



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

# SHIMAO

ANNUAL REPORT 2014







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# Nationwide Quality Land Reserves

## Shimao Property

### Bohai Rim District

Beijing Shimao Lá Villa
Beijing Shimao Salamanca
Beijing Tongzhou Project
Beijing Changyang Project
Tianjin Shimao Wetland Century
Tianjin Jinnan New City
Tianjin Wuqing Shimao Luxury Mansion
Qingdao Shimao Noble Town
Jinan Shimao Pride of the City
Yantai Shimao No.1 The Harbour

### Northern Fujian District

Fuzhou Minhou Shimao Dragon Bay
Fuzhou Nantong Village
Fuzhou Pingtan Straits Future City

### Southern Fujian District

Xiamen Shimao Lakeside Garden
Xiamen Shimao Coastline Manor
Quanzhou Shishi Shimao Skyscraper City
Quanzhou Jinjiang Shimao Dragon Bay
Quanzhou Shimao Zimaoshan
Quanzhou Shimao Hi Dream

### Zhejiang District

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

### Chongqing District

Chongqing Shimao Château De La Ville
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### Southern Central District

Wuhan Shimao Splendid River
Wuhan Shimao New City
Wuhan Shimao Lake Island
Wuhan Shimao Carnival
Nanchang Shimao Water City
Nanchang Shimao Daguan
Nanchang Shimao Sky City
Changsha Shimao Brilliant Bay
Changsha Shimao Plaza
Xuzhou Shimao Dongdu
Xuzhou Shimao Dongdu (Commercial)
Hefei Shimao Jade Mansion
Wuhu Shimao Riviera Garden
Wuhu Shimao Riviera Garden (Commercial)

### Southern China District

Shenzhen Qianhai Project
Nanning Shimao Longgang Garden
Nanning Shimao International Plaza
Hong Kong Tung Chung Project
Hainan Wenchang Shimao Blooming Sea
Guangzhou Finance City
Guangzhou Asian Games City

### Jiangsu and Shanghai District

Shanghai Shimao Riviera Garden
Shanghai Shimao Emme County
Shanghai Shimao Sheshanli
Wuxi Shimao The Capital
Kunshan Shimao Bund East
Kunshan Shimao East No.1
Kunshan Shimao Butterfly Bay
Kunshan Shimao Butterfly Bay (Commercial)
Nantong Shimao In the Park
Nantong Shimao Lohas City
Suzhou Shimao Shihu Bay
Suzhou Shimao Canal Scene
Suzhou Shimao Canal Scene (Commercial)
Changzhou Shimao Champagne Lake
Changzhou Shimao Champagne Lake (Commercial)
Zhangjiagang Shimao Lake Palace
Jiangyin Shimao Dragon Bay

### Nanjing District

Nanjing Shimao Bund New City
Nanjing Maqun Project
Nanjing Pukou Project
Nanjing Shimao Glory Villa
Nanjing Straits City

### Western District

Chengdu Shimao Royal Bay
Chengdu Shimao City
Chengdu Jianyang Sancha Lake Project
Chengdu Baohe Project
Xi'an Shimao Metropolis
Yinchuan Greenery Theme Park

### Northeastern District

Shenyang Shimao Wulihe
Shenyang Shimao Wulihe (Commercial)
Shenyang Shimao Notting Hill
Mudanjiang Shimao Holiday Landscape
Mudanjiang Shimao South Bund
Dalian Shimao Glory City
Harbin Shimao Riviera New City

### Shanghai Shimao

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



Nationwide Quality Land Reserves

Land reserves in 41 cities with 104 projects covered an area of 36.07 million sq.m. (equity attributable as at 31 December 2014)



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





# Corporate Information



## BOARD OF DIRECTORS

### Executive Directors

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

### Non-executive Director

Liu Sai Fei

### Independent Non-executive Directors

Kan Lai Kuen, Alice  
Lu Hong Bing  
Lam Ching Kam

## AUDIT COMMITTEE

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

## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

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

## COMPANY SECRETARY

Lam Yee Mei, Katherine

## AUDITOR

PricewaterhouseCoopers

## PRINCIPAL BANKERS

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



◀ Quanzhou Shishi Shimao Skyscraper City



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

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

#### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

38th Floor, Tower One  
Lippo Centre  
89 Queensway  
Hong Kong

#### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

#### 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

#### REGISTERED OFFICE

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





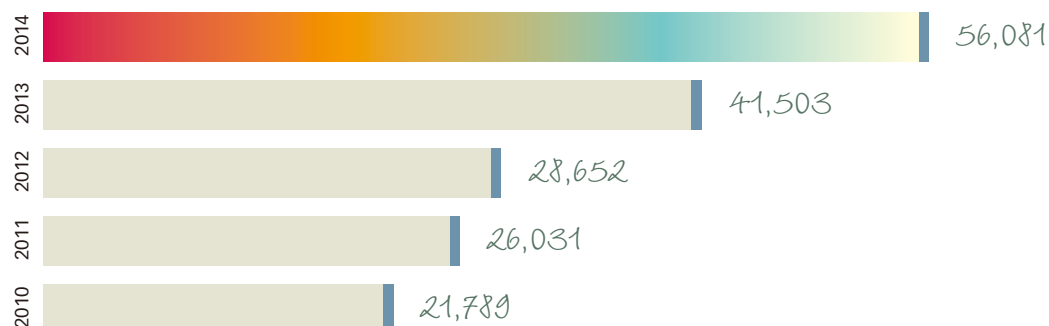
## Five Years Financial Summary

	2010 RMB'000	2011 RMB'000	2012 RMB'000	2013 RMB'000	2014 RMB'000
<b>Revenue</b>	21,789,433	26,031,426	28,652,243	41,502,660	<b>56,080,546</b>
Cost of sales	(13,812,137)	(16,031,376)	(19,046,444)	(26,861,772)	<b>(37,855,393)</b>
<b>Gross profit</b>	7,977,296	10,000,050	9,605,799	14,640,888	<b>18,225,153</b>
Fair value gains on investment properties	2,339,562	2,527,013	2,362,880	1,031,206	<b>1,510,622</b>
Other income/other gains-net	796,826	794,320	1,196,104	845,063	<b>502,184</b>
Selling and marketing costs	(563,900)	(769,889)	(1,046,841)	(1,305,735)	<b>(1,495,887)</b>
Administrative expenses	(1,083,122)	(1,349,272)	(1,815,871)	(2,283,303)	<b>(2,807,693)</b>
Other operating expenses	(176,703)	(192,173)	(266,706)	(592,136)	<b>(262,921)</b>
<b>Operating profit</b>	9,289,959	11,010,049	10,035,365	12,335,983	<b>15,671,458</b>
Finance costs-net	(671,553)	(380,346)	(22,115)	(121,361)	<b>(240,522)</b>
Share of results of:					
– Associated companies	(48,110)	97,653	(210,938)	(51,443)	<b>(153,470)</b>
– Joint ventures	14	24,213	363,125	895,649	<b>(21,033)</b>
	(48,096)	121,866	152,187	844,206	<b>(174,503)</b>
<b>Profit before income tax</b>	8,570,310	10,751,569	10,165,437	13,058,828	<b>15,256,433</b>
Income tax expenses	(3,079,368)	(4,302,640)	(3,580,949)	(4,833,504)	<b>(5,768,686)</b>
<b>Profit for the year</b>	5,490,942	6,448,929	6,584,488	8,225,324	<b>9,487,747</b>
<b>Profit for the year attributable to equity holders of the Company</b>	4,671,536	5,722,775	5,764,632	7,389,857	<b>8,103,833</b>
Non-current assets	40,874,204	44,034,957	52,221,579	57,819,154	<b>63,647,567</b>
Current assets	54,795,111	73,207,584	78,606,216	117,948,704	<b>156,885,890</b>
<b>Total assets</b>	95,669,315	117,242,541	130,827,795	175,767,858	<b>220,533,457</b>
Non-current liabilities	27,065,716	30,750,649	32,388,875	41,538,923	<b>47,608,745</b>
Current liabilities	38,649,615	51,473,815	57,511,688	82,377,073	<b>107,941,628</b>
<b>Total liabilities</b>	65,715,331	82,224,464	89,900,563	123,915,996	<b>155,550,373</b>
<b>Net assets</b>	29,953,984	35,018,077	40,927,232	51,851,862	<b>64,983,084</b>
Equity attributable to equity holders of the Company	26,698,834	30,591,680	35,907,150	41,742,250	<b>46,863,379</b>
Non-controlling interests	3,255,150	4,426,397	5,020,082	10,109,612	<b>18,119,705</b>
<b>Total equity</b>	29,953,984	35,018,077	40,927,232	51,851,862	<b>64,983,084</b>

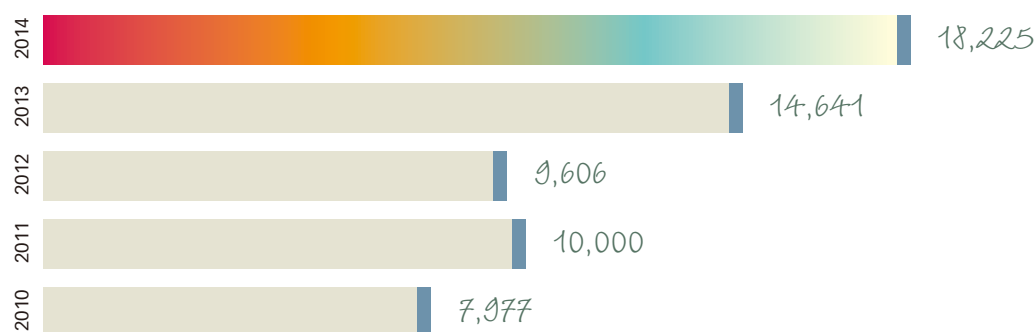


## Five Years Financial Summary

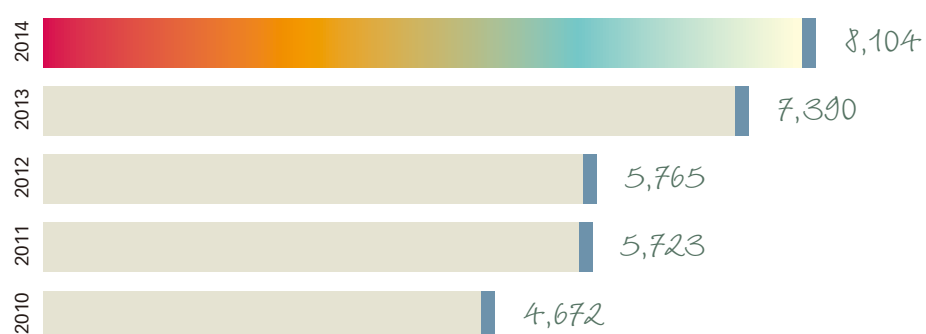
## REVENUE (RMB million)



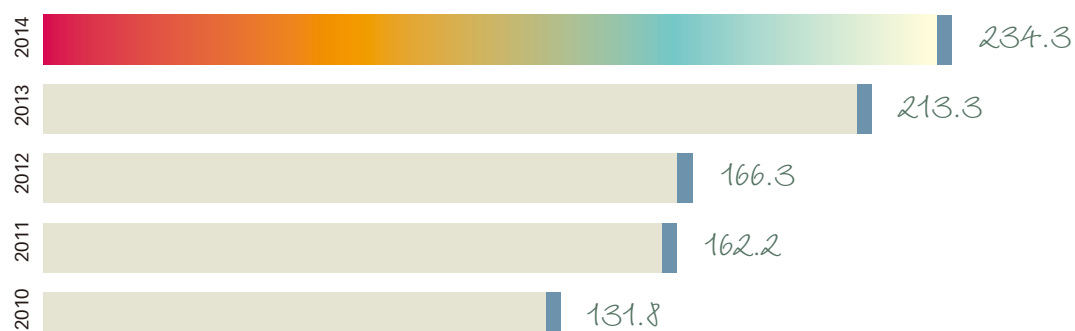
## GROSS PROFIT (RMB million)



## PROFIT ATTRIBUTABLE TO SHAREHOLDERS (RMB million)



## BASIC EARNINGS PER SHARE (RMB cents)











## Chairman's Statement



◀▲ Nanjing Shimao Glory Villa

### 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 2014.

### REVIEW AND OUTLOOK

In 2014, the national real estate market underwent a transition by entering into a silver era from a golden era. The government's macro regulatory control policy also changed. The central government delegated its power to local governments to regulate real estate market and therefore local governments were allowed a higher degree of freedom. Meanwhile, the way to regulate the real estate market in 2014 was different from previous years. In the past, the keynote of regulatory control over real estate market was determined or announced at major meetings or reports of the central government. Such practice was not followed in 2014. Housing price was not mentioned in the work report issued by the government in March. The policy of differentiated regulation was introduced instead which provided the local governments with room to determine their regulatory policy in accordance with their respective geographical features. On the other hand, monetary policy and administrative measures were also introduced and implemented together to have better regulation of the market. Market forces were also used for self-regulation. In 2014, influenced by a number of favourable policies including the lifting of stringent administrative measures such as home purchase curb and control on mortgage together with the introduction of monetary measures comprising the interest rate cut and targeted reduction, the real estate market resumed stability and recovery.

As the real estate market developed and the urbanization progress continued, the discrepancies among cities or even among different regions in the same city became obvious. The "one fits for all" approach on the regulatory control of real estate market is no longer applicable to the current market.



*Chairman's Statement*

▼ Beijing Shimao Salamanca



Differentiated regulatory control of the real estate market was proposed in the working report of the central government published in March 2014, which permitted the local governments to fine tune local policy with reference to the actual situation of local markets. Home purchase curb was removed in cities under considerable pressure of oversupply. Moreover, some local governments encouraged home purchase by providing attractive incentives, reducing stamp duty and allowing higher loan from housing provident fund to alleviate the problem of surplus and restore the balance of real estate market. Home purchase curb was still in force in some cities, such as Beijing, Shanghai, Guangzhou, Shenzhen and Sanya. Cities having huge amount of outstanding housing provident fund loans even lowered the loan limit to prevent the market from overheating.

The underwhelming performance of the real estate market at the beginning of 2014, which was a typical low season, did not draw much attention in the industry. However, the market did not restore to normal as

expected and even showed a tendency of decline in the following months, reflecting potential buyers' strong view to adopt a wait and see attitude. The unexpected price cuts by some projects in Hangzhou arouse the market. Cities under serious pressure of high inventory and oversupply subsequently came to the surface. Hohhot was the first city to lift its home purchase curb in June when market sentiment was pessimistic and many cities followed suit. In the fourth quarter, of the 46 cities in the country with home purchase curb, only Beijing, Shanghai, Guangzhou, Shenzhen and Sanya stayed put the restrictions. However, the lifting of restrictions did not attract rapid rebound of transaction volume as expected. Only a few cities experienced a surge in transaction volume due to concentrating record filings in the month in which the restrictions were lifted while most cities saw no significant change in transaction volume. Some cities escalated their efforts to restore the real estate market and boosted demand through the adjustments of housing provident fund loan, reduction of stamp duty, allowance for home purchase and preferential household registration rules.



▼ Nanchang Shimao Water City



Home purchase curb was literally withdrawn in most cities and a number of fine-tuned adjustments were introduced. However, the real estate market still showed no sign of turn around. The problem of excessive supply was hard to resolve at once. Immediately before the National Day, the central bank and the CBRS jointly announced the relaxation of mortgage requirements of first-home buyers, representing an adjustment to the "control on mortgage". Home buyers without outstanding mortgage loans would be considered as first-home buyers even if they have already purchased their first home. The rate cuts by the central bank were followed by the cutting of interest rate of housing provident fund loan by 0.25 percentage point by about 20 cities. The "930" policy and reduction of interest rate of housing provident fund loan reflected the general attitude of the government towards the real estate market, leading to the change of wait and see attitude of some potential buyers. On the other hand, some developers seized such opportunities and boosted sales by cutting prices. Developers promoted their property projects through active online marketing activities such

as "Real Estate Double Eleven" (地產雙十一) and "Real Estate Crowd Funding" (房地產眾籌), resulting in a swift increase in the transaction volume in November followed by a further improvement in December. The market as a whole was recovering throughout the fourth quarter.

In light of the current condition of the overall economy and real estate market, it is expected that the policies of the real estate market will remain loose in 2015 to ensure its steady development and avoid overheating or cooling of market. It is believed that the central government will continue to use market forces rather than administrative measures to regulate the real estate market. Local governments will continue to regulate the market by adjusting housing provident fund loan and stamp duty. The status of market will remain the same as in 2014, which neither suppression nor excessive stimulation will be imposed to boost the economy.



*Chairman's Statement*

Amidst these cyclical market fluctuations, competition in the real estate industry becomes more intensified and enterprises exercised greater flexibility to alter their adaptability. The top 10 real estate enterprises achieved a further expansion of their market share in 2014. The Group recorded contracted sales of RMB70.216 billion in 2014. Despite the considerable liquidity pressure in the industry as well as the unfavourable market conditions against sales, the Group climbed to No. 8 from No. 9 on national ranking.

In 2014, the Group recognized revenue of RMB56.081 billion, representing a substantial increase of 35.1% over 2013. Operating profit increased by 27.0% to approximately RMB15.671 billion. Profit attributable to shareholders reached RMB8.104 billion, representing an increase of 9.7% over last year. Excluding major after-tax non-cash items amounted to approximately RMB0.197 billion (2013: RMB0.071 billion), net profit from core business attributable to shareholders amounted to approximately RMB7.907 billion (2013: RMB7.319 billion), representing a year-on-year increase of 8.0%. If the effects of foreign exchange gains and share of profits of associated companies and joint ventures of approximately RMB1.325 billion were excluded in 2013, net profit from core business attributable to shareholders for 2014 would increase by approximately 31.9% over the previous year. To demonstrate our appreciation for our shareholders' unstinting support, the board of directors of the Company (the "Board") has recommended the payment of a final dividend of HK60 cents per share (2013: HK81 cents) for the year ended 31 December 2014. Together with an interim dividend of HK30 cents per share, the total contribution for the year will amount to HK90 cents per share (throughout 2013: HK81 cents).

## SALES ACHIEVEMENTS

In 2014, the Group's operations realized sales of RMB70.216 billion. The aggregate sales area for the year amounted to 5.789 million sq.m., at an average selling price of RMB12,130 per sq.m..

## BEST-SELLING PROPERTIES IN DIFFERENT CITIES

China's real estate market entered a period of adjustment again in 2014, characterized by shrinking trading volume and slow-moving inventory level. Nevertheless, the Group was able to stand against adversity and achieved an overall stable growth. Some projects in our strategic markets in Fujian province and Yangtze River Delta region won the annual best-selling properties locally.

In Fujian province, sales of Shishi Shimao Skyscraper City amounted to RMB4.9 billion, representing more than 90% of the market share in Shishi and ranking first in Fujian province. Xiamen Shimao Lakeside Garden was again the best-selling property in Xiamen and recorded revenue of RMB3.8 billion. Both projects were among the Top 10 best-selling properties in China of 2014. Sales of many projects, including Fuzhou Minhou Shimao Dragon Bay, Fujian Jinjiang Shimao Dragon Bay and Fuzhou Pingtan Straits Future City, were the highest in the local markets for three to four consecutive years.

In Yangtze River Delta region, sales of Nanjing Shimao Bund New City amounted to RMB3.7 billion for the year. The growth rate of price and sales of Nanjing Shimao Bund New City were the highest in Nanjing. Together with two other projects, namely, Nanjing Straits City and Nanjing Shimao Glory Villa, the property sales volume of the Group ranked first in Nanjing. Changzhou Shimao Champagne Lake ranked first in Changzhou real estate market in terms of sales and sales area. Zhangjiagang Shimao Lake Palace increased its market share to about 50% and ranked first in the villa market of Zhangjiagang despite sluggish real estate market and low demand.



▼ Beijing Tongzhou Project



## GROWTH TO ACHIEVE EQUILIBRIUM

According to the “2014 Top 100 of Real Estate Enterprises of China” (2014年中國房地產企業銷售TOP100排行榜) published by relevant research institute, the Group ranked eighth among its peers.

Although the market continued to fluctuate throughout 2014, the sales of the Group remained stable for ten consecutive months after the Chinese New Year through setting reasonable pricing and fine-tuning sales schedule in accordance with the market trend. Sales between RMB6.0 billion to RMB7.0 billion for eight months were recorded. The overall results were stable and sound. Turnover rate of the Group further increased in 2014. Financial structure remained strong and healthy, achieving a sustainable growth to cope with any latent changes in the market and laying a solid foundation for the growth of business in 2015.

The Group adopted the strategy of “Growth to achieve Equilibrium” in view of the characteristics of the market in 2014 and strategically slowed down the pace of expansion. Results are no longer the only assessment

of performance. Compared to scale of business and pricing strategy, more emphases were placed on rate of return and profit margin. The Group only reduced prices on properties with high inventory while it insisted to maintain a reasonable profit margin on properties which have been launched for sale for around a year. While the Group did not make profits at the expense of quality, it accelerated its transformation towards a “Lifestyle Operator” through a series of measures such as refining corporate core values, reforming core strategies and developing innovative products.

## THE PLATINUM AGE OF INTERNET

The emerge of mobile Internet has triggered the evolution of business models of “wearing, catering and transportation”. In 2014, it also profoundly influenced the “accommodation” model. The real estate industry of China entered into a new and critical stage of development in the year.

Valuing the development of real estate enterprises by existing indicators such as growth rate and turnover rate will only enable the enterprises to enter into the “silver



*Chairman's Statement*

age". Mobile Internet will change the business models of the real estate industry. In future, the business and operation of the real estate industry will become people-oriented. The real estate enterprises that are able to remove industrial barriers in short term and attract resources of high quality from multiple sectors so as to serve the ever-changing demands of customers towards lifestyle will be capable to go into the "platinum age" of corporate development.

In 2014, the Group accelerated the speed of migration into the new concept and technology of mobile Internet. Through the introduction of apps such as "e-Property" (宅行動), "e-Community" (社區落地) and "Shimao e-Life" (世茂e生活) on our cloud platform, Shimao laid a solid foundation for the integration of online and offline resources.

The breakthroughs on technologies and ideas brought numerous opportunities which connect real estates and many other areas. In 2015, notwithstanding the property market may experience some mild fluctuations and disequilibrium may arise in many cities, developers should make use of the opportunities to develop innovative products. Focusing on the new targets, the Group has taken the initiative in 2015 to establish a multi-functional lifestyle research team to carry out in-depth studies of customer needs and innovative research and development.

A series of innovative products of the Group are ready to launch. MiniMax Hotel Shanghai Songjiang opened at Christmas in 2014 is a mini hotel customized for post-80s and post-90s customers based on the new concept of social and e-commerce platforms. Apart from Mini Hotels, the Group will also continue to introduce mini and innovative products this year, including theme parks and Mini Malls, and replicate such business model for rapid development. In addition, some successfully developed products covering the full life cycle will also be launched.

**LAND RESERVES – MORE PRUDENT APPROACH**

In 2014, the Group continued to increase its supply in first- and second-tier cities. A more prudent approach was adopted in land acquisition due to imbalance of supply and demand and fiercer competition in the market. In 2014, the Group acquired a total of 7.39 million sq.m. of land with residential land use in Jiangyin, Yinchuan, Quanzhou, Jinjiang, Chongqing, Hangzhou, Nanning, Xi'an, Hefei, Xiamen, Dalian, Shanghai, Beijing, Chengdu, Hong Kong, Nanjing and Jianyang. Currently, the Group holds 104 projects totaling 36.07 million sq.m. (attributable interests) of quality land in 41 cities in the country. These development projects, which situate in the local core region or land with high potential for development, are all supported by considerable researches and meticulous calculations, which are in line with the Group's defined land reserve standards. The Group's high-quality land resources and stringent controls over land costs give the unwavering support to the business results in national prime markets in the coming years.

**STRENGTHENING THE GROUP'S FINANCIAL STRUCTURE**

In 2014, the Group upheld the prudent business strategy, introduced measures to further optimize the Group's capital structure and lowered the capital costs. After successfully issuing US\$600 million senior notes due 2021 on 22 January 2014, the Group utilized new and additional loan and bonds to repay part of its high interest short-term loans and bonds, further reducing its collective interest costs. The Group continued its strategic cooperation with Bank of China (Hong Kong), Agricultural Bank of China, China Construction Bank and other financial institutions. The financing facilities are abundant. As at 31 December 2014, unutilized credit facilities amounted to approximately RMB18.000 billion, providing low-cost and long-term financial support to the Group. In consolidating its steady and healthy development, the Group obtained a four-year



▼ Wuhan Shimao Splendid River



syndicated loan of US\$736 million equivalent from a bank consortium on 31 July 2014. The new arrangement furnished the Group with an option of early redemption of senior notes of US\$500 million in August 2014 that were originally due in 2017. As of 31 December 2014, the Group held sufficient reserves, with approximately RMB23.935 billion in cash.

Moreover, on 10 February 2015, the Group issued US\$800 million 8.375% senior notes due in 2022 which was oversubscribed by 7.25 times, reflecting the recognition to the Group by the capital market. On 8 March 2015, the Group fully redeemed US\$350 million 11% senior notes due in 2018. On 17 March 2015, the Group issued additional US\$300 million senior notes due in 2022. After the additional issues, the total offshore bonds increased from US\$1.75 billion to US\$2.5 billion. The average maturity extended from 5.02 years to 5.99 years. The average coupon rate decreased from 8.01% to 7.76%.

## APPRECIATION

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

**Hui Wing Mau**  
*Chairman*

Hong Kong, 31 March 2015





▲ Quanzhou Shimao Hi Dream



# 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 operations. Revenue for the year ended 31 December 2014 grew by 35.1% to RMB56.081 billion, from RMB41.503 billion in 2013. During the year, revenue from property sales surged to RMB53.567 billion, representing an increase of 35.6% over 2013, and accounted for 95.5% of total revenue. The average recognized selling price increased by 13.2% to RMB12,580 per sq.m. in 2014, from RMB11,116 per sq.m. in 2013. The increase was mainly attributable to an enhancement of the Group's bargaining power in some projects. The number of projects recognised by the Group in 2014 totalled 60, more than 53 projects recognised in 2013, of which Xiamen Shimao Lakeside Garden achieved impressive results with recognised sales revenue of RMB6.071 billion; Xiamen Shimao Straits Mansion, the first runner-up, with recognised sales revenue of RMB4.137 billion; and Nanjing Straits City, the second runner-up, with recognised sales revenue of RMB3.119 billion.



