties, the ownership certificates of which have not been obtained. As at 31 December 2016, prepayments of RMB17,950,915,000 (31 December 2015: RMB11,133,906,000) were related to the lands for the purpose to develop properties for sale, and are included in current assets, 'prepayments for acquisition of land use rights'.

As at 31 December 2016, the Group made prepayments of RMB660,000,000 (31 December 2015: Nil) for acquisition of certain equity interests.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the year ended 31 December 2016

## 16 INVENTORIES

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Inventories comprise:		
Properties under development (Note (a))	101,568,030	100,727,237
Completed properties held for sale (Note (b))	18,476,834	18,140,289
Biological assets (Note (c))	298,133	–
	<b>120,342,997</b>	118,867,526

Notes:

(a) Properties under development

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Properties under development comprise:		
Land use rights	64,553,124	56,587,118
Construction costs and capitalised expenditures	28,344,102	37,746,624
Interests capitalised	8,670,804	6,393,495
	<b>101,568,030</b>	100,727,237

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Land use rights		
Held on leases of:		
Over 50 years	53,209,635	45,962,104
Between 10 to 50 years	11,343,489	10,625,014
	<b>64,553,124</b>	56,587,118

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 2016, properties under development of approximately RMB26,992,358,000 (2015: RMB31,294,587,000) were pledged as collateral for the Group's borrowings (Note 24).

The capitalisation rate of borrowings was 5.67% for the year ended 31 December 2016 (2015: 6.70%).

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Properties under development:		
Expected to be completed and available for sale after more than 12 months	27,463,204	33,903,090
Expected to be completed and available for sale within 12 months	74,104,826	66,824,147
	<b>101,568,030</b>	100,727,237

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

**16 INVENTORIES (CONTINUED)**

## (b) 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:

	<b>As at 31 December 2016</b>	2015
	<b>RMB'000</b>	RMB'000
Outside Hong Kong, held on leases of:		
Over 50 years	5,759,229	5,650,000
Between 10 to 50 years	972,861	1,049,932
	<b>6,732,090</b>	6,699,932

As at 31 December 2016, completed properties held for sale of RMB6,581,322,000 (2015: RMB5,727,010,000) were pledged as collateral for the Group's borrowings (Note 24).

For the year ended 31 December 2016, the Group recognised impairment losses of RMB173,295,000 (2015: RMB152,469,000) on completed properties held for sale (Note 29).

## (c) Biological assets

On 20 April 2016 the Group entered into a purchase agreement with SAWA Pty Ltd.. Pursuant to the agreement, the Group purchased an asset group in Western Australia including four pastoral station lease rights, 55,000 cattle and relevant equipment with total consideration of AUD102,600,000 (equivalent to RMB513,000,000). The whole transaction was completed on 15 November 2016 and the fair value of the pastoral station lease rights, cattle and relevant equipments were RMB199,023,000, RMB298,133,000 and RMB28,341,000, respectively.

**17 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS**

	<b>As at 31 December 2016</b>	2015
	<b>RMB'000</b>	RMB'000
Bidding deposits for land use rights (Note (a))	10,434,729	4,116,809
Trade receivables (Note (b))	4,623,286	4,967,963
Prepaid business tax on pre-sale proceeds	1,039,979	1,700,264
Prepayments for construction costs	1,832,733	1,239,653
Other receivables	2,325,809	2,762,189
	<b>20,256,536</b>	14,786,878

## 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 deposits will be fully refunded.
- (b) Trade receivables mainly arise from sales of properties. Consideration in respect of properties sold is paid in accordance with the terms of the related sales and purchase agreements. The ageing analysis of trade receivables at the respective balance sheet dates is as follows:

	<b>As at 31 December 2016</b>	2015
	<b>RMB'000</b>	RMB'000
Within 90 days	3,714,529	3,911,781
Over 90 days and within 365 days	527,704	651,316
Over 365 days	381,053	404,866
	<b>4,623,286</b>	4,967,963

As at 31 December 2016, receivables arising from sales of properties was approximately RMB4,380,004,000 (2015: RMB4,332,638,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the year ended 31 December 2016

## 17 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (CONTINUED)

Trade receivables are analysed as follows:

	As at 31 December	
	2016 RMB'000	2015 RMB'000
Fully performing under credit terms	3,690,031	3,694,870
Past due but not impaired	933,255	1,273,093
	<b>4,623,286</b>	4,967,963

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

	As at 31 December	
	2016 RMB'000	2015 RMB'000
Within 90 days	375,422	245,613
Over 90 days and within 365 days	225,516	622,614
Over 365 days	332,317	404,866
	<b>933,255</b>	1,273,093

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 2016 and 2015.

As at 31 December 2016, provision for impairment of other receivables was approximately RMB188,751,000 (2015: RMB131,389,000).

As at 31 December 2016 and 2015, 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 2016 and 2015, trade and other receivables of the Group were mainly denominated in RMB.

## 18 PREPAYMENT FOR ACQUISITION OF LAND USE RIGHTS

Prepayments for acquisition of land use rights are related to acquisition of land for property development purposes, the ownership certificates of which have not been obtained as at 31 December 2016.

## 19 DERIVATIVE FINANCIAL INSTRUMENTS

The movement of derivative financial instruments assets is as follows:

Derivatives at fair value through profit or loss

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Opening balances of assets/(liabilities)	41,782	(1,611)
Acquisition of currency options and forwards (Note(a))	13,714	–
Fair value gain – interest swap contract (Note(b))	63,993	–
Fair value gain – currency options and forwards (Note(a))	76,485	43,393
Disposal of interest rate swap (Note(b))	(105,775)	–
	<b>90,199</b>	41,782

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

**19 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)**

Notes:

- (a) For the year ended 31 December 2016, the Group has entered into six currency option contracts with an aggregate notional amount of US\$150,000,000 and four currency forward contracts with an aggregate notional amount of US\$400,000,000 with Morgan Stanley. These contracts do not qualify for hedge accounting, and are classified as derivative financial instruments held for trading as current assets or current liabilities. Fair value gains of RMB76,485,000 (2015: Nil) have been recognised in "other income/other gains – net" (Note 28).
- (b) On 6 January 2011, the Group entered into two interest rate swap contracts with The Hong Kong and Shanghai Banking Corporation Limited ("HSBC"), with an aggregate notional amount of US\$300,000,000 (the "Swap Contracts"). The Swap Contracts took effect 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 qualify for hedge accounting, and are classified as derivative financial instruments held for trading as current assets or current liabilities, with any fair value changes recognised 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. The Group has terminated the Swap Contracts during the year ended 31 December 2016 and has recorded the fair value gain of the Swap Contracts according to the final agreement with HSBC. For the year ended 31 December 2016, the fair value gains of the Swap Contracts amounting to RMB63,993,000 have been recognised in "Other income/other gains – net" (Note 28).

