



SHIMAO 世茂房地產

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

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 813



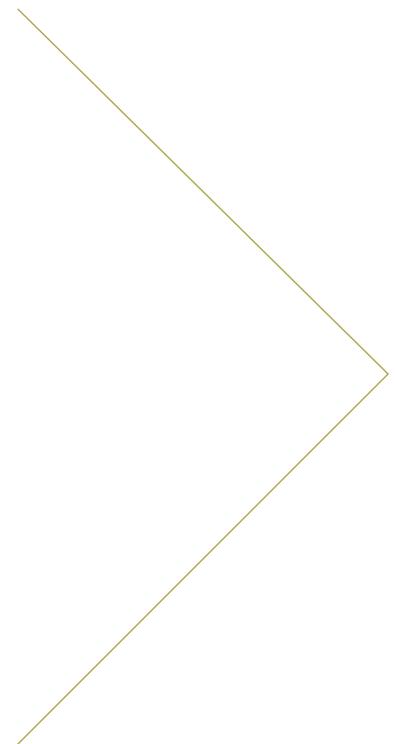
# Shimao



▲ Nanjing Shimao Bund New City

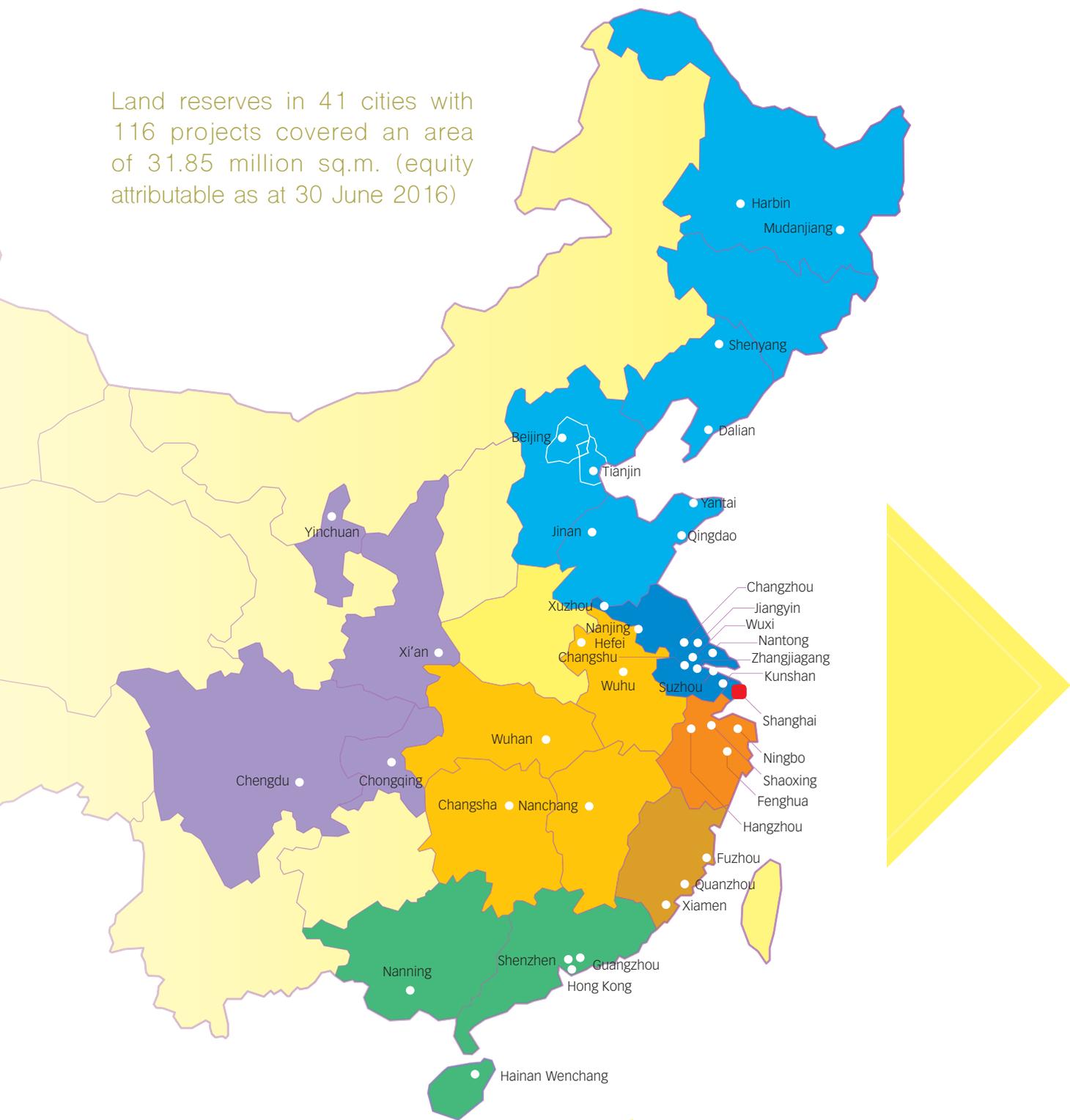
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# Nationwide Quality Land Reserves

Land reserves in 41 cities with 116 projects covered an area of 31.85 million sq.m. (equity attributable as at 30 June 2016)



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

## Nationwide Quality Land Reserves

### Shimao Property

#### Zhejiang District

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

#### Central China District

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

#### Western District

Chengdu Shimao City
Chengdu Jianyang Shimao Misty Lakeside
Chengdu Baohe Project
Yinchuan Yuehai Project
Yinchuan Yuehai Project B
Yinchuan Yuehai Project C
Yinchuan Zhuanqu Project
Chongqing Shimao Luxury Mansion
Xi'an Shimao City