The delivered gross floor area ("GFA") recognized for each project in 2014 and the relevant particulars are set out as follows:

Project	Recognized Sales (RMB million)	Recognized Area (sq.m.)	Average Selling Price (RMB per sq.m.)
Xiamen Shimao Lakeside Garden	6,071	204,811	29,642
Xiamen Shimao Straits Mansion	4,137	116,990	35,362
Nanjing Straits City	3,119	175,044	17,818
Suzhou Shimao Canal Scene	2,126	182,082	11,676
Fuzhou Pingtan Straits Future City	1,845	170,597	10,815
Chengdu Shimao Royal Bay	1,768	137,908	12,820
Nanjing Shimao Glory Villa	1,719	100,547	17,096
Wuhan Shimao Splendid River	1,681	155,339	10,821
Shaoxing Shimao Dear Town	1,673	148,794	11,244
Fuzhou Minhou Shimao Dragon Bay	1,467	154,880	9,472
Zhangjiagang Shimao Lake Palace	1,408	82,237	17,121
Hangzhou Shimao Above the Lake	1,384	62,236	22,238
Beijing Shimao Lá Villa	1,304	112,642	11,576
Qingdao Shimao Grand Mansion	1,272	47,721	26,655
Kunshan Shimao East No. 1	1,257	172,928	7,269
Qingdao Shimao Noosa Bay	1,220	94,754	12,875
Tianjin Shimao Wetland Century	1,032	116,334	8,871
Quanzhou Jinjiang Shimao Dragon Bay	998	126,644	7,880
Suzhou Shimao Shihu Bay	992	62,438	15,888
Chengdu Shimao City	953	125,693	7,582
Beijing Shimao Salamanca	916	89,453	10,240
Qingdao Shimao Noble Town	906	97,421	9,300
Ningbo Shimao The Capital	905	42,311	21,389
Suzhou Shimao Royal Villa	873	59,580	14,653
Shanghai Shimao Wonderland	796	36,926	21,557
Changzhou Shimao Champagne Lake	759	99,350	7,640
Hangzhou Shimao Riviera Garden	742	103,109	7,196
Jinan Shimao International Plaza	738	25,459	28,988
Hangzhou Shimao East No. 1	736	41,537	17,719
Wuhan Shimao Carnival	736	78,408	9,387
Dalian Shimao Dragon Bay	700	81,184	8,622





## Management Discussion and Analysis

▼ Nanning Shimao Longgang Garden



▼ Nanning Shimao Longgang Garden



Project	Recognized Sales (RMB million)	Recognized Area (sq.m.)	Average Selling Price (RMB per sq.m.)
Shenyang Shimao Wulihe	601	62,489	9,618
Nantong Shimao In the Park	519	87,564	5,927
Suzhou Shimao Canal Scene (Commercial)	505	51,292	9,846
Wuhan Shimao Lake Island	502	56,215	8,930
Wuxi Shimao International City	500	64,134	7,796
Tianjin Wuqing Shimao Luxury Mansion	499	57,983	8,606
Quanzhou Shishi Shimao Skyscraper City	496	29,005	17,100
Wenchang Shimao Blooming Sea	434	48,366	8,973
Harbin Shimao Riviera New City	428	80,115	5,342
Mudanjiang Shimao Holiday Landscape	387	95,047	4,072
Shenyang Shimao Notting Hill	365	37,167	9,821
Taizhou Shimao Riverside Garden	272	56,306	4,831
Wuhan Shimao Dragon Bay	266	45,887	5,797
Shenyang Shimao Bojing Plaza	221	16,747	13,196
Xianyang Shimao The Centre	197	27,275	7,223
Shanghai Shimao Emme County	193	20,954	9,211
Dalian Shimao Glory City	191	22,542	8,473
Nanjing Shimao Bund New City	184	10,351	17,776
Jiaxing Shimao New City	169	30,553	5,531
Changshu Shimao The Centre (Commercial)	146	33,246	4,392
Shanghai Shimao Sheshanli	97	2,172	44,659
Xuzhou Shimao Dongdu	48	5,323	9,017
Ningbo Shimao World Gulf	27	2,277	11,858
Changzhou Shimao Champagne Lake (Commercial)	27	4,925	5,482
Kunshan Shimao International City	22	2,018	10,902
Xuzhou Shimao Dongdu (Commercial)	14	545	25,688
Yantai Shimao No. 1 The Harbour	11	1,275	8,627
Wuhu Shimao Riviera Garden (Commercial)	11	714	15,406
Qingdao Shimao International Plaza	2	110	18,182
<b>Total</b>	<b>53,567</b>	<b>4,257,954</b>	<b>12,580</b>



Management Discussion and Analysis

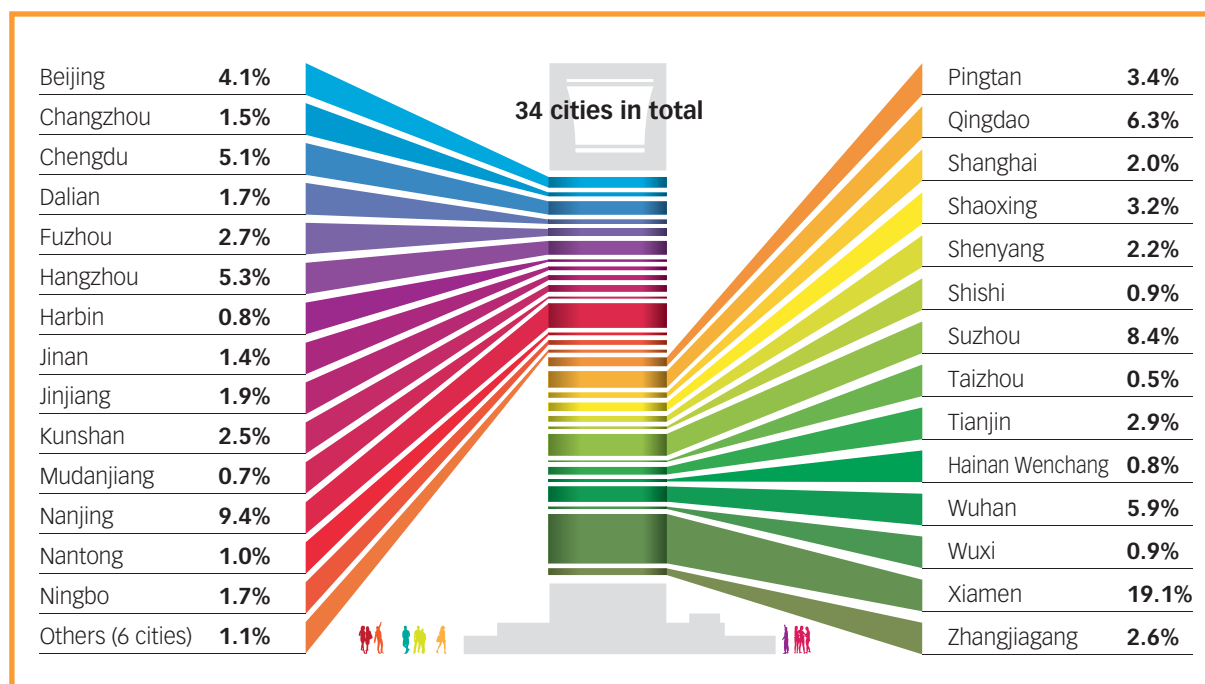
▼Quanzhou Shimao Hi Dream



▼Xiamen Shimao Lakeside Garden



The breakdown of recognised sales\* for 2014 by cities is set out as follows:



\* Excluding attributable revenues from joint ventures

2) **Steady Sales Growth, with Commitment to Keep Gross Profit**

With respect to property sales, the Group’s contracted sales amounted to RMB70.216 billion in 2014. The aggregate sales area for the year reached 5.789 million sq.m., with an average selling price of RMB12,130 per sq.m..

The Group’s steady sales performance during the times with industry-wide pressure on funding and in an environment with a downtrend in sales clearly demonstrated the effectiveness of management’s sales strategy. Looking forward to 2015, the Group will continue to launch saleable area of approximately 6.59 million sq.m.. Together with the existing saleable areas of approximately 3.66 million sq.m. as at 31 December 2014, the Group’s total saleable area in 2015 will reach approximately 10.25 million sq.m..



▼ Quanzhou Shimao Zimaoshan



Key projects available for sale in 2015 are set out as follows:

District	Project	Saleable Area (sq.m.)
<b>Shimao Property</b>		
Southern Fujian District	Xiamen Shimao Coastline Manor	130,618
	Quanzhou Shimao Hi Dream	234,086
	Quanzhou Shimao Zimaoshan	101,122
Southern Central District	Hefei Shimao Jade Mansion	205,662
	Wuhan Shimao Splendid River	295,582
Nanjing District	Nanjing Straits City	261,215
Jiangsu and Shanghai District	Shanghai Zhoupu Project	80,570
	Suzhou Shimao Shihu Bay	101,164
	Zhangjiagang Shimao Lake Palace	145,803
Zhejiang District	Hangzhou Shimao Cullinan	62,472
Bohai Rim District	Beijing Shimao Lá Villa	65,589
	Beijing Shimao Salamanca	124,914
Northern Fujian District	Fuzhou Pingtan Straits Future City	270,999
Western District	Chengdu Shimao City	172,090
	Xi'an Shimao Metropolis	168,768
Northeastern District	Dalian Shimao Glory City	131,312
Southern China District	Guangzhou Finance City	39,149
Chongqing District	Chongqing Shimao Château De La Ville	145,221
<b>Shanghai Shimao</b>		
	Nanjing Shimao Bund New City	203,382
	Jinan Shimao International Plaza	214,387
	Quanzhou Shishi Shimao Skyscraper City	338,365
<b>Sub-total (Key projects above)</b>		<b>3,492,470</b>
Projects (below RMB1.5 billion) available for sale in 2015		3,019,898
Completed inventory		1,821,459
Uncompleted projects available for sale as of 31 December 2014		1,838,648
<b>Total</b>		<b>10,172,475</b>





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

The Group made timely adjustments to strategy of inventory supply and construction plans and put off or cancel the supply of certain products of same quality and projects with higher inventory level so as to correspond with the market fluctuations. During the year, all of the Group's projects proceeded smoothly. The aggregate GFA completed by the Group in 2014 was approximately 6.21 million sq.m., 21.8% higher than the 5.10 million sq.m. completed last year. As at 31 December 2014, the Group holds more than 80 developing projects in 41 cities. The surging number of projects under construction has laid a solid foundation for the Group's future development. Looking forward to 2015, with a view to maintaining adequate liquidity, the GFA planned for completion of the Group has been maintained at approximately 7.00 million sq.m., 12.7% higher than that for 2014. The GFA under construction will reach approximately 13.70 million sq.m. in 2015.



Projects completed in 2014 are set out as follows:

District	Project	Completed GFA (sq.m.)	Group's Interest (%)
<b>Shimao Property</b>			
Northeastern District	Shenyang Shimao Wulihe	84,287	100%
	Shenyang Shimao Notting Hill	103,167	100%
	Harbin Shimao Riviera New City	91,189	100%
	Dalian Shimao Glory City	44,439	100%
	Mudanjiang Shimao Holiday Landscape	56,012	100%
Zhejiang District	Hangzhou Shimao Riviera Garden	10,529	50%
	Hangzhou Yuhang Shimao New West Lake	116,666	100%
	Jiaxing Shimao New City	197,551	100%
	Hangzhou Shimao Above the Lake	75,264	51%
	Hangzhou Shimao East No. 1	47,432	51%
	Ningbo Shimao World Gulf	11,537	100%
	Ningbo Shimao Sea Dawn	45,000	100%
	Ningbo Xiangshan Shimao Damuwan	53,441	50%
	Ningbo Yuyao Shimao Moushan Lake	13,436	70%
	Shaoxing Shimao Dear Town	146,357	100%
Ningbo Shimao The Capital	109,916	100%	
Bohai Rim District	Tianjin Shimao Wetland Century	120,337	75%
	Qingdao Shimao Noble Town	160,464	100%
	Beijing Shimao Salamanca	131,079	65%
	Beijing Shimao Lá Villa	150,282	50%
Jiangsu and Shanghai District	Changzhou Shimao Champagne Lake	27,575	100%
	Yuluxe Hotel Taizhou	49,064	100%
	Wuxi Shimao The Capital	129,003	49%
	Suzhou Shimao Canal Scene	190,513	100%



## Management Discussion and Analysis

▼Nanchang Shimao Daguan



▼Nanchang Shimao Daguan



District	Project	Completed GFA (sq.m.)	Group's Interest (%)
	Kunshan Shimao East No. 1	178,112	100%
	Kunshan Shimao Bund East	242,332	100%
	Suzhou Shimao Shihu Bay	90,466	51%
	Zhangjiagang Shimao Lake Palace	168,744	51%
	Nantong Shimao In the Park	158,255	100%
	Nantong Shimao Lohas City	169,600	50%
Nanjing District	Nanjing Straits City	51,935	49%
	Nanjing Shimao Glory Villa	109,367	51%
Southern Central District	Wuhan Shimao Splendid River	224,791	96%
	Changsha Shimao Brilliant Bay	10,406	50%
	Wuhan Shimao Lake Island	63,702	51%
Western District	Chengdu Shimao City	114,412	79%
	Chengdu Shimao Royal Bay	198,326	100%
Northern Fujian District	Fuzhou Minhou Shimao Dragon Bay	192,575	100%
	Fuzhou Pingtan Straits Future City	326,223	49%
Southern Fujian District	Quanzhou Jinjiang Shimao Dragon Bay	233,442	100%
	Xiamen Shimao Lakeside Garden	237,067	100%
Southern China District	Wenchang Shimao Blooming Sea	83,042	100%
<b>Sub-total</b>		<b>5,017,337</b>	



## ▼ Quanzhou Jinjiang Shimao Dragon Bay



District	Project	Completed GFA (sq.m.)	Group's Interest (%)
Shanghai Shimao	Nanjing Shimao Bund New City	250,853	82.1%
	Qingdao Shimao Noosa Bay	129,526	64%
	Suzhou Shimao Canal Scene (Commercial)	151,598	64%
	Suzhou Shimao Royal Villa	107,962	64%
	Tianjin Wuqing Shimao Luxury Mansion	19,310	64%
	Qingdao Shimao Grand Mansion	85,959	48%
	Quanzhou Shishi Shimao Skyscraper City	89,519	58%
	Xiamen Shimao Straits Mansion	349,831	81.7%
<b>Sub-total</b>		<b>1,184,558</b>	
<b>Total (Shimao Property + Shanghai Shimao)</b>		<b>6,201,895</b>	

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

To support its sustainable business development, the Group holds an active but prudent attitude toward land acquisition. The Group acquired 7.39 million sq.m. of residential land bank in Jiangyin, Yinchuan, Quanzhou, Jinjiang, Chongqing, Hangzhou, Nanning, Xi'an, Hefei, Xiamen, Dalian, Shanghai, Beijing, Chengdu, Hong Kong, Nanjing and Jianyang. Currently, Shimao Property possesses 104 projects in 41 cities in the country, with a high-quality land bank of 36.07 million sq.m. (attributable interests). The premium land resources and relatively low land cost provide continued support to the Group's results in the major markets of China in the next few years.





## Management Discussion and Analysis

The land parcels acquired by the Group in 2014 are as follows:

New Land Parcels	Date of Acquisition	Usage	Land Cost (Attributable Interest) (RMB million)	Total Planned GFA (sq.m.)	Cost per sq.m. (RMB)	Group's Interest (%)
<b>Shimao Property</b>						
1. Jiangyin Shimao Dragon Bay	January 2014	Residential and commercial	617.01	575,056	1,567	68.49%
2. Yinchuan Greenery Theme Park	January 2014	Residential, commercial and office	260.63	309,535	842	100%
3. Quanzhou Taiwanese Investment Zone	January 2014	Residential and business services	589.75	869,491	1,206	56.22%
4. Jinjiang Zimao Hill (Phase I)	January 2014	Residential and commercial	747.60	486,219	2,888	53.24%
5. Chongqing Zhaomu Hill	January 2014	Residential	1,425.48	663,284	2,149	100%
6. Hangzhou Gate of Zhejiang	April 2014	Commercial and office	1,488.00	270,856	5,494	100%
7. Nanning Wuxiang New District	May 2014	Residential and commercial	591.60	479,384	1,234	100%
8. Xi'an Fengcheng Road	June 2014	Residential and business services	506.42	504,163	1,435	70%
9. Jinjiang Zimao Hill (Phase II)	July 2014	Residential, commercial and hotel	926.49	226,588	4,464	91.60%
10. Hefei Jade Lake	July 2014	Residential	1,546.19	555,044	3,652	100%
11. Xiamen Xiang'an	July 2014	Residential	2,000.00	225,100	8,885	51%
12. Dalian Jinzhou (Phase III)	July 2014	Residential and commercial	2,000.40	1,334,490	1,499	100%
13. Shanghai Zhoupu Project	September 2014	Residential	1,535.00	83,927	18,290	100%
14. Beijing Tongzhou Project	October 2014	Commercial and office	1,342.79	206,600	12,999	50%
15. Baohe Street, Chenghua District, Chengdu	October 2014	Business services	248.14	93,994	2,640	100%
16. Tung Chung, Hong Kong	November 2014	Hotel	1,159.63	56,715	20,447	80%
17. Maqun Street, Qixia District, Nanjing	December 2014	Residential	377.40	67,628	10,942	51%
18. Dingxianghe Road, Pukou, Nanjing	December 2014	Residential	803.60	264,552	6,199	49%
19. Sancha Lake, Jianyang	December 2014	Residential	80.00	112,486	711	100%
<b>Sub-total</b>			<b>18,246.13</b>	<b>7,385,112</b>	<b>3,325</b>	



## ▼ Guangzhou Finance City



New Land Parcels	Date of Acquisition	Usage	Land Cost (Attributable Interest) (RMB million)	Total Planned GFA (sq.m.)	Cost per sq.m. (RMB)	Group's Interest (%)
<b>Shanghai Shimao</b>						
Jinan Railway Station North Square	January 2014	Residential and commercial	723.76	1,683,147	1,366	31%
<b>Total</b>			<b>18,969.89</b>	<b>9,068,259</b>		

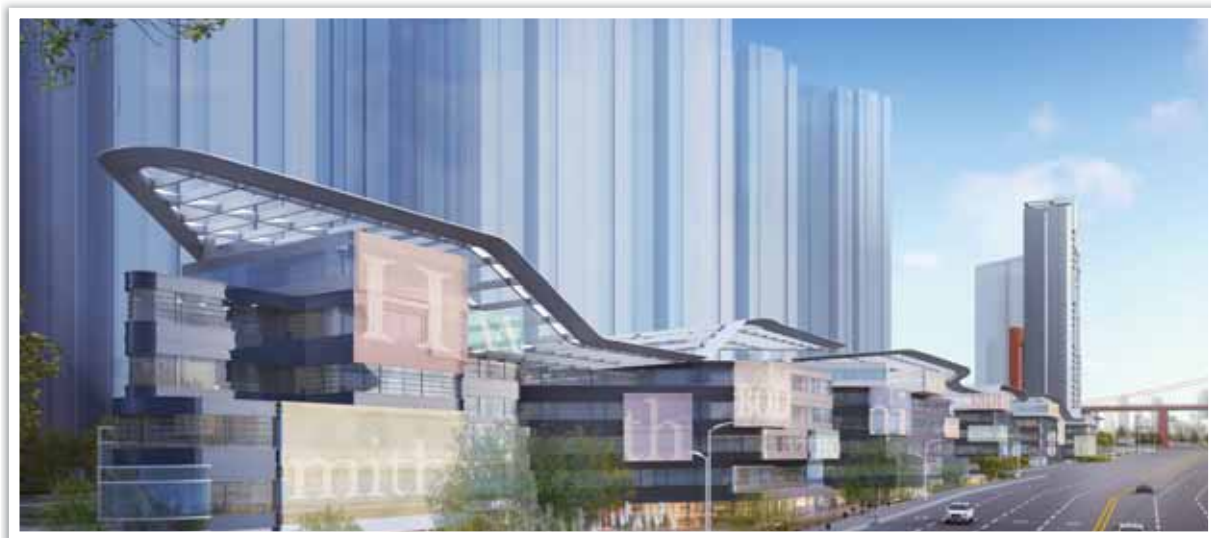
Geographically, the majority of the newly-acquired land parcels by Shimao Property in 2014 were situated in second- and third-tier cities at provincial capital level, which have enormous potential for development and markets of which have not yet reached saturation, assuring the projects of adequate room for development and capability to resist risks. The average floor price of the new land reserves was approximately RMB3,325 per sq.m. in terms of land cost. The Group holds sensible attitude, increases its land reserves by following its long-standing prudent policy and strives to strike a balance between development opportunity and risk control. As at 31 December 2014, the Group's average land cost was RMB2,662 per sq.m.. The relatively low land cost provides adequate assurance for the Group to achieve a higher profit margin in the future.

### Property Investment

Shimao Property develops commercial properties through its 64.12% owned subsidiary, namely, Shanghai Shimao Co., Ltd. ("Shanghai Shimao"), 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 related high quality 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 listed professional developer and operator of commercial properties.



▼ Wuhan Shimao Splendid River



Attributable to the further enhancement of its operating and management capability, Shanghai Shimao maintained the development momentum of its diversified businesses, including commercial property development, commercial plaza operations, cinema investment and management together with investment on culture and media, and its operational performance obtained a steady improvement during the year.

With respect to the development of commercial properties, during the reporting period, Shanghai Shimao recorded contracted sales of RMB16.03 billion, representing a year-on-year growth of 23%, and a contracted sales area of 1,235,000 sq.m., representing a year-on-year growth of 26%, fulfilling the sales target of RMB16.0 billion set at the beginning of the year. Adhering to market-oriented product positioning and marketing, Shanghai Shimao strictly controlled the launch of new properties and continued to strengthen the marketing of its properties. Satisfactory results were achieved through the sales of several projects in Jinan, Qingdao, Changshu, Suzhou, Tianjin, Xuzhou, Changzhou, Ningbo, Shishi, Nanjing and Wuhan. During the reporting period, Shanghai Shimao developed its projects in an orderly manner with abundant resources. During the year, the additional GFA under construction amounted to 1.96 million sq.m. and the total GFA under construction reached 6.11 million sq.m.. Completed GFA amounted to 980,000 sq.m. and the area of operational properties held by Shanghai Shimao reached 1.00 million sq.m.. As at 31 December 2014, the land reserves of Shanghai Shimao was 10.88 million sq.m., providing a strong support and foundation for its future development. During the reporting period, led by market and customers' needs, and focused on annual business targets, Shanghai Shimao stably introduced various operating management measures, consistently streamlined the organizational structure and business processes and strived to enhance professional ability and management ability of each business line. As a result, Shanghai Shimao recorded a significant and consistent increase in the standards of its operating efficiency and management ability.

With respect to commercial plaza operations, Shanghai Shimao's commercial operation and management team, guided by the annual business targets, implemented the plans in an orderly and efficient manner. The commercial plazas of Shanghai Shimao implemented on-site upgrading measures, and achieved substantial improvements in various aspects including business layout, shopping environment and consumer experience, which attracted more consumer flows. Meanwhile, with a view to improving the operational efficiency of the tenants, Shanghai Shimao carried out a wide range of initiatives in its commercial spaces stage by stage, including quality enhancement, trade-mix refinement as well as integration of tenant management, tenant assessment and store management into daily



*Management Discussion and Analysis*

▼ Shimao Mini Mall



▼ Wuhan Shimao Splendid River



operation and management. In addition, Shanghai Shimao took great efforts to build up an elite commercial property management team with strong execution efficiency, adaptability and supporting services internally. In order for the internal systems, processes and structure to further adapt to the needs of business operation and management, it optimised its commercial property management system. During the reporting period, Jinan Shimao International Plaza was open for business on 1 May. Located at the heart of Jinan's downtown, Jinan Shimao International Plaza is in the proximity of Jinan's landmarks such as Liberation Pavilion and Quancheng Square, and is bound on the north by Quancheng Road, the "Golden Avenue" of Jinan. With a total site area of approximately 130,000 sq.m., it is a commercial masterpiece created by Shanghai Shimao featuring a combination of creativity, social life, fashion, business and other brand new consumption concepts.

With respect to cinema operation, the Chinese film market maintained a strong growth momentum in 2014 and movies have constituted an important part of daily entertainment for Chinese consumers. The national total box office's results amounted to RMB29.639 billion, representing a year-on-year increase of 36.15%. During the year, urban cinema audiences amounted to 830 million, representing a year-on-year increase of 34.52%. 1,015 theatres were opened while 5,397 additional screens were installed during the year. During the reporting period, the revenue of Shimao's cinema chain amounted to RMB233 million, representing a significant year-on-year increase of 57.7%, providing film service to over 6.6 million audiences. All cinemas achieved substantial growth in revenue from box office as well as sales of derivatives and related products. As at the end of 2014, Shimao's cinema chain owned 17 cinemas and 148 screens in operation nationwide. The number of seats in its cinemas also increased to 23,600. The business team of Shimao's cinema chain, with an aim to meet annual business targets, implemented development plans actively. The significant improvement in revenues from various areas covering cinema management, screening of films and revenue from non-box office ensured the achievement of satisfactory operating results in the year.

With respect to investment on culture and media, during the reporting period, Shimao Media (世茂傳媒), a subsidiary of Shanghai Shimao, actively participated in the development of Chinese cultural industry. Films and television dramas it invested had been gradually released during the year and received positive market response



## Management Discussion and Analysis

and satisfactory operating results. A film, *Girls*, was released on 31 July with a box office of over RMB200 million in the Mainland. A TV drama, *One Servant for Two Masters*, premiered on Dragon TV, Shenzhen TV, Shandong TV and Beijing TV on 19 March, and ranked the second on annual best rated TV series and ranked sixth in terms of online click through rate. TV dramas, *The Legendary Sniper* and *Flower and Sparks*, broadcasted on the most important TV channels in the Mainland during prime time on 22 December, ranking the third and the fourth respectively on best rated TV series for the first week. Shimao Media will exert great efforts in investment and operation of cultural industry projects and strive to produce and nurture more outstanding projects and products.

With respect to child-focused business, Shanghai Shimao timely adjusted its outlet operation strategy according to outlet performance and regional conditions to improve the overall business results. During the reporting period, the staff training and appraisal on each children amusement park were enhanced according to the operation and actual situation of each outlet. Service quality and operating efficiency of outlets were further strengthened. In addition, Shanghai Shimao will further explore the opportunities in the development of child-focused business, enrich product lines of Shanghai Shimao's child-focused business by implementing innovative business model, identify a more profitable business model and strive for a better operating results in the rapid-developing industry.

Particulars of investment property projects of the Group in 2014 are set out as follows:

Commercial and Office Premises	Total GFA (sq.m.)	Date of Commencement	Revenue (RMB million)		Growth (%)
			2014	2013	
Shanghai Shimao International Plaza	71,239	Phase I – December 2004 Phase II – May 2007	159	158	0.6%
Beijing Shimao Tower	70,175	2008	135	121	11.6%
Changshu Shimao The Centre	43,357	Commercial – first quarter of 2009	15	15	-
Shanghai Shimao Shangdu	9,584	November 2010	45	36	25.0%
Shaoxing Shimao Dear Town (Commercial)	181,605	May 2010	89	84	6.0%
Suzhou Shimao Canal Scene (Commercial)	49,993	June 2010	23	14	64.3%
Kunshan Shimao Plaza	88,249	April 2012	29	20	45.0%
Wuhu Shimao Riviera Garden (Commercial)	19,963	2009	7	5	40.0%
Xuzhou Shimao Dongdu (Commercial)	59,471	January 2012	15	14	7.1%
Jinan Shimao International Plaza	280,641	May 2014	56	-	100%
Other rental income	-	-	114	89	28.1%
<b>Rental income sub-total</b>			<b>687</b>	<b>556</b>	<b>23.6%</b>
<b>Others</b>			<b>649</b>	<b>465</b>	<b>39.6%</b>



▼Quanzhou Shishi Shimao Skyscraper City



▼Nanjing Shimao Bund New City



## Hotel Operations

Apart from the continued operation of seven hotels, namely, Le Royal Méridien Shanghai, Hyatt on the Bund, Le Méridien Sheshan Shanghai, Hilton Nanjing Riverside, Holiday Inn Mudanjiang and Holiday Inn Shaoxing and Double Tree by Hilton Wuhu, the Group opened InterContinental Fuzhou and Crowne Plaza Shaoxing in the first half of 2014. These two new hotels are located at CBD and are the landmarks of the cities. Yuluxe Hotel Taizhou, the first 5-star hotel owned and operated by the Group, and MiniMax Hotel Shanghai Songjiang, the first hotel served with limited services, also opened in the second half of 2014, marking a milestone in the development of hotel operations as the Group has evolved from a mere property owner into a property owner as well as a hotel operator. Hilton Tianjin Eco-city launched its soft opening at the end of 2014. Currently, the Group operates twelve hotels with more than 4,600 guest rooms in total.