**20 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH**

	<b>As at 31 December</b>	
	<b>2016</b>	2015
	<b>RMB'000</b>	RMB'000
Bank balances and cash		
– denominated in RMB	<b>21,821,916</b>	25,904,554
– denominated in US dollar	<b>237,847</b>	416,324
– denominated in HK dollar	<b>175,070</b>	88,678
Less: Restricted cash	<b>(2,875,658)</b>	(3,817,713)
	<b>19,359,175</b>	22,591,843

As at 31 December 2016, the Group's restricted cash comprised approximately RMB588,632,000 (2015: RMB270,931,000) of guarantee deposits for the benefit of mortgage loan facilities granted by the banks to the purchasers of the Group's properties (Note 38) and approximately RMB2,287,026,000 (2015: RMB3,546,782,000) 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 2016 was 0.34% (2015: 0.34%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the year ended 31 December 2016

## 21 SHARE CAPITAL

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

	Par value	Number of shares	Nominal value of ordinary shares	
	HK\$	'000	HK\$'000	Equivalent to RMB'000
Authorised:				
At 31 December 2016 and 2015	<b>0.1</b>	<b>5,000,000</b>	<b>500,000</b>	
Issued and fully paid ordinary share:				
At 31 December 2015, and 1 January 2015		3,472,572	347,257	356,275
Cancellation of shares (Note)		(73,191)	(7,319)	(7,411)
At 31 December 2016		<b>3,399,381</b>	<b>339,938</b>	<b>348,864</b>

Note:

The Company acquired 85,549,000 of its own shares through purchases on the Hong Kong Stock Exchange from 4 July 2016 till 30 December 2016, among which 73,191,000 shares have been cancelled during the year ended 31 December 2016. The total amount paid to acquire the shares was HK\$874,917,561, equivalent to RMB758,374,125 and has been deducted from share premium within shareholders' equity (Note 22).

### (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 would expire at the end of the 36-month period from the date of grant. On 28 June 2013, options for a total of 10,000,000 ordinary shares of Shanghai Shimao ("A Share Option") under this scheme were granted to Shanghai Shimao's eligible employees with exercise price of RMB9.84 per share.

The exercise of the granted options is subject to a restriction of 12 months from the date of grant. Subject to the fulfilment of various conditions, including service condition and non-market performance condition, as provided in the A Share Option Scheme, the granted options can be exercised in two batches evenly commencing from (i) the first trading day after the expiry of the 12-month period from the date of grant and (ii) the first trading day after the expiry of the 24-month period from the date of grant, respectively. The weighted average fair value of A Share Option granted determined using the Black-Scholes valuation model was RMB1.235 per option.

Due to the issue of shares by way of conversion of capital reserve, the total options changed from 10,000,000 shares to 21,000,000 shares, out of which 8,820,000 shares were exercised, 12,180,000 shares were lapsed and no shares were granted but not exercised. Pursuant to the A Share Option Scheme, the granted options were expired on 26 June 2016.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

**21 SHARE CAPITAL (CONTINUED)****(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. As at 31 December 2016, the Trust purchased 24,070,000 ordinary shares from market, totaling HK\$328,484,000 (equivalent to RMB263,378,000), of which 18,053,567 shares were granted to eligible employees according to the Share Scheme, 12,796,867 shares vested, and 1,739,585 shares lapsed.

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:

	<b>Number of unvested shares granted</b>	
	<b>Year ended 31 December 2016</b>	2015
Unvested shares, beginning	4,730,902	5,468,896
Granted	3,517,115	4,730,902
Vested	(4,022,474)	(4,752,690)
Lapsed	(708,428)	(716,206)
Unvested shares, ending	3,517,115	4,730,902

The weighted average fair value of the unvested units granted during the year ended 31 December 2016 is HK\$37,492,446, equivalent to RMB31,263,451 (2015: HK\$65,286,448, equivalent to RMB54,696,986).

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

	<b>Year ended 31 December</b>	
	<b>2016 '000</b>	2015 '000
Shares issued	3,399,381	3,472,572
Treasury shares for Share Award Scheme	(11,273)	(10,995)
Treasury shares for cancellation	(12,358)	–
Shares outstanding	3,375,750	3,461,577

**(e) Material non-controlling interests**

There is no individual material non-controlling interests of the Group as at 31 December 2016 and 2015.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 22 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 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 21(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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 22 RESERVES (CONTINUED)

	Merger reserve RMB'000 (Note)	Share premium RMB'000	Translation reserve 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 2016	(185,787)	2,240,789	-	189,945	1,866,540	4,949	6,891	45,682,058	49,805,385
Profit for the year	-	-	-	-	-	-	-	5,171,855	5,171,855
Fair value losses on available-for-sale financial assets, net of tax	-	-	-	-	-	-	(129,572)	-	(129,572)
Currency translation differences	-	-	(36)	-	-	-	-	-	(36)
Changes in ownership interests in subsidiaries without change of control	-	116,685	-	-	-	-	-	-	116,685
Equity-settled share-based payment	-	-	-	-	-	-	-	-	-
- Value of employee services	-	-	-	50,005	-	-	-	-	50,005
- Purchase of shares	-	(37,198)	-	-	-	-	-	-	(37,198)
- Dividends received	-	7,518	-	-	-	-	-	-	7,518
Buy-back of shares	-	-	-	-	-	-	-	-	-
- Purchase of shares (Note 21(a))	-	(758,374)	-	-	-	-	-	-	(758,374)
- Dividends received	-	6,455	-	-	-	-	-	-	6,455
- Cancellation of shares (Note 21(a))	-	7,411	-	-	-	-	-	-	7,411
2015 final dividend paid	-	(1,187,203)	-	-	-	-	-	-	(1,187,203)
2016 interim dividend paid	-	-	-	-	-	-	-	(945,744)	(945,744)
Balance at 31 December 2016	(185,787)	396,083	(36)	239,950	1,866,540	4,949	(122,681)	49,908,169	52,107,187
Representing:									
Proposed final dividend								1,318,310	1,318,310
Others								48,589,859	50,788,877
								49,908,169	52,107,187

Note:

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.

## 23 PERPETUAL CAPITAL INSTRUMENTS

For the year ended 31 December 2016, certain subsidiaries of the Group issued several subordinated unlisted perpetual capital instruments with the total aggregate net proceeds of RMB5,100,000,000 and early redeemed RMB600,000,000 in the second half of year 2016.

All perpetual capital instruments are unsecured and non-guaranteed. There is no maturity of the instruments and the payments of distribution can be deferred at discretion, and there is no limit as to the number of times of deferral of distribution. The perpetual capital instruments are callable. When certain subsidiaries elect to declare dividends to the shareholders, certain subsidiaries shall make distribution to the holders of perpetual capital instruments at the distribution rate as defined in the subscription agreement.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 24 BORROWINGS

	As at 31 December	
	2016 RMB'000	2015 RMB'000
Borrowings included in non-current liabilities		
Long-term bank borrowings		
– secured by assets (Note (i))	8,525,901	15,570,749
– secured by shares of subsidiary guarantors (Note (ii))	–	7,821,483
– secured by shares of a listed subsidiary (Note (iii))	–	35,000
– unsecured	2,692,844	2,382,441
Long-term borrowings from other financial institutions		
– secured by assets (Note (i))	2,452,000	3,490,000
– unsecured	1,094,466	1,339,507
Senior notes – secured (Note (iv))	17,266,917	16,112,385
Medium-term notes – unsecured (Note (v))	5,000,000	5,000,000
Long-term bonds (Note (vi))	10,864,781	7,365,900
Domestic corporate bonds (Note (viii))	9,705,620	–
	57,602,529	59,117,465
Less: Portion of long-term bank borrowings due within one year	(544,125)	(5,710,562)
Portion of long-term borrowings from other financial institutions due within one year	(344,466)	(539,507)
Portion of senior notes due within one year	(5,525,735)	–
Portion of medium-term notes due within one year	(2,000,000)	–
Amounts due within one year	(8,414,326)	(6,250,069)
	49,188,203	52,867,396
Borrowings included in current liabilities		
Short-term bank borrowings		
– secured by assets (Note (i))	3,188,983	3,614,898
– secured by shares of a listed subsidiary (Note (iii))	–	462,000
– unsecured	2,105,000	2,489,629
Short-term borrowings from other financial institutions		
– secured by assets (Note (i))	46,000	85,000
– unsecured	1,000	52,000
Short-term bonds – unsecured (Note (vii))	4,000,000	4,000,000
Current portion of long-term borrowings	2,888,591	6,250,069
Current portion of long-term senior notes	5,525,735	–
	17,755,309	16,953,596