#### Shandong District

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

#### Northern China District

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

#### Nanjing District

Nanjing Shimao Glory Villa
Nanjing Maqun Project
Nanjing Straits City
Nanjing Jiangning Higher Education Mega Centre Project
Nanjing Yuhuatai Project
Nanjing Jianye Jiangdong No. 5 Project
Nanjing Shimao Bund New City
Nanjing Pukou Royal Real
Wuhu Shimao Riviera Garden
Xuzhou Shimao Dongdu
Xuzhou Shimao Dongdu (Commercial)

#### Jiangsu and Shanghai District

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

#### Fujian District

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

#### Southern China District

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

### Shanghai Shimao

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

# Corporate Information

## BOARD OF DIRECTORS

### EXECUTIVE DIRECTORS

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

### NON-EXECUTIVE DIRECTOR

Liu Sai Fei

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Kan Lai Kuen, Alice  
Lu Hong Bing  
Lam Ching Kam

### AUDIT COMMITTEE

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

### REMUNERATION COMMITTEE

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

### NOMINATION COMMITTEE

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

### COMPANY SECRETARY

Lam Yee Mei, Katherine

### AUDITOR

PricewaterhouseCoopers

## PRINCIPAL BANKERS

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

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

## REGISTERED OFFICE

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

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

## Corporate Information

### 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

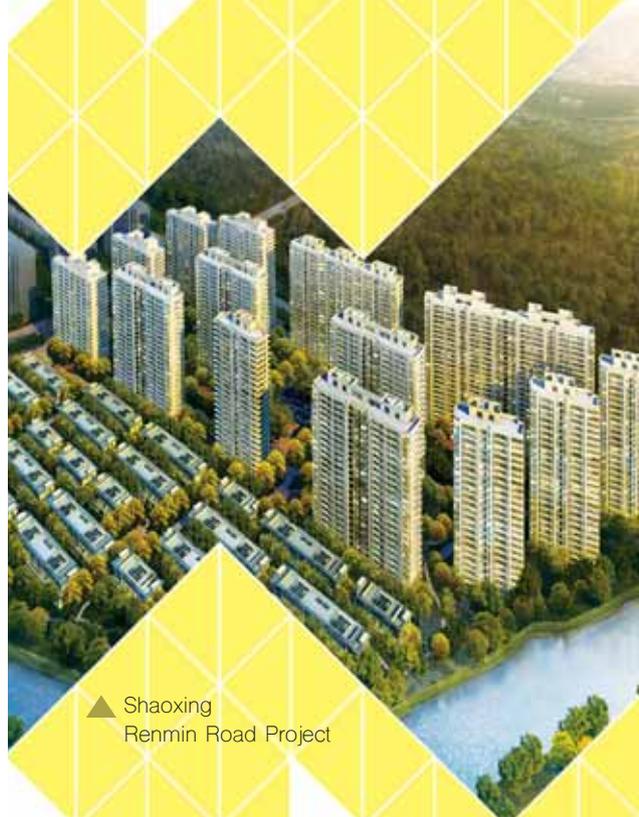
### INTERIM AND SPECIAL DIVIDENDS

Interim dividend amount: HK26 cents per ordinary share  
Special dividend amount: HK6 cents per ordinary share  
Book closure period: Wednesday, 14 September 2016 and  
Thursday, 15 September 2016  
Record date: Thursday, 15 September 2016  
Payment date: Friday, 30 September 2016  
Latest time for lodging transfer documents:  
4:30 p.m. on Tuesday, 13 September 2016

▼ Hong Kong Kowloon Tai Wo Ping Project



▲ Shaoxing  
Renmin Road Project



▼ Shenyang Shimao Wulihe

▼ Dalian Jinzhou  
Shimao Dragon Bay

# Chairman's Statement

▲ Nanjing Straits City



## Chairman's Statement

Dear shareholders,

I am pleased to present the interim results of Shimao Property Holdings Limited ("Shimao Property" or the "Company", together with its subsidiaries, the "Group") for the six months ended 30 June 2016.

### MARKET AND OUTLOOK

Following a year in which policies on the real estate market gradually eased and became fully favorable in 2015, the real estate market continued to rebound nationwide and started a new upward trend in the first half of 2016, on the back of the positive drive from government policies and the unleashing of the cumulative demand. From January to June 2016, the total real estate investment in China was approximately RMB4,663.1 billion, representing a year-on-year increase of 6.1%, achieving a steady pace of growth. A total of approximately 643.02 million sq.m. of gross floor area of national commodity properties were sold for approximately RMB4,868.2 billion, representing year-on-year increases of 27.9% and 42.1%, respectively.

According to the National Bureau of Statistics, for the first half of the year, property prices on a nationwide basis demonstrated an upward trend in general. In second- and third-tier cities, the rate of year-on-year growth in property prices continued to increase, and the growth rate in some second-tier cities already exceeded that in first-tier cities such as Beijing and Guangzhou. In Nanjing, which is one of the Group's key cities, property transactions soared to record-high volume. However, in some third- and fourth-tier cities, the real estate market remained sluggish due to high inventory and weak demand. The divergent market performance rendered it a normal industry practice to have differing policies being applied in different cities. As such, in the first half of the year, the Group continued to adjust the timing and structure of supply by strictly adhering to the principle of "sales-based production" in third- and fourth-tier cities and focusing on first- and second-tier cities.