In 2014, the hotel industry in the country was severely affected by the slowdown in economic growth, tightened government policies, sluggish conference market and fierce price competition. According to the statistics of China National Tourism Administration, the number of foreign visitors decreased by 0.45% for the year from January to December of 2014 when compared with that of the previous year. However, the number of local tourists recorded a year-on-year increase of 10.7%. According to the statistics published on the official website of China Tourist Hotels Association, the revenue per room of 5-star hotels in China dropped by more than 5% when compared with that of the previous year. Although market conditions were not favourable, the Group recorded revenue of RMB1.012 billion from the six hotels opened before 2013, representing an increase of 3.7% over the previous year. The increment was achieved through effective cost control and fine-tuned marketing strategy. Taking into account the five hotels opened in Wuhu, Fuzhou, Shaoxing, Taizhou and Shanghai Songjiang in 2013 and 2014, the total revenue of the eleven hotels amounted to RMB1.178 billion, representing a year-on-year increase of 20.3%.

Looking forward to this year, challenges and opportunities still co-exist in the hotel market. From a macroscopic point of view, the economy in China will grow steadily as the government has clearly set a target of approximately 7% for GDP growth. The government will carry out various measures to boost the development of tourism industry and individual consumption. The growth rate of foreign visitors has become moderate while the number of local tourists has been increasing significantly. However, oversupply still exists in the hotel market. Hotels with weaker performance will be eliminated through fierce competitions. The competition also forces hotels to continue to improve its services to enhance customers satisfaction and to explore new markets so as to strengthen its competitiveness.





## ▼ Quanzhou Shishi Shimao Skyscraper City



In 2015, the Group plans to increase the number of hotels and revenue from hotel operation by constructing and opening more hotels under its own brand and franchised brand in certain major cities in the country.

Particulars of the hotel projects of the Group in 2014 are set out as follows:

Hotel	Number of Rooms	Date of Commencement	Revenue (RMB million)		EBITDA (RMB million)	
			2014	2013	2014	2013
Le Méridien Sheshan Shanghai	327	November 2005	152	138	52	44
Le Royal Méridien Shanghai	770	September 2006	379	374	151	149
Hyatt on the Bund	631	June 2007	341	337	117	110
Hilton Nanjing Riverside	411	December 2011	79	66	10	4
Holiday Inn Mudanjiang	266	December 2010	29	29	7	7
Holiday Inn Shaoxing	284	September 2011	32	32	9	4
DoubleTree by Hilton Wuhu	442	October 2013	44	3	1	(5)
InterContinental Fuzhou	320	January 2014	66	–	6	–
Crowne Plaza Shaoxing	453	March 2014	52	–	3	–
Yuluxe Hotel Taizhou	262	August 2014	4	–	(2)	–
MiniMax Hotel Shanghai Songjiang	131	December 2014	–	–	–	–
<b>Total</b>	<b>4,297</b>		<b>1,178</b>	<b>979</b>	<b>354</b>	<b>313</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 2014. Had the 27 hotels (2013: 22 hotels), namely, Le Méridien Sheshan Shanghai, Le Royal Méridien Shanghai, Hyatt on the Bund, Hilton Nanjing Riverside, Holiday Inn Mudanjiang, Crowne Plaza Shaoxing, Conrad Xiamen, Holiday Inn Shaoxing, Hilton Shenyang, Hilton Tianjin Eco-city, InterContinental Fuzhou, DoubleTree by Hilton Wuhu, Yuluxe Hotel Taizhou, DoubleTree by Hilton



## Management Discussion and Analysis

## ▼ Beijing Tongzhou Project



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 and Yu Resort Quanzhou been restated at fair value of RMB31.9 billion (2013: RMB28.1 billion), the net assets value of the Group would have been increased to RMB78.4 billion (2013: RMB64.6 billion).

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

	As at 31 December	
	2014 (RMB million)	2013 (RMB million)
Fair value of above-mentioned hotels	<b>31,934</b>	28,116
Less: Carrying amount	<b>(14,026)</b>	(11,125)
Amounts to adjust from carrying amount to fair value	<b>17,908</b>	16,991
Less: Deferred income taxes	<b>(4,477)</b>	(4,248)
Increase in net assets value if the above-mentioned hotels are stated at fair value	<b>13,431</b>	12,743
Net assets value per consolidated balance sheet	<b>64,983</b>	51,852
Adjusted net assets value	<b>78,414</b>	64,595
Net debt	<b>38,059</b>	29,756
Adjusted gearing ratio	<b>49%</b>	46%



## ▼ Chengdu Jianyang Sancha Lake Project



## FINANCIAL ANALYSIS

Key consolidated income statement figures are set out below:

	2014 RMB million	2013 RMB million
Revenue	<b>56,081</b>	41,503
Gross profit	<b>18,225</b>	14,641
Operating profit	<b>15,671</b>	12,336
Profit attributable to shareholders	<b>8,104</b>	7,390
Earnings per share – Basic (RMB cents)	<b>234.3</b>	213.3

## Revenue

For the year ended 31 December 2014, the revenue of the Group was approximately RMB56,081 million (2013: RMB41,503 million), representing an increase of 35.1% over 2013. 95.5% (2013: 95.2%) of the revenue was generated from the sales of properties and 4.5% (2013: 4.8%) from hotel operation, leasing of commercial properties and others.

The components of the revenue are analysed as follows:

	2014 RMB million	2013 RMB million
Sales of properties	<b>53,567</b>	39,503
Hotel operation income	<b>1,178</b>	979
Rental income from investment properties	<b>687</b>	556
Others	<b>649</b>	465
<b>Total</b>	<b>56,081</b>	41,503




*Management Discussion and Analysis*

## ▼ Chengdu Jianyang Sancha Lake Project


 (i) **Sales of properties**

Sales of properties for the year ended 31 December 2014 and 2013 are set out below:

	2014		2013	
	Area (sq.m.)	RMB million	Area (sq.m.)	RMB million
<b>Shimao Property</b>				
Xiamen Shimao Lakeside Garden	204,811	6,071	62,276	1,404
Nanjing Straits City	175,044	3,119	–	–
Suzhou Shimao Canal Scene	182,082	2,126	56,758	637
Fuzhou Pingtan Straits Future City	170,597	1,845	–	–
Chengdu Shimao Royal Bay	137,908	1,768	7,549	260
Nanjing Shimao Glory Villa	100,547	1,719	69,695	1,164
Wuhan Shimao Splendid River	155,339	1,681	151,953	1,654
Shaoxing Shimao Dear Town	148,794	1,673	136,622	1,773
Fuzhou Minhou Shimao Dragon Bay	154,880	1,467	348,720	3,889
Zhangjiagang Shimao Lake Palace	82,237	1,408	–	–
Hangzhou Shimao Above the Lake	62,236	1,384	–	–
Beijing Shimao Lá Villa	112,642	1,304	–	–
Kunshan Shimao East No. 1	172,928	1,257	1,467	13
Tianjin Shimao Wetland Century	116,334	1,032	124,599	1,150
Quanzhou Jinjiang Shimao Dragon Bay	126,644	998	399,579	5,450
Suzhou Shimao Shihu Bay	62,438	992	–	–
Chengdu Shimao City	125,693	953	13,832	98
Beijing Shimao Salamanca	89,453	916	–	–
Qingdao Shimao Noble Town	97,421	906	186,841	1,690



## Management Discussion and Analysis

	2014		2013	
	Area (sq.m.)	RMB million	Area (sq.m.)	RMB million
Ningbo Shimao The Capital	42,311	905	–	–
Changzhou Shimao Champagne Lake	99,350	759	159,912	1,366
Hangzhou Shimao Riviera Garden	103,109	742	40,977	387
Hangzhou Shimao East No.1	41,537	736	–	–
Dalian Shimao Dragon Bay	81,184	700	72,663	929
Shenyang Shimao Wulihe	62,489	601	33,718	338
Nantong Shimao In the Park	87,564	519	13,948	129
Wuhan Shimao Lake Island	56,215	502	–	–
Wuxi Shimao International City	64,134	500	–	–
Wenchang Shimao Blooming Sea	48,366	434	–	–
Harbin Shimao Riviera New City	80,115	428	179,956	1,084
Mudanjiang Shimao Holiday Landscape	95,047	387	61,970	290
Shenyang Shimao Notting Hill	37,167	365	–	–
Taizhou Shimao Riverside Garden	56,306	272	3,636	20
Wuhan Shimao Dragon Bay	45,887	266	25,383	186
Shenyang Shimao Bojing Plaza	16,747	221	–	–
Xianyang Shimao The Centre	27,275	197	19,027	383
Shanghai Shimao Emme County	20,954	193	13,625	137
Dalian Shimao Glory City	22,542	191	4,983	60
Jiaxing Shimao New City	30,553	169	138,251	815
Shanghai Shimao Sheshanli	2,172	97	10,489	200
Xuzhou Shimao Dongdu	5,323	48	89,308	669
Ningbo Shimao World Gulf	2,277	27	4,732	58
Yantai Shimao No.1 The Harbour	1,275	11	4,194	38
Kunshan Shimao Butterfly Bay	–	–	159,712	984
Wuxi Shimao The Capital	–	–	116,620	1,035
Ningbo Shimao Sea Dawn	–	–	97,331	856
Ningbo Shimao Dragon Bay	–	–	21,902	225
Ningbo Xiangshan Shimao Damuwan	–	–	30,820	445
Ningbo Yuyao Shimao Moushan Lake	–	–	7,005	133
Beijing Shimao Alhambra Palace	–	–	5,583	104
Shanghai Shimao Riviera Garden	–	–	645	55
<b>Sub-total (a)</b>	<b>3,607,927</b>	<b>41,889</b>	2,876,281	30,108
<b>Shanghai Shimao</b>				
Xiamen Shimao Straits Mansion	116,990	4,137	–	–
Qingdao Shimao Grand Mansion	47,721	1,272	21,856	698
Qingdao Shimao Noosa Bay	94,754	1,220	51,153	716
Suzhou Shimao Royal Villa	59,580	873	–	–
Shanghai Shimao Wonderland	36,926	796	137,253	2,162
Jinan Shimao International Plaza	25,459	738	51,263	1,059
Wuhan Shimao Carnival	78,408	736	58,923	492



## Management Discussion and Analysis

## ▼Nanchang Shimao Water City



	2014		2013	
	Area (sq.m.)	RMB million	Area (sq.m.)	RMB million
Suzhou Shimao Canal Scene (Commercial)	51,292	505	56,771	722
Tianjin Wuqing Shimao Luxury Mansion	57,983	499	–	–
Quanzhou Shishi Shimao Skyscraper City	29,005	496	–	–
Nanjing Shimao Bund New City	10,351	184	123,276	1,869
Changshu Shimao The Centre (Commercial)	33,246	146	125,894	1,034
Changzhou Shimao Champagne Lake (Commercial)	4,925	27	11,580	121
Kunshan Shimao International City	2,018	22	7,675	92
Xuzhou Shimao Dongdu (Commercial)	545	14	22,777	285
Wuhu Shimao Riviera Garden (Commercial)	714	11	3,029	46
Qingdao Shimao International Plaza	110	2	3,047	62
Hangzhou Shimao Riviera COSMO	–	–	2,496	29
Shaoxing Shimao Dear Town (Commercial)	–	–	425	8
Sub-total (b)	650,027	11,678	677,418	9,395
Total (a)+(b)	4,257,954	53,567	3,553,699	39,503



**(ii) Hotel income**

Hotel operation income is analysed below:

	2014 RMB million	2013 RMB million
Le Royal Méridien Shanghai	379	374
Hyatt on the Bund	341	337
Le Méridien Sheshan Shanghai	152	138
Hilton Nanjing Riverside	79	66
InterContinental Fuzhou	66	–
Crowne Plaza Shaoxing	52	–
Double Tree by Hilton Wuhu	44	3
Holiday Inn Shaoxing	32	32
Holiday Inn Mudanjiang	29	29
Yuluxe Hotel Taizhou and others	4	–
<b>Total</b>	<b>1,178</b>	<b>979</b>

Hotel operation income increased approximately 20.3% to RMB1,178 million in 2014 from RMB979 million in 2013. The increase was mainly derived from newly-opened hotels.

**(iii) Rental income and others**

Rental income from investment properties amounted to approximately RMB687 million. The rental income was increased by 23.6% mainly due to the growth of the average rent.

Other income amounted to RMB649 million was mainly derived from the cinemas and department stores.

	2014 RMB million	2013 RMB million
Shanghai Shimao International Plaza	159	158
Beijing Shimao Tower	135	121
Shaoxing Shimao Dear Town (Commercial)	89	84
Jinan Shimao International Plaza	56	–
Shanghai Shimao Shangdu	45	36
Kunshan Shimao Plaza	29	20
Suzhou Shimao Canal Scene (Commercial)	23	14
Changshu Shimao The Centre	15	15
Xuzhou Shimao Dongdu (Commercial)	15	14
Wuhu Shimao Riviera Garden (Commercial)	7	5
Miscellaneous rental income	114	89
Others	649	465
<b>Total</b>	<b>1,336</b>	<b>1,021</b>



### Cost of sales

Cost of sales increased by 40.9% to approximately RMB37,856 million in 2014 from RMB26,862 million in 2013, primarily due to the increase in cost of properties sold in line with the increase in areas delivered.

Cost of sales are analysed as follows:

	2014 RMB million	2013 RMB million
Sales taxes	3,230	2,442
Land costs and construction costs	30,960	21,468
Capitalised borrowing costs	3,042	2,442
Direct operating costs for hotels, commercial properties and others	624	510
<b>Total</b>	<b>37,856</b>	<b>26,862</b>

### Fair value gains on investment properties

During the year, the Group recorded aggregate fair value gains of approximately RMB1,511 million (2013: fair value gains RMB1,031 million), mainly contributed by the further increase in value of certain investment properties and the addition in number of investment properties. Aggregate net fair value gains after deferred income tax of RMB378 million recognised were RMB1,133 million (2013: net fair value gains after deferred income tax were RMB773 million).

### Other gains

Other gains of approximately RMB502 million for the year ended 31 December 2014 (2013: RMB845 million) included mainly gain on government grants of RMB376 million, net gain on disposal of subsidiaries of RMB112 million, and fair value gain on derivative financial instruments of RMB35 million, which was offset by net foreign exchange loss of RMB76 million.

### Selling and marketing costs and administrative expenses

Selling and marketing costs for the year was approximately RMB1,496 million (2013: RMB1,306 million), which increased by 14.5%. The increase was mainly due to number of projects with advertising activities increased. The sales team also focused on the effectiveness of sales strategy according to the changes in the market. Administrative expenses for the year increased by 23.0% from RMB2,283 million to RMB2,808 million. It was mainly due to the increase in labor cost with the expansion of the business. In addition, hotel expenses also increase with the commencement of new hotels in 2014. The proportion of total expenses to the total revenue was 7.7% (2013: 8.6%) and to the total contracted sales was 6.1% (2013: 5.4%). The proportion of total expenses excluding hotel expenses to the total contracted sales was 4.9% (2013: 4.5%).

### Operating profit

Operating profit amounted to RMB15,671 million for the year ended 31 December 2014, representing an increase of 27.0% over 2013 (2013: RMB12,336 million). It was mainly attributable to the increase of revenue and gross profit.



## ▼ Quanzhou Shimao Hi Dream

**Finance costs – net**

Net finance costs increased to approximately RMB241 million (2013: RMB121 million) mainly due to more interest expenses incurred for increased borrowings during the year.

**Share of results of associated companies and joint ventures**

Share of losses of associated companies amounted to approximately RMB153 million (2013: share of losses of RMB51 million), which was mainly due to the loss of Straits Construction Investment (Holdings) Limited and Guangzhou Asian Games City Project. Share of losses of joint ventures amounted to approximately RMB21 million (2013: share of profits of RMB896 million), which was due to the decrease in recognition sales by two joint ventures in Hangzhou in 2014.

**Taxation**

The Group's tax provisions amounted to approximately RMB5,769 million in which PRC land appreciation tax ("LAT") was RMB1,840 million (2013: RMB4,834 million, in which LAT was RMB2,107 million) for the year.

**Profit attributable to shareholders**

Profit attributable to shareholders for the year significantly increased by 9.7% from approximately RMB7,390 million in 2013 to RMB8,104 million in 2014.

**Liquidity and financial resources**

As of 31 December 2014, total assets of the Group were approximately RMB220.533 billion, of which current assets reached approximately RMB156.886 billion. Total liabilities were approximately RMB155.550 billion, whereas non-current liabilities were approximately RMB47.609 billion. Total equity was approximately RMB64.983 billion, of which equity attributable to the shareholders of the Company amounted to approximately RMB46.863 billion.





## ▼ Quanzhou Shimao Hi Dream



As of 31 December 2014, the Group had aggregate cash and bank balances (including restricted cash) of approximately RMB23.935 billion (31 December 2013: RMB19.573 billion), total borrowings amounted to approximately RMB61.994 billion (31 December 2013: RMB49.329 billion). Total net borrowings were RMB38.059 billion (31 December 2013: RMB29.756 billion). Net gearing ratio slightly increased from 57.4% as at 31 December 2013 to 58.6% as at 31 December 2014. However, it accomplished management's goal to keep the ratio under 60% and was maintained at a low level compared to past years.

The maturity of the borrowings of the Group as at 31 December 2014 is set out as follows:

	RMB million
<b>Bank borrowings and borrowings from other financial institutions</b>	
Within 1 year	18,725
Between 1 and 2 years	11,702
Between 2 and 5 years	14,851
Over 5 years	6,139
<b>Senior notes</b>	
Between 2 and 5 years	2,112
Over 5 years	8,465
<b>Total</b>	<b>61,994</b>



The borrowings were denominated in different currencies set out below:

	Original currency million	RMB equivalent million
US\$	3,669	22,451
HK\$	6,886	5,432
RMB	34,111	34,111

### Financing activities

In 2014, the Group continued to take advantage of its onshore and offshore diversified financing channels to support its sustainable development and further optimize its financing structure.

The Group continued to maintain good debt structure, of which short-term borrowings is approximately 30% and long-term borrowings is approximately 70% as at 31 December 2014. The cash coverage ratio is approximately 128% as at 31 December 2014, which indicated the Group kept high liquidity and low debt pressure.

On 10 February 2015, the Group issued US\$800 million senior notes (the "2015 Senior Notes") due on 10 February 2022. The interest rate is 8.375%. The issuance received overwhelming response with 7.25 times over subscription, which indicated a high degree of market confidence in the Group. On 17 March 2015, the Group further issued US\$300 million senior notes to be consolidated and form a single series with the 2015 Senior Notes.

On 8 March 2015, the Group early redeemed an aggregate principal amount of US\$350 million of all outstanding 11% senior notes due in 2018.



## ▼ Dalian Shimao Dragon Bay



After the issuance of the US\$800 million and US\$300 million senior notes and redemption of the US\$350 million senior notes, the total amount of offshore senior notes increased to US\$2.5 billion. The average maturity extended from 5.02 years to 5.99 years, and the average coupon rate decreased from 8.01% to 7.76%.

**Foreign exchange risks**

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

**Pledge of assets**

As of 31 December 2014, 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 RMB59.5 billion to secure bank facilities granted to the Group. The corresponding bank and other loans amounted to approximately RMB30.0 billion. The Group had also pledged shares of certain subsidiaries for a total borrowing of RMB2.05 billion.





▼Quanzhou Shimao Hi Dream



### **Contingencies**

As of 31 December 2014, the Group had provided guarantees for approximately RMB11.7 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 RMB6.8 billion in its portion of equity interests in associated companies and joint ventures for their borrowings.

### **Capital and property development expenditure commitments**

As of 31 December 2014, the Group had contracted capital and property development expenditure but not provided for amounted to approximately RMB38.7 billion.

### **Employees and remuneration policy**

As of 31 December 2014, the Group employed a total of 7,191 employees. Total remuneration for the year amounted to approximately RMB1,397 million. The Group has adopted a performance-based rewarding system to motivate its staff. The board of directors of the Company adopted a share option scheme (the "Share Option Scheme") and a share award scheme (the "Share Award Scheme") of the Company on 9 June 2006 and 30 December 2011 respectively. The purpose of the Share Option Scheme and the Share Award Scheme is to recognize the contributions by certain selected employees of the Group and to provide them with incentives in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group. In relation to staff training, the Group also provides different types of programmes for its staff to improve their skills and develop their respective expertise.



▲► Quanzhou Shimao Zimaoshan





## Report of the Directors

The directors (the "Directors") of Shimao Property Holdings Limited (the "Company") have pleasure in presenting their report and the audited financial statements of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2014.

### PRINCIPAL ACTIVITIES

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

### RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2014 are set out on pages 79 to 200 of this annual report.

The board of Directors of the Company (the "Board") has proposed the payment of a final dividend of HK60 cents (2013: HK81 cents) per ordinary share for the year ended 31 December 2014. The proposed final dividend together with the interim dividend of HK30 cents per ordinary share paid on 5 November 2014, will amount to a total dividend of HK90 cents per ordinary share for the year ended 31 December 2014 (throughout 2013: HK81 cents). The proposed final dividend, if approved at the forthcoming annual general meeting ("AGM") to be held on 8 June 2015, will be payable on 2 July 2015 to shareholders whose names appear on the register of members of the Company on 19 June 2015.

### CLOSURE OF REGISTER OF MEMBERS

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

- (i) on Friday, 5 June 2015 and Monday, 8 June 2015, for the purpose of ascertaining shareholders' entitlement to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 pm on Thursday, 4 June 2015; and
- (ii) on Thursday, 18 June 2015 and Friday, 19 June 2015, for the purpose of ascertaining shareholders' entitlement to the proposed final dividend. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at the address as set out in sub-paragraph (i) above for registration no later than 4:30 pm on Wednesday, 17 June 2015.

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







## 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 turnover and 30% of the Group's total purchases respectively during the year.

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

## BANK AND OTHER BORROWINGS

Particulars of bank and other borrowings of the Company and the Group as at 31 December 2014 are set out in note 23 to the consolidated financial statements.

## DONATIONS

Charitable and other donations made by the Group during the year amounted to RMB38,501,000 (2013: RMB14,914,000).

## PROPERTY AND EQUIPMENT

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

## SHARE CAPITAL

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

Details of the movements of the share options of the Company's subsidiary during the year are set out on page 145 of this annual report.

## FINANCIAL HIGHLIGHTS

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 6 of this annual report.

## PRE-EMPTIVE RIGHTS

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



## DIRECTORS

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

### Executive Directors

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

### Non-executive Director

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

### Independent Non-executive Directors

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

Subsequent to 31 December 2014, Mr. Liu Sai Fei was re-designated from an Executive Director to a Non-executive Director of the Company with effect from 9 January 2015.

In accordance with article 87 of the Articles of Association, Mr. Hui Wing Mau, Mr. Liu Sai Fei and Mr. Lam Ching Kam will retire by rotation and, being eligible, offer themselves for re-election as Directors at the forthcoming AGM.

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

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

## DIRECTORS' INTERESTS IN CONTRACTS

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



## INFORMATION ON SHARE OPTIONS

### Share Option Scheme of the Company

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

- (a) The purpose of the Share Option Scheme is to provide the participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and the shares of the Company for the benefit of the Company and shareholders of the Company as a whole. The Share Option Scheme will provide the Company with a flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to the participants.
- (b) The Directors may, at their discretion, invite any directors, employees and officers of any member of the Group and any advisors, consultants, distributors, contractors, contract manufacturers, agents, customers, business partners, joint venture business partners and service providers of any member of the Group to participate in the Share Option Scheme.
- (c) The total number of shares which may be issued upon exercise of all options (the "Share Options") granted and yet to be exercised under the Share Option Scheme or any other share option schemes adopted by the Company must not exceed 30% of the Company's shares in issue from time to time.
- (d) The total number of shares issued and to be issued upon exercise of the Share Options granted to each participant under the Share Option Scheme or any other share option scheme adopted by the Company in any 12-month period must not exceed 1% of the shares of the Company in issue and any further grant of Share Options which would result in the number of shares of the Company issued as aforesaid exceeding the said 1% limit must be approved by the shareholders of the Company.
- (e) The exercise price of the Share Options shall be no less than the higher of (i) the closing price of the shares of the Company on the Stock Exchange on the date of grant; (ii) the average closing price of the shares of the Company on the Stock Exchange for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a share of the Company on the date of grant.
- (f) The consideration paid by each grantee for each grant of options is HK\$1.00.
- (g) Performance targets have been imposed as conditions for the grant of options under the Share Option Scheme.
- (h) The Share Option Scheme will expire on 8 June 2016.
- (i) No Share Options was granted under the Share Option Scheme for the year ended 31 December 2014, nor was there any share option outstanding as at 31 December 2013 and 31 December 2014.





### 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, details are as follows:

- (a) The purpose of the Shanghai Shimao Scheme is to further optimize the corporate governance structure, establish and improve the incentive and discipline mechanism of Shanghai Shimao, unleash motivation of the management, function as a measure to attract and retain quality executives, align the interests of Shanghai Shimao's shareholders and corporate interests with personal interests of the management for building a common vision of long-term development of Shanghai Shimao, and to provide individual employee with incentives through profit sharing, thus securing the sustainable healthy development of Shanghai Shimao.
- (b) Options granted under the Shanghai Shimao Scheme are incentives to directors, senior management and mid-level key managerial personnel of Shanghai Shimao. The shares subject to the options granted under the Shanghai Shimao Scheme are share(s) of Shanghai Shimao which are listed on the Shanghai Stock Exchange and traded and denominated in RMB ("A Shares"). Participants who are granted with the options will be entitled to acquire A Shares at a pre-determined price during the exercise period of the relevant options, subject to the fulfilment of the relevant conditions and the terms of the Shanghai Shimao Scheme.
- (c) The number of A Shares which will be issued under the options granted under the Shanghai Shimao Scheme is 10,000,000 A Shares, representing approximately 0.85% of the total number of A Shares in issue as at the date of this annual report if all the options are exercised.
- (d) The total number of shares to be granted under the Shanghai Shimao Scheme to an individual grantee will not exceed 1% of the total issued share capital of Shanghai Shimao.
- (e) Subject to the fulfillment of various conditions as provided in the Shanghai Shimao Scheme, the options granted under the Shanghai Shimao Scheme can be exercised in two batches commencing from (i) the first trading day after the expiry of the 12-month period from the date of grant; and (ii) the first trading day after the expiry of the 24-month period from the date of grant respectively.
- (f) Performance targets have been imposed as conditions for the grant of options under the Shanghai Shimao Scheme.
- (g) No amount is payable on application or acceptance of the option by the grantees of the options.
- (h) The exercise price of the options granted under the Shanghai Shimao Scheme is 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.



## ▼ Quanzhou Shishi Shimao Skyscraper City



- (i) The options granted by Shanghai Shimao on 28 June 2013, being outstanding as at 1 January 2014 and 31 December 2014, were 10,000,000 A Shares and 5,980,000 A Shares respectively, which are exercisable in the manner as set out in paragraph (e) above.
- (j) No options were granted under the Shanghai Shimao Scheme during the year ended 31 December 2014.
- (k) 1,820,000 options were exercised pursuant to the Shanghai Shimao Scheme during the year ended 31 December 2014. The weighted average closing price of the A Shares of Shanghai Shimao immediately before the date(s) of exercise(s) (all exercised on the same day) of options for the year was RMB12.51 per A Share.
- (l) During the year ended 31 December 2014, 2,200,000 options lapsed in accordance with the Shanghai Shimao Scheme.
- (m) The Shanghai Shimao Scheme will expire on 27 June 2016.

Other details of 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 2014, 5,468,896 shares were granted to certain executive directors and selected employees of the Group under the Share Award Scheme and 4,021,703 awarded shares have been vested during the year ended 31 December 2014.