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 24 BORROWINGS (CONTINUED)

Notes:

- (i) As at 31 December 2016, the Group's total secured bank borrowings and borrowings from other financial institutions of RMB14,212,883,000 (2015: RMB22,760,647,000) 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(a)), completed properties held for sale (Note 16(b)) and restricted cash (Note 20). As at 31 December 2016, secured borrowings of RMB147,500,000 (2015: RMB1,331,000,000) were further guaranteed by Mr. Hui Wing Mau.
- (ii) 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 for the year ended 31 December 2015, 35% would 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. On 16 February 2016, the Company repaid all the remaining principal of the syndicated loan.
- 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 matured 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. On 31 May 2016, the Company repaid all the remaining principal of the syndicated loan.
- (iii) As at 31 December 2016, no shares of Shanghai Shimao (31 December 2015: 98,420,000) have been pledged for a bank borrowings (31 December 2015: RMB497,000,000) for Group companies.
- (iv) 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 6 February 2017, the Company early redeemed the senior notes of US\$800,000,000 which was originally due on 14 January 2020 (approximately RMB5,525,735,000).
- (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 August 2014, Shanghai Shimao issued medium-term notes with total principal of RMB1,000,000,000 at a fixed interest rate of 7.6% due on 22 August 2017. On 10 March 2015, Shanghai Shimao issued medium-term notes with total principal of RMB1,500,000,000 at a fixed interest rate of 6.08% due on 10 March 2018. On 10 July 2015, Shanghai Shimao issued medium-term notes with total principal of RMB1,500,000,000 at a fixed interest rate of 5.35% due on 10 July 2018.
- (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. On 24 March 2016, Shanghai Shimao issued long-term bonds in amount of RMB2,000,000,000 at a fixed interest rate of 3.29% per annum. On 12 July 2016, Shanghai Shimao issued long-term bonds in amount of RMB1,500,000,000 at a fixed interest rate of 3.38% per annum.
- (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. On 12 January 2016, Shanghai Shimao issued short-term financing bonds with total principal of RMB2,000,000,000 at a fixed interest rate of 3% due on 12 January 2017. On 20 October 2016, Shanghai Shimao issued short-term financing bonds with total principal of RMB2,000,000,000 at a fixed interest rate of 3% due on 20 October 2017.
- (viii) On 14 January 2016, 3 August 2016, 22 September 2016, 22 September 2016 and 22 September 2016, Shimao Property Holdings Limited issued domestic corporate bonds with total principal of RMB4,000,000,000, RMB540,000,000, RMB1,000,000,000, RMB3,000,000,000 and RMB1,200,000,000 at a fixed interest rate of 4.8%, 4.3%, 3.7%, 3.9% and 4.1% due on 14 January 2021, 3 August 2021, 22 September 2018, 22 September 2019 and 22 September 2021.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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**24 BORROWINGS (CONTINUED)**

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

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:

	<b>6 months or less</b>	<b>6-12 months</b>	<b>1-5 years</b>	<b>Over 5 years</b>	<b>Total</b>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings included in non-current liabilities:					
At 31 December 2016	<b>27,563,118</b>	<b>2,504,048</b>	<b>4,129,961</b>	<b>14,991,076</b>	<b>49,188,203</b>
At 31 December 2015	29,624,791	2,691,346	4,438,875	16,112,384	52,867,396
Borrowings included in current liabilities:					
At 31 December 2016	<b>15,465,850</b>	<b>2,289,459</b>	-	-	<b>17,755,309</b>
At 31 December 2015	14,767,514	2,186,082	-	-	16,953,596

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

	<b>As at 31 December</b>	
	<b>2016</b>	2015
	RMB'000	RMB'000
Bank borrowings:		
Between 1 and 2 years	<b>2,809,603</b>	7,578,121
Between 2 and 5 years	<b>3,920,509</b>	7,256,883
Over 5 years	<b>3,944,508</b>	5,264,108
Borrowings from other financial institution:		
Between 1 and 2 years	<b>480,000</b>	690,000
Between 2 and 5 years	<b>2,722,000</b>	3,600,000
Domestic corporate bonds:		
Between 2 and 5 years	<b>9,705,620</b>	-
Senior notes:		
Between 2 and 5 years	<b>4,129,902</b>	5,127,912
Over 5 years	<b>7,611,280</b>	10,984,472
Medium-term notes payable:		
Between 1 and 2 years	<b>3,000,000</b>	2,000,000
Between 2 and 5 years	-	3,000,000
Long-term bonds:		
Between 2 and 5 years	<b>9,500,000</b>	6,000,000
Over 5 years	<b>1,364,781</b>	1,365,900
	<b>49,188,203</b>	52,867,396

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

**24 BORROWINGS (CONTINUED)**

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

	<b>As at 31 December</b>	
	<b>2016</b>	2015
Bank borrowings – RMB	<b>5.30%</b>	6.95%
Bank borrowings – US dollar	<b>3.71%</b>	4.08%
Bank borrowings – HK dollar	<b>2.19%</b>	2.84%
Bank borrowings – JPY yen	<b>1.10%</b>	–
Bank borrowings – AUD dollar	<b>3.06%</b>	–
Senior notes – US dollar	<b>7.76%</b>	8.16%
Borrowings from other financial institutions – RMB	<b>5.70%</b>	8.79%

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

	<b>Carrying amounts</b>	<b>Fair values</b>
	RMB'000	RMB'000
Fixed rate portion – senior notes	11,741,182	12,956,634
Fixed rate portion – others	23,570,401	23,495,048
Floating rate portion	13,876,620	13,874,116
<b>At 31 December 2016</b>	<b>49,188,203</b>	<b>50,325,798</b>
Fixed rate portion – senior notes	16,112,385	17,250,063
Fixed rate portion – others	15,246,900	15,307,797
Floating rate portion	21,508,111	21,497,963
<b>At 31 December 2015</b>	<b>52,867,396</b>	<b>54,055,823</b>

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 recorded in current and non-current liabilities as at 31 December 2016 amounting to RMB18,672,332,000 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.

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

	<b>As at 31 December</b>	
	<b>2016</b>	2015
	<b>RMB'000</b>	RMB'000
RMB	<b>44,376,073</b>	36,072,121
HK dollar	<b>4,405,911</b>	8,355,624
US dollar	<b>17,266,917</b>	25,393,247
AUD dollar	<b>376,178</b>	–
JPY yen	<b>518,433</b>	–
	<b>66,943,512</b>	69,820,992

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the year ended 31 December 2016

## 25 FINANCE LEASE LIABILITIES

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Included in current liabilities	171,420	186,620
Included in non-current liabilities	222,353	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% as at 31 December 2016 and 2015 (Note 6).