Looking forward to the second half of 2016, it is expected that demand will remain stable in the real estate market in general; supply-side structure reform will remain the focus; and monetary policies together with the overall easing policies of the real estate sector will maintain. A number of projects of the Group will be launched for sale at the end of the third quarter and the beginning of the fourth quarter, approximately 54% of which will be launched in first- and pre-first-tier cities. Our supply will address the needs of the markets where demand is robust. It is expected that both the average selling price and profit margin will further improve.



▲ Quanzhou Shimao Zimaoshan



## Chairman's Statement

### ▼ Nanjing Pukou Royal Real



## SALES PERFORMANCE

At the beginning of 2016, the Group set its annual contracted sales target at RMB67.0 billion. With record-high monthly contracted sales achieved in June, the Group realized contracted sales of RMB34.46 billion in the first half of the year, representing approximately 51.4% of the annual target. The total sales area amounted to 2,428,000 sq.m., with an average selling price of RMB14,192 per sq.m. during the period, up from RMB12,011 per sq.m. in the corresponding period in 2015. This has laid a good foundation for the Group's stable growth in profit margin in future.

In terms of cities, the sales in Nanjing were more than RMB5.0 billion, while the sales in Beijing, Xiamen and Hangzhou were more than RMB1.5 billion. In terms of projects, the sales of Nanjing Shimao Bund New City, Xiamen Xiang'an project, Nanjing Pukou Royal Real and Nanjing Straits City were RMB2.657 billion, RMB1.312 billion, RMB1.190 billion and RMB1.003 billion, respectively. In addition, the prices of the above projects were upward adjusted in the first half of the year by more than 30% in general, some of which even increased by 65%. Both sales volume and prices increased and the Group performed well in the market.

In respect of inventory clearance, the inventory sales of the Group in the first half of the year were RMB21.9 billion, representing an increase of RMB7.9 billion from the corresponding period of the previous year. Inventory-to-sales ratio increased by 19%. With respect of inventory sales strategy, pricing was strategically adjusted to boost the sales of inventory in third- and fourth-tier cities with relatively low demand, with particular focus on pricing adjustments for longer aged inventories. As a result, a strong business foundation was laid by optimizing the inventory structure, increasing the cash collection ratio and enhancing the competitiveness. As of 30 June 2016, inventories of first- and second-tier cities accounted for 69%, up 6% from the beginning of the year. Inventory clearance in third- and fourth-tier cities has been effective.

Based on our judgment on the future market trend, the Group has enlarged the supply in first- and second-tier cities of higher gross profit margin and lower risk of high inventory since last year. The supply focused on first- and second-tier cities while the supply in third- and fourth-tier cities was controlled strictly in accordance with the principle of "sale-based production" to avoid high inventory of low margin properties. The Group will increase its supply to first- and pre-first-tier cities to 54% of total value in the second half of the year. Following the implementation of product standardization and the addition of attractions on products, supporting facilities as well as education, the competitiveness and the premium pricing of the Group's projects were improved. Addressing customers' mindset, the Group established a system which supported the particular needs of customers, radically enhanced the land nature and precisely focused on themes of community life, which constituted key selling points apart from the layout of units. The Group is confident that, with its continuous efforts to meet the market's demand, its performance will be better in the second half of the year.

### PRUDENT REPLENISHMENT OF LAND RESERVES

In the first half of 2016, there was a trend of developers re-steering their focus on first- and second-tier cities, causing fierce competition for land resources, soaring land prices and in turn many cases of “land king lots” transacted at exceptionally high prices, and thus continually squeezing future gross profit of the industry. The Group upheld its prudent strategy and adopted a more cautious approach in replenishing land reserves. In the first half of 2016, the Group acquired land reserves of 1.10 million sq.m. (before interests) in Fuzhou, Yinchuan, Beijing, Nanjing and Wuhan. Currently, Shimao Property has 116 projects with a total area of 31.85 million sq.m. (attributable interests) of quality land in 41 cities in China. In particular, the Group entered into an agreement with another developer to acquire Beijing Shangzhuang project, which transaction is expected to be completed before April 2017. This enables the Group to acquire quality land at reasonable costs, which effectively reduces the capital requirement and cost of project operation, and thereby alleviates the financial pressure on the Group. Meanwhile, the Group also acquired the Jianye project by way of public auction in Nanjing, at RMB16,296 per sq.m. of floor area, for the development of commercial, office and residential projects, which explain the lower land costs compared to land for sole residential development.

### PROMOTING LIGHT ASSET OPERATION

From the opening of MiniMax Hotel at the end of 2014 to the launch of the 52+ Mini Mall series at the end of 2015, the Group has been launching new products in a systematic and orderly manner. Mini Hotel and Mini Mall, which are the two major projects of the “Mini” series, are known for their compact scale which distinguishes them from traditional luxury hotels and large-scale shopping malls. As the Group's brands under the asset-light strategy, they offer customized products to address specific needs. They are able to enter or exit the market nimbly and their products can be replicated easily. The “Mini” series is the Group's key commercial product. With the operation of new business models including the “Mini” series, the Group will be able to attract more investors and lower the proportion of internal capital investment in order to increase the return on assets held by the Group. Moreover, in July, Shimao Hotels and Resorts entered into entrusted management arrangements for the first hotel – MiniMax Hotel Linyi Binhe in respect of the export of hotel management, and the hotel is expected to officially commence operation in the middle of 2017. This also signifies the implementation of the “light asset” strategic transformation of Shimao Hotels and Resorts.