## DISCLOSURE OF INTERESTS IN SECURITIES

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

As at 31 December 2014, the interests and short position of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") (Cap. 571 of the Laws of Hong Kong)) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the 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	2,256,699,442 <sup>(Note 1)</sup>	64.986%
Hui Sai Tan, Jason	Beneficial Owner	2,423,076 <sup>(Note 2)</sup>	0.070%
Xu Younong	Beneficial Owner	279,696 <sup>(Note 3)</sup>	0.008%
Tang Fei	Beneficial Owner	197,086 <sup>(Note 4)</sup>	0.006%
Liao Lujiang	Beneficial Owner	253,987 <sup>(Note 5)</sup>	0.007%
Liu Sai Fei	Beneficial Owner	739,075 <sup>(Note 6)</sup>	0.021%

#### Notes:

- These 2,256,699,442 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 134,873 shares granted under the Share Award Scheme.
- The interests disclosed represent deemed interests in 157,672 shares granted under the Share Award Scheme.
- The interests disclosed represent deemed interests in 99,566 shares granted under the Share Award Scheme.
- The interests disclosed represent deemed interests in 136,914 shares granted under the Share Award Scheme.
- The interests disclosed include deemed interests in 230,592 shares granted under the Share Award Scheme.

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





### Directors' Right to Acquire Shares or Debentures

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

### Interests of Substantial Shareholders

As at 31 December 2014, the interests and short position of substantial shareholders in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

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

Name	Nature of interest	Number of shares or underlying shares held	Approximate percentage of issued share capital
<b>Long position</b>			
Gemfair Investments Limited ("Gemfair")	Note 1	1,947,984,000	56.10%
Overseas Investment Group International Limited ("Overseas Investment")	Note 2	1,947,984,000	56.10%
Shiyong Finance Limited ("Shiyong Finance")	Note 3	308,715,442	8.89%

Notes:

- 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.
- 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 associates (directly or indirectly) hold not less than 30% interest in the Company.
- 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 2014, the following Director of the Company 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 development interests in the PRC through a number of private companies (collectively, the "Private Group").

The Directors of the Company, 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 in respect of any contract, arrangement or proposal in which he/she or any of his/her associates has a material interest.

## PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES

During the year ended 31 December 2014, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities, except that the trustee of the Share Award Scheme, pursuant to the terms of the rules and trust deed of the Share Award Scheme, purchased from the market a total of 6,011,500 shares of the Company at a total consideration of approximately HK\$95,000,000.

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

The Company entered into the following agreements:

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



## ▼ Quanzhou Shimao Hi Dream



4. A facility agreement on 10 October 2013 between, among others, Charm Talent Limited, a company which is indirectly owned as to 25% by the Company as the borrower, the Company as one of the guarantors, The Bank of East Asia, Limited, The Hongkong and Shanghai Banking Corporation Limited and Standard Chartered Bank (Hong Kong) Limited as original lenders and mandated lead arrangers, a transferable term loan facility in the amount of HK\$2,700,000,000 have been made available to the borrower for a term of 36 months from the first utilization date.
5. 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.

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 2014 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 57 to 69 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, 31 March 2015







# Corporate Governance Report

## A. CORPORATE GOVERNANCE PRACTICES

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

The Company complied with the code provisions set out in the Corporate Governance Code (the “Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) throughout the financial year ended 31 December 2014 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 Directors confirmed that they had complied with the required standard set out in the Model Code during the financial year.

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## 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 2014, four Board meetings were held, all of which were attended by all Directors entitled to attend. 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 Board approval were dealt with by way of written resolutions.

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

### C.2 Chairman and Chief Executive

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

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

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



### C.3 Board Composition

The Board has a balance of skills and experience appropriate for the Company's business. Given below are names of Directors in office during the financial year ended 31 December 2014:

#### Executive Directors

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

#### Non-executive Director

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

#### Independent Non-executive Directors

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

Brief biographical particulars of all 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") comprise only Non-executive Directors.

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

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



#### **C.4 Appointments, Re-election and Removal**

Each of the Directors has entered into a service contract with the Company for a specific term. However, such term is subject to his/her re-appointment by the Company at 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 one Nomination Committee meeting held during the financial year ended 31 December 2014. 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 2014 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 Ms. Kan Lai Kuen, Alice to stand for re-election as an Independent Non-executive Director at the annual general meeting in 2014, explanatory statements were included in the circular accompanying the relevant notice of meeting to set out reasons why the Board considers her to be independent.





The Board adopted a board diversity policy for the Company which stipulates that for identifying individuals suitably qualified to become Directors, the Nomination Committee should consider the benefits of all aspects of diversity including, but not limited to gender, age, race, cultural and educational background, professional experience, industry and business-related experience, skills, knowledge and length of service, in order to maintain an appropriate range of balance of skills, experience and background on the Board. All appointments of Directors should have taken into account the aforesaid factors as a whole for the benefits of the Company. The Nomination Committee will monitor the implementation of the board diversity policy. It will also from time to time review the board diversity policy, as appropriate, to ensure the effectiveness of the policy.

### C.6 Responsibilities of Directors

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

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

The Directors are continually updated with legal and regulatory developments, business and market changes and strategic development of the Group to facilitate the discharge of their responsibilities. Since January 2012, all Directors have been required to provide training records to the Company and the training records have been maintained by the Company Secretary.

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

Directors	Reading materials
Mr. Hui Wing Mau	✓
Mr. Hui Sai Tan, Jason	✓
Mr. Xu Younong	✓
Ms. Tang Fei	✓
Mr. Liao Lujiang	✓
Mr. Liu Sai Fei	✓
Ms. Kan Lai Kuen, Alice	✓
Mr. Lu Hong Bing	✓
Mr. Lam Ching Kam	✓



Individual attendance records of the Directors at Board meetings, Board committees meetings and annual general meeting during the financial year ended 31 December 2014, are set out below:

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

All Independent Non-executive Directors attended the last annual general meeting held in 2014. 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 2014.

### 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 the 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 2014. Details of attendance of the Remuneration Committee members are set out in the table above.



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 schemes, 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 2014 is summarised below:

- (a) review of the Company's policy and structure for all remunerations of the 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 31 to the consolidated financial statements of this annual 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 flow for relevant period.

In preparing the financial statements for the year ended 31 December 2014:

- (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 C.1.3 of the Code.





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

## **E.2 Internal Controls**

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

The Group has established an Internal Audit Department which plays an important role in the Group's internal controls system. The Internal Audit Department provides an independent appraisal of the Group's financial and operational activities and makes recommendations to the relevant management for necessary actions. The results of the internal audit reviews are reported to the Executive Directors and the Audit Committee periodically.

A review of the effectiveness of the Group's internal controls system and procedures covering all controls, including financial, operational and compliance and financial reporting function was conducted by the Audit Committee and subsequently reported to the Board during the year ended 31 December 2014. According to the result of the review, the Directors considered that the internal controls system and procedures of the Group were effective and adequate in respect of the year ended 31 December 2014.

## **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/or experience in financial matters.

There were two Audit Committee meetings held during the financial year ended 31 December 2014. 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 and internal controls system of the Company, nominate and monitor external auditor and provide advice and comments to the Directors.

The terms of reference of the Audit Committee have been reviewed with reference to the Code and are available on the Company's website at [www.shimaoproperty.com](http://www.shimaoproperty.com).

The work performed by the Audit Committee for the financial year ended 31 December 2014 is summarised below:

- (a) review of the audit plan of the external auditor and discussion with them about the nature and scope of the audit;
- (b) approval of the remuneration and terms of engagement of external auditor;
- (c) review of the external auditor's independence and objectivity and the effectiveness of audit process according to applicable standards;
- (d) review of the consolidated interim and annual 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 controls 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 2014 have been reviewed by the Audit Committee.

The external auditor of the Company is PricewaterhouseCoopers. The Audit Committee meets the external auditor at least twice a year. A statement by the auditor about their reporting responsibilities is included in the Independent Auditor's Report on the Company's consolidated financial statements on pages 77 and 78.

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 2014 is set out as follows:

Services rendered	RMB'000
Audit service	8,600
Other service	
– Service in connection with the notes offering	1,900
– Service in connection with SAP project management	6,500
– Others	2,100
<b>Total</b>	<b>19,100</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 Board approval before publication, execution of business strategies and initiatives adopted by the Board, implementation of systems of internal controls and risk management procedures, compliance with relevant statutory requirements and rules and regulations.

### F.2 Board Committees

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

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





### F.3 Corporate Governance Functions

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

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

## G. COMMUNICATION WITH SHAREHOLDERS

### G.1 Effective Communication

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

The management of the Company believes that effective communication with the investment community is essential. During the year, the Executive Directors and senior management held regular briefings, attended investor forums and participated in roadshows with institutional investors and financial analysts in the PRC, Hong Kong and overseas countries to keep them abreast of the Company'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, public 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 Shareholders may at any time address their enquiries to the Board.

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



The 2014 Annual General Meeting ("2014 AGM") of the Company was held on 23 June 2014. Details of attendance of the Directors in 2014 AGM are set out in the table on page 62. The external auditor, PricewaterhouseCoopers, attended the 2014 AGM, during which its representative was available to answer questions raised by the Shareholders.

## **G.2 Voting by Poll**

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

## **H. COMPANY SECRETARY**

Ms. Lam Yee Mei, Katherine is a full-time employee of the Company with professional qualifications and extensive experience to discharge the functions of Company Secretary of the Company. During the year, Ms. Lam undertook over 15 hours of professional training to update her skills and knowledge. The Company Secretary plays an important role in supporting the Board by ensuring efficient information flow within the Board and that Board procedures, and all applicable law, rules and regulations are followed. The Company Secretary reports to the Board through the Chairman and Vice Chairman whilst all Directors have access to the advice and services of the Company Secretary.

## **I. SHAREHOLDERS' RIGHTS**

### **I.1 Procedures for convening an extraordinary general meeting ("EGM")**

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

The EGM Requisitionists can deposit the written request at the Company's principal place of business in Hong Kong ("Principal Office"), which is presently situated at 38th Floor, Tower One, Lippo Centre, 89 Queensway, Hong Kong. The EGM Requisitionists must state in their request(s) the objects of the EGM, and such request must be signed by all the EGM Requisitionists, and may consist of several documents in like form, each signed by one or more of the EGM Requisitionists.

The Company's branch share registrar and transfer office in Hong Kong will verify the EGM Requisitionists' particulars at the EGM Requisitionists' request. Promptly after receipt of confirmation from the Company's branch share registrar and transfer office in Hong Kong that the EGM Requisitionists' request is valid, the Company Secretary will arrange the Board to convene an EGM by serving sufficient notice to all the registered shareholders in accordance with all the relevant statutory and regulatory requirements. On the contrary, if the EGM Requisitionists' request is confirmed invalid, the requested EGM will not be convened and notification will be made to the EGM Requisitionists accordingly.



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

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

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

### **I.3 Procedures for proposing a person to be elected as a director of the Company**

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

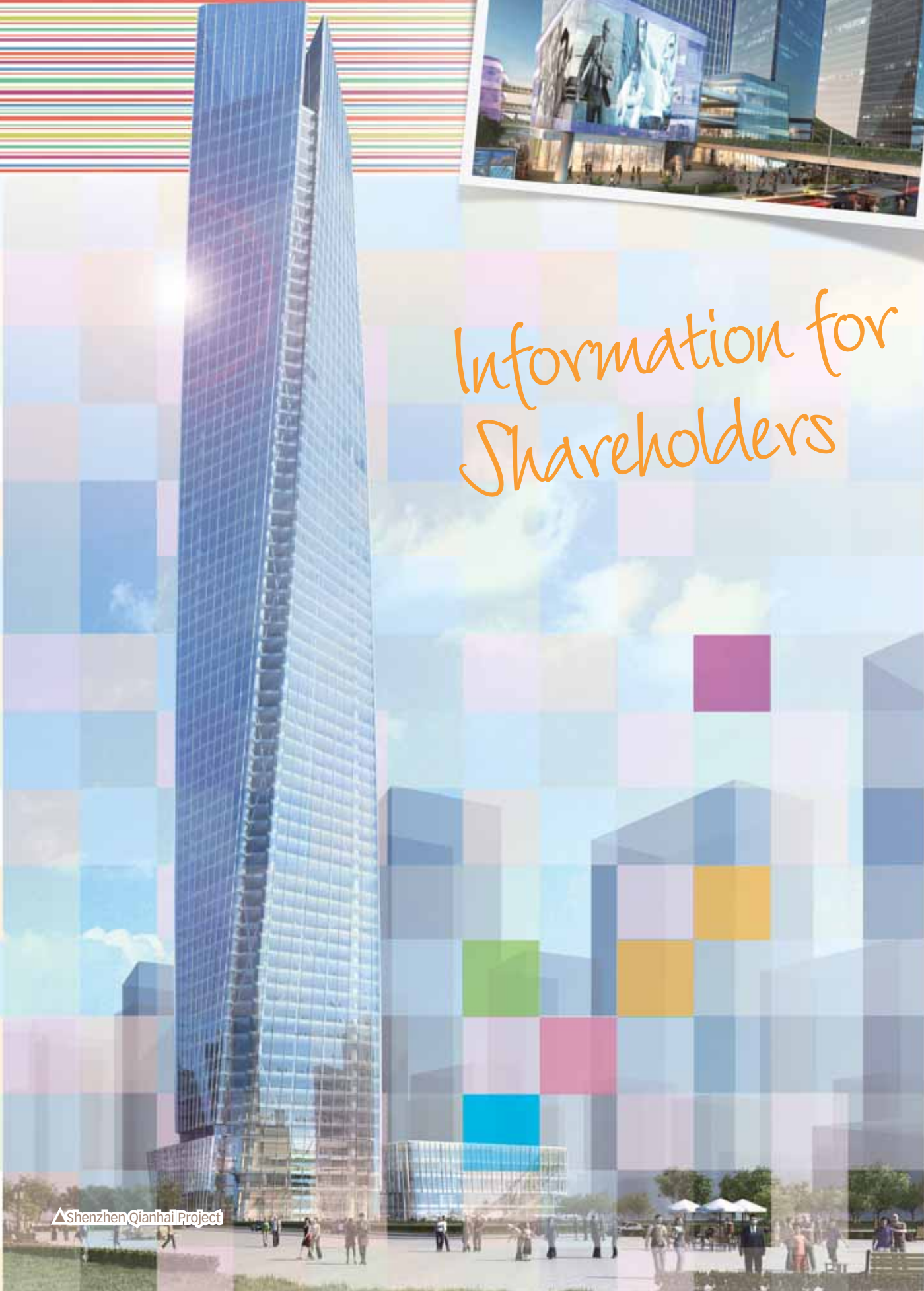
### **I.4 Procedures for sending enquiries to the Board**

The Company welcomes Shareholders' views and concerns relating to the Group's management and governance. The Company's website [www.shimaoproperty.com](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 2014, there is no significant change in the constitutional documents of the Company.

# 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 2015 AGM will be held on Monday, 8 June 2015. The notice of the 2015 AGM, which constitutes part of the circular to shareholders, is sent together with this annual report. The notice of the 2015 AGM and the proxy form are also available on the Company's website.

## 2014 DIVIDENDS

Interim dividend	HK30 cents per ordinary share
Proposed final dividend	HK60 cents per ordinary share

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

For determining shareholders' eligibility to attend and vote at the 2015 AGM

Latest time to lodge transfer documents for registration	4:30 pm on Thursday, 4 June 2015
Closure of ROM	Friday, 5 June 2015 and Monday, 8 June 2015
Record date	8 June 2015

For determining shareholders' entitlement to the final dividend

Latest time to lodge transfer documents for registration	4:30 pm on Wednesday, 17 June 2015
Closure of ROM	Thursday, 18 June 2015 and Friday, 19 June 2015
Record date	19 June 2015
Dispatch of final dividend warrants	2 July 2015

▽ Quanzhou Jinjiang Shimao Dragon Bay



▽ Quanzhou Shimao Hi Dream







# Directors and Senior Management Profiles

## EXECUTIVE DIRECTORS

### Hui Wing Mau (Chairman)

Mr. Hui Wing Mau, aged 64, the Chairman and Executive Director of Shimao Property Holdings Limited (the "Company") and the founder of the Group. With over 25 years' experience in property development, property investment and hotel operation, he is primarily responsible for the Group's overall strategic planning and business management. Mr. Hui is currently a member of the National Committee of the Twelfth Chinese People's Political Consultative Conference ("CPPCC") and deputy director of the Economic Committee of the National Committee of the CPPCC, vice president of All-China Federation of Returned Overseas Chinese, the president of China Federation of Overseas Chinese Entrepreneurs, vice president of China Overseas Chinese Entrepreneurs Association, chairman of Shanghai Overseas Chinese Chamber of Commerce, president of The Association for the Promotion of Global Chinese Traders Fraternity, executive president of China Red Ribbon Foundation and president of New Home Association Hong Kong. Mr. Hui obtained a Master's Degree in Business Administration from the University of South Australia. Mr. Hui is also the non-executive chairman of Shanghai Shimao Co., Ltd. ("Shanghai Shimao"), a 64.12% owned subsidiary of the Company listed on the Shanghai Stock Exchange, and a director of Shimao International Holdings Limited ("Shimao International"). He is a director of Gemfair Investments Limited and Shiyang Finance Limited, substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"). He has been the Chairman and Executive Director of the Company since 8 November 2004. Mr. Hui is the father of Mr. Hui Sai Tan, Jason, the Vice Chairman and Executive Director of the Company, and Ms. Hui Mei Mei, Carol, the Vice Chairman of Shanghai Shimao.

▼ Shanghai Shimao Sheshanli



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

Mr. Hui Sai Tan, Jason, aged 38, 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 16 years' experience in the property development industry and has presided over the sales and marketing of Shanghai Shimao Riviera Garden which boasted top sales proceeds among residential projects in Shanghai for four consecutive years from 2001 to 2004. Mr. Jason Hui obtained a Master of Science Degree in Real Estate from the University of Greenwich, the United Kingdom in 2001 and a Master's Degree in Business Administration from the University of South Australia in 2004. He is a member of the Standing Committee of All-China Youth Federation and a member of Shanghai Committee of the CPPCC. He has been an Executive Director and the Vice Chairman of the Company since 17 November 2004 and 21 April 2008 respectively and was an executive director of Shimao International from July 2002 to June 2006. He is also a director of Shanghai Shimao. Mr. Jason Hui is the son of Mr. Hui Wing Mau, the Chairman and Executive Director of the Company, and the brother of Ms. Hui Mei Mei, Carol, the Vice Chairman of Shanghai Shimao.

**Xu Younong**

Mr. Xu Younong, aged 56, has joined the Group since June 2001 and was appointed an Executive Director of the Company on 1 January 2011. He is currently a Vice President and Regional President of the Group, responsible for project management of the Group. Mr. Xu holds a Bachelor's Degree of engineering from Tong Ji University in Shanghai and has over 31 years' experience in architectural design and project management. Prior to joining the Group, he worked for Shanghai Building Material Industry Design Institute (上海市建築材料工業設計研究院) from 1983 to 1992 as an engineer and designer. From 1993 to 2001, he worked for Shanghai Fortune World Development Company Limited as project manager.

**Tang Fei**

Ms. Tang Fei, aged 44, 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 21 years' experience in financial management and internal audit. Prior to joining the Group, Ms. Tang worked in the internal audit department of Bank of China, Head office from 1992 to 1998. She also worked in the audit department and treasury department of Bank of China (Hong Kong) Limited from 1999 to 2004.

**Liao Lujiang**

Mr. Liao Lujiang, aged 43, has joined the Group since January 2011 and was appointed an Executive Director of the Company since 6 February 2013. Mr. Liao is currently the Chief Operation Officer of the Group, responsible for management of enterprise operation, human resources, information system and administrative support of the Group. Mr. Liao holds a Master's Degree in public administration from Tsinghua University and has over 12 years' experience in office administration, human resources management and staff training. Prior to joining the Group, Mr. Liao worked in lanjia Group as senior human resources manager of northern district from 2003 to 2006. From 2006 to 2010, he worked for Beijing Longfor Properties Co., Ltd. as deputy human resources general manager and chief human resources officer (property).





## NON-EXECUTIVE DIRECTOR

### **Liu Sai Fei**

Mr. Liu Sai Fei, aged 53, has joined the Group since 2003, was appointed as 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 was also appointed as the President of Shanghai Shimao on 9 January 2015. He obtained a Master's Degree in Project Management from the University of Western Sydney, Australia in 2000. Mr. Liu has over 30 years' experience in architectural design and project management. Prior to joining the Group, he worked for CRG Contractors Dte from 1998 to 2001. From 2001 and 2003, he worked for Shanghai Merry Land Co. Ltd. as project manager.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

### **Kan Lai Kuen, Alice**

Ms. Kan Lai Kuen, Alice, aged 60, has been an Independent Non-executive Director of the Company since 16 March 2006 and has more than 23 years' experience in corporate finance. She is a responsible officer of two licensed corporations registered under the SFO, namely, Asia Investment Management Limited ("AIML") and Asia Investment Research Limited ("AIRL"). AIML is currently the investment manager of China Investment Fund Company Limited which is listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). She is also a shareholder and the managing director of AIML and AIRL. Ms. Kan currently serves as an independent non-executive director on the boards of the following companies which are listed on the Stock Exchange: Shougang Concord International Enterprises Company Limited, Regal Hotels International Holdings Limited, China Energin International (Holdings) Limited and Cosmopolitan International Holdings Limited. She is also an independent director of AVIC International Maritime Holdings Limited, a company listed on Singapore Exchange Securities Trading Limited. She is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Hong Kong Institute of Directors. Ms. Kan held various senior positions in international and local banks and financial institutions.

### **Lu Hong Bing**

Mr. Lu Hong Bing, aged 48, has been an Independent Non-executive Director of the Company since 17 November 2004. Mr. Lu obtained a Master's Degree in law from the East China University of Politics and Law in 1991 and has more than 22 years' experience in corporate and securities laws in China. Mr. Lu currently serves as an independent director on the boards of the following companies which are listed on the Shanghai Stock Exchange: Shanghai Aerospace Automobile Electromechanical Co., Ltd. (上海航天汽車機電股份有限公司), Shanghai Jiaoda Onlly Co., Ltd (上海交大昂立股份有限公司), Shanghai Metersbonwe Fashion & Accessories Co., Ltd. (上海美特斯邦威服飾股份有限公司) and Shanghai DaZhong Public Utilities (Group) Co., Ltd (上海大眾公用事業(集團)股份有限公司). Mr. Lu is an executive partner of the Grandall Legal Group, a vice-president of the Executive Council of the All China Lawyers Association, an arbitrator of the China International Economic and Trade Arbitration Commission, an arbitrator of the Shanghai Arbitration Committee, a concurrent professor of the East China University of Political Science and Law and the Shanghai Institute of Foreign Trade and a commissioner of the public offering commission of the Shanghai Stock Exchange. He was appointed as an independent non-executive director of Shimao International from October 2001 to February 2005.



### Lam Ching Kam

Mr. Lam Ching Kam, aged 54, has been an Independent Non-executive Director of the Company since 1 June 2006. He is currently a fellow member and the committee member of the PRC committee (Quantity Surveying Division) of the Hong Kong Institute of Surveyors. Mr. Lam obtained a Master's Degree in Business Administration from the Hong Kong Open University in 2004 and is a fellow member of the Chartered Institute of Building and the Royal Institution of Chartered Surveyors. Mr. Lam was the Vice Chairman of the Royal Institution of Chartered Surveyors China Group from 2003 to 2006. He is a member of the China Civil Engineering Society (中國土木工程師學會會員) and also a registered China Costing Engineer (中國造價工程師執業資格). Mr. Lam has been a consultant to the Beijing Construction Project Management Association (北京市建設監理協會) since 2003 and has engaged in professional training and vocational education in China for more than 13 years. Mr. Lam has been in the property development and construction industry for 31 years, and has worked for construction contractors such as Shui On Building Contractors Limited, China State Construction Engineering Corporation and Hopewell Construction Co., Ltd. Mr. Lam was employed as a quantity surveyor and worked in London from 1990 to 1991. He was employed by certain consultant firms and the Architectural Services Department of the Hong Kong Government before he emigrated to Australia in 1996 and operated a project management firm in Sydney. Mr. Lam was the project controller of Sino Regal Ltd. (HK) for investment projects in China from 1994 to 1996. In 1998, Mr. Lam established a surveying and management consultant firm which has been participating in many large-scale projects in China and Macau, including a Beijing Olympic 2008 project involving the hotels, offices towers and commercial complex in Olympic Park, Beijing.

## SENIOR MANAGEMENT

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

## CHANGE IN INFORMATION OF DIRECTORS

The change in the information of the Directors of the Company since the publication of the interim report of the Company for the six months ended 30 June 2014 required to be disclosed pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange is set out below:

Name of Director	Detail of changes
<p><b>Non-executive Director</b> Mr. Liu Sai Fei</p>	<p>Re-designated from executive director to non-executive director of the Company with effect from 9 January 2015.</p>

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".