As at 31 December 2016 and 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	
	2016	2015
	RMB'000	RMB'000
<b>Finance lease liabilities</b>		
Between 1 and 2 years	184,565	180,889
Between 2 and 5 years	37,788	205,476
	222,353	386,365

## 26 TRADE AND OTHER PAYABLES

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Trade payables (Note (a))	21,220,985	21,271,645
Other taxes payable	1,070,753	1,334,669
Accrued expenses	1,670,331	1,310,797
Other payables (Note (b))	3,345,545	2,045,880
	27,307,614	25,962,991

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

**26 TRADE AND OTHER PAYABLES (CONTINUED)**

Notes:

(a) As at 31 December 2016, the aging analysis of the trade payables based on invoice date is as follows:

	<b>As at 31 December 2016 RMB'000</b>	2015 RMB'000
Within 90 days	20,371,754	21,139,006
Over 90 days and within 1 year	849,231	132,639
	<b>21,220,985</b>	21,271,645

(b) Other payables comprise:

	<b>As at 31 December 2016 RMB'000</b>	2015 RMB'000
Deposits received from customers	1,235,158	1,240,333
Payables for equity interest	1,045,000	–
Fees collected from customers on behalf of government agencies	144,105	116,509
Deposits from contractors	356,455	360,388
Rental deposits from tenants and hotel customers	463,658	294,340
Others	101,169	34,310
	<b>3,345,545</b>	2,045,880

**27 AMOUNTS DUE TO RELATED PARTIES**

	<b>As at 31 December 2016 RMB'000</b>	2015 RMB'000
– Company with common directors	–	1,861
– Associated companies	2,470,252	1,573,152
– Joint ventures	16,297,129	16,803,440
– Non-controlling interests	9,021,289	6,069,543
	<b>27,788,670</b>	24,447,996

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

**28 OTHER INCOME/OTHER GAINS – NET**

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Net gains on disposal of subsidiaries with loss of control (Note 40(b))	476,406	991,456
Gain on derivative financial instruments (Note 19)	140,478	43,393
Gain on disposal of investment in structured products issued by banks	93,523	–
Government grants	75,699	108,076
Gain on acquisition of a subsidiary (Note 40(e))	12,497	–
Gains on acquisition of equity interests in associated companies, joint ventures and obtaining control	–	322,116
Gains on disposal/closure of associated companies	–	40,904
Gains on deemed disposal of subsidiaries with loss of control	–	7,123
Others	40,182	57,930
	<b>838,785</b>	<b>1,570,998</b>

**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	
	2016 RMB'000	2015 RMB'000
Cost of properties sold and others	40,410,295	37,412,175
Including: interests capitalized	3,606,000	3,450,500
land and construction	35,929,000	33,834,800
Business taxes and other levies on sales of properties (Note (a))	1,635,370	3,216,851
Staff costs – including directors' emoluments (Note 31(a))	1,603,436	1,589,176
Advertising, promotion and commission costs	1,050,473	1,302,885
Direct expenses arising from hotel operation	857,339	767,791
Corporate and office expenses	610,932	753,355
Depreciation (Note 6)	430,149	430,066
Amortisation of land use rights (Note 8)	84,180	73,963
Operating lease rental expenses	77,072	105,515
Direct expenses arising from investment properties (Note 7(a))	34,494	67,398
Charitable donations	123,697	50,652
Auditor's remuneration	13,350	19,260
– Audit services	9,400	9,000
– Non-audit services	3,950	10,260
Provision for impairment of receivables	57,362	82,218
Provision of impairment losses on completed properties held for sale (Note 16(b))	173,295	152,469
Write-off of intangible assets (Note 9)	26	–
Other expenses	139,934	442,666
	<b>47,301,404</b>	<b>46,466,440</b>
Total cost of sales, selling and marketing costs, administrative expenses and other operating expenses		

Note:

- (a) The Group's companies incorporated in the PRC were subject to business taxes of 5% on their revenue from sales of properties before 1 May 2016. From then onwards, they are subject to value added tax and the applicable tax rates are 11% and 5%.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

**30 FINANCE COSTS – NET**

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Interest on bank borrowings		
– wholly repayable within five years	2,759,925	2,724,278
– not wholly repayable within five years	256,384	308,980
Interest on senior notes		
– wholly repayable within five years	692,607	537,904
– not wholly repayable within five years	614,752	794,259
Interest on borrowing from other financial institutions		
– wholly repayable within five years	1,052,686	1,130,062
– not wholly repayable within five years	–	–
Interest on finance lease liabilities		
– wholly repayable within five years	49,214	5,818
– not wholly repayable within five years	–	–
	5,425,568	5,501,301
Less: interest capitalised	(4,743,492)	(4,940,418)
Net foreign exchange losses	1,435,225	1,970,760
Less: foreign exchange losses capitalised	(571,523)	(781,733)
Finance costs	1,545,778	1,749,910
Finance income	(369,832)	(341,262)
Finance costs – net	1,175,946	1,408,648

**31 EMPLOYEE BENEFIT EXPENSE****(a) Staff costs (including directors' emoluments) comprise:**

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Wages and salaries	1,203,572	1,198,083
Pension costs – statutory pension (Note (b))	133,154	125,601
Other allowances and benefits	266,710	265,492
	1,603,436	1,589,176

**(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.

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 (2015: five) directors whose emoluments are reflected in Note 32.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the year ended 31 December 2016

## 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 2016 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 RMB'000	Employee share award schemes RMB'000	Total RMB'000
Executive directors							
Mr. Hui Wing Mau	-	5,367	447	-	-	-	5,814
Mr. Hui Sai Tan, Jason	-	5,109	585	-	16	258	5,968
Ms. Tang Fei	-	1,275	1,697	60	94	558	3,684
Mr. Liao Lujiang	-	1,546	1,739	144	94	374	3,897
Mr. Xu Younong (Note 1)	-	131	-	-	8	-	139
Mr. Kan Naigui (Note 1)	-	1,341	1,700	120	94	535	3,790
Non-executive director							
Mr. Liu Sai Fei	-	2,160	1,428	-	-	754	4,342
Independent non-executive directors							
Ms. Kan Lai Kuen, Alice	322	-	-	-	-	-	322
Mr. Lu Hong Bing	322	-	-	-	-	-	322
Mr. Lam Ching Kam	322	-	-	-	-	-	322
	966	16,929	7,596	324	306	2,479	28,600

Note 1:

Mr. Xu Younong retired as an executive director with effect from 15 January 2016 and Mr. Kan Naigui was appointed as an executive director with effect from 15 January 2016.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

**32 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)****(a) Directors' emoluments (continued)**

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 RMB'000	Employee share award schemes RMB'000	Total 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 director							
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

Note 1:

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

**(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the year ended 31 December 2016

### 33 INCOME TAX EXPENSE

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Current income tax		
– PRC enterprise income tax	3,232,300	3,241,700
– PRC withholding income tax	31,544	30,127
– PRC land appreciation tax	2,011,855	1,695,965
	<b>5,275,699</b>	4,967,792
Deferred income tax (Note 14)		
– PRC enterprise income tax	184,794	335,874
– PRC withholding income tax	225,000	260,005
	<b>5,685,493</b>	5,563,671

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	
	2016 RMB'000	2015 RMB'000
Profit before income tax	13,195,878	13,722,409
Add: Share of results of associated companies and joint ventures	448,391	483,169
Land appreciation tax	(2,011,855)	(1,695,965)
	<b>11,632,414</b>	12,509,613
Calculated at PRC enterprise income tax rate of 25% (2015:25%)	2,908,104	3,127,403
Effect of different tax rates in other countries or regions	(24,823)	(49,504)
Expenses not deductible for income tax purposes (Note (a))	598,365	615,573
Income not subject to tax (Note (b))	(70,952)	(129,168)
Tax losses not recognised	6,400	13,270
	<b>3,417,094</b>	3,577,574
PRC enterprise income tax charge		
	<b>2,011,855</b>	1,695,965
PRC land appreciation tax charge		
	<b>31,544</b>	30,127
Current income tax – PRC withholding income tax		
Deferred income tax – PRC withholding income tax	<b>225,000</b>	260,005
	<b>5,685,493</b>	5,563,671

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

**33 INCOME TAX EXPENSE (CONTINUED)****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 2016 (2015: Nil).

**PRC enterprise income tax**

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

**PRC land appreciation tax**

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

**PRC withholding income tax**

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the year ended 31 December 2016

### 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	
	2016	2015
Profit attributable to the equity holders of the Company (RMB'000)	5,171,855	6,115,784
Weighted average number of ordinary shares in issue (thousands)	3,433,844	3,460,330
Basic earnings per share (RMB cents)	150.6	176.7

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 assuming they were exercised.