▲ Qingdao Shimao Noosa Bay

### DETERMINATION TO UPHOLD PRUDENT FINANCIAL POLICY

In the first half of 2016, the Group continued to adopt prudent financial strategies for its operation. By focusing on collection of accounts receivables, controlling liabilities, further reducing the financing cost and optimizing capital structure, the Group was able to explore innovative and diversified financing channels for its real estate business to maintain its effective and stable development. In the first half of 2016, the cash from sales proceeds was approximately RMB29.39 billion with a cash collection rate of 85.3%. As of 30 June 2016, the Group had sufficient capital funds, with available funds in the amount of RMB40.1 billion. With the opening up of China's capital market, the Group has exerted great efforts to expand its domestic Renminbi financing channels, including becoming one of the first enterprises approved by the Shanghai Stock Exchange for the private issuance of corporate bonds and issuing the first tranche of private corporate bonds in the amount of RMB4.0 billion with one of the lowest interest rate among the same batch in January 2016. As of 30 June 2016, net gearing ratio of the Group was 55.7%. Net gearing ratio has been maintained below 60% for more than 4 consecutive years, laying a solid foundation for dealing with challenging and ever-changing economic and financial environments and the sustainable development of the Group going forward, and reflecting the sound operation and financial management of the Group.

The Group's financing costs continued to trend down through issuing low-interest rate Renminbi bonds and short-term commercial notes to replace high-interest-rate financing channels. On the other hand, the Group proactively explored innovative financing model of its real estate business and the asset securitization market. Coupling with other measures of interest reduction, the Group's weighted average financing costs was 6.5% in the first half of 2016, a drop from the annual figure of 6.9% in 2015. The Group has launched preparation for the issuance of public panda bonds and other financing channels in China, so as to limit the financing costs to 6% or less for the full year of 2016.

To mitigate its exchange risks, the Group took the initiatives to arrange cross-border RMB payments, and used cross-border RMB payment to prepay foreign currency borrowings in advance, thereby gradually lowering proportion of foreign currency borrowings and reducing exposure to foreign exchange risks. In the first half of 2016, the Group repaid foreign currency borrowings in the total amount equivalent to approximately RMB12.2 billion (including exchange loss), significantly lowering the proportion of foreign currency borrowings from 48% as at 31 December 2015 to 33% by mid-2016 and effectively controlling foreign exchange risks. The proportion of foreign currency borrowings for the full year is expected to drop further down to below approximately 32%. Moreover, the Group properly used financial derivatives including forward exchange option contracts to hedge against future Renminbi depreciation risks.

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

In May 2016, Shanghai Shimao disposed of 100% equity interest in Beijing Fortune Times Property Co., Ltd. and Beijing Baiding New Century Business Management Co., Ltd. to Leshi Holdings (Beijing) Co., Ltd. at a consideration of approximately RMB2.972 billion according to the agreement. The share transaction generated profit after taxation attributable to shareholders of approximately RMB630 million, fully reflecting the strategic mindset of Shanghai Shimao in managing assets of commercial properties. Through the partial disposal of commercial properties which had become matured, the structure of commercial assets of Shanghai Shimao is further enhanced and capital appreciation of commercial properties can be realized. In view of the gain from the disposal of assets, the board of directors of the Company (the "Board") declared the distribution of a special dividend of HK6 cents per share. The Group's repurchase of a total of approximately 39.99 million shares in July also raised the value of its shares, uplifted the return on equity and rewarded the support from the shareholders.

## Chairman's Statement

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

Looking forward to the second half of the year, higher volatility in the international market is expected. In its ongoing efforts to foster the business of innovative financing for the real estate sector, the Group will further adhere to its robust financial strategy and adopt prudent financial management approach to maintain adequate cash flows, minimize the finance cost and stabilise the operating efficiency.

### INTERIM AND SPECIAL DIVIDENDS

To demonstrate our appreciation for our shareholders' unstinting support, the Board has declared the payment of an interim dividend of HK26 cents per share for the six months ended 30 June 2016. In view of the gain from the disposal of Beijing Fortune Times Property Co., Ltd. and Beijing Baiding New Century Business Management Co., Ltd., the Board has also declared the payment of a special dividend of HK6 cents per share. The total distribution will amount to HK32 cents per share (corresponding period of 2015: HK30 cents per share).