# Independent Auditor's Report

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

(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Shimao Property Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 79 to 200, which comprise the consolidated and Company balance sheets as at 31 December 2014, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

## **AUDITOR'S RESPONSIBILITY**

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

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

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

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

**OPINION**

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**PricewaterhouseCoopers***Certified Public Accountants*

Hong Kong, 31 March 2015





# Consolidated Balance Sheet

As at 31 December 2014

	Note	As at 31 December	
		2014 RMB'000	2013 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	6	11,951,703	10,378,052
Investment properties	7	26,975,771	26,941,944
Land use rights	8	7,286,582	5,645,416
Intangible assets	9	1,840,684	1,847,573
Associated companies	11	1,258,029	1,650,578
Joint ventures	12	8,534,090	5,365,806
Amount due from related parties	19	2,499,546	2,266,694
Available-for-sale financial assets	13	204,510	408,440
Deferred income tax assets	24	1,429,899	1,306,338
Other non-current assets	14	1,666,753	2,008,313
		<b>63,647,567</b>	57,819,154
<b>Current assets</b>			
Properties under development	15	83,539,896	62,559,873
Completed properties held for sale	16	21,166,548	11,604,899
Trade and other receivables and prepayments	17	12,457,212	11,217,421
Prepayment for acquisition of land use rights	18	12,752,932	9,632,388
Prepaid income taxes		2,055,122	2,154,779
Amounts due from related parties	19	979,346	1,206,095
Restricted cash	20	3,463,004	2,547,231
Cash and cash equivalents	20	20,471,830	17,026,018
		<b>156,885,890</b>	117,948,704
<b>Total assets</b>		<b>220,533,457</b>	175,767,858
<b>EQUITY</b>			
<b>Equity attributable to the equity holders of the Company</b>			
Share capital	21	356,275	356,275
Reserves			
– Proposed final dividend	22	1,629,075	2,195,555
– Others	22	44,878,029	39,190,420
		<b>46,863,379</b>	41,742,250
<b>Non-controlling interests</b>		<b>18,119,705</b>	10,109,612
<b>Total equity</b>		<b>64,983,084</b>	51,851,862



## Consolidated Balance Sheet

As at 31 December 2014

	Note	As at 31 December	
		2014 RMB'000	2013 RMB'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	23	<b>43,269,371</b>	37,553,681
Deferred income tax liabilities	24	<b>4,339,374</b>	3,985,242
		<b>47,608,745</b>	41,538,923
<b>Current liabilities</b>			
Trade and other payables	25	<b>29,866,339</b>	20,995,325
Dividend payable		<b>375,128</b>	–
Advanced proceeds received		<b>33,220,166</b>	29,900,978
Income tax payable		<b>11,017,765</b>	9,327,098
Borrowings	23	<b>18,724,718</b>	11,775,322
Derivative financial instruments	26	<b>1,611</b>	36,898
Amounts due to related parties	27	<b>14,731,308</b>	10,336,395
Deferred income		<b>4,593</b>	5,057
		<b>107,941,628</b>	82,377,073
Total liabilities		<b>155,550,373</b>	123,915,996
Total equity and liabilities		<b>220,533,457</b>	175,767,858
Net current assets		<b>48,944,262</b>	35,571,631
Total assets less current liabilities		<b>112,591,829</b>	93,390,785

**Hui Wing Mau**  
Director

**Hui Sai Tan, Jason**  
Director



# Balance Sheet

As at 31 December 2014

	Note	As at 31 December 2014 RMB'000	2013 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Interests in subsidiaries	10	<b>25,872,641</b>	25,070,179
<b>Current assets</b>			
Other receivables and prepayments		<b>41,313</b>	1,082
Dividend receivable from subsidiaries	10	<b>100,000</b>	94,250
Cash and cash equivalents	20	<b>40,061</b>	59,503
		<b>181,374</b>	154,835
<b>Total assets</b>		<b>26,054,015</b>	25,225,014
<b>EQUITY</b>			
<b>Equity attributable to the equity holders of the Company</b>			
Share capital	21	<b>356,275</b>	356,275
Reserves			
– Proposed final dividend	22	<b>1,629,075</b>	2,195,555
– Others	22	<b>1,424,239</b>	4,735,388
<b>Total equity</b>		<b>3,409,589</b>	7,287,218
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	23	<b>17,883,833</b>	16,291,756
<b>Current liabilities</b>			
Borrowings	23	<b>3,571,702</b>	1,021,763
Derivative financial instruments	26	<b>1,611</b>	36,898
Trade and other payables		<b>605,248</b>	356,577
Dividend payable		<b>375,128</b>	–
Amounts due to subsidiaries	10	<b>206,904</b>	230,802
		<b>4,760,593</b>	1,646,040
<b>Total liabilities</b>		<b>22,644,426</b>	17,937,796
<b>Total equity and liabilities</b>		<b>26,054,015</b>	25,225,014
<b>Net current liabilities</b>		<b>(4,579,219)</b>	(1,491,205)
<b>Total assets less current liabilities</b>		<b>21,293,422</b>	23,578,974

Hui Wing Mau  
Director

Hui Sai Tan, Jason  
Director



# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2014

	Note	Year ended 31 December	
		2014 RMB'000	2013 RMB'000
<b>Revenue</b>	5	<b>56,080,546</b>	41,502,660
Cost of sales	29	<b>(37,855,393)</b>	(26,861,772)
<b>Gross profit</b>		<b>18,225,153</b>	14,640,888
Fair value gains on investment properties	7	<b>1,510,622</b>	1,031,206
Other income/other gains – net	28	<b>502,184</b>	845,063
Selling and marketing costs	29	<b>(1,495,887)</b>	(1,305,735)
Administrative expenses	29	<b>(2,807,693)</b>	(2,283,303)
Other operating expenses	29	<b>(262,921)</b>	(592,136)
<b>Operating profit</b>		<b>15,671,458</b>	12,335,983
Finance income		<b>171,568</b>	190,850
Finance costs		<b>(412,090)</b>	(312,211)
Finance costs – net	30	<b>(240,522)</b>	(121,361)
Share of results of			
– Associated companies	11	<b>(153,470)</b>	(51,443)
– Joint ventures	12	<b>(21,033)</b>	895,649
		<b>(174,503)</b>	844,206
<b>Profit before income tax</b>		<b>15,256,433</b>	13,058,828
Income tax expense	32	<b>(5,768,686)</b>	(4,833,504)
<b>Profit for the year</b>		<b>9,487,747</b>	8,225,324
Other comprehensive income:			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Transfer of fair value losses previously taken to reserve to income statement upon disposal of available-for-sale financial assets, net of tax		<b>19,794</b>	–
<i>Items that may be reclassified to profit or loss</i>			
Fair value gains on available-for-sale financial assets, net of tax		<b>119,965</b>	28,955
<b>Total comprehensive income for the year</b>		<b>9,627,506</b>	8,254,279



Consolidated Statement of  
Comprehensive Income

For the year ended 31 December 2014

	Note	Year ended 31 December	
		2014 RMB'000	2013 RMB'000
<b>Profit for the year attributable to:</b>			
Equity holders of the Company		<b>8,103,833</b>	7,389,857
Non-controlling interests		<b>1,383,914</b>	835,467
		<b>9,487,747</b>	8,225,324
<b>Total comprehensive income for the year attributable to:</b>			
Equity holders of the Company		<b>8,193,586</b>	7,408,452
Non-controlling interests		<b>1,433,920</b>	845,827
		<b>9,627,506</b>	8,254,279
<b>Earnings per share for profit attributable to the equity holders of the Company</b>			
– Basic (RMB cents)	33	<b>234.3</b>	213.3
– Diluted (RMB cents)	33	<b>233.9</b>	213.2

The notes on pages 87 to 200 are an integral part of these consolidated financial statements.

	Note	Year ended 31 December	
		2014 RMB'000	2013 RMB'000
Dividends	34	<b>2,456,033</b>	2,195,555



# Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Note	Attributable to the equity holders of the Company			Total RMB'000
		Share capital RMB'000	Reserves RMB'000 (Note 22)	Non-controlling interests RMB'000	
<b>Balance at 1 January 2014</b>		<b>356,275</b>	<b>41,385,975</b>	<b>10,109,612</b>	<b>51,851,862</b>
Profit for the year		–	8,103,833	1,383,914	9,487,747
Other comprehensive income for the year					
<i>Items that will not be reclassified subsequently to profit or loss</i>					
Transfer of fair value losses previously taken to reserve to income statement upon disposal of available-for-sale financial assets, net of tax		–	12,711	7,083	19,794
<i>Items that may be reclassified to profit or loss</i>					
Fair value gains on available-for-sale financial assets		–	102,723	57,231	159,954
Tax on fair value gains on available-for-sale financial assets		–	(25,681)	(14,308)	(39,989)
Total comprehensive income for the year		–	8,193,586	1,433,920	9,627,506
Transactions with owners:					
Transfer from joint ventures to subsidiaries				19,601	19,601
Transfer from an associated company to a subsidiary				1,236,548	1,236,548
Capital contribution from non-controlling interests		–	–	6,582,605	6,582,605
Changes in ownership interests in subsidiaries without change of control		–	(15,978)	(1,176,905)	(1,192,883)
Closure of a subsidiary		–	–	(40,516)	(40,516)
Equity-settled share-based payment					
– Value of employee services	21(c)	–	65,557	–	65,557
– Purchase of shares		–	(75,068)	–	(75,068)
– Dividend received		–	12,548	–	12,548
2013 final dividend paid	34	–	(2,233,912)	(45,160)	(2,279,072)
2014 interim dividend payable		–	(825,604)	–	(825,604)
Total transactions with owners		–	(3,072,457)	6,576,173	3,503,716
<b>Balance at 31 December 2014</b>		<b>356,275</b>	<b>46,507,104</b>	<b>18,119,705</b>	<b>64,983,084</b>


*Consolidated Statement of  
Changes in Equity*

For the year ended 31 December 2014

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

The notes on pages 87 to 200 are an integral part of these consolidated financial statements.



# Consolidated Cash Flow Statement

For the year ended 31 December 2014

	Note	Year ended 31 December	
		2014 RMB'000	2013 RMB'000
<b>Cash flow from operating activities</b>			
Net cash used in operations	35	(4,068,328)	(4,011,718)
Interest received		171,568	190,850
Interest paid		(4,251,427)	(3,486,576)
PRC income tax paid		(3,586,975)	(3,613,568)
Net cash used in operating activities		(11,735,162)	(10,921,012)
<b>Cash flow from investing activities</b>			
Additions of property and equipment and investment properties		(2,450,543)	(3,749,751)
Sales of property and equipment		3,754	5,664
Additions of land use rights and other non-current assets		(1,846,043)	(1,034,007)
Disposal of subsidiaries	11,12,39	2,217,664	637,816
Acquisition of subsidiaries	11,12,39	1,779,826	(156,101)
Disposal of available-for-sale financial assets	13	363,884	–
Capital injection to associated companies	11	(3,100)	(126,830)
Capital injection to joint ventures	12	(572,170)	(65,000)
Disposal of a joint venture	12	–	359,780
Decrease/(increase) in prepayment for acquisition of equity interests	14	317,699	(1,296,363)
Advances to joint ventures and associated companies	19	(6,103)	(595,043)
Net cash used in investing activities		(195,132)	(6,019,835)
<b>Cash flow from financing activities</b>			
Proceeds from borrowings		41,601,585	39,191,116
Repayments of borrowings		(27,511,401)	(29,756,334)
Repurchases of shares		(75,068)	(89,636)
Capital contribution from non-controlling interests of subsidiaries		6,582,605	4,305,600
Acquisition of additional interests in subsidiaries		(1,218,992)	–
Repayment to non-controlling interests due to closure of subsidiary		(40,516)	–
Dividends paid to equity holders of the Company		(2,684,388)	(1,515,899)
Dividends paid to non-controlling interests		(45,160)	(34,108)
(Decrease)/increase in amounts due to non-controlling interests of subsidiary	27	(284,004)	6,133,132
Dividends received		12,548	–
Increase in restricted cash pledged for borrowings		(956,563)	(48,127)
Net cash generated from financing activities		15,380,646	18,185,744
<b>Net increase in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of the year		17,026,018	15,893,845
Effect of foreign exchange rate changes		(4,540)	(112,724)
Cash and cash equivalents at end of the year	20	20,471,830	17,026,018

The notes on pages 87 to 200 are an integral part of these consolidated financial statements.





# Notes to the Consolidated Financial Statements

## 1 GENERAL INFORMATION

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

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 2.1 Basis of preparation

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

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for the year ended 31 December 2014 and the comparative period.

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

As at 31 December 2014, the Company's current liabilities exceed current assets by approximately RMB4,579,219,000 since the Company borrowed short term bank loans to finance its property development subsidiaries in the mainland China, while subsidiaries did not declare adequate dividends to the Company. The Company has prepared cash flow projections for the twelve months subsequent to 31 December 2014 and has assessed the compliance of loan covenants. The directors of the Company, having taken into consideration of long-term senior notes issued in early 2015, operation cash flows and available financial resources of the Group, are confident that the Company has adequate resources to continue in operations, to repay its liabilities when they fall due. The Company therefore continues to adopt the going concern basis in preparing its financial statements. Further information of the Company's borrowings is given in Note 23.



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.1 Basis of preparation (continued)

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

The following new and amended standards, and interpretations have been adopted by the Group for the first time for the financial year beginning on 1 January 2014 and have a material impact to the Group:

HKAS 32 (Amendment) 'Financial instruments: Presentation on asset and liability offsetting'. These amendments are to the application guidance in HKAS 32, 'Financial instruments: Presentation', and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.

HKAS 36 (Amendment) 'Impairment of assets – Recoverable amount disclosures for non-financial assets'. This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

HK (IFRIC) Interpretation 21 'Levies'. This is an interpretation of HKAS 37, 'Provisions, contingent liabilities and contingent assets'. HKAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

The following new and amended standards, and interpretations have been adopted by the Group for the first time for the financial year beginning on 1 January 2014 but not currently relevant or do not have material impact to the Group (although they may affect the accounting for future transactions and events):

HKAS 39 (Amendment), 'Financial instruments: Recognition and measurement' on the novation of derivatives and the continuation of hedge accounting. This amendment considers legislative changes to 'over-the-counter' derivatives and the establishment of central counterparties. Under HKAS 39 novation of derivatives to central counterparties would result in discontinuance of hedge accounting. The amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument meets specified criteria.

HKFRS 10, HKFRS 12 and HKAS 27 (revised 2011) (Amendment), 'Consolidation for investment entities'. These amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an 'investment entity' definition and which display particular characteristics. Changes have also been made HKFRS 12 to introduce disclosures that an investment entity needs to make.

Amendments and interpretations as mentioned above are not expected to have a material effect on the Group's operating results, financial position or comprehensive income.



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.1 Basis of preparation (continued)

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

A number of new standards and amendments to standards and interpretations are issued but not effective for annual periods beginning 1 January 2014, and have not been early adopted.

Currently related to the Group:

		<b>Effective for annual periods beginning on or after</b>
Amendment to HKFRS 11	Joint arrangements	1 January 2016
HKFRS 14	Regulatory Deferral Accounts	1 January 2016
Amendments to HKAS 28	Investment in associates	1 January 2016
Amendments to HKAS 38	Intangible assets	1 January 2016
HKFRS 15	Revenue from contracts with customers	1 January 2017
HKFRS 9	Financial Instruments	1 January 2018

Apart from the above, the HKICPA has issued the annual improvements project which addresses several issues in the 2010-2012 reporting cycle, 2011-2013 reporting cycle, 2012-2014 reporting cycle, and includes changes to the following standards. The Group has not applied the following revised HKFRSs published in the annual improvements project.

		<b>Effective for annual periods beginning on or after</b>
HKFRS 3	Business combinations	1 July 2014
HKFRS 8	Operating segments	1 July 2014
HKFRS 13	Fair value measurement	1 July 2014
HKAS 16	Property, plant and equipment	1 July 2014
HKAS 24	Related Party Disclosures	1 July 2014
HKAS 38	Intangible assets	1 July 2014
HKAS 40	Investment property	1 July 2014
HKFRS 5	Non-current assets held for sale and discontinued operations	1 July 2016
HKFRS 7	Financial instruments: Disclosures	1 July 2016
HKAS 34	Interim financial reporting	1 July 2016



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.1 Basis of preparation (continued)

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

The Group has not early adopted any new accounting and financial reporting standards, amendments and interpretations to existing standards which have been issued but are not yet effective for the year ended 31 December 2014. The Group is in the process of making an assessment on the impact of these new standards, amendments and interpretations and does not anticipate that the adoption when they become effective will result in any material impact on the Group's results of operations and financial position, except for the new financial reporting standard HKFRS 15 "Revenue from Contracts with Customers" (effective for annual periods beginning on or after 1 January 2017) which the Group is not yet in a position to conclude.

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

- Amendments to HKAS 16 and HKAS 41 regarding Agriculture: 'bearer plants', effective for annual periods beginning on or after 1 January 2016 with early adoption permitted.
- Amendment to HKAS19 regarding defined benefit plans, effective for annual periods beginning on or after 1 January 2014 with early adoption permitted.

#### (c) New Hong Kong Companies Ordinance (Cap.622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 1 January 2015 in accordance with section 358 of that Ordinance. The group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.





## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

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

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

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

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



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Subsidiaries (continued)

#### 2.2.1 Consolidation (continued)

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

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

(c) *Disposal of subsidiaries*

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

### 2.3 Joint ventures and associates

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

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

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



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.3 Joint ventures and associates (continued)

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

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

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

### 2.4 Segment reporting

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

### 2.5 Foreign currency translation

#### (a) Functional and presentation currency

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

#### (b) Transactions and balances

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



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.5 Foreign currency translation (continued)

#### (c) Group companies

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

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

### 2.6 Property and equipment

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

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

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

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





## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.6 Property and equipment (continued)

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

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

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

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

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

### 2.7 Investment property

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

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

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.



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.7 Investment property (continued)

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.



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.10 Financial assets

#### (a) Classification

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

- *Loans and receivables*

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

- *Available-for-sale financial assets*

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

#### (b) Recognition and measurement

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

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

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

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



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.10 Financial assets (continued)

#### (c) Offsetting financial instruments

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

#### (d) Impairment of financial assets

- *Loans and receivables*

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

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

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

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





## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.10 Financial assets (continued)

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

- *Assets classified as available for sale*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, if any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

### 2.11 Derivative financial instruments and hedging activities

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

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

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



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.11 Derivative financial instruments and hedging activities (continued)

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

### 2.12 Properties under development

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

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

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

### 2.13 Completed properties held for sale

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

Cost comprises development costs attributable to the unsold properties.

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

### 2.14 Trade and other receivables

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

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

### 2.15 Cash and cash equivalents

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



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.16 Share capital

Ordinary shares are classified as equity.

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

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

### 2.17 Trade payables

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

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

### 2.18 Borrowings

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

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

### 2.19 Borrowings cost

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

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

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



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.20 Current and deferred income tax

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

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

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

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

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

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





## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.21 Employee benefits

#### (i) Employee leave entitlements

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

#### (ii) Retirement benefits

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

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

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

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

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

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

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



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.21 Employee benefits (continued)

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

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

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

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

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

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

### 2.22 Provisions and contingent liabilities

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

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

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



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.22 Provisions and contingent liabilities (continued)

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

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

### 2.23 Revenue recognition

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

**(i) Sales of properties**

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

**(ii) Property management services**

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

**(iii) Interest income**

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

**(iv) Rental income**

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

**(v) Hotel operation income**

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

**(vi) Sales of goods**

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



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.23 Revenue recognition (continued)

#### (vii) Dividend income

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

### 2.24 Government grants

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

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

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

### 2.25 Leases

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

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

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

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

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

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

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

#### (iii) The Group is the lessor

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





## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.26 Dividend distribution

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

### 2.27 Insurance contracts

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

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

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

## 3 FINANCIAL RISK MANAGEMENT

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

### (a) Market risk

#### (i) Foreign exchange risk

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

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



### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (a) Market risk (continued)

##### (i) Foreign exchange risk (continued)

As at 31 December 2014, 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 RMB1,037,884,000 (2013: RMB720,428,000) higher/lower, mainly as a result of net foreign exchange gains/losses on translation of US dollar and HK dollar denominated bank deposits, senior notes and bank borrowings.

##### (ii) Price risk

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

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

Except for cash deposits in the banks, the Group has no other significant interest-bearing assets. The Group's exposure to changes in interest rates is mainly attributable to its borrowings, especially long-term borrowings. Borrowings at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk. The interest rate and terms of repayments of borrowings are disclosed in Note 23. The Group manages certain of its fair value interest rate risk by using fixed-to-floating interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from fixed rates to floating rates. As at 31 December 2014, the Group converted borrowings of US\$300,000,000 (2013: US\$300,000,000) from fixed rate to floating rate through interest rate swap (Note 26).

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

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

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 RMB191,246,000 (2013: RMB173,559,900) lower/higher mainly as a result of higher/lower interest expenses on borrowings with variable rates as at 31 December 2014. 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 RMB129,182,000 (2013: RMB72,510,000) lower/higher mainly as a result of higher/lower interest expenses on borrowings with variable rates as at 31 December 2014.



### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (b) Credit risk

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

Cash transactions are limited to high-credit-quality institutions. The table below shows the bank deposit balances of the major counterparties as at 31 December 2014.

Counterparty	Rating (note)	As at 31 December	
		2014	2013
		RMB'000	RMB'000
Bank A	BBB+	5,411,196	180,822
Bank B	A	4,030,936	5,654,411
Bank C	A	2,751,495	2,802,173
Bank D	Baa1	2,628,168	1,280,119
Bank E	A	1,585,803	1,677,715

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

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

#### (c) Liquidity risk

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

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.



### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (c) Liquidity risk (continued)

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

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

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
<b>As at 31 December 2014</b>					
Borrowings and interest payments	22,181,194	14,286,793	20,980,398	16,111,740	73,560,125
Trade and other payables (excluding other taxes payables)	28,410,112	22,991	42,406	29,919	28,505,428
Amounts due to related parties	14,731,308	-	-	-	14,731,308
Derivative financial instruments	1,611	-	-	-	1,611
	<b>65,324,225</b>	<b>14,309,784</b>	<b>21,022,804</b>	<b>16,141,659</b>	<b>116,798,472</b>
<b>As at 31 December 2013</b>					
Borrowings and interest payments	14,910,053	11,923,962	21,495,622	12,579,771	60,909,408
Trade and other payables (excluding other taxes payables)	19,828,750	20,675	40,491	28,296	19,918,212
Amounts due to related parties	10,336,395	-	-	-	10,336,395
Derivative financial instruments	36,898	-	-	-	36,898
	<b>45,112,096</b>	<b>11,944,637</b>	<b>21,536,113</b>	<b>12,608,067</b>	<b>91,200,913</b>

Note: The interest on borrowings is calculated based on borrowings outstanding as at 31 December 2014 and 2013 without taking into account of future issues. Floating-rate interest is estimated using the applicable interest rate as at 31 December 2014 and 2013 respectively.





### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (c) Liquidity risk (continued)

The amount of derivative financial instruments is measured at fair value at 31 December 2014 and 2013.

#### (d) Capital risk management

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

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

#### (e) Fair value estimation

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

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

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2014. See Note 7 for disclosures of the investment properties that are measured at fair value.

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



### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2013.

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

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

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

Derivative financial instruments included in Level 3 are two interest rate swap contracts entered into with a commercial bank, the fair value of which is determined using valuation models for which not all inputs are market observable prices or rates.

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

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



## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

## (e) Fair value estimation (continued)

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

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

## (f) Financial instruments by category

## Group

Financial assets	As at 31 December	
	2014 RMB'000	2013 RMB'000
Loans and receivables		
– Trade and other receivables	<b>6,632,885</b>	5,512,784
– Amounts due from related parties	<b>3,478,892</b>	3,472,789
– Restricted cash	<b>3,463,004</b>	2,547,231
– Cash and cash equivalents	<b>20,471,830</b>	17,026,018
Available-for-sale financial assets	<b>204,510</b>	408,440
<hr/>		
Total	<b>34,251,121</b>	28,967,262



## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

## Group (continued)

Financial liabilities	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Liabilities at fair value through the profit and loss:		
– Derivative financial instruments	1,611	36,898
Other financial liabilities at amortised cost:		
– Borrowings	61,994,089	49,329,003
– Trade and other payables (excluding other taxes payable)	28,505,428	19,918,212
– Amounts due to related parties	14,731,308	10,336,395
Total	105,232,436	79,620,508

## Company

Financial assets	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Loans and receivables		
– Other receivables and prepayments	41,313	1,082
– Dividend receivable from subsidiaries	100,000	94,250
– Cash and cash equivalents	40,061	59,503
Total	181,374	154,835

Financial liabilities	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Liabilities at fair value through the profit and loss:		
– Derivative financial instruments	1,611	36,898
Other financial liabilities at amortised cost:		
– Borrowings	21,455,535	17,313,519
– Trade and other payables	605,248	356,577
– Amounts due to subsidiaries	206,904	230,802
Total	22,269,298	17,937,796





## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

### 4.1 Critical accounting estimates and assumptions

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

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

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

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

#### (b) Land appreciation tax

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

#### (c) Impairment of goodwill

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



## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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

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

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

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

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

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

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

**(g) Impairment of trade receivable**

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

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

**Classification between investment properties and owner-occupied properties**

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

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



## 5 SEGMENT INFORMATION

The CODM has been identified as the management committee. The CODM reviews the Group's internal reporting in order to assess performance and allocate resources. The CODM has determined the operating segments based on these reports.

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

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

### (a) Revenue

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

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Sales of properties	53,566,794	39,503,409
Hotel operation income	1,178,044	978,603
Rental income from investment properties	687,367	555,888
Others	648,341	464,760
	<b>56,080,546</b>	41,502,660



## 5 SEGMENT INFORMATION (CONTINUED)

## (b) Segment information

Year ended 31 December 2014

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

\* The Group owns an effective equity interest of 64.12% in Shanghai Shimao

\*\* Unallocated mainly represent corporate level activities



## 5 SEGMENT INFORMATION (CONTINUED)

## (b) Segment information (continued)

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

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





## 5 SEGMENT INFORMATION (CONTINUED)

## (b) Segment information (continued)

## Year ended 31 December 2013

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

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

\*\* Unallocated mainly represent corporate level activities



## 5 SEGMENT INFORMATION (CONTINUED)

## (b) Segment information (continued)

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

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

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

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



## 6 PROPERTY AND EQUIPMENT – GROUP

	Assets under construction RMB'000	Hotel buildings and improvements RMB'000	Furniture and equipment RMB'000	Jet plane and motor vehicles RMB'000	Self-use buildings RMB'000	Total RMB'000
<b>Cost</b>						
At 1 January 2014	4,616,921	5,965,802	346,257	457,138	842,302	12,228,420
Additions	1,927,351	-	143,597	9,927	304,822	2,385,697
Acquisition of subsidiaries	-	-	6,104	1,563	-	7,667
Amortisation of land use rights	27,213	-	-	-	-	27,213
Disposal of subsidiaries	(177,553)	-	(155)	-	-	(177,708)
Disposals	-	-	(26,985)	(5,182)	-	(32,167)
Transfer to properties under development and completed properties held for sale	(91,557)	-	-	-	(97,502)	(189,059)
Transfer upon completion	(2,591,473)	2,591,473	-	-	-	-
At 31 December 2014	3,710,902	8,557,275	468,818	463,446	1,049,622	14,250,063
<b>Accumulated depreciation</b>						
At 1 January 2014	-	1,555,521	131,445	113,930	49,472	1,850,368
Charge for the year	-	346,753	52,355	33,176	43,204	475,488
Acquisition of subsidiaries	-	-	3,578	360	-	3,938
Disposal of subsidiaries	-	-	(6)	-	-	(6)
Disposals	-	-	(24,602)	(4,039)	-	(28,641)
Transfer to properties under development and completed properties held for sale	-	-	-	-	(2,787)	(2,787)
At 31 December 2014	-	1,902,274	162,770	143,427	89,889	2,298,360
<b>Net book value</b>						
At 31 December 2014	3,710,902	6,655,001	306,048	320,019	959,733	11,951,703



## 6 PROPERTY AND EQUIPMENT – GROUP (CONTINUED)

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

Depreciation charge of RMB475,488,000 for the year ended 31 December 2014 (2013: RMB372,580,000) has been recorded in cost of sales and administrative expenses in the consolidated income statement (Note 29).

As at 31 December 2014, assets under construction and buildings of the Group with a total carrying amount of RMB5,098,331,000 (2013: RMB4,808,965,000) were pledged as collateral for certain borrowings of the Group (Note 23).

During the year ended 31 December 2014, the Group has capitalised borrowing costs amounting to RMB191,589,000 (2013: RMB187,646,000) in assets under construction. Borrowing costs were capitalised at the weighted average rate of 7.28% (2013: 7.43%).



## 7 INVESTMENT PROPERTIES – GROUP

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Opening balance at 1 January	<b>26,941,944</b>	26,248,098
Additions – Transfer from properties under development	<b>568,282</b>	193,196
Additions – Construction cost and others	<b>1,773,633</b>	3,282,969
Transfer to properties under development	<b>(3,538,648)</b>	(3,402,525)
Disposal	<b>(280,062)</b>	(411,000)
Fair value gains	<b>1,510,622</b>	1,031,206
Closing balance at 31 December	<b>26,975,771</b>	26,941,944

As at 31 December 2014, investment properties under construction of approximately RMB1,582,370,000 were measured at cost, because their constructions were at very early stage and related fair values were not reliably determinable (31 December 2013: approximately RMB5,001,575,000). 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	
	2014	2013
Rental income	<b>687,367</b>	555,888
Direct operating expenses from properties that generated rental income	<b>56,267</b>	40,532
Direct operating expenses from properties that did not generate rental income	<b>5,385</b>	2,154





## 7 INVESTMENT PROPERTIES – GROUP (CONTINUED)

## (b) Valuation

Independent valuations of the Group's investment properties were performed by the valuer, Vigers Appraisal & Consulting Limited and Shanghai Zhonghua Asserts Appraisal Co., Ltd., to determine the fair value of the investment properties as at 31 December 2014 and 2013. The following table analyses the investment properties carried at fair value, by valuation method.