	Year ended 31 December	
	2016	2015
Profit attributable to the equity holders of the Company (RMB'000)	5,171,855	6,115,784
Weighted average number of ordinary shares in issue (thousands)	3,433,844	3,460,330
Adjustment for shares granted under Share Scheme (thousands)	4,470	5,047
Weighted average number of ordinary shares for diluted earnings per share (thousands)	3,438,314	3,465,377
Diluted earnings per share (RMB cents)	150.4	176.4

### 35 DIVIDENDS

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Interim dividends paid of HK32 cents (2015: HK30 cents) per ordinary share (Note (a))	954,318	821,541
Proposed final dividends of HK44 cents (2015: HK40 cents) per ordinary share (Note (b))	1,318,310	1,163,728
Other dividends paid	192,475	51,491
	2,465,103	2,036,760

Notes:

- (a) An interim dividend in respect of the six months ended 30 June 2016 of HK26 cents per ordinary share and a special dividend of HK6 cents per ordinary share, amounting to HK\$1,111,222,000 (equivalent to RMB954,318,000) was paid in September 2016 (RMB821,541,000 relating to 2015 interim dividend paid in 2015).
- (b) At a meeting held on 29 March 2017, the directors proposed a final dividend of HK44 cents per ordinary share for the year ended 31 December 2016. This proposed dividend is not reflected as a dividend payable in these consolidated financial statements, but will be reflected as an appropriation for the year ending 31 December 2016 upon approval by the shareholders at the forthcoming annual general meeting of the Company.

A final dividend of RMB1,163,728,000 relating to the year ended 31 December 2015 was paid in 2016.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

**36 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT**

Net cash generated from operations:

	<b>Year ended 31 December</b>	
	<b>2016</b>	2015
	<b>RMB'000</b>	RMB'000
Profit before income tax	<b>13,195,878</b>	13,722,409
Adjustments for:		
Interest income	<b>(369,832)</b>	(341,262)
Interest expense	<b>682,076</b>	560,883
Provision for impairment of receivables	<b>57,362</b>	82,218
Provision for impairment loss on completed properties held for sale	<b>173,295</b>	143,814
Depreciation	<b>430,149</b>	430,066
Gain on disposal of property and equipment	<b>(90)</b>	(5,295)
Share of results of associated companies	<b>(37,584)</b>	(108,684)
Share of results of joint ventures	<b>485,975</b>	591,853
Net gain on disposal of subsidiaries with loss of control	<b>(476,406)</b>	(991,456)
Net gain on acquisition of a subsidiary	<b>(12,497)</b>	–
Gain on deemed disposal of subsidiaries with loss of control	<b>–</b>	(7,123)
Gain on disposal/closure of associated companies	<b>–</b>	(40,904)
Gain on acquisition of equity interests in associated companies, joint ventures and obtaining control	<b>–</b>	(328,626)
Amortisation of land use rights	<b>84,180</b>	73,963
Fair value gain on derivative financial instruments	<b>(140,478)</b>	(43,393)
Gain on disposal of investment in structured products issued by banks	<b>(93,523)</b>	–
Fair value gains on investment properties	<b>(1,996,673)</b>	(2,776,694)
Write-off of intangible assets	<b>26</b>	–
Value of employee services arising from equity-settled share based payment scheme	<b>50,005</b>	92,205
Net exchange losses	<b>863,702</b>	1,189,027
	<b>12,895,565</b>	12,243,001
Changes in working capital:		
Properties under development, completed properties held for sale and prepayment for acquisition of land use rights	<b>(1,640,725)</b>	(4,104,780)
Restricted cash	<b>(317,701)</b>	205,736
Trade and other receivables and prepayments	<b>(7,223,588)</b>	(1,766,817)
Trade and other payables	<b>1,679,743</b>	(423,880)
Advanced proceeds received from customers	<b>(152,277)</b>	(4,909,206)
Amounts due to related companies excluding non-controlling interests	<b>388,928</b>	9,408,656
Net cash generated from operations	<b>5,629,945</b>	10,652,710

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

**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 2016 are as follows:

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2016	Principal activities
<b>Principal subsidiaries – established and operation conducted in the PRC</b>					
上海世茂股份有限公司 (Shanghai Shimao Co., Ltd.)	1 July 1992	Foreign investment enterprise	Registered capital RMB2,679,405,901	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
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	100%	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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 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 2016	Principal activities
<b>Principal subsidiaries – established and operation conducted in the PRC (continued)</b>					
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\$130,030,000	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
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\$323,730,000	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
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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 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 2016	Principal activities
<b>Principal subsidiaries – established and operation conducted in the PRC (continued)</b>					
瀋陽世茂新世紀房地產開發有限公司 (Shenyang Shimao New Century Real Estate 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
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
余姚世茂牟山湖休閒度假區開發有限公司 (Yuyao Shimao Moushanhu Leisure Resort Development Co., Ltd.)	21 October 2010	Domestic enterprise	Registered capital RMB200,000,000	70%	Property development

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 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 2016	Principal activities
<b>Principal subsidiaries – established and operation conducted in the PRC (continued)</b>					
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
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
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 RMB1,000,000,000	51%	Property development
昆山世茂新發展置業有限公司 (Kunshan Shimao New Development Property Co., Ltd.)	12 September 2007	Foreign investment enterprise	Registered capital US\$49,980,000	100%	Property development
成都世盈投資管理諮詢有限公司 (Chengdu Shiyong Investment Management Consulting Co., Ltd.)	20 September 2007	Foreign investment enterprise	Registered capital US\$29,980,000	100%	Property development
上海世源建材貿易有限公司 (Shanghai Shine Construction Materials Trading Co., Ltd.)	22 January 2007	Foreign investment enterprise	Registered capital HK\$65,000,000	100%	Trading of construction material
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 material
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

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## 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 2016	Principal activities
<b>Principal subsidiaries – established and operation conducted in the PRC (continued)</b>					
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
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 RMB1,867,000,000	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 RMB101,723,586	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
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

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## 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 2016	Principal activities
<b>Principal subsidiaries – established and operation conducted in the PRC (continued)</b>					
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
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
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	51%	Property development
杭州世茂嘉年華置業有限公司 (Hangzhou Shimao Carnival Property Co., Ltd.)	16 October 2013	Domestic enterprise	Registered capital RMB2,000,000,000	100%	Property development

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 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 2016	Principal activities
<b>Principal subsidiaries – established and operation conducted in the PRC (continued)</b>					
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	58.92%	Property development
南昌世茂新紀元置業有限公司 (Nanchang Shimao New Era Property Co., Ltd.)	7 November 2013	Domestic enterprise	Registered capital 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
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

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## 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 2016	Principal activities
<b>Principal subsidiaries – established and operation conducted in the PRC (continued)</b>					
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大業房地產 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 March 2011	Domestic enterprise	Registered capital RMB1,037,750,000	100%	Property development
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

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## 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 2016	Principal activities
<b>Principal subsidiaries – established and operation conducted in the PRC (continued)</b>					
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
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
南京世招葦畚置業有限公司 (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

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## 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 2016	Principal activities
<b>Principal subsidiaries – established and operation conducted in the PRC (continued)</b>					
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	80%	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	80%	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	80%	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
天津生態城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
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.)	2 July 2014	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