### APPRECIATION

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

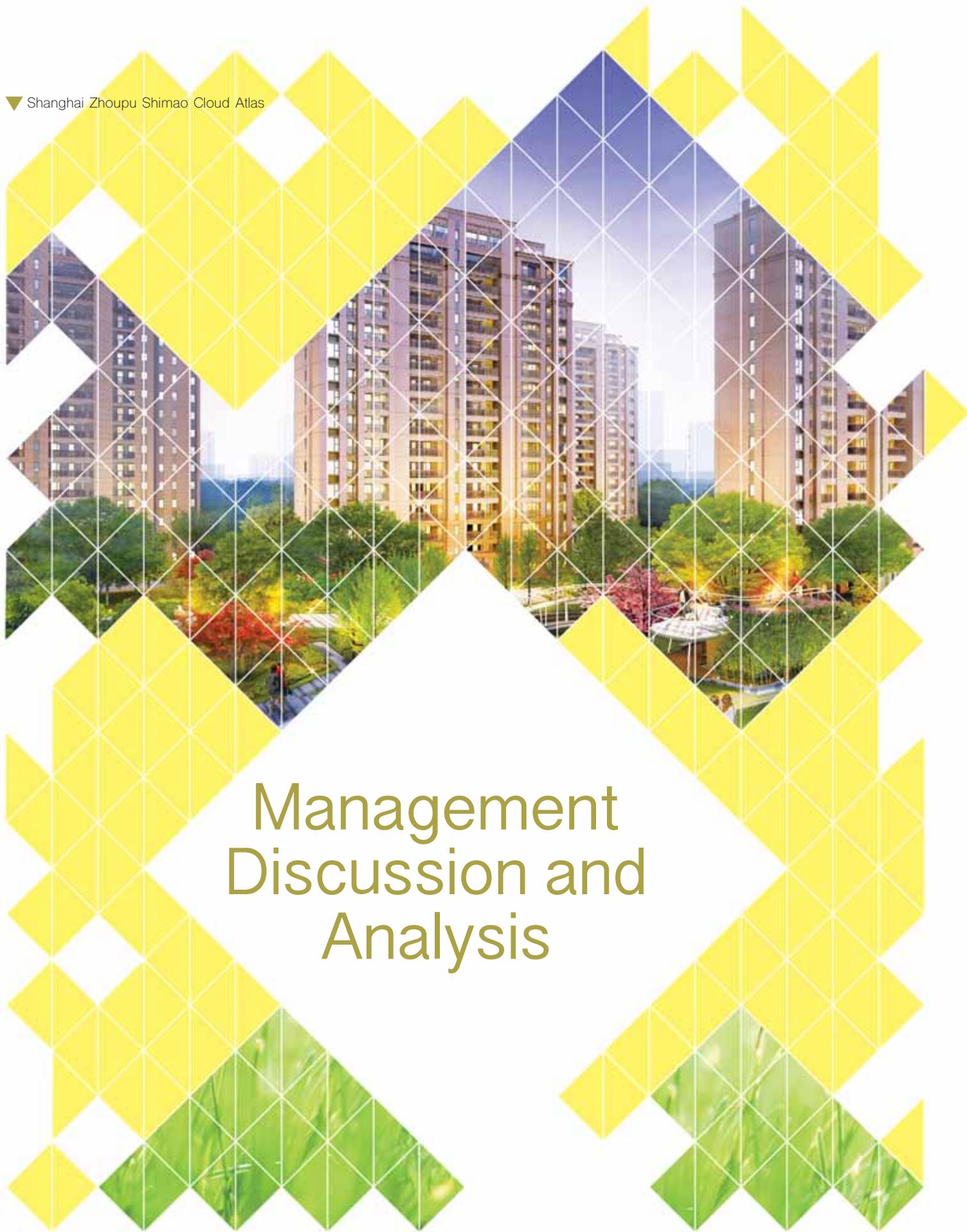
**Hui Wing Mau**

*Chairman*

Hong Kong, 30 August 2016



▲ Nanchang Shimao The Grand View



# 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. As at 30 June 2016, revenue of the Group reached RMB30.016 billion, an increase of 2.8% when compared to RMB29.193 billion for the corresponding period in 2015. During the period, revenue from property sales amounted to RMB28.589 billion, accounting for 95.2% of the total revenue and representing an increase of 3.1% over the corresponding period in 2015. The average recognized selling price increased by 9.2% to RMB12,108 per sq.m. in the first half of 2016, from RMB11,092 per sq.m. for the corresponding period in 2015. The number of projects recognized by the Group in the first half of 2016 totalled 66, higher than the 59 projects recognized in the corresponding period in 2015, of which Nanjing Straits City achieved great results with recognized sales revenue of RMB3.937 billion; Nanjing Shimao Bund New City, the first runner-up, with recognized sales revenue of RMB1.680 billion; and Wuhan Shimao Splendid River, the second runner-up, with recognized sales revenue of RMB1.541 billion.



▲ Ningbo Shimao Sunlake Centre



## Management Discussion and Analysis

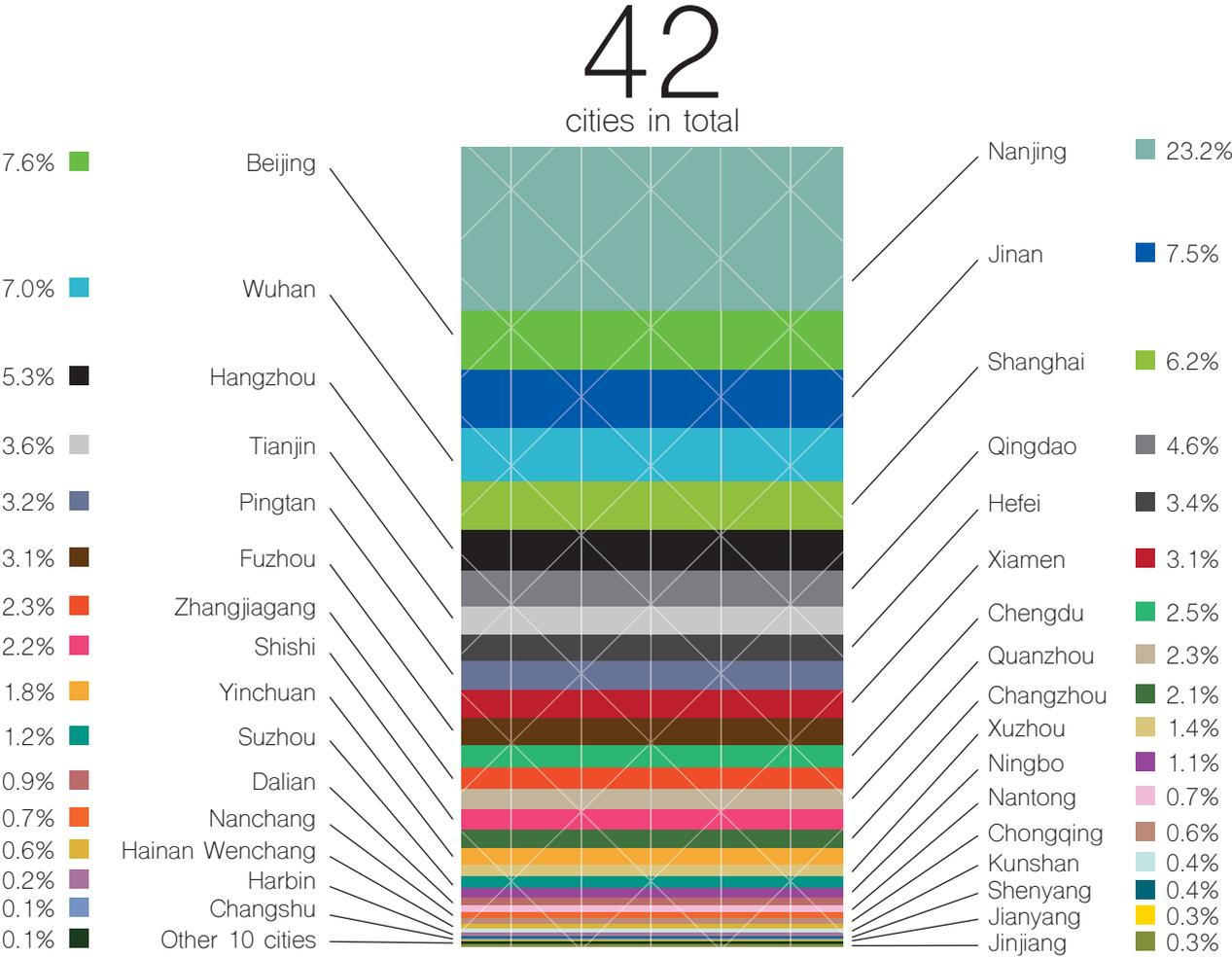
The delivered gross floor area (“GFA”) recognized for each project in the first half of 2016 and the relevant particulars are set out as follows:

Project	Recognized Sales (RMB million)	Recognized Sales Area (sq.m.)	Average Selling Price (RMB per sq.m.)
Nanjing Straits City	3,937	187,598	20,986
Nanjing Shimao Bund New City	1,680	97,325	17,262
Wuhan Shimao Splendid River	1,541	112,941	13,644
Shanghai Zhoupu Shimao Cloud Atlas	1,540	40,691	37,846
Jinan Shimao Skyscraper City	1,472	152,106	9,677
Hangzhou Shimao Born with Legend	1,413	35,938	39,318
Hefei Shimao Jade Mansion	966	122,211	7,904
Tianjin Shimao Wetland Century	940	94,837	9,912
Fuzhou Pingtan Straits Future City	925	110,751	8,352
Xiamen Shimao Royal Villa	848	38,848	21,829
Qingdao Shimao Noosa Bay	821	92,408	8,885
Beijing Tongzhou World Chamber of Commerce Centre	811	22,585	35,909
Beijing Shimao Salamanca	785	100,819	7,786
Shimao Cloud Guling	762	55,047	13,843
Nanjing Shimao Merchants Mountain	760	31,111	24,429
Chengdu Shimao City	662	113,141	5,851
Zhangjiagang Shimao Lake Palace	656	52,550	12,483
Quanzhou Shishi Shimao Skyscraper City	635	62,505	10,159
Beijing Shimao Lá Villa	576	22,791	25,273
Changzhou Shimao Champagne Lake	556	76,673	7,252
Yinchuan Flourishing Mansion	517	115,782	4,465
Qingdao Shimao Noble Town	496	52,251	9,493
Quanzhou Shimao Hi Dream	364	32,360	11,248
Jinan Shimao The Capital of Yuanshan	363	50,361	7,208
Xuzhou Shimao Dongdu	357	51,812	6,890
Jinan Shimao International Plaza	313	11,956	26,179
Quanzhou Zimao Mansion	288	12,190	23,626
Suzhou Shimao Shihu Bay	272	14,954	18,189
Ningbo Shimao Riviera Garden	267	15,727	16,977
Wuhan Shimao Lake Island	249	45,768	5,440
Dalian Shimao Glory City	247	42,906	5,757
Nanjing Shimao Glory Villa	245	14,255	17,187
Shanghai Shimao Wonderland	243	8,934	27,199
Nantong Shimao In the Park	193	39,770	4,853
Chongqing Shimao Luxury Mansion	185	24,450	7,566
Nanchang Shimao APM	182	12,298	14,799
Hainan Wenchang Shimao Blooming Sea	168	20,374	8,246
Wuhan Shimao Carnival	137	12,788	10,713
Shenyang Shimao Wulihe	119	15,813	7,525
Fuzhou Minhou Shimao Dragon Bay	117	12,223	9,572
Tianjin Wuqing Shimao Luxury Mansion	114	14,699	7,756
Kunshan Shimao The East Bund	104	11,069	9,396
Quanzhou Jinjiang Shimao Dragon Bay	91	21,406	4,251
Wuhan Shimao Dragon Bay	73	11,347	6,433
Chengdu Jiayang Shimao Misty Lakeside	72	9,524	7,560
Hangzhou Shimao Above The Lake	53	2,399	22,093
Harbin Shimao Riviera New City	53	10,425	5,084
Chengdu Shimao Royal Bay	52	8,567	6,070
Suzhou Shimao Royal Villa	42	2,537	16,555
Ningbo Shimao Sunlake Centre	39	3,868	10,083
Xiamen Shimao Lakeside Garden	35	3,833	9,131
Xuzhou Shimao Dongdu (Commercial)	34	6,351	5,353
Suzhou Shimao Canal Scene (Commercial)	33	3,744	8,814
Hangzhou Shimao East No.1	32	1,701	18,812
Changzhou Shimao Champagne Lake (Commercial)	32	4,199	7,621