## Fair value hierarchy

Description	Fair value measurements at 31 December 2014 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	–	–	25,393,401

## Fair value hierarchy

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

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



## 7 INVESTMENT PROPERTIES – GROUP (CONTINUED)

## (b) Valuation (continued)

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

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

	31 December 2013		
	Significant unobservable Inputs-Commercial buildings-China (Level 3)		
	Completed investment properties RMB'000	Investment properties under development RMB'000	Total RMB'000
Opening balance	15,777,119	4,207,460	19,984,579
Additions	–	1,335,584	1,335,584
Disposal	–	(411,000)	(411,000)
Net gains from fair value adjustment	626,251	404,955	1,031,206
Closing balance	16,403,370	5,536,999	21,940,369



## 7 INVESTMENT PROPERTIES – GROUP (CONTINUED)

### (b) Valuation (continued)

#### Valuation processes of the Group

The Group's investment properties were valued at 31 December 2014 by independent professionally qualified valuers who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the best use.

The Group's finance department includes a team that review the valuations performed by the independent valuers for financial reporting purposes. Discussions of valuation processes and results are held between the financial department and the valuation team at least once every six months, in line with the Group's interim and annual reporting dates. This team reports directly to the executive directors(ED) and the audit committee (AC).

At each financial year end the finance department:

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

#### Valuation techniques

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

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



## 7 INVESTMENT PROPERTIES – GROUP (CONTINUED)

### (b) Valuation (continued)

#### Valuation techniques (continued)

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

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

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

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

Description	Fair value at 31 Dec 2014 (RMB'000)	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
Completed commercial buildings – China	17,381,150	Discounted cashflow	Rental value	RMB43-RMB814 per month per square meter (RMB229 per month per square meter)	The higher the rental value, the higher the fair value
			Discount rate	5%-8.58% (6.24%)	The higher the discount rate, the lower the fair value
			Capitalisation rate	1.33%-8.57% (3.64%)	The higher the capitalisation rate, the lower the fair value



## 7 INVESTMENT PROPERTIES – GROUP (CONTINUED)

## (b) Valuation (continued)

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

Description	Fair value at 31 Dec 2014 (RMB'000)	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
Commercial buildings – China (under development)	8,012,251	Discounted cash flows with estimated costs to complete	Market price	RMB13,000-RMB34,793 per square meter (RMB19,725 per square meter)	The higher the rental value, the higher the fair value
			Discount rate	5.6%-6.15% (5.94%)	The higher the discount rate, the lower the fair value
			Capitalisation rate	5.6%-6.15% (5.9%)	The higher the capitalisation rate, the lower the fair value
			Budgeted construction cost	RMB239,235,150- RMB3,056,034,042 (RMB756,979,775)	The higher the total development costs, the lower the fair value
			Estimated profit margin required to hold and develop property to completion	10%-15% (12.22%) of property value	The higher the profit margin required, the lower the fair value

Description	Fair value at 31 Dec 2013 (RMB'000)	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
Completed commercial buildings – China	16,403,370	Discounted cash flow	Rental value	RMB53-RMB725 per month per square meter (RMB195 per month per square meter)	The higher the rental value, the higher the fair value
			Discount rate	5%-6.07% (5.57%)	The higher the discount rate, the lower the fair value
			Capitalisation rate	1.3%-4.63% (2.85%)	The higher the capitalisation rate, the lower the fair value





## 7 INVESTMENT PROPERTIES – GROUP (CONTINUED)

## (b) Valuation (continued)

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

Description	Fair value at 31 Dec 2013 (RMB'000)	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
Commercial buildings – China (under development)	5,536,999	Discounted cash flows with estimated costs to complete	Market price	RMB11,477-RMB34,350 per square meter (RMB20,534 per square meter)	The higher the rental value, the higher the fair value
			Discount rate	5%-6.4% (5.88%)	The higher the discount rate, the lower the fair value
			Capitalisation rate	5.6%-6.4% (6.09%)	The higher the capitalisation rate, the lower the fair value
			Budgeted construction cost	RMB76,115,482- RMB1,820,101,983 (RMB647,455,186)	The higher the total development costs, the lower the fair value
			Estimated profit margin required to hold and develop property to completion	10%-20% (13.25%) of property value	The higher the profit margin required, the lower the fair value

There are inter-relationships between unobservable inputs. For investment property under construction, increases in construction costs that enhance the property's features may result in an increase of future rental values. An increase in future rental income may be linked with higher costs. If the remaining lease term increases, the yield may decrease. There is no indication that any slight increases/(decreases) in market unit rent in isolation would result in a significantly higher/(lower) fair value of the investment properties.

## (c) Pledge

As at 31 December 2014, 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 RMB13,765,913,000 (2013: RMB15,686,452,000) were pledged as collateral for the Group's borrowings (Note 23).



## 7 INVESTMENT PROPERTIES – GROUP (CONTINUED)

## (d) Leasing arrangements

Some of the investment properties are leased to tenants under long term operating leases with rentals receivable monthly. Minimum lease rental receivable under non cancellable operating leases of investment properties are as follows:

	As at 31 December	
	2014	2013
Within one year	427,193	308,405
Later than one year but no later than 5 years	1,215,519	923,827
Later than 5 years	975,360	782,118
	<b>2,618,072</b>	2,014,350

## 8 LAND USE RIGHTS – GROUP

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Land use rights relating to property and equipment under non-current assets		
Opening balance	5,645,416	4,717,336
Additions	1,997,829	1,072,977
Deemed disposal of a subsidiary with loss of control	(151,866)	–
Amortisation		
– Capitalised in property and equipment (Note 6)	(27,213)	(20,283)
– Recognised as expenses (Note 29)	(111,361)	(44,742)
Transfer to properties under development and completed properties held for sale	(66,223)	(79,872)
	<b>7,286,582</b>	5,645,416
Ending balance		
Outside Hong Kong, held on leases of:		
Over 50 years	77,920	78,102
Between 10 to 50 years	7,208,662	5,567,314
	<b>7,286,582</b>	5,645,416



## 8 LAND USE RIGHTS – GROUP (CONTINUED)

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

As at 31 December 2014, land use rights of RMB2,081,267,000 (2013: of RMB852,584,000) were pledged as collateral for the Group's borrowings (Note 23).

## 9 INTANGIBLE ASSETS – GROUP

Intangible assets comprise goodwill arising from acquisitions:

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Opening balance	<b>1,847,573</b>	2,139,925
Write-off of goodwill recognised as expenses (Note 29)	<b>(6,889)</b>	(292,352)
Ending balance	<b>1,840,684</b>	1,847,573

### Impairment tests for goodwill

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

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Property development and investment – Shanghai Shimao	<b>1,709,730</b>	1,709,730
Property development and investment – Others	<b>26</b>	6,915
Hotel operation	<b>130,928</b>	130,928
	<b>1,840,684</b>	1,847,573

The recoverable amounts of CGUs are determined based on their fair values (less cost to sell). The fair value of CGU – Property development and investment – Shanghai Shimao is determined according to the quoted price of Shanghai Shimao's equity shares in the PRC share capital market. 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. 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.



## 10 INTERESTS IN SUBSIDIARIES – COMPANY

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Interests in subsidiaries		
– Unlisted shares, at cost	<b>738,078</b>	738,078
– Amounts due from subsidiaries (note)	<b>25,134,563</b>	24,332,101
	<b>25,872,641</b>	25,070,179
Dividends receivable from subsidiaries	<b>100,000</b>	94,250
Amounts due to subsidiaries (note)	<b>206,904</b>	230,802

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

Details of the principal subsidiaries of the Group as at 31 December 2014 are set out in Note 36.

## 11 ASSOCIATED COMPANIES – GROUP

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Share of net assets:		
Opening balance	<b>1,650,578</b>	1,490,441
Capital injection (Note (a))	<b>3,100</b>	126,830
Transfer from subsidiaries (Note (b))	<b>945,877</b>	84,750
Transfer to a subsidiary (Note (c))	<b>(1,188,056)</b>	–
Share of results	<b>(153,470)</b>	(51,443)
Ending balance	<b>1,258,029</b>	1,650,578

(a) In year 2014, the Group set up several associate companies with total capital injections of RMB3,100,000.

(b) For the year ended 31 December 2014, the Group disposed certain equity interests in three then wholly owned subsidiaries. The disposal had resulted in a net gain of RMB82,454,000 and the net cash inflow of RMB1,056,565,000 (Note 39(a)).

(c) The Group gained the control over Straits Construction Investment (Holdings) Limited ("Straits Construction") from 30 September 2014, by having the exclusive decision making rights in all significant activities, including but not limited to operation and financing activities, which had resulted in the net cash inflow of RMB1,566,161,000 (Note 39(d)).

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## 11 ASSOCIATED COMPANIES – GROUP (CONTINUED)

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

	Country of Incorporation	Assets RMB'000	Liabilities RMB'000	Revenue RMB'000	Net profit/ (loss) RMB'000	Interest held by the Group (%)
<b>2014</b>						
Guangzhou Li He Property Development Co., Ltd. ("Guangzhou Li He")	PRC	4,584,281	(4,550,102)	382,448	(26,385)	20%
Chengdu Heng Yu Property Development Co., Ltd. ("Chengdu Heng Yu")	PRC	3,116,011	(1,775,944)	-	(1,600)	33%
Ningbo Shimao Xintengfei Property Co., Ltd. ("Ningbo Xintengfei")	PRC	1,217,234	(621,756)	-	(4,098)	48%
Jiaxing Shimao New Century Property Co., Ltd. ("Jiaxing New Century")	PRC	64,214	(35,149)	-	61	30%
Changshu Shimao New Era Property Co., Ltd. ("Changshu New Era")	PRC	606,170	(289,607)	-	(3,230)	38%
Others	PRC	207,043	(1,264,366)	545,820	(118,218)	
		<b>9,794,953</b>	<b>(8,536,924)</b>	<b>928,268</b>	<b>(153,470)</b>	
<b>2013</b>						
Guangzhou Li He	PRC	4,599,547	(4,538,983)	259,813	(49,571)	20%
Straits Construction	British Virgin Islands	5,871,255	(4,568,593)	414,847	2,980	49%
Chengdu Heng Yu	PRC	1,332,511	(1,339,409)	-	(558)	33%
Others	PRC	544,064	(249,814)	8,259	(4,294)	
		<b>12,347,377</b>	<b>(10,696,799)</b>	<b>682,919</b>	<b>(51,443)</b>	





## 11 ASSOCIATED COMPANIES – GROUP (CONTINUED)

Details of the principal associated companies of the Group as at 31 December 2014 are set out in Note 36.

There is no individually material associated company of the Group as at 31 December 2014 and 2013.

The Group provided guarantees to associated companies for their borrowings from other financial institutions. The contingent liabilities attributable to the Group amounted to RMB3,388,812,000 as at 31 December 2014 (2013: RMB2,440,605,000). (Note 37)

## 12 JOINT VENTURES – GROUP

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Share of net assets:		
Opening balance	<b>5,365,806</b>	3,985,956
Capital injection (Note (a))	<b>572,170</b>	65,000
Transfer from subsidiaries (Note (b))	<b>2,890,081</b>	949,980
Transfer to subsidiaries (Note (c))	<b>(272,934)</b>	(305,683)
Disposal (Note (d))	–	(225,096)
Share of result	<b>(21,033)</b>	895,649
Ending balance	<b>8,534,090</b>	5,365,806

(a) In 2014, the Group increased share capital of Shanghai Maoqin Investment Management Co., Ltd. ("Shanghai Maoqin"), a joint venture, by an amount of RMB572,170,000. The Group's equity interests in the joint venture remained 49% after the capital injection.

(b) For the year ended 31 December 2014, certain third parties made capital injections into two then wholly owned subsidiaries. Pursuant to the revised articles of association, the Group and the third parties will jointly control the operation of these entities. The disposal had resulted in a net gain of RMB36,262,000 and the net cash outflow of RMB311,847,000 (Note 39(c)).

For the year ended 31 December 2014, the Group disposed certain equity interests in four then wholly owned subsidiaries. Pursuant to the revised articles of association, the Group and the third parties will jointly control the operation of these entities. The disposal had resulted in a net loss of RMB7,175,000 and the net cash inflow of RMB1,472,946,000 (Note 39(a)).

(c) In September 2014, the Group acquired 60% equity interest in Suzhou Shimao New Way Property Co., Ltd., which became a wholly owned subsidiary. The acquisition had resulted in the net cash outflow of RMB278,679,000 (Note 39(b)).

In November 2014, the Group was granted the control over Beijing Liangyu Real Estate Development Co., Ltd. and Shanghai Zecheng Investment & Management Co., Ltd. from 30 November 2014, by having a majority of voting right. The acquisition had resulted in the net cash inflow of RMB492,344,000 (Note 39(d)).

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

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## 12 JOINT VENTURES – GROUP (CONTINUED)

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

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

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

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## 12 JOINT VENTURES – GROUP (CONTINUED)

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

Details of the principal joint ventures of the Group as at 31 December 2014 are set out in Note 36.

There is no individually material joint venture of the Group as at 31 December 2014 and 2013.

The Group provided guarantees to joint ventures for their borrowings from other financial institutions. The contingent liabilities attributable to the Group amounted to RMB3,391,365,000 as at 31 December 2014 (2013: RMB2,342,904,000) (Note 37).



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

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Opening balance	408,440	369,833
Disposals	(363,884)	–
Fair value gains recognised in other comprehensive income	159,954	38,607
Ending balance	204,510	408,440

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

As at 31 December 2014, no available-for-sale financial assets was pledged as collateral for the Group's borrowings (2013: RMB405,030,000) (Note 23).

## 14 OTHER NON-CURRENT ASSETS – GROUP

As at 31 December 2014, the Group has made prepayments of RMB688,089,000 (2013: RMB711,950,000) 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 2014, the Group made prepayments of RMB978,664,000 (2013: RMB1,296,363,000) for acquisition of certain equity interests. As at the approval date of these consolidation financial statements, these acquisitions are still pending the approval from governments.

## 15 PROPERTIES UNDER DEVELOPMENT – GROUP

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Properties under development comprise:		
Land use rights	48,403,637	40,118,968
Construction costs and capitalised expenditures	30,773,187	18,371,350
Interests capitalised	4,363,072	4,069,555
	83,539,896	62,559,873



## 15 PROPERTIES UNDER DEVELOPMENT – GROUP (CONTINUED)

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Land use rights		
Outside Hong Kong, held on leases of:		
Over 50 years	<b>44,576,647</b>	35,226,600
Between 10 to 50 years	<b>3,826,990</b>	4,892,368
	<b>48,403,637</b>	40,118,968

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 2014, properties under development of approximately RMB29,200,537,000 (2013: RMB21,203,862,000) were pledged as collateral for the Group's borrowings (Note 23).

The capitalisation rate of borrowings was 7.28% for the year ended 31 December 2014 (2013: 7.43%).

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Properties under development:		
Expected to be completed and available for sale after more than 12 months	<b>25,042,744</b>	18,360,724
Expected to be completed and available for sale within 12 months	<b>58,497,152</b>	44,199,149
	<b>83,539,896</b>	62,559,873





## 16 COMPLETED PROPERTIES HELD FOR SALE – GROUP

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

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Outside Hong Kong, held on leases of:		
Over 50 years	<b>5,809,632</b>	2,267,370
Between 10 to 50 years	<b>705,091</b>	215,992
	<b>6,514,723</b>	2,483,362

As at 31 December 2014, completed properties held for sale of RMB6,414,183,000 (2013: RMB4,442,640,000) were pledged as collateral for the Group's borrowings (Note 23).

For the year ended 31 December 2014, the Group recognized impairment losses of RMB135,078,000 (2013: RMB103,551,000) on completed properties held for sale.

## 17 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS – GROUP

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Bidding deposits for land use rights (Note (a))	<b>2,520,888</b>	2,931,703
Trade receivables (Note (c))	<b>4,696,612</b>	3,718,236
Prepaid business tax on pre-sale proceeds	<b>1,796,915</b>	1,525,849
Prepayments for construction costs	<b>886,724</b>	1,247,085
Receivable for equity interest (Note (b))	<b>619,800</b>	–
Other receivables	<b>1,936,273</b>	1,794,548
	<b>12,457,212</b>	11,217,421

- (a) Bidding deposits for land use rights mainly represented deposits of the Group placed with various municipal governments for the participation in miscellaneous land auctions. These deposits will be deducted against the total land costs to be paid if the Group wins the bid at the auction. If the Group does not win the bid, the amount will be fully refunded.



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

- (b) In August 2014, the Group disposed of 50.71% equity interests in Suzhou Industrial Lakeside, a then wholly owned subsidiary, to a third party at a total cash consideration of RMB710,000,000. Pursuant to the sales and purchase agreement and the revised articles of association, the cash payment would be made by installments and the Group lost control over Suzhou Industrial Lakeside after the first payment. As at 31 December 2014, the Group has received RMB90,200,000 and the remaining RMB619,800,000 would be received within one year.
- (c) Trade receivables mainly arise from sales of properties. Consideration in respect of properties sold is paid in accordance with the terms of the related sales and purchase agreements. The ageing analysis of trade receivables at the respective balance sheet dates is as follows:

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Within 90 days	<b>3,547,773</b>	2,585,657
Over 90 days and within 365 days	<b>846,343</b>	925,691
Over 365 days	<b>302,496</b>	206,888
	<b>4,696,612</b>	3,718,236

As at 31 December 2014, receivables arising from sales of properties was approximately RMB4,543,132,000 (2013: RMB3,520,625,000).

Trade receivables are analysed as follows:

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Fully performing under credit terms	<b>2,910,558</b>	2,477,227
Past due but not impaired	<b>1,786,054</b>	1,241,009
	<b>4,696,612</b>	3,718,236



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

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

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Within 90 days	<b>1,039,580</b>	464,295
Over 90 days and within 365 days	<b>443,978</b>	569,826
Over 365 days	<b>302,496</b>	206,888
	<b>1,786,054</b>	1,241,009

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 2014 and 2013.

As at 31 December 2014, provision for impairment of other receivables was approximately RMB49,171,000 (2013: RMB34,007,000).

As at 31 December 2014 and 2013, the fair value of trade receivables, bidding deposits for land use rights, and other receivables of the Group approximate their carrying amounts, as the impact of discounting is not significant.

As at 31 December 2014 and 2013, 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 2014.



## 19 AMOUNTS DUE FROM RELATED COMPANIES – GROUP

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

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Included in non-current assets		
– Joint ventures	<b>1,865,588</b>	1,632,736
– Associated companies	<b>633,958</b>	633,958
	<b>2,499,546</b>	2,266,694

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Included in current assets		
– Companies with common directors	<b>160</b>	632
– Associated companies	<b>909,534</b>	1,091,338
– Joint ventures	<b>69,652</b>	114,125
	<b>979,346</b>	1,206,095

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

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



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

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
<b>Group</b>		
Bank balances and cash		
– denominated in RMB	<b>23,743,835</b>	18,800,939
– denominated in US dollar	<b>176,514</b>	648,832
– denominated in HK dollar	<b>14,485</b>	123,478
Less: Restricted cash	<b>(3,463,004)</b>	(2,547,231)
	<b>20,471,830</b>	17,026,018

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
<b>Company</b>		
Bank balances and cash – unrestricted		
– denominated in HK dollar	<b>2,711</b>	42,049
– denominated in US dollar	<b>7,318</b>	8,790
– denominated in RMB	<b>30,032</b>	8,664
	<b>40,061</b>	59,503

As at 31 December 2014, the Group's cash of approximately RMB476,667,000 (2013: RMB517,457,000) was restricted and deposited in certain banks as guarantee deposits for the benefit of mortgage loan facilities granted by the banks to the purchasers of the Group's properties (Note 37). The Group's cash of approximately RMB2,986,337,000 (2013: RMB2,029,774,000) was pledged as collateral for the Group's borrowings (Note 23).

The conversion of RMB denominated balances into foreign currencies and the remittance of the foreign currencies out of the PRC are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

The effective interest rate on bank deposits as at 31 December 2014 was 0.35% (2013: 0.34%).





## 21 SHARE CAPITAL – GROUP AND COMPANY

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

	Note	Par value HK\$	Number of shares '000	Nominal value of ordinary shares HK\$'000	Equivalent to RMB'000
Authorised:					
At 31 December 2014 and 2013		0.1	5,000,000	500,000	
Issued and fully paid:					
At 31 December 2014, and 1 January 2014			3,472,572	347,257	356,275
At 31 December 2013, and 1 January 2013			3,472,572	347,257	356,275

## (b) Share Option Scheme

Pursuant to Shanghai Shimao's shareholders' resolution passed on 27 June 2013, a share option scheme ("A Share Option Scheme") was approved, and will expire at the end of the 36-month period from the date of grant. On 28 June 2013, options for a total of 10,000,000 ordinary shares of Shanghai Shimao ("A Share Option") under this scheme were granted to Shanghai Shimao's eligible employees with exercise price of RMB9.84 per share. For the year ended 31 December 2014, 2,200,000 options were lapsed by Shanghai Shimao pursuant to the A Share Option Scheme. As at 31 December 2014, the total number of A shares which would be issued under the options granted under the A Share Option Scheme was 5,980,000 A shares. For the year ended 31 December 2014, the exercise price of the options granted under the A Share Option 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. 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. Up to 31 December 2014, 1,820,000 options have been exercised.



## 21 SHARE CAPITAL – GROUP AND COMPANY (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. Up to 31 December 2014, the Trust purchased 16,770,000 ordinary shares from market, totaling HK\$233,212,000 (equivalent to RMB185,911,000), of which 9,805,550 shares were granted to eligible employees according to the Share Scheme up to 31 December 2014. Up to 31 December 2014, there were 4,021,703 shares which have been vested, and 314,951 shares which have been 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:

	Number of unvested shares granted	
	Year ended 31 December	
	2014	2013
Unvested shares, beginning	4,336,654	–
Granted	5,468,896	4,336,654
Vested	(4,021,703)	–
Lapsed	(314,951)	–
Unvested shares, ending	5,468,896	4,336,654

The weighted average fair value of the unvested units granted during the year ended 31 December 2014 is HK\$94,830,657, equivalent to RMB74,809,060 (2013: HK\$77,279,174, equivalent to RMB60,756,887).



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

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

	Year ended 31 December	
	2014 '000	2013 '000
Shares issued	<b>3,472,572</b>	3,472,572
Treasury shares at 1 January	<b>(10,758)</b>	(4,000)
Treasury shares purchased for Share Award Scheme	<b>(6,012)</b>	(6,758)
Vested shares under the Share Award Scheme	<b>4,022</b>	–
Shares outstanding	<b>3,459,824</b>	3,461,814

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

There is no individual material non-controlling interests of the Group as at 31 December 2014 and 2013.



## 22 RESERVES – GROUP AND COMPANY

## Group

	Merger reserve RMB'000 (Note (a))	Share premium RMB'000 (Note (b))	Share-based compensation reserve RMB'000 (Note (c))	Statutory reserve RMB'000 (Note (d))	Capital redemption reserve RMB'000	Available-for- sale financial assets RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2013	(185,787)	9,860,364	-	754,231	4,949	(67,775)	25,184,893	35,550,875
Profit for the year	-	-	-	-	-	-	7,389,857	7,389,857
Other comprehensive gains for the year, net of tax	-	-	-	-	-	18,595	-	18,595
Equity-settled share-based payment								
- Value of employee services	-	-	32,183	-	-	-	-	32,183
- Purchase of shares (Note 21(c))	-	(89,636)	-	-	-	-	-	(89,636)
Profit appropriations	-	-	-	353,292	-	-	(353,292)	-
2012 final dividend paid	-	(1,515,899)	-	-	-	-	-	(1,515,899)
Balance at 31 December 2013	(185,787)	8,254,829	32,183	1,107,523	4,949	(49,180)	32,221,458	41,385,975
Balance at 1 January 2014	(185,787)	8,254,829	32,183	1,107,523	4,949	(49,180)	32,221,458	41,385,975
Profit for the year	-	-	-	-	-	-	8,103,833	8,103,833
Fair value gains on available-for- sale financial assets, net of tax	-	-	-	-	-	77,042	-	77,042
Transfer of fair value losses previously taken to reserve to income statement upon disposal of available-for-sale financial assets, net of tax	-	-	-	-	-	12,711	-	12,711
Changes in ownership interests in subsidiaries without change of control	-	(15,978)	-	-	-	-	-	(15,978)
Equity-settled share-based payment								
- Value of employee services	-	-	65,557	-	-	-	-	65,557
- Purchase of shares (Note 21(c))	-	(75,068)	-	-	-	-	-	(75,068)
- Dividend received	-	12,548	-	-	-	-	-	12,548
Profit appropriations	-	-	-	500,933	-	-	(500,933)	-
2013 final dividend paid	-	(2,233,912)	-	-	-	-	-	(2,233,912)
2014 interim dividend payable	-	(825,604)	-	-	-	-	-	(825,604)
Balance at 31 December 2014	(185,787)	5,116,815	97,740	1,608,456	4,949	40,573	39,824,358	46,507,104
Representing:								
Proposed final dividend		1,629,075						1,629,075
Others		3,487,740						44,878,029
		5,116,815						46,507,104



## 22 RESERVES – GROUP AND COMPANY (CONTINUED)

**Company**

	Share premium RMB'000 (Note (b))	Share-based compensation reserve RMB'000 (Note (c))	Capital redemption reserve RMB'000	Retained earnings/ (accumulated losses) RMB'000	Total RMB'000
Balance at 1 January 2013	9,860,364	–	4,949	(910,999)	8,954,314
Loss for the year	–	–	–	(447,616)	(447,616)
Equity-settled share-based payment					
– Value of employee services	–	29,780	–	–	29,780
– Purchase of shares (Note 21(c))	(89,636)	–	–	–	(89,636)
2012 final dividend paid	(1,515,899)	–	–	–	(1,515,899)
Balance at 31 December 2013	8,254,829	29,780	4,949	(1,358,615)	6,930,943
Balance at 1 January 2014	<b>8,254,829</b>	<b>29,780</b>	<b>4,949</b>	<b>(1,358,615)</b>	<b>6,930,943</b>
Loss for the year	–	–	–	<b>(819,339)</b>	<b>(819,339)</b>
Equity-settled share-based payment					
– Value of employee services	–	<b>63,746</b>	–	–	<b>63,746</b>
– Purchase of shares (Note 21(c))	<b>(75,068)</b>	–	–	–	<b>(75,068)</b>
– Dividend received	<b>12,548</b>	–	–	–	<b>12,548</b>
2013 final dividend paid	<b>(2,233,912)</b>	–	–	–	<b>(2,233,912)</b>
2014 interim dividend payable	<b>(825,604)</b>	–	–	–	<b>(825,604)</b>
Balance at 31 December 2014	<b>5,132,793</b>	<b>93,526</b>	<b>4,949</b>	<b>(2,177,954)</b>	<b>3,053,314</b>
Representing:					
Proposed final dividend	<b>1,629,075</b>				<b>1,629,075</b>
Others	<b>3,503,718</b>				<b>1,424,239</b>
	<b>5,132,793</b>				<b>3,053,314</b>





## 22 RESERVES – GROUP AND COMPANY (CONTINUED)

### **Company** (continued)

Notes:

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



## 23 BORROWINGS – GROUP AND COMPANY

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
<b>Group</b>		
Borrowings included in non-current liabilities		
Long-term bank borrowings		
– secured by assets (Note (i))	<b>23,096,353</b>	20,728,780
– secured by shares of subsidiary guarantors (Note (ii))	<b>11,824,685</b>	7,412,356
– secured by shares of a listed subsidiary (Note (iii))	<b>215,000</b>	680,000
– unsecured	<b>1,833,045</b>	772,443
Long-term borrowings from other financial institutions		
– secured by assets (Note (i))	<b>3,480,000</b>	2,556,450
– secured by shares of a listed subsidiary (Notes (iii))	<b>500,000</b>	–
Senior notes – secured (Note (iv))	<b>10,576,561</b>	9,901,163
Medium – term notes – unsecured (Note (v))	<b>1,982,110</b>	–
	<b>53,507,754</b>	42,051,192
Less: Long-term bank borrowings due within one year	<b>(8,898,383)</b>	(3,568,061)
Long-term borrowings from other financial institutions due within one year	<b>(1,340,000)</b>	(929,450)
Amounts due within one year	<b>(10,238,383)</b>	(4,497,511)
	<b>43,269,371</b>	37,553,681
Borrowings included in current liabilities		
Short-term bank borrowings		
– secured by assets (Notes (i))	<b>2,049,049</b>	2,591,934
– secured by shares of a listed subsidiary (Note (iii))	<b>894,900</b>	490,000
– unsecured	<b>3,522,386</b>	1,933,021
Short-term borrowings from other financial institutions and non-financial institutions		
– secured by assets (Note (i))	<b>1,400,000</b>	1,455,316
– secured by shares of a listed subsidiary (Note (iii))	<b>440,000</b>	–
– unsecured (Note (v))	<b>180,000</b>	807,540
Current portion of long-term borrowings	<b>10,238,383</b>	4,497,511
	<b>18,724,718</b>	11,775,322



## 23 BORROWINGS – GROUP AND COMPANY (CONTINUED)

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
<b>Company</b>		
Borrowings included in non-current liabilities		
Long-term bank borrowings		
– secured by shares of subsidiary guarantors (Note (ii))	10,878,974	7,412,356
Senior notes – secured (Note (iv))	10,576,561	9,901,163
	<b>21,455,535</b>	17,313,519
Less: Long-term bank borrowings due within one year		
– secured by shares of subsidiary guarantors (Note (ii))	(3,571,702)	(1,021,763)
Amounts due within one year	(3,571,702)	(1,021,763)
	<b>17,883,833</b>	16,291,756
Borrowings included in current liabilities		
Current portion of long-term borrowing	3,571,702	1,021,763

## Notes:

(i) As at 31 December 2014, the Group's total secured bank borrowings and borrowings from other financial institutions of RMB30,025,402,000 (2013: RMB27,332,480,000) were secured by its assets under construction and buildings (Note 6), investment properties (Note 7), land use rights (Note 8), available-for-sale financial assets (Note 13), properties under development (Note 15), completed properties held for sale (Note 16) and restricted cash (Note 20). As at 31 December 2014, secured borrowings of RMB3,367,782,000 (2013: RMB1,985,084,000) were further guaranteed by Mr. Hui Wing Mau.