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## 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 2016	Principal activities
<b>Principal subsidiaries – established and operation conducted in the PRC (continued)</b>					
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
天津世茂新世紀置業有限公司 (Tianjin Shimao New Century Property Co., Ltd.)	6 May 2016	Domestic enterprise	Registered capital RMB350,000,000	100%	Property development
天津茂晟酒店管理有限公司 (Tianjin Maosheng Hotel Management Co., Ltd.)	19 October 2016	Domestic enterprise	Registered capital RMB10,000,000	100%	Hotel
泰州世悅酒店管理有限公司 (Taizhou Shiyue Hotel Management Co., Ltd.)	27 November 2016	Domestic enterprise	Registered capital RMB10,000,000	100%	Hotel
泉州世茂融信新世紀房地產有限責任公司 (Quanzhou Shimao Rongxin New Century Real Estate Co., Ltd.)	10 October 2016	Domestic enterprise	Registered capital RMB50,000,000	79.05%	Property development
泉州世茂融信新領航房地產有限責任公司 (Quanzhou Shimao Rongxin New Pioneer Real Estate Co., Ltd.)	10 October 2016	Domestic enterprise	Registered capital RMB50,000,000	79.05%	Property development
固安茂悅房地產開發有限公司 (Gu'an Maoyue Real Estate Development Co., Ltd.)	25 August 2016	Domestic enterprise	Registered capital RMB50,000,000	80%	Property development
牡丹江穆悅融資租賃有限公司 (Mudanjiang Muyue Finance Lease Co., Ltd.)	6 May 2016	Domestic enterprise	Registered capital US\$50,000,000	100%	Finance lease

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## 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 2016	Principal activities
<b>Principal subsidiaries – established and operation conducted in the PRC (continued)</b>					
南京世茂新發展置業有限公司 (Nanjing Shimao New Development Property Co., Ltd.)	13 January 2016	Domestic enterprise	Registered capital RMB3,000,000,000	75.99%	Property development
南京世茂新領航置業有限公司 (Nanjing Shimao New Pioneer Property Co., Ltd.)	1 June 2016	Domestic enterprise	Registered capital RMB7,700,000,000	56.80%	Property development
銀川世茂新發展置業有限公司 (Yinchuan Shimao New Development Property Co., Ltd.)	12 January 2016	Domestic enterprise	Registered capital RMB100,000,000	100%	Property development
成都世茂新世紀商業管理有限公司 (Chengdu Shimao New Century Business Management Co., Ltd.)	13 July 2016	Domestic enterprise	Registered capital RMB1,000,000	100%	Investment holding
南京世茂商業管理有限公司 (Nanjing Shimao Business Management Co., Ltd.)	10 December 2016	Domestic enterprise	Registered capital RMB1,000,000	100%	Investment holding
張家港世茂新里程房地產開發有限公司 (Zhangjiagang Shimao New Miles Real Estate Development Co., Ltd.)	29 March 2016	Domestic enterprise	Registered capital RMB1,400,000,000	51%	Property development
上海鑫蕾融資租賃有限公司 (Shanghai Xinlei Finance Lease Co., Ltd.)	13 June 2016	Domestic enterprise	Registered capital US\$30,000,000	100%	Finance lease
上海繁英園林綠化工程有限公司 (Shanghai Fanying Landscaping Architect Co., Ltd.)	30 December 2014	Domestic enterprise	Registered capital RMB1,000,000	100%	Architect
上海茂怡酒店管理有限公司 (Shanghai Maoyi Hotel Management Co., Ltd.)	19 March 2014	Domestic enterprise	Registered capital RMB1,000,000	100%	Hotel
<b>Principal subsidiaries – incorporated and operation conducted in the British Virgin Islands</b>					
Shimao Property Holdings (BVI) Limited	23 August 2002	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Advance Assets Holdings Limited	22 June 2001	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Best Empire Investments Limited	2 July 2002	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Double Achieve Assets Limited	31 January 2002	Limited liability company	1 ordinary share of US\$1	100%	Investment holding

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For the year ended 31 December 2016

**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 2016	Principal activities
<b>Principal subsidiaries – incorporated and operation conducted in the British Virgin Islands (continued)</b>					
Ease 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 Villa 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
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\$50,000	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

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For the year ended 31 December 2016

**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 2016	Principal activities
<b>Principal subsidiaries – incorporated and operation conducted in the British Virgin Islands (continued)</b>					
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
Assets Circle Limited	2 February 2016	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Classic Prime Limited	20 May 2016	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Unique Wonder Limited	24 August 2016	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Paramount Gain Limited	29 August 2016	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Fortune Spring Ventures Limited	8 November 2016	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Up Chance Holdings Limited	1 December 2016	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Able Noble Holdings Limited	12 December 2016	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
<b>Principal subsidiaries – incorporated and operation conducted in Hong Kong</b>					
Brilliant Architectural and Construction Professional Consultancy Limited	28 July 2006	Limited liability company	100,000 ordinary shares of HK\$100,000	100%	Consultancy services
Bonus Boom Limited	13 November 2007	Limited liability company	1 ordinary share of HK\$1	100%	Investment holding
Brand Rise Limited	5 March 2013	Limited liability Company	1 ordinary share of HK\$1	100%	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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

**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 2016	Principal activities
<b>Principal subsidiaries – incorporated and operation conducted in Hong Kong (continued)</b>					
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
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 shares of HK\$1,040,199,528	100%	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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 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 2016	Principal activities
<b>Principal subsidiaries – incorporated and operation conducted in Hong Kong (continued)</b>					
Shimao Holdings Company Limited	3 February 1994	Limited liability company	395 million ordinary shares of HK\$395 million	100%	Investment holding
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
<b>Associated companies – established and operation conducted in the PRC</b>					
廣州利合房地產開發有限公司 (Guangzhou Li He Property Development Co., Ltd.)	5 February 2010	Foreign investment enterprise	Registered capital HK\$750,000,000	20%	Property development
成都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	33.33%	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
<b>Associated companies – established and operation conducted in the British Virgin Islands</b>					
Eagle Rights Limited	31 March 2010	Limited liability company	45,000,000 shares with no par value	33.33%	Investment holding
<b>Joint ventures – established and operation conducted in the PRC</b>					
無錫世茂房地產開發建設有限公司 (Wuxi Shimao Real Estate Development & Construction Co., Ltd.)	20 November 2009	Domestic enterprise	Registered capital RMB900,000,000	50%	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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 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 2016	Principal activities
<b>Joint ventures – established and operation conducted in the PRC (continued)</b>					
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 Property Co., Ltd.)	29 October 2013	Domestic enterprise	Registered capital RMB1,400,000,000	49%	Property development
寧波世茂新里程置業有限公司 (Ningbo Shimao New Miles Property Co., Ltd.)	05 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
寧波世茂嘉年華置業有限公司 (Ningbo Shimao Jianianhua Property Co., Ltd.)	18 December 2013	Domestic enterprise	Registered capital RMB400,000,000	50%	Property development
<b>Joint ventures – established and operation conducted in Hong Kong</b>					
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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

**38 CONTINGENCIES AND FINANCIAL GUARANTEE CONTRACTS****(a) The Group had the following contingent liabilities:**

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Guarantees in respect of mortgage facilities for certain purchasers	20,614,857	14,099,968

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	
		2016	2015
		RMB'000	RMB'000
Guarantee in respect of borrowings	2017-2021	6,298,249	7,534,077

Note:

The Group and other shareholders provided guarantees in proportion of their respective equity interests in certain joint ventures and associated companies for their bank borrowings. The respective guarantees provided by the Group amounted to RMB6,298,249,000 as at 31 December 2016 (2015: RMB7,534,077,000). The fair value of the financial guarantee contracts are not significant. The Directors are of the view that such obligation will not cause an outflow of the Group's resources embodying economic benefits.