Management Discussion and Analysis

Project	Recognized Sales (RMB million)	Recognized Sales Area (sq.m.)	Average Selling Price (RMB per sq.m.)
Changshu Shimao Royal Bay	21	2,003	10,484
Hangzhou Shimao Riviera Garden	20	1,236	16,181
Mudanjiang Shimao Holiday Landscape	16	3,709	4,314
Dalian Shimao Dragon Bay	16	5,098	3,138
Ningbo Shimao The Capital	14	614	22,801
Shenyang Shimao Notting Hill	9	1,030	8,738
Wuxi Shimao International City	9	710	12,676
Qingdao Shimao Shi'ao Tower	8	299	26,756
Ningbo Shimao Dragon Bay	4	461	8,677
Nanchang Shimao The Grand View	4	390	10,256
Changshu Shimao The Centre (Commercial)	1	152	6,579
<b>Total</b>	<b>28,589</b>	<b>2,361,219</b>	<b>12,108</b>

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



## Management Discussion and Analysis

### 2) Steady Sales Growth

With respect to property sales, the Group's contracted sales amounted to RMB34.46 billion in the first half of 2016, representing 51.4% of its annual target. The aggregate sales area reached 2,428,000 sq.m., with an average selling price of RMB14,192 per sq.m..

Benefited from adequate liquidity and easing of the regulatory policies, in the first half of 2016, the Group achieved satisfactory sales and its inventory clearance work progressed well as expected. In terms of overall sales results, the performance of first-tier cities maintained strong. Attributable to the meticulous regional marketing plans and customized sales strategies based on local characteristics, certain second- and third-tier cities also recorded improvement in sales. Looking forward to the second half of 2016, the Group will launch saleable areas of approximately 3.73 million sq.m.. Together with the existing saleable areas of approximately 3.14 million sq.m. as at 30 June 2016, the Group's total saleable areas in the second half of 2016 will be approximately 6.87 million sq.m..

Key projects available for sale in the second half of 2016 are set out as follows:

District	Project	Saleable Area (sq.m.)
<b>Shimao Property</b>		
Northern China District	Beijing Laishui Project	84,784
	Beijing Tongzhou Project	100,754
Jiangsu and Shanghai District	Suzhou Shimao Shihu Bay	55,744
	Suzhou Shimao Bronze Swallow Terrace	34,971
	Zhangjiagang Jiyanghu	52,284
	Nanjing District	Nanjing Pukou Royal Real
Central China District	Nanjing Shimao Bund New City	77,069
	Nanjing Straits City	55,511
	Wuhan Baishazhou Shimao Cloud Value	121,268
Fujian District	Wuhan Shimao Splendid River	130,048
	Xiamen Jimei Project	89,109
	Fuzhou Lianpan Project	86,547
Zhejiang District	Xiamen Shimao Royal Villa	58,398
	Shaoxing Renmin Road Project	81,245
Southern China District	Guangzhou Asian Games City	178,383
Western District	Chengdu Shimao City	291,189
<b>Shanghai Shimao</b>		
Jinan	Jinan Shimao Skyscraper City	146,351
	Jinan Shimao International Plaza	40,919
<b>Sub-total (Key projects above)</b>		<b>1,761,260</b>
Projects (below RMB1.0 billion) available for sale in the second half of 2016		1,967,225
Completed inventory		1,372,522
Uncompleted projects available for sale as of 30 June 2016		1,770,396
<b>Total</b>		<b>6,871,403</b>

## Management Discussion and Analysis

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

The Group made proactive adjustments to strategy of inventory supply and construction plans, put off or cancelled the supply of certain products of same quality and exerted efforts in clearing up projects with higher inventory level in the first half of 2016. During the first half of 2016, floor area under construction reached 12.95 million sq.m.. The aggregate GFA completed by the Group was approximately 3.11 million sq.m., 19.8% lower than the 3.88 million sq.m. completed in the corresponding period of last year. Looking forward to the second half of 2016, the GFA planned for completion of the Group for the whole year will be approximately 7.20 million sq.m., a decrease of 4.8% from 7.56 million sq.m. for the corresponding period in 2015.

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

To support its sustainable development, the Group adopts an active but prudent policy toward land acquisition. In the first half of 2016, the Group acquired approximately 1.10 million sq.m. of land bank in Fuzhou, Yinchuan, Beijing, Nanjing and Wuhan. Currently, Shimao Property possesses 116 projects in 41 cities in the country, with a high-quality land bank of 31.85 million sq.m. (attributable interests). The premium land resources and relatively low land cost provide continued support to Shimao Property's results in the major markets nationwide in the next few years.

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

New Land Parcels	Date of Acquisition	Usage	Land Cost (Attributable Interests) (RMB million)	Total Planned GFA (sq.m.)	Cost per sq.m. (RMB)	Group's Interest	
<b>Shimao Property</b>							
1.	Fuzhou Ebi Project Phase 1	January 2016	Tourism, residential and ancillary commercial	119.49	84,987	1,406	100.00%
2.	Yinchuan Yuehai Parcel C	January 2016	Residential and ancillary commercial	216.14	134,635	1,605	100.00%
3.	Nanjing Jianye Jiangdong No. 5	June 2016	Residential, commercial and office	4,998.40	540,000	16,296	56.80%
4.	Wuhan Caidian Parcel 1	June 2016	Hotel and ancillary commercial	131.91	57,815	3,000	76.05%
5.	Wuhan Caidian Parcel 2	June 2016	Hotel and ancillary commercial	122.29	53,585	3,001	76.05%
6.	Wuhan Caidian Parcel 3	June 2016	Hotel and ancillary commercial	87.35	38,269	3,001	76.05%
7.	Fuzhou Ebi Project Phase 2	June 2016	Tourism, residential and ancillary commercial	103.23	86,521	1,193	100.00%
8.	Beijing Shangzhuang	June 2016	Residential and ancillary commercial	2,400.00	106,314	22,575	100.00%
<b>Total</b>				<b>8,178.81</b>	<b>1,102,126</b>	<b>10,968</b>	