(ii) On 26 November 2012, the Company entered into a multi-currency loan facility agreement with a syndicate of 6 banks. Pursuant to the agreement, the Company obtained 3-year syndicated loan facilities, including a US\$610,000,000 facility and a HK\$468,000,000 facility at a floating rate of interest, 25% out of the loan principal will mature in 2014 and 75% will mature in 2015. The loan facilities were guaranteed by certain subsidiaries of the Group, and secured by pledge of the share of these subsidiary guarantors. As at 31 December 2014, US\$457,500,000 and HK\$351,000,000 of principle remained outstanding (31 December 2013: US\$610,000,000 and HK\$468,000,000).

On 14 June 2013, the Company entered into a multi-currency loan facility agreement with a syndicate of 8 banks. Pursuant to the agreement, the Company obtained 4-year syndicated loan facilities, including a US\$320,000,000 facility and a HK\$1,950,000,000 facility at a floating rate of interest, 15% out of the loan principal will mature in 2015, 35% will mature in 2016 and 50% will mature in 2017. The loan facilities were guaranteed by certain subsidiaries of the Group, and secured by pledge of the share of these subsidiary guarantors. As at 31 December 2014, US\$320,000,000 and HK\$1,950,000,000 have been drawn down (31 December 2013: US\$320,000,000 and HK\$1,950,000,000 were drawn down).

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



## 23 BORROWINGS – GROUP AND COMPANY (CONTINUED)

Notes: (continued)

- (iii) As at 31 December 2014, 222,860,000 (31 December 2013: 231,400,000) shares of Shanghai Shimao have been pledged for a total bank borrowings of RMB1,109,000,000 (31 December 2013: RMB1,170,000,000) for group companies.

As at 31 December 2014, 172,000,000 (31 December 2013: Nil) shares of Shanghai Shimao have been pledged for a total borrowings from other financial institutions of RMB940,000,000 (31 December 2013: Nil) for group companies.

- (iv) On 3 August 2010, the Company issued senior notes with total principal of US\$500,000,000 at a fixed interest rate of 9.65% due on 3 August 2017. The Company may at its option redeem the notes, in whole or in part, by certain dates based on the terms of the notes. The notes are senior obligations guaranteed by certain restricted offshore subsidiaries and secured by a pledge of the shares of these offshore restricted subsidiaries. On 3 Aug 2014, the Company early redeemed senior notes of US\$500,000,000, which was originally due on 3 Aug 2017.

On 8 March 2011, the Company issued senior notes with total principal of US\$350,000,000 at a fixed interest rate of 11% due on 8 March 2018. 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. 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.

- (v) On 15 April 2014, Shanghai Shimao issued medium-term notes with total principal of RMB1,000,000,000 at a fixed interest rate of 8.37% due on 15 April 2017. On 22 Aug 2014, Shanghai Shimao issued medium-term notes with total principal of RMB1,000,000,000 at a fixed interest rate of 7.6% due on 22 Aug 2017.

The interest-bearing bank borrowings, including the term loans repayable on demand, are carried at amortised cost. No term loans due for repayment after one year which contain a repayment on demand clause were classified as current liabilities as at 31 December 2014 (2013: RMB1,798,830,000).



## 23 BORROWINGS – GROUP AND COMPANY (CONTINUED)

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

	6 months or less RMB'000	6-12 months RMB'000	1-5 years RMB'000	Over 5 years RMB'000	Total RMB'000
<b>Group</b>					
Borrowings included in non-current liabilities:					
At 31 December 2014	<b>27,295,615</b>	<b>5,397,195</b>	<b>2,111,974</b>	<b>8,464,587</b>	<b>43,269,371</b>
At 31 December 2013	24,635,518	3,017,000	5,102,976	4,798,187	37,553,681
Borrowings included in current liabilities:					
At 31 December 2014	<b>17,117,793</b>	<b>1,606,925</b>	–	–	<b>18,724,718</b>
At 31 December 2013	8,937,917	2,837,405	–	–	11,775,322
<b>Company</b>					
Borrowings included in non-current liabilities:					
At 31 December 2014	<b>4,393,977</b>	<b>2,913,295</b>	<b>2,111,974</b>	<b>8,464,587</b>	<b>17,883,833</b>
At 31 December 2013	6,390,593	–	5,102,976	4,798,187	16,291,756
Borrowings included in current liabilities:					
At 31 December 2014	<b>3,047,237</b>	<b>524,465</b>	–	–	<b>3,571,702</b>
At 31 December 2013	1,021,763	–	–	–	1,021,763





## 23 BORROWINGS – GROUP AND COMPANY (CONTINUED)

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

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
<b>Group</b>		
Bank borrowings:		
Between 1 and 2 years	10,642,122	9,141,065
Between 2 and 5 years	13,371,419	11,114,883
Over 5 years	6,039,269	5,769,570
Borrowings from other financial institution and non-financial institution:		
Between 1 and 2 years	1,060,000	247,000
Between 2 and 5 years	1,480,000	836,000
Over 5 years	100,000	544,000
Senior notes:		
Between 2 and 5 years	2,111,974	5,102,976
Over 5 years	8,464,587	4,798,187
	<b>43,269,371</b>	37,553,681
<b>Company</b>		
Bank borrowings:		
Between 1 and 2 years	1,899,798	3,507,226
Between 2 and 5 years	5,407,473	2,883,367
Senior notes:		
Between 2 and 5 years	2,111,975	5,102,976
Over 5 years	8,464,587	4,798,187
	<b>17,883,833</b>	16,291,756



## 23 BORROWINGS – GROUP AND COMPANY (CONTINUED)

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

	As at 31 December	
	2014	2013
<b>Group</b>		
Bank borrowings – RMB	<b>7.18%</b>	7.35%
Bank borrowings – US dollar	<b>4.43%</b>	4.59%
Bank borrowings – HK dollar	<b>3.63%</b>	3.92%
Senior notes – US dollar	<b>8.47%</b>	8.94%
Borrowings from other financial institutions – RMB	<b>7.86%</b>	8.06%
Borrowings from non-financial institution – RMB	<b>6.15%</b>	6.15%
<b>Company</b>		
Bank borrowings – US dollar	<b>4.69%</b>	5.04%
Bank borrowings – HK dollar	<b>4.56%</b>	5.04%
Senior notes – US dollar	<b>8.47%</b>	8.94%

The carrying amounts and fair value of fixed rate borrowings which are included in non-current liabilities, are as follows:

	Carrying amounts	Fair values
	RMB'000	RMB'000
<b>Group</b>		
At 31 December 2014	<b>43,269,371</b>	<b>43,263,357</b>
At 31 December 2013	37,553,681	37,544,917
<b>Company</b>		
At 31 December 2014	<b>17,883,833</b>	<b>17,840,367</b>
At 31 December 2013	16,291,756	16,257,284

The fair values of current borrowings approximated their carrying amount, as the impact of discounting is not significant. The fair values of non-current borrowings are based on discounted cash flow approach using the prevailing market rates of interest available to the Group for financial institution with substantially the same terms and characteristics at the respective balance sheet dates. The fair values of senior notes as at 31 December 2014 amounting to RMB10,478,260,000 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.



## 23 BORROWINGS – GROUP AND COMPANY (CONTINUED)

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

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
<b>Group</b>		
RMB	<b>34,111,072</b>	29,301,086
HK dollar	<b>5,432,352</b>	3,350,660
US dollar	<b>22,450,665</b>	16,677,257
	<b>61,994,089</b>	49,329,003
<b>Company</b>		
HK dollar	<b>2,052,316</b>	1,742,239
US dollar	<b>19,403,219</b>	15,571,280
	<b>21,455,535</b>	17,313,519

## 24 DEFERRED INCOME TAX – GROUP

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

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Deferred income tax assets		
– to be recovered after more than 12 months	<b>938,989</b>	840,960
– to be recovered within 12 months	<b>490,910</b>	465,378
	<b>1,429,899</b>	1,306,338
Deferred income tax liabilities		
– to be recovered after more than 12 months	<b>4,143,051</b>	3,767,321
– to be recovered within 12 months	<b>196,323</b>	217,921
	<b>4,339,374</b>	3,985,242
Net deferred income tax liabilities	<b>2,909,475</b>	2,678,904



## 24 DEFERRED INCOME TAX – GROUP (CONTINUED)

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

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Opening balance	2,678,904	2,527,188
Charged to the consolidated income statement (Note 32)	183,986	142,064
Charged to other comprehensive income	46,585	9,652
Ending balance	2,909,475	2,678,904

Movement in deferred income tax assets and liabilities for the year ended 31 December 2014, 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	Unrealized profit on intra-group transaction	Tax loss and temporary difference on recognition of expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2013	770,785	142,493	269,034	1,182,312
Credited to the consolidated income statement	104,869	14,223	6,294	125,386
At 31 December 2013	875,654	156,716	275,328	1,307,698
Credited/(Charged) to the consolidated income statement	94,343	32,455	(2,843)	123,955
At 31 December 2014	969,997	189,171	272,485	1,431,653



## 24 DEFERRED INCOME TAX – GROUP (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	Total RMB'000
At 1 January 2013	2,534,714	941,060	233,726	3,709,500
Charged to the consolidated income statement	257,802	9,648	–	267,450
Charged to other comprehensive income	–	9,652	–	9,652
At 31 December 2013	2,792,516	960,360	233,726	3,986,602
Charged/(credited) to the consolidated income statement	377,656	(69,715)	–	307,941
Charged to other comprehensive income	–	46,585	–	46,585
At 31 December 2014	<b>3,170,172</b>	<b>937,230</b>	<b>233,726</b>	<b>4,341,128</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 RMB41,516,000 (2013: RMB40,030,000) in respect of accumulated losses amounting to RMB166,065,000 (2013: RMB160,119,000). Accumulated losses amounting to RMB4,527,000, RMB101,427,000, RMB17,449,000, RMB18,760,000 and RMB30,553,000, as at 31 December 2014 will expire in 2015, 2016, 2017, 2018 and 2019 respectively.





## 25 TRADE AND OTHER PAYABLES – GROUP

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Trade payables (Note (a))	<b>24,043,332</b>	16,796,749
Other taxes payable	<b>1,360,911</b>	1,077,113
Accrued expenses	<b>1,257,328</b>	982,181
Other payables (Note (b))	<b>3,204,768</b>	2,139,282
	<b>29,866,339</b>	20,995,325

Notes:

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

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Within 90 days	<b>23,665,439</b>	16,410,856
Over 90 days and within 1 year	<b>377,893</b>	385,893
	<b>24,043,332</b>	16,796,749

- (b) Other payables comprise:

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Deposits received from customers	<b>2,183,637</b>	1,475,543
Fees collected from customers on behalf of government agencies	<b>87,336</b>	96,644
Deposits from constructors	<b>577,062</b>	348,523
Rental deposits from tenants and hotel customers	<b>221,514</b>	129,709
Others	<b>135,219</b>	88,863
	<b>3,204,768</b>	2,139,282



## 26 DERIVATIVE FINANCIAL INSTRUMENTS – GROUP AND COMPANY

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

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Interest rate swap contracts	1,611	36,898

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

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

There is a day-one loss of approximately RMB125,306,000 arising from the Swap Contracts, which is deferred and amortised in the consolidation income statement based on the straight line method within the effective lives of the Swap Contracts. For the year ended 31 December 2014, the fair value gains of the Swap Contracts amounted to RMB51,658,000, net off against the amortization of day-one loss of RMB16,371,000, is recognized in “other gains” (2013: net gain of RMB5,674,000, recognized in “other gains”).



## 27 AMOUNTS DUE TO RELATED PARTIES – GROUP

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
– Company with common directors	1,861	1,861
– Joint ventures	8,880,319	4,162,964
– Associated companies	–	38,438
– Non-controlling interests	5,849,128	6,133,132
	<b>14,731,308</b>	10,336,395

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

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

## 28 OTHER INCOME/OTHER GAINS – NET

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Gains on deemed disposal of subsidiaries with loss of control (Note 12(b), Note 39(c))	36,262	–
Net gains/(losses) on disposal of subsidiaries with loss of control (Note 11(b), 12(b) and 39(a))	75,279	(149,611)
Loss on disposal of available-for-sale financial assets	(26,391)	–
Gain on disposal of a joint venture (Note 12(d))	–	134,684
Government grants received	376,449	318,304
Fair value gain on derivative financial instruments (Note 26)	35,287	5,674
Net exchange (losses)/gains	(76,414)	480,996
Others	81,712	55,016
	<b>502,184</b>	845,063



## 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	
	2014	2013
	RMB'000	RMB'000
Cost of properties sold and others	<b>34,063,755</b>	24,147,734
Including: interests capitalized	<b>3,041,700</b>	2,441,946
land and construction	<b>30,960,200</b>	21,468,154
Business taxes and other levies on sales of properties (Note (a))	<b>3,120,037</b>	2,381,374
Staff costs – including directors' emoluments (Note (b))	<b>1,396,534</b>	1,032,506
Advertising, promotion and commission costs	<b>1,191,492</b>	1,024,544
Direct expenses arising from hotel operation	<b>652,616</b>	507,905
Corporate and office expenses	<b>653,623</b>	545,333
Depreciation (Note 6)	<b>475,488</b>	372,580
Write off of intangible assets (Note 9)	<b>6,889</b>	292,352
Amortisation of land use rights (Note 8)	<b>111,361</b>	44,742
Operating lease rental expenses	<b>102,825</b>	75,032
Direct expenses arising from investment properties	<b>61,652</b>	42,686
Charitable donations	<b>38,501</b>	14,914
Auditor's remuneration	<b>8,600</b>	7,000
Provision for impairment of receivables (Note 17)	<b>15,164</b>	17,478
Provision of impairment losses on completed properties held for sale (Note 16)	<b>135,078</b>	103,551
Other expenses	<b>388,279</b>	433,215
<b>Total cost of sales, selling and marketing costs, administrative expenses and other operating expenses</b>	<b>42,421,894</b>	31,042,946

### (a) Business tax and other levies

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

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

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Wages and salaries	<b>1,051,992</b>	770,478
Pension costs – statutory pension (Note (c))	<b>106,813</b>	74,813
Other allowances and benefits	<b>237,729</b>	187,215
	<b>1,396,534</b>	1,032,506



## 29 EXPENSES BY NATURE (CONTINUED)

## (c) Pensions-defined contribution plans

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

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

## 30 FINANCE COSTS – NET

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Interest on bank borrowings		
– wholly repayable within five years	<b>2,276,238</b>	1,332,566
– not wholly repayable within five years	<b>371,815</b>	391,964
Interest on senior notes		
– wholly repayable within five years	<b>623,749</b>	631,812
– not wholly repayable within five years	<b>608,835</b>	468,979
Interest on borrowing from other financial institutions and non-financial institutions		
– wholly repayable within five years	<b>453,591</b>	766,726
– not wholly repayable within five years	<b>3,780</b>	13,451
	<b>4,338,008</b>	3,605,498
Less: interest capitalised	<b>(3,925,918)</b>	(3,293,287)
Finance costs	<b>412,090</b>	312,211
Finance income	<b>(171,568)</b>	(190,850)
Finance costs – net	<b>240,522</b>	121,361



## 31 EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

## (a) Directors' emoluments

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

Name of directors	Salaries, allowances and benefits		Bonuses	Retirement benefit contributions	Employee share award scheme	Total
	Fees	in kind				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors						
Mr. Hui Wing Mau	-	4,733	1,578	13	-	6,324
Mr. Hui Sai Tan, Jason	-	5,335	-	13	1,783	7,131
Mr. Liu Sai Fei (Note 1)	-	3,677	2,095	13	2,293	8,078
Mr. Xu Younong	-	1,768	1,163	83	1,548	4,562
Ms. Tang Fei	-	1,560	792	83	1,244	3,679
Mr. Liao Lujiang	-	2,093	716	87	1,509	4,405
Independent non-executive directors						
Ms. Kan Lai Kuen, Alice	260	-	-	-	-	260
Mr. Lu Hong Bing	260	-	-	-	-	260
Mr. Lam Ching Kam	260	-	-	-	-	260
	780	19,166	6,344	292	8,377	34,959

Note:

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





## 31 EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

## (a) Directors' emoluments (continued)

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

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

Notes:

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



## 31 EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

**(b) Five highest paid individuals**

Four of the five individuals whose emoluments were the highest in the Group for the year ended 31 December 2014 are directors (2013: four). The aggregate amounts of emoluments of the five highest paid individuals are set out below:

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Salaries and allowances	<b>17,606</b>	15,236
Bonuses	<b>5,552</b>	9,250
Retirement scheme contributions	<b>209</b>	196
Share award scheme	<b>7,133</b>	–
	<b>30,500</b>	24,682

The emoluments fell within the following bands:

	Number of individuals	
	2014	2013
RMB2,500,001 – RMB3,000,000	–	2
RMB3,000,001 – RMB3,500,000	–	–
RMB3,500,001 – RMB4,000,000	–	–
RMB4,000,001 – RMB4,500,000	<b>1</b>	–
RMB4,500,001 – RMB5,000,000	<b>1</b>	–
RMB5,000,001 – RMB5,500,000	–	–
RMB5,500,001 – RMB6,000,000	–	–
RMB6,000,001 – RMB6,500,000	<b>1</b>	2
RMB6,500,001 – RMB7,000,000	–	1
RMB7,000,001 – RMB7,500,000	<b>1</b>	–
RMB7,500,001 – RMB8,000,000	–	–
RMB8,000,001 – RMB8,500,000	<b>1</b>	–

- (c)** No emolument was paid or payable by the Group to any of the above directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office for the years ended 31 December 2014 and 2013.



## 32 INCOME TAX EXPENSE

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Current income tax		
– PRC enterprise income tax	<b>3,709,480</b>	2,519,429
– PRC withholding income tax	<b>35,411</b>	64,809
– PRC land appreciation tax	<b>1,839,809</b>	2,107,202
	<b>5,584,700</b>	4,691,440
Deferred income tax (Note 24)		
– PRC enterprise income tax	<b>183,986</b>	142,064
	<b>5,768,686</b>	4,833,504

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	
	2014	2013
	RMB'000	RMB'000
Profit before income tax	<b>15,256,433</b>	13,058,828
Add: Share of results of associated companies and joint ventures	<b>174,503</b>	(844,206)
Land appreciation tax	<b>(1,839,809)</b>	(2,107,202)
	<b>13,591,127</b>	10,107,420
Calculated at PRC enterprise income tax rate of 25% (2013: 25%)	<b>3,397,782</b>	2,526,855
Effect of different tax rates in other countries or regions	<b>(54,550)</b>	(57,771)
Expenses not deductible for income tax purposes (Note (a))	<b>585,488</b>	356,906
Income not subject to tax (Note (b))	<b>(42,892)</b>	(167,961)
Tax losses not recognised	<b>7,638</b>	3,464
PRC enterprise income tax charge	<b>3,893,466</b>	2,661,493
PRC land appreciation tax	<b>1,839,809</b>	2,107,202
Current income tax – PRC withholding income tax	<b>35,411</b>	64,809
Deferred income tax – PRC withholding income tax	<b>–</b>	–
	<b>5,768,686</b>	4,833,504



## 32 INCOME TAX EXPENSE (CONTINUED)

Notes:

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

### **Hong Kong profits tax**

No Hong Kong profits tax has been provided for as the Group has no assessable profit in Hong Kong for the year ended 31 December 2014 (2013: 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%.



### 33 EARNINGS PER SHARE

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

	Year ended 31 December	
	2014	2013
Profit attributable to the equity holders of the Company (RMB'000)	<b>8,103,833</b>	7,389,857
Weighted average number of ordinary shares in issue (thousands)	<b>3,459,153</b>	3,464,638
Basic earnings per share (RMB cents)	<b>234.3</b>	213.3

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

	Year ended 31 December	
	2014	2013
Profit attributable to the equity holders of the Company (RMB'000)	<b>8,103,833</b>	7,389,857
Weighted average number of ordinary shares in issue (thousands)	<b>3,459,153</b>	3,464,638
Adjustment for shares granted under Share Scheme/share options granted under the Pre-IPO Share Option Scheme (thousands)	<b>4,683</b>	2,114
Weighted average number of ordinary shares for diluted earnings per share (thousands)	<b>3,463,836</b>	3,466,752
Diluted earnings per share (RMB cents)	<b>233.9</b>	213.2



## 34 DIVIDENDS

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Interim dividend paid of HK30 cents (2013: Nil) per ordinary share (Note (a))	<b>826,958</b>	–
Proposed final dividend of HK60 cents (2013: HK81 cents) per ordinary share (Note (b))	<b>1,629,075</b>	2,195,555
	<b>2,456,033</b>	2,195,555

## Notes:

- (a) The dividends payable by the Company in respect of the six months ended 30 June 2014 were approximately HK\$1,041,771,000 (equivalent to RMB825,604,000). An interim dividend in respect of the six months ended 30 June 2014 of HK30 cents per ordinary share, amounting to approximately HK\$1,041,771,000 (equivalent to RMB826,958,000) was declared at the Company's board meeting held on 26 August 2014 (2013: Nil).
- (b) At a meeting held on 31 March 2015, the directors proposed a final dividend of HK60 cents per ordinary share out of share premium as at 31 December 2014. This proposed dividend is not reflected as a dividend payable in these consolidated financial statements, but will be reflected as an appropriation of share premium for the year ending 31 December 2014 upon approval by the shareholders at the forthcoming annual general meeting of the Company. The dividends paid by the Company in respect of 2013 were approximately HK\$2,812,783,000 (equivalent to RMB2,233,912,000). A final dividend in respect of 2013 of HK81 cents per ordinary share, amounting to approximately HK\$2,812,783,000 (equivalent to RMB2,195,555,000) was proposed at the Company's board meeting held on 25 March 2014, and was approved at the annual general meeting of the Company held on 23 June 2014.