**(c) Contingencies for litigation**

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

For other litigation against the Group, the Directors are of the view that they would not cause an outflow of the Group's resources embodying economic benefits as at 31 December 2016.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

**39 COMMITMENTS****(a) Commitments for capital and property development expenditure**

	<b>As at 31 December 2016 RMB'000</b>	2015 RMB'000
Contracted but not provided for		
– Property and equipment	1,114,851	2,170,294
– Land use rights (including those related to associated companies and joint ventures)	15,975,981	14,517,215
– Properties being developed by the Group for sale	25,840,875	20,325,672
	<b>42,931,707</b>	37,013,181

**(b) Operating lease commitments**

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

	<b>As at 31 December 2016 RMB'000</b>	2015 RMB'000
Within one year	145,786	129,443
Between two to five years	419,248	430,095
After five years	190,850	239,280
	<b>755,884</b>	798,818

**40 SIGNIFICANT ACQUISITION OR DISPOSAL OF SUBSIDIARIES AND TRANSACTIONS WITH NCI****(a) An associated company transferred to a subsidiary**

For the year ended 31 December 2016, the Group gained control in the following then associated company:

In June 2016, the Group ended the cooperation with its venture party in Jinan Caishi and acquired the remaining 67% equity interest from the associate party at a consideration of RMB67,000,000. The carrying value of the investment in associated company was RMB33,000,000 before the business combination. The purchase resulted in a net cash outflow of RMB66,996,000 and no gain was recognised from this acquisition.

	RMB'000
<b>Consideration:</b>	
Cash	67,000
Carrying value of equity interest in above companies held before the business combination	33,000
Total consideration	100,000
<b>Recognised amounts of identifiable assets acquired and liabilities assumed</b>	
Cash and cash equivalents	4
Properties under development	2,605
Trade and other receivables and prepayments	97,541
Trade and other payables	(150)
Total identifiable net assets	100,000
Cash consideration paid	67,000
Cash and cash equivalents in the entity acquired	(4)
Net cash outflow arising from acquisition	66,996

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

**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 2016, the Group disposed of certain equity interests in several wholly-owned subsidiaries as follows:

	RMB'000
Consideration received:	
Beijing Fortune Times Property Co., Ltd. (Note (ii))	2,898,409
Beijing Shimao Cinema Line Co., Ltd. (Note (ii))	17,190
Shanghai Ximei Investment and Development LLP (Note (ii))	45,766
Ningbo Shimao Jianianhua Property Co., Ltd. ("Ningbo Jianianhua") (Note (i))	200,000
	3,161,365

The disposal had resulted in total net gain of RMB476,406,000 (Note 28).

**(i) Disposal of a subsidiary with loss of control and remaining interest retained as a joint venture**

In November 2016, the Group disposed 50% equity interest in Ningbo Jianianhua. The remaining interest of the Group in this joint venture has a fair value of RMB200,000,000. The disposal resulted in a net cash inflow of RMB197,288,000 and a net gain of RMB16,365,000.

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

	RMB'000
Properties under development	979,837
Trade and other receivables and prepayments	156,114
Cash and cash equivalents	2,712
Borrowings	(500,000)
Trade and other payables	(255,028)
Net assets	383,635
Fair value of interests retained in joint ventures (Note 11)	200,000
Total consideration	200,000
Net assets disposed	(383,635)
Disposal gain	16,365
Total consideration	200,000
Less: Cash and cash equivalents in the entities disposed	(2,712)
Net cash inflow arising from disposal	197,288

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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**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 without retained equity interests**

For the year ended 31 December 2016, the Group disposed certain equity interests in several wholly owned subsidiaries with total consideration of RMB2,961,365,000.

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

	RMB'000
Investment properties (Note 7)	2,598,000
Property and equipment (Note 6)	3,582
Deferred income tax assets (Note 14)	27,146
Available-for-sale financial assets	70,000
Cash and cash equivalents	28,945
Deferred income tax liabilities (Note 14)	(483,797)
Other assets	308,390
Other liabilities	(20,943)
<b>Net assets</b>	<b>2,531,323</b>
Fair value of interests without retained in non-controlling interests	29,999
Total consideration	2,961,365
Net assets disposed	(2,531,323)
<b>Disposal gain</b>	<b>460,041</b>
Total consideration	2,961,365
Less: Cash and cash equivalents in the entities disposed	(28,945)
<b>Net cash inflow arising from disposal</b>	<b>2,932,420</b>

**(c) Deemed disposal of subsidiaries**

For the year ended 31 December 2016, the Group lost control of two then wholly-owned subsidiaries, namely, Xiamen Mujia Business Factoring Co., Ltd. and Shanghai Murun Consulting and Technology Co., Ltd., pursuant to capital injection by two new investors into these companies. The remaining interests of the Group in these joint ventures has a fair value of RMB250,000,000 and RMB490,000 respectively. After such capital injections, these companies became joint ventures of the Group.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

**40 SIGNIFICANT ACQUISITION OR DISPOSAL OF SUBSIDIARIES AND TRANSACTIONS WITH NCI (CONTINUED)****(c) Deemed disposal of subsidiaries (continued)**

The following table summarises the net assets of Xiamen Mujia Business Factoring Co., Ltd. and Shanghai Murun Consulting and Technology Co., Ltd. at the date of disposal. The disposal resulted in a net cash outflow of RMB31,795,000 and no gain was recognised from these capital injections.

	<b>The date of disposal</b> RMB'000
Amounts due from related parties	749,226
Cash and cash equivalents	31,795
Other assets	114
Borrowings	(500,000)
Other liabilities	(30,645)
<b>Net assets</b>	<b>250,490</b>
Gain on deemed disposal of subsidiaries:	
Fair value of interests retained in joint ventures (Note 11)	250,490
Net assets disposal	(250,490)
Gain on deemed disposal	–
<b>Net cash outflow arising from deemed disposal</b>	<b>(31,795)</b>

**(d) Deemed acquisition of subsidiaries**

For the year ended 31 December 2016, the Group gained control of four then joint ventures:

Beijing FuWah Wulan Real Estate Development Co., Ltd., Great Wall Majestic Pte. Ltd., Beijing FuWah Great Wall Real Estate Development Co., Ltd. and Beijing FuWah Borong Real Estate Development Co., Ltd. became subsidiaries of the Group pursuant to the revised articles that confer the Group the exclusive decision making rights in all significant activities, including but not limited to operation and financing activities.

The following table summarises the net assets of these companies at the date of acquisition. These joint ventures had a total carrying value of RMB1,229,298,000 before the change of control. The acquisition resulted in a net cash inflow of RMB425,534,000 and no gain was recognised from these capital injections.

	<b>The date of acquisition</b> RMB'000
Properties under development	3,110,632
Property and equipment (Note 6)	137
Trade and other receivables and prepayments	1,114,327
Cash and cash equivalents	425,534
Trade and other payables	(1,947)
Borrowings	(901,060)
Advanced proceeds received	(1,289,027)
<b>Total identifiable net assets</b>	<b>2,458,596</b>
Non-controlling interests	(1,229,298)
<b>Total acquired net assets</b>	<b>1,229,298</b>
<b>Net cash inflow arising from deemed acquisition</b>	<b>425,534</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

**40 SIGNIFICANT ACQUISITION OR DISPOSAL OF SUBSIDIARIES AND TRANSACTIONS WITH NCI (CONTINUED)****(e) Acquisition of a subsidiary**

For the year ended 31 December 2016, the Group gained control of then subsidiary:

Shimao Aoya Holding Pty Ltd. became a subsidiary pursuant to the articles that confer the Group the exclusive decision making rights in all significant activities, including but not limited to operation and financing activities.