Geographically, the majority of the newly-acquired land parcels by Shimao Property in the first half of 2016 were situated in first- and second-tier cities at provincial capital level, which have enormous potential for development and markets of which have not yet reached saturation, assuring the projects of adequate room for development and capability to resist risks. The average floor price of the new land reserves was approximately RMB10,968 per sq.m. in terms of land cost. The Group holds sensible attitude, increases its land reserves by following its longstanding prudent policy and strives to strike a balance between development opportunity and risk control. As at 30 June 2016, the Group's average land cost was RMB3,017 per sq.m.. The relatively low land cost provides effective assurance for the Group to achieve a higher profit margin in the future.

### PROPERTY INVESTMENT

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

During the reporting period, the annual work plan of Shanghai Shimao was implemented accordingly. On 12 May, Shanghai Shimao disposed of 100% equity interest in Beijing Fortune Times Property Co., Ltd. and Beijing Baiding New Century Business Management Co., Ltd. to Leshi Holdings (Beijing) Co., Ltd. at a consideration of RMB2.972 billion according to the agreement. The share transaction fully reflected the strategic mindset of Shanghai Shimao in managing assets of commercial properties. The partial disposal of commercial properties which had become matured further enhanced the structure of commercial assets of Shanghai Shimao and achieved capital appreciation of commercial properties. On 16 July, Xiamen Shimao Emall Shopping Centre was grandly opened after years of preparation. Located in between the twin towers of Xiamen Shimao Straits Mansion, the shopping centre is home to various shops on light luxurious goods, trendy stuffs, food, entertainment, harbour-view cinema and waterfront gym rooms. Combining the humanity theme of the locality and the can-do spirit under the Minnan culture, it paves way for the “room for literary creation” with unique character, seeking to build an integrated, multi-dimensional space of city experience encompassing shopping, tourism, commerce, culture, recreation etc. Further, Shanghai Shimao’s brand realignment initiatives targeted at its various commercial malls are aimed to uplift the overall brand attainments of the malls, and to couple with the improved and enriched internal management and property services at the malls to foster the ongoing enhancement in the shopping experience of consumers.



◀ Tianjin Wuqing Shimao Luxury Mansion



▲ Quanzhou Jinjiang Shimao Dragon Bay

## Management Discussion and Analysis

With respect to the capital market, during the reporting period, Shanghai Shimao started the preparation of the non-public issue of its A shares for 2016 in March, under which not more than 1,063,149,021 shares (adjusted) would be issued to raise a total of not more than RMB6,670,442,700 (inclusive), for the acquisition of 51% equity interests in Shenzhen Qianhai Shimao Financial Centre, 100% equity interests in Hangzhou Shimao Wisdom Tower, 100% equity interests in Nanchang Shimao APM, and project development works. Currently, Shanghai Shimao has conducted information disclosure and relevant preparations according to the requirements of the “Letter Concerning the Preparation for the Approval Committee Meetings in respect of the Relevant Projects” issued by China Securities Regulatory Commission. On 12 January, Shanghai Shimao completed the issue of the first tranche of short-term commercial notes in 2016, in a total amount of RMB2.0 billion with an annual coupon rate of 3%. On 22 March, Shanghai Shimao completed the issue of the first tranche of corporate bonds in 2016, in a total amount of RMB2.0 billion and an annual coupon rate of 3.29%.

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

Commercial and Office Premises	Total GFA (sq.m.)	Date of Commencement	Revenue (RMB million)		Growth
			1H 2016	1H 2015	
Shanghai Shimao International Plaza	71,239	Phase I – December 2004 Phase II – May 2007	79	78	1%
Changshu Shimao The Centre	43,357	Commercial – first quarter of 2009	13	8	63%
Beijing Shimao Tower	70,175	July 2009	71	67	6%
Wuhu Shimao Riviera Garden (Commercial)	19,963	September 2009	3	3	–
Beijing Fortune Times (Commercial)	49,147	2010	35	33	6%
Shanghai Shimao Shangdu	9,584	November 2010	18	18	–
Shaoxing Shimao Dear Town (Commercial)	181,605	May 2010	57	50	14%
Suzhou Shimao Canal Scene (Commercial)	49,993	June 2010	17	16	6%
Kunshan Shimao Plaza	88,249	April 2012	21	20	5%
Xuzhou Shimao Dongdu (Commercial)	59,471	January 2012	5	5	–
Jinan Shimao International Plaza	280,641	May 2014	54	44	23%
Other rental income	–	–	42	29	45%
<b>Total</b>			<b>415</b>	<b>371</b>	<b>12%</b>

### HOTEL OPERATIONS

The Group has developed from a hotel owner into a hotel owner and operator which is a milestone of the development of the hotel operations of the Group. As of 30 June 2016, the Group had 14 hotels in operation, including Le Royal Méridien Shanghai, Hyatt on the Bund Shanghai, Le Méridien Sheshan Shanghai, Hilton Nanjing Riverside, Holiday Inn Mudanjiang, Holiday