## 35 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Net cash generated from operations:

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Profit before income tax	15,256,433	13,058,828
Adjustments for:		
Interest income	(171,568)	(190,850)
Finance costs	412,090	312,211
Net provision for impairment of receivables	15,164	17,478
Provision for impairment loss on completed properties held for sale	135,078	103,551
Depreciation	475,488	372,580
Gains on disposal of property and equipment	(228)	(904)
Loss on disposal of available-for-sale financial assets	26,391	–
Share of results of associated companies	153,470	51,443
Share of results of joint ventures	21,033	(895,649)
Net (gains)/losses on disposal of subsidiaries	(75,279)	149,611
Gains on deemed disposal of subsidiaries	(36,262)	–
Gain on disposal of a joint venture	–	(134,684)
Amortisation of land use rights	111,361	44,742
Fair value gain on derivative financial instruments	(35,287)	(5,674)
Fair value gains on investment properties	(1,510,622)	(1,031,206)
Write-off of intangible assets	6,889	292,352
Value of employee services arising from equity-settled share based payment scheme	65,557	32,183
Net exchange loss/(gain)	76,414	(480,996)
	14,926,122	11,695,016
Changes in working capital:		
Properties under development, completed properties held for sale and prepayment for acquisition of land use rights	(25,118,629)	(25,978,825)
Restricted cash	40,790	(295,076)
Trade and other receivables and prepayments	(4,323,339)	(4,938,302)
Trade and other payables	9,310,932	3,556,939
Advanced proceeds received from customers	(3,583,121)	9,842,980
Amount due to related companies	4,678,917	2,105,550
Net cash used in from operations	(4,068,328)	(4,011,718)



## 36 PRINCIPAL SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES

Particulars of the principal subsidiaries, associated companies and joint ventures of the Group as at 31 December 2014 are as follows:

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2014	Principal activities
<b>Principal subsidiaries – established and operation conducted in the PRC</b>					
上海世茂股份有限公司 (Shanghai Shimao Co., Ltd.)	1 July 1992	Foreign investment enterprise	Registered capital RMB1,172,415,338	64.12%	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

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

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2014	Principal activities
<b>Principal subsidiaries – established and operation conducted in the PRC (continued)</b>					
常熟世茂房地產開發有限公司 (Changshu Shimao Real Estate Development Co., Ltd.)	24 December 2004	Foreign investment enterprise	Registered capital HK\$440,000,000	100%	Property development
昆山世茂蝶湖灣開發建設有限公司 (Kunshan Shimao Butterfly Bay Development and Construction Co., Ltd.)	10 November 2003	Foreign investment enterprise	Registered capital RMB412,410,000	100%	Property development
武漢世茂錦繡長江房地產開發有限公司 (Wuhan Shimao Splendid River Real Estate Development Co., Ltd.)	6 June 2005	Foreign investment enterprise	Registered capital US\$114,269,000	96.1%	Property development
昆山世茂房地產開發有限公司 (Kunshan Shimao Real Estate Development Co., Ltd.)	24 December 2003	Domestic enterprise	Registered capital RMB547,668,147	64.12%	Property development
上海世茂新體驗置業有限公司 (Shanghai Shimao Wonderland Real Estate Co., Ltd.)	6 March 2006	Domestic enterprise	Registered capital RMB391,092,834	64.12%	Property development
紹興世茂新城房地產開發有限公司 (Shaoxing Shimao New City Real Estate Development Co., Ltd.)	11 July 2006	Foreign investment enterprise	Registered capital US\$52,350,000	100%	Property development
紹興世茂置業有限公司 (Shaoxing Shimao Real Estate Co., Ltd.)	11 July 2006	Foreign investment enterprise	Registered capital US\$100,030,000	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

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

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2014	Principal activities
<b>Principal subsidiaries – established and operation conducted in the PRC (continued)</b>					
煙台世茂置業有限公司 (Yantai Shimao Real Estate Co., Ltd.)	6 September 2006	Foreign investment enterprise	Registered capital US\$48,500,000	100%	Property development
常州世茂房地產有限公司 (Changzhou Shimao Real Estate Co., Ltd.)	27 November 2006	Foreign investment enterprise	Registered capital US\$313,730,000	100%	Property development
青島世茂新城房地產開發有限公司 (Qingdao Shimao New City Property Development Co., Ltd.)	29 April 2010	Foreign Investment enterprise	Registered capital US\$159,980,000	100%	Property development
杭州世茂置業有限公司 (Hangzhou Shimao Real Estate Co., Ltd.)	13 December 2006	Foreign investment enterprise	Registered capital US\$111,900,000	100%	Property development
徐州世茂新城房地產開發有限公司 (Xuzhou Shimao New City Real Estate Development Co., Ltd.)	14 February 2007	Foreign investment enterprise	Registered capital US\$75,980,000	100%	Property development
徐州世茂置業有限公司 (Xuzhou Shimao Property Co., Ltd.)	14 February 2007	Domestic enterprise	Registered capital RMB491,412,600	64.12%	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

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

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2014	Principal activities
<b>Principal subsidiaries – established and operation conducted in the PRC (continued)</b>					
蕪湖世茂新發展置業有限公司 (Wuhu Shimao New Development Property Co., Ltd.)	16 May 2007	Domestic enterprise	Registered capital RMB110,000,000	64.12%	Property development
蕪湖世茂新世紀置業有限公司 (Wuhu Shimao New Century Property Co., Ltd.)	26 September 2007	Foreign investment enterprise	Registered capital RMB35,000,000	100%	Property development
瀋陽世茂新世紀房地產開發有限公司 (Shenyang Shimao New Century Real Estate Development Co., Ltd.)	24 May 2007	Domestic enterprise	Registered capital RMB581,512,000	64.12%	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	64.12%	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	64.12%	Property development

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

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2014	Principal activities
<b>Principal subsidiaries – established and operation conducted in the PRC (continued)</b>					
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	64.12%	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
南通世茂房地產開發有限公司 (Nantong Shimao Real Estate Development Co., Ltd.)	14 December 2012	Domestic enterprise	Registered capital RMB100,000,000	100%	Property development
南京碩天投資管理有限公司 (Nanjing Shuotian Investment & Management Co., Ltd.)	18 December 2012	Domestic enterprise	Registered capital RMB100,000,000	51%	Property development



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

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2014	Principal activities
<b>Principal subsidiaries – established and operation conducted in the PRC (continued)</b>					
天津生態城世茂投資發展有限公司 (Tianjin Eco-City Shimao Investment & Development Co., Ltd.)	12 August 2011	Domestic enterprise	Registered capital RMB162,644,691	75%	Property development
福州世茂新發展房地產開發有限公司 (Fuzhou Shimao New Development Real Estate Co., Ltd.)	18 October 2012	Domestic enterprise	Registered capital RMB878,000,000	100%	Property development
青島世奧投資發展有限公司 (Qingdao Shiao Investment & Development Co., Ltd.)	17 August 2009	Domestic enterprise	Registered capital RMB1,000,000,000	48%	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	64.12%	Property development
張家港世茂房地產開發有限公司 (Zhangjiagang Shimao Real Estate Development Co., Ltd.)	12 July 2013	Domestic enterprise	Registered capital RMB1,500,000,000	51%	Property development
昆山世茂新發展置業有限公司 (Kunshan Shimao New Development Property Co., Ltd.)	12 September 2007	Foreign investment enterprise	Registered capital US\$49,980,000	100%	Property development
成都世盈投資管理諮詢有限公司 (Chengdu Shiying Investment Management Consulting Co., Ltd.)	20 September 2007	Foreign investment enterprise	Registered capital US\$29,980,000	100%	Property development
上海世源建材貿易有限公司 (Shanghai Shine Construction Materials Trading Co., Ltd.)	22 January 2007	Foreign investment enterprise	Registered capital HK\$65,000,000	100%	Trading of construction materials

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

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2014	Principal activities
<b>Principal subsidiaries – established and operation conducted in the PRC (continued)</b>					
上海世盈投資管理有限公司 (Shanghai Shiyong Investment Management Co., Ltd.)	21 August 2007	Domestic enterprise	Registered capital RMB200,000,000	100%	Investment holding
廈門信誠建築裝潢有限公司 (Xiamen Xincheng Building Decoration Co., Ltd.)	6 March 2007	Domestic enterprise	Registered capital RMB10,000,000	100%	Trading of construction materials
北京財富時代置業有限公司 (Beijing Fortune Times Property Co., Ltd.)	18 September 2001	Domestic enterprise	Registered capital RMB1,010,000,000	64.12%	Property development
牡丹江睿智營銷企劃有限公司 (Mudanjiang Ruizhi Marketing Planning Co., Ltd.)	4 December 2007	Domestic enterprise	Registered capital RMB1,000,000	100%	Marketing
牡丹江世拓建材貿易有限公司 (Mudanjiang Shituo Construction Product Co., Ltd.)	3 April 2008	Domestic enterprise	Registered capital RMB1,000,000	100%	Trading of construction materials
青島世茂投資發展有限公司 (Qingdao Shimao Investment & Development Co., Ltd.)	27 May 2011	Domestic enterprise	Registered capital RMB100,000,000	64.12%	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

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

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2014	Principal activities
<b>Principal subsidiaries – established and operation conducted in the PRC (continued)</b>					
福建世茂投資發展有限公司 (Fujian Shimao Investment and Development Co., Ltd.)	17 November 2003	Foreign investment enterprise	Registered capital RMB200,000,000	82.1%	Property development
南京世茂房地產開發有限公司 (Nanjing Shimao Real Estate Development Co., Ltd.)	23 July 2004	Foreign investment enterprise	Registered capital RMB328,000,000	82.1%	Property development
上海星橙房地產有限公司 (Shanghai Xingcheng Real Estate Co., Ltd.)	25 January 2006	Domestic enterprise	Registered capital RMB28,000,000	100%	Property development
上海世茂投資管理有限公司 (Shanghai Shimao Investment Management Co., Ltd.)	11 May 2009	Domestic enterprise	Registered capital RMB50,000,000	100%	Investment holding
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 Way Investment Development Co., Ltd.)	10 October 2009	Domestic enterprise	Registered capital RMB1,887,000,000	81.7%	Property development
上海世茂企業發展有限公司 (Shanghai Shimao Enterprises Development Co., Ltd.)	22 June 2000	Domestic enterprise	Registered capital RMB101,723,568	50.9%	Investment holding
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

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

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2014	Principal activities
<b>Principal subsidiaries – established and operation conducted in the PRC (continued)</b>					
泰州世茂新城房地產開發有限公司 (Taizhou Shimao New City Real Estate Development Co., Ltd.)	22 February 2008	Foreign investment enterprise	Registered capital US\$40,000,000	100%	Property development
武漢世茂嘉年華置業有限公司 (Wuhan Shimao Jnianhua Property Co., Ltd.)	14 December 2009	Domestic enterprise	Registered capital RMB200,000,000	81.7%	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 Jnianhua Property Co., Ltd.)	4 September 2009	Domestic enterprise	Registered capital US\$100,000,000	100%	Property development
天津世茂新里程置業有限公司 (Tianjin Shimao Xinlichen Property Co., Ltd.)	5 November 2009	Domestic enterprise	Registered capital RMB470,000,000	100%	Property development
成都世茂置業有限公司 (Chengdu Shimao Property Co., Ltd.)	13 October 2009	Domestic enterprise	Registered capital RMB299,021,884	100%	Property development
無錫世茂新發展置業有限公司 (Wuxi Shimao New Development Property Co., Ltd.)	23 November 2009	Domestic enterprise	Registered capital RMB102,000,000	77.8%	Property development
南通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

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

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2014	Principal activities
<b>Principal subsidiaries – established and operation conducted in the PRC (continued)</b>					
蘇州世茂新發展房地產開發有限公司 (Suzhou Shimao New Development Real Estate Co., Ltd.)	16 April 2013	Domestic enterprise	Registered capital RMB102,000,000	51%	Property development
蘇州世茂新世紀房地產開發有限公司 (Suzhou Shimao New Century Real Estate Co., Ltd.)	16 April 2013	Domestic enterprise	Registered capital RMB1,470,678,120	51%	Property development
張家港尚競投資管理有限公司 (Zhangjiagang Shangjing Investment & Management Co., Ltd.)	20 August 2013	Domestic enterprise	Registered capital RMB10,000,000	100%	Investment holding
上海澤承投資管理有限公司 (Shanghai Zecheng Investment & Management Co., Ltd.)	20 Dec 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	51%	Property development
杭州世融匯置置業有限公司 (Hangzhou Shirong Huiying Property Co., Ltd.)	29 May 2013	Foreign investment enterprise	Registered capital US\$150,000,000	51%	Property development
杭州世茂嘉年華置業有限公司 (Hangzhou Shimao Carnival Property Co., Ltd.)	16 October 2013	Domestic enterprise	Registered capital RMB2,000,000,000	52%	Property development
南昌水城投資股份有限公司 (Nanchang Shuicheng Investment Co., Ltd.)	8 December 2005	Domestic enterprise	Registered capital RMB350,000,000	100%	Property development

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

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2014	Principal activities
<b>Principal subsidiaries – established and operation conducted in the PRC (continued)</b>					
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
上海進環投資管理有限公司 (Shanghai Jinjing Investment & Management Co., Ltd.)	26 April 2013	Domestic enterprise	Registered capital RMB5,000,000	100%	Investment holding
上海建木投資管理有限公司 (Shanghai Jianmu Investment & Management Co., Ltd.)	24 July 2013	Domestic enterprise	Registered capital RMB5,000,000	100%	Investment holding



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

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2014	Principal activities
<b>Principal subsidiaries – established and operation conducted in the PRC (continued)</b>					
上海西科投資管理有限公司 (Shanghai Xike Investment & Management Co., Ltd.)	24 July 2013	Domestic enterprise	Registered capital RMB5,000,000	100%	Investment holding
泉州諾信投資有限公司 (Quanzhou Nuoxin Investment Co., Ltd.)	22 October 2013	Domestic enterprise	Registered capital RMB1,000,000	100%	Investment holding
大連世茂新領域置業有限公司 (Dalian Shimao New Domain Property Co., Ltd.)	29 October 2013	Foreign investment enterprise	Registered capital US\$136,000,000	100%	Property development
大連世茂新體驗置業有限公司 (Dalian Shimao New Experience Property Co., Ltd.)	29 October 2013	Foreign investment enterprise	Registered capital US\$120,000,000	100%	Property development
石獅世茂房地產開發有限公司 (Shishi Shimao Real Estate Development Co., Ltd.)	16 May 2013	Domestic enterprise	Registered capital RMB639,000,000	58%	Property development
石獅世茂新城房地產開發有限公司 (Shishi Shimao New City Real Estate Development Co., Ltd.)	16 May 2013	Domestic enterprise	Registered capital RMB781,000,000	58%	Property development
<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

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

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2014	Principal activities
<b>Principal subsidiaries – incorporated and operation conducted in the British Virgin Islands</b> <i>(continued)</i>					
Best Empire Investments Limited	2 July 2002	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Double Achieve Assets Limited	31 January 2002	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Easy Reach Group Limited	13 December 2006	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
East Light Group Limited	12 May 2006	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Everactive Properties Limited	2 May 2001	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Highsharp International Limited	23 February 2007	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Keen View Limited	10 May 2006	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Magic Dynasty Investments Limited	15 November 2006	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Mega Universe Limited	10 July 2001	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Peak Castle Assets Limited	2 July 2002	Limited liability company	1 ordinary share of US\$1	100%	Investment holding

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

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2014	Principal activities
<b>Principal subsidiaries – incorporated and operation conducted in the British Virgin Islands</b> <i>(continued)</i>					
Peak Gain International Limited	13 December 2006	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Precise Choice Investments Limited	18 October 2001	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Prime Master Holdings Limited	2 July 2002	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Shimao Management (Overseas) Limited	18 December 2002	Limited liability company	1 ordinary share of US\$1	100%	Management services
Significant Asset Group Limited	2 July 2002	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Vicking International Ltd.	19 January 1994	Limited liability company	50,000 ordinary shares of US\$1 each	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
<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	80%	Property development

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

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2014	Principal activities
<b>Principal subsidiaries – incorporated and operation conducted in Hong Kong (continued)</b>					
Charm Field Group Limited	1 August 2007	Limited liability company	1 ordinary share of HK\$1	100%	Investment holding
Clear Rise Investments Limited	8 May 2007	Limited liability company	1 ordinary share of HK\$1	100%	Investment holding
Daily Right Holdings Limited	7 May 2007	Limited liability company	1 ordinary share of HK\$1	100%	Investment holding
Excel Grand Group Limited	22 May 2007	Limited liability company	1 ordinary share of HK\$1	100%	Investment holding
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

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

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2014	Principal activities
<b>Principal subsidiaries – incorporated and operation conducted in Hong Kong (continued)</b>					
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
Shimao Holdings Company Limited	3 February 1994	Limited liability company	100 million ordinary shares of HK\$1 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

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

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2014	Principal activities
<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
嘉興世茂新世紀置業有限公司 (Jiaxing Shimao New Century Property Co., Ltd.)	6 July 2007	Foreign investment enterprise	Registered capital RMB100,000,000	30%	Property development
寧波世茂新騰飛置業有限公司 (Ningbo Shimao Xintengfei Property Co., Ltd.)	9 June 2013	Domestic enterprise	Registered capital RMB1,238,500,000	48.32%	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	38%	Property development
<b>Associated company – 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



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

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2014	Principal activities
<b>Joint ventures – established and operation conducted in the PRC</b>					
無錫世茂房地產開發建設有限公司 (Wuxi Shimao Real Estate Development & Construction Co., Ltd)	20 November 2009	Domestic enterprise	Registered capital RMB102,000,000	49%	Property development
天津津南新城房地產開發有限公司 (TianJin Jinnan New City Property Development CO., Ltd)	26 May 2010	Domestic enterprise	Registered capital RMB3,667,300,000	25%	Property development
天津和安投資有限公司 (TianJin Hean Investment Co., Ltd.)	19 August 2010	Domestic enterprise	Registered capital RMB10,000,000	25%	Investment holding
南昌世茂新發展置業有限公司 (Nanchang Shimao New Development Property Co., Ltd)	19 October 2010	Domestic enterprise	Registered capital RMB1,200,000,000	50%	Property development
長沙世茂房地產有限公司 (Changsha Shimao Real Estate Co., Ltd)	21 July 2010	Domestic enterprise	Registered capital RMB500,000,000	50%	Property development
成都世茂投資有限公司 (Chengdu Shimao Investment Co., Ltd)	17 November 2009	Domestic enterprise	Registered capital RMB1,200,000,000	50%	Property development
廣州誠譽房地產開發有限公司 (Guangzhou Chengyu Real Estate development Co., Ltd)	25 November 2012	Domestic enterprise	Registered capital RMB60,000,000	50%	Investment holding
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

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

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2014	Principal activities
<b>Joint ventures – established and operation conducted in the PRC (continued)</b>					
南通世茂新紀元房地產開發有限公司 (Nantong Shimao New Era Real Estate Development Co., Ltd.)	18 June 2013	Domestic enterprise	Registered capital RMB700,000,000	50%	Property development
蘇州工業園區世茂湖濱置業有限公司 (Suzhou Shimao Industrial Park Lakeside Co., Ltd.)	29 October 2013	Domestic enterprise	Registered capital RMB1,400,000,000	49%	Property development
寧波世茂新里程置業有限公司 (Ningbo Shimao New Miles Property Co., Ltd.)	5 August 2011	Domestic enterprise	Registered capital RMB600,000,000	50%	Property development
長沙世茂投資有限公司 (Changsha Shimao Investment Co., Ltd.)	21 July 2010	Domestic enterprise	Registered capital RMB1,000,000,000	49%	Property development
<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



## 37 CONTINGENCIES

The Group had the following contingent liabilities:

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Guarantees in respect of mortgage facilities for certain purchasers (Note (a))	<b>11,703,075</b>	10,054,730
Guarantee in respect of borrowings (Note (b))	<b>6,780,177</b>	4,783,509
	<b>18,483,252</b>	14,838,239

Notes:

- (a) The Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to retain the legal title and take over possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends when the Group obtained the "property title certificate" for the mortgagees, or when the Group obtained the "master property title certificate" upon completion of construction. The directors consider that in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the financial statements for the guarantees.
- (b) The Group and other shareholders of Guangzhou Li He, an associated company, provided guarantees in proportion of their respective equity interests in Guangzhou Li He for its bank borrowings. The respective guarantees provided by the Group amounted to RMB2,233,980,000 as at 31 December 2014 (2013: RMB1,537,352,000).

The Group and other shareholders of Chengdu Heng Yu, an associated company, provided guarantees in proportion of their respective equity interests in Chengdu Heng Yu for its borrowings from other financial institutions. As at 31 December 2014, the Group provided guarantees amounted to RMB924,000,000 (2013: Nil).

The Group and other shareholders of Tianjin Jinnan, a joint venture, provided guarantees in proportion of their respective equity interests in Tianjin Jinnan for its borrowings from other financial institutions. As at 31 December 2014, the Group provided guarantees amounted to RMB206,085,000 (2013: RMB357,000,000), as well as the pledge of the Group's equity interest in Tianjin Jinnan.

The Group provided guarantees for Changsha Real Estate's bank borrowings before it became a joint venture. The respective guarantees provided by the Group amounted to RMB300,000,000 as at 31 December 2014 (2013: RMB750,000,000).

The Group provided guarantees for Wuxi Real Estate's bank borrowings before it became a joint venture. The respective guarantees provided by the Group amounted to RMB675,800,000 as at 31 December 2014 (2013: RMB675,800,000).

The Group provided guarantees for Ningbo New Miles' bank borrowings before it became a joint venture. The respective guarantees provided by the Group amounted to RMB350,000,000 as at 31 December 2014 (2013: Nil).



## 37 CONTINGENCIES (CONTINUED)

(b) (continued)

The Group and other shareholders of Suzhou Shimao Industrial Park Century Property Co., Ltd., ("Suzhou Industrial Century") a joint venture, provided guarantees in proportion of their respective equity interests in Suzhou Industrial Century for its bank borrowings. The respective guarantees provided by the Group amounted to RMB256,480,000 as at 31 December 2014 (2013: Nil).

The Group and other shareholders of Suzhou Industrial Lakeside, a joint venture, provided guarantees in proportion of their respective equity interests in Suzhou Industrial Lakeside for its bank borrowings. The respective guarantees provided by the Group amounted to RMB641,200,000 as at 31 December 2014 (2013: Nil).

The Group and other shareholders of Shanghai Maoqin, a joint venture, provided guarantees in proportion of their respective equity interests in Shanghai Maoqin for its bank borrowings. The respective guarantees provided by the Group amounted to RMB961,800,000 as at 31 December 2014 (2013: Nil).

The Group and other shareholders of Ningbo Xintengfei, an associated company, provided guarantees in proportion of their respective equity interests in Ningbo Xintengfei for its bank borrowings. The respective guarantees provided by the Group amounted to RMB230,832,000 as at 31 December 2014 (2013: Nil).

## 38 COMMITMENTS

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

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Contracted but not provided for		
– Property and equipment	<b>1,702,645</b>	1,453,432
– Land use rights (including those related to associated companies and joint ventures)	<b>14,509,320</b>	17,662,724
– Properties being developed by the Group for sale	<b>22,448,656</b>	20,165,097
– Equity interest (Note 14)	–	1,190,000
	<b>38,660,621</b>	40,471,253



## 38 COMMITMENTS (CONTINUED)

**(b) Operating lease commitments**

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

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Within one year	<b>186,710</b>	192,005
Between two to five years	<b>542,957</b>	731,440
After five years	<b>315,853</b>	363,989
	<b>1,045,520</b>	1,287,434

## 39 SIGNIFICANT ACQUISITION OR DISPOSAL OF SUBSIDIARIES AND TRANSACTIONS WITH NCI

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

For the year ended 31 December 2014, the Group disposed certain equity interests in several wholly owned subsidiaries as follows:

	RMB'000
Consideration received/receivable:	
Ningbo New Century (Note 39(b)(ii))	716,000
Suzhou Industrial Lakeside	710,000
Ningbo Xintengfei	640,000
Changsha Investment	510,000
Suzhou Shimao New Way Property Co., Ltd. ("Suzhou New Way") (Note 39(b)(i))	280,000
Others	444,534
	<b>3,300,534</b>

The disposal had resulted in total net gain of RMB75,279,000 (Note 28).



### 39 SIGNIFICANT ACQUISITION OR DISPOSAL OF SUBSIDIARIES AND TRANSACTIONS WITH NCI (CONTINUED)

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

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

	RMB'000
Properties under development	9,225,412
Investment properties (Note 7)	155,659
Property, plant and equipment (Note 6)	149
Prepayment for acquisition of land use rights	393,594
Trade and other receivables and prepayments	4,314,262
Cash and cash equivalents	151,223
Other assets	19,035
Borrowings	(4,124,700)
Trade and other payables	(3,723,421)
<b>Net assets</b>	<b>6,411,213</b>
Fair value of interests retained in joint ventures	2,240,081
Fair value of interests retained in associated companies (Note 11)	945,877
Total consideration	3,300,534
Net assets disposed	(6,411,213)
Disposal gains	75,279
<b>Total consideration</b>	<b>3,300,534</b>
Less: consideration receivable (Note 17)	(619,800)
Cash and cash equivalents in the entities disposed	(151,223)
<b>Net cash inflow arising from disposal</b>	<b>2,529,511</b>





### 39 SIGNIFICANT ACQUISITION OR DISPOSAL OF SUBSIDIARIES AND TRANSACTIONS WITH NCI (CONTINUED)

#### (b) Other changes in equity interest in joint ventures and subsidiaries

- (i) In January 2014, the Group disposed of 53.85% equity interest in Suzhou New Way, a then wholly owned subsidiary, to a third party at a consideration of RMB280,000,000. The disposal had resulted in a gain of RMB11,083,000 and a net cash inflow of RMB208,446,000 (Note 39 (a)). In March 2014, the third party made a further capital injection amounting to RMB80,000,000 thereby further diluted the Group's interest to 40%. In September 2014, the Group ended the cooperation with the venture party and purchased all equity interest from the venture party at a consideration of RMB380,000,000.

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

	RMB'000
<b>Consideration</b>	
Cash	380,000
Fair value of equity interest in the Group held before the business combination	253,333
<b>Total consideration</b>	<b>633,333</b>
<b>Recognised amounts of identifiable assets acquired and liabilities assumed</b>	
Cash and cash equivalents	101,321
Properties under development and completed properties held for sale	767,175
Trade and other receivables and prepayments	346,649
Trade and other payables	(361,812)
Borrowings	(220,000)
<b>Total identifiable net assets</b>	<b>633,333</b>
Cash consideration paid	380,000
Cash and cash equivalents in the entity acquired	(101,321)
Net cash outflow arising from acquisition	278,679



### 39 SIGNIFICANT ACQUISITION OR DISPOSAL OF SUBSIDIARIES AND TRANSACTIONS WITH NCI (CONTINUED)

#### (b) Other changes in equity interest in joint ventures and subsidiaries (continued)

- (ii) In July 2014, the Group changed its venture partner in Ningbo New Century, a then 51% owned subsidiary, by acquiring all 49% equity interest from the venture party then disposed 50% equity interest to another party. The purchase and disposal considerations were RMB700,000,000 and RMB716,000,000 respectively. Upon the completion of the transactions, Ningbo New Century became a jointly controlled entity.

#### (c) Deemed disposal of subsidiaries

For the year ended 31 December 2014, the Group lost control of two then wholly owned subsidiaries, namely, Nantong Shimao New Era Real Estate Development Co., Ltd. and Ningbo New Miles pursuant to capital injection by two new investors into these companies in the amount of RMB350,000,000 and RMB300,000,000 respectively. After such capital injections, these companies became joint ventures of the Group.

The following table summarises the net assets of Nantong Shimao New Era Real Estate Development Co., Ltd. and Ningbo New Miles at the date of disposal. The disposal had resulted in a net gain of RMB36,262,000 and the net cash outflow of RMB311,847,000.

	The date of disposal RMB'000
Property, plant and equipment	177,553
Land use rights	151,866
Properties under development	1,974,152
Prepayment for acquisition of land use rights	458,390
Cash and cash equivalents	311,847
Other assets	169,172
Trade and other payables	(1,627,466)
Borrowings	(400,000)
Advanced proceeds received	(601,776)
Net assets	613,738
<b>Gains on deemed disposal of subsidiaries:</b>	
Fair value of interests retained in joint ventures	650,000
Net assets disposal of	(613,738)
Gains on deemed disposal	36,262
<b>Net cash outflow arising from deemed disposal</b>	<b>311,847</b>



### 39 SIGNIFICANT ACQUISITION OR DISPOSAL OF SUBSIDIARIES AND TRANSACTIONS WITH NCI (CONTINUED)

#### (d) An associated company and certain joint ventures transferred to subsidiaries

During the year, the Group gained control in the following then associated company and joint ventures:

- i) Straits Construction, originally an 49% owned associated company, became a subsidiary from 30 September 2014 pursuant to the shareholders resolution that confer the Group the exclusive decision making rights in all significant activities, including but not limited to operation and financing activities.
- ii) Beijing Liangyu Real Estate Development Co., Ltd. and Shanghai Zecheng Investment & Management Co., Ltd., originally 50% owned joint ventures, became subsidiaries pursuant to the change in the articles of association in November 2014 that conferred, the Group majority of voting rights.

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

Consideration:	RMB'000
Fair value of equity interest in above companies held before the business combination	1,207,657
<b>Recognised amounts of identifiable assets acquired and liabilities assumed</b>	
Cash and cash equivalents	2,058,505
Properties under development	9,926,162
Property, plant and equipment	3,729
Investment in associates	12,438
Other assets	669,457
Trade and other payables	(765,124)
Borrowings	(2,675,700)
Advanced proceeds received	(6,765,661)
<b>Total identifiable net assets</b>	<b>2,463,806</b>
Non-controlling interest	(1,256,149)
<b>Total acquired net assets</b>	<b>1,207,657</b>
<b>Cash inflow on acquisition</b>	<b>2,058,505</b>



### 39 SIGNIFICANT ACQUISITION OR DISPOSAL OF SUBSIDIARIES AND TRANSACTIONS WITH NCI (CONTINUED)

#### (e) Transaction with NCI

Save as disclosed aforesaid in Note 39(b)(ii), in 2014, the Group acquired the non-controlling interests in certain companies including Shanghai Shimao Sheshan Huiying Property Co., Ltd., for a total purchase consideration of RMB518,992,000. The total carrying amount of the non-controlling interests in these companies on the date of acquisition was RMB503,014,000.

### 40 RELATED PARTY TRANSACTIONS

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

(a) Other than those disclosed elsewhere in the consolidated financial statements, the Group had entered into the following major related party transactions during the year ended 31 December 2014.

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Operating lease rental expense charged by a related company (note)	4,286	5,411

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Construction material sold to related companies	861	50,214

Note:

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



## 40 RELATED PARTY TRANSACTIONS (CONTINUED)

## (b) Key management compensation

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Emoluments		
– Salaries and other short-term employee benefits	25,510	26,313
– Retirement scheme contributions	292	276
– Employee share option schemes	–	–
	<b>25,802</b>	<b>26,589</b>

## 41 SUBSEQUENT EVENTS

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 additional senior notes with total principal of US\$300,000,000 due on 10 February 2022.

On 8 March 2015, the Company early redeemed senior notes of US\$350,000,000, which was originally due on 8 March 2018.

## 42 APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors on 31 March 2015.