The following table summarises the net assets of these companies at the date of acquisition. The acquisition resulted in a net cash outflow of RMB513,000,000.

	<b>The date of acquisition</b> RMB'000
Inventories (Note 16)	298,133
Property and equipment (Note 6)	28,341
Land use rights (Note 8)	199,023
<b>Total assets group</b>	<b>525,497</b>
Gain on acquisition of subsidiaries:	
Total consideration	(513,000)
Total acquired net assets	525,497
<b>Gain on acquisition</b>	<b>12,497</b>
<b>Net cash outflow arising from acquisition</b>	<b>(513,000)</b>

**(f) Transaction with non-controlling interests****(i) Capital contribution from non-controlling interests**

For the year ended 31 December 2016, non-controlling interests made several capital injections into the Group with total consideration of RMB6,556,880,000, which was equal to the carrying amount of non-controlling interests acquired on the date of acquisition.

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

For the year ended 31 December 2016, the Group acquired additional interests in the subsidiaries for a total consideration of RMB2,926,928,000. The Group recognised a decrease in non-controlling interests of RMB2,790,771,000 and a decrease in equity attributable to the equity holders of the Company of RMB136,157,000. The effect of changes in the ownership interest of the Group on the equity attributable to the equity holders of the Company during the year is summarised as follows:

	<b>The date of acquisition</b> RMB'000
Carrying amount of non-controlling interests acquired	2,790,771
Consideration paid to non-controlling interests	(1,881,928)
Consideration payable recorded in 'trade and other payables' (Note 26(b))	(1,045,000)
<b>Excess of consideration paid recognised in equity</b>	<b>(136,157)</b>

For the year ended 31 December 2016, the Group disposed equity interests in Qianhai Shimao Development (Shenzhen) Co., Ltd., Nanchang Shuicheng Investment Co., Ltd., Hangzhou Shimao Ruiying Real Estate Co., Ltd., Xiamen Shimao New Pilot Real Estate Co., Ltd. and Shanghai Qianshe Investment and Management Co., Ltd. for a total consideration of RMB6,970,442,700 to Shanghai Shimao which resulted in a reserve reclassification of RMB252,842,000.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

**41 RELATED PARTY TRANSACTIONS**

The Group is controlled by Gemfair Investments Limited (Incorporated in the British Virgin Islands), which owns 57.30% 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 entered into the following major related party transactions during the year ended 31 December 2016.

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Operating lease rental expense charged by a related company	–	4,533

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Construction material sold to related companies	57,047	10,368

**(b) Key management compensation**

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Emoluments		
– Salaries and other short-term employee benefits	24,718	19,200
– Retirement scheme contributions	298	295
	25,016	19,495

**42 EVENTS AFTER THE REPORTING PERIOD**

On 6 February 2017, the Company redeemed all the outstanding senior notes of US\$800,000,000 which interest rate is 6.625%, and would due on year 2020, at a redemption price equal to 103.3125% of the principal amount thereof, being US\$826,500,000 plus accrued and unpaid interest of US\$3,238,800. The total redemption price paid by the Company on the redemption date is US\$829,738,880. Upon completion of the redemption, this senior notes will be cancelled and delisted from the official list of Singapore Exchange Securities Trading Limited.

Pursuant to the facility agreement (the "Facility Agreement") dated 6 January 2017 and entered into between, among others, the Company as borrower, Shanghai Pudong Development Bank Baoshan Branch, Bank of Shanghai Xu Hui Sub-branch and Shanghai Rural Commercial Bank Baoshan Branch as original lenders, Shanghai Pudong Development Bank Baoshan Branch as the lead bank and Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch as agent, a syndicated loan facility in the amount of RMB3,000,000,000 (the "Loan Facility") will be made available to the Company for a term of 36 months from the date of drawdown of the Loan Facility. As at 29 March 2017, RMB2,000,000,000 has been drawdown by the Company.

**43 APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS**

The consolidated financial statements were approved by the Company's board of directors on 29 March 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the year ended 31 December 2016

#### 44 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

##### Balance sheet of the Company

	Note	Audited 31 December 2016 RMB'000	Audited 31 December 2015 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Interests in subsidiaries		24,447,906	23,742,901
Other non-current assets		71,865	–
		24,519,771	23,742,901
<b>Current assets</b>			
Other receivables		1,406	6,694
Derivate financial instruments		90,199	41,782
Dividends receivable from subsidiaries		8,500,000	4,000,000
Cash and cash equivalents		143,660	36,320
		8,735,265	4,084,796
<b>Total assets</b>		<b>33,255,036</b>	<b>27,827,697</b>
<b>EQUITY</b>			
<b>Equity attributable to the equity holders of the Company</b>			
Share capital		348,864	356,275
Reserves			
– Proposed final dividend	a	1,318,310	1,163,728
– Others	a	1,794,846	1,623,703
<b>Total equity</b>		<b>3,462,020</b>	<b>3,143,706</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings		21,746,426	21,945,630
<b>Current liabilities</b>			
Borrowings		7,025,735	1,988,238
Other payables and accrued expenses		795,560	527,065
Amounts due to subsidiaries		225,295	223,058
		8,046,590	2,738,361
<b>Total liabilities</b>		<b>29,793,016</b>	<b>24,683,991</b>
<b>Total equity and liabilities</b>		<b>33,255,036</b>	<b>27,827,697</b>
<b>Net current assets</b>		<b>688,675</b>	<b>1,346,435</b>
<b>Total assets less current liabilities</b>		<b>25,208,446</b>	<b>25,089,336</b>

The financial statements on pages 82 to 176 were approved by the Board of Directors on 29 March 2017 and were signed on its behalf.

Hui Wing Mau  
Director

Hui Sai Tan, Jason  
Director

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

**44 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)****Balance sheet of the Company (continued)**

Note:

(a) Reserve movement of the Company

	Share premium RMB'000 (Note (i))	Share-based compensation reserve RMB'000 (Note (ii))	Capital redemption reserve RMB'000	Retained earnings/ (accumulated losses) RMB'000	Total RMB'000
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
Equity-settled share-based payment					
– Value of employee services	–	69,811	–	–	69,811
– Purchase of shares	(40,184)	–	–	–	(40,184)
– Dividend received	9,984	–	–	–	9,984
2014 final dividend	(1,644,540)	–	–	–	(1,644,540)
2015 interim dividend	(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
Balance at 1 January 2016	2,601,905	163,337	4,949	17,240	2,787,431
Income for the year	–	–	–	3,183,516	3,183,516
Equity-settled share-based payment					
– Value of employee services	–	49,344	–	–	49,344
– Purchase of shares	(37,198)	–	–	–	(37,198)
– Dividend received	7,518	–	–	–	7,518
Buy-back of shares					
– Purchase of shares	(758,374)	–	–	–	(758,374)
– Dividend received	6,455	–	–	–	6,455
– Cancellation of shares	7,411	–	–	–	7,411
2015 final dividend paid	(1,187,203)	–	–	–	(1,187,203)
2016 interim dividend paid	–	–	–	(945,744)	(945,744)
Balance at 31 December 2016	640,514	212,681	4,949	2,255,012	3,113,156
Representing:					
Proposed final dividend				1,318,310	1,318,310
Others				936,702	1,794,846
				2,255,012	3,113,156

Notes:

- (i) 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.
- (ii) Share-based compensation reserve represents value of employee services in respect of share options granted under the share option schemes and shares granted under the Share Award Scheme (Note 21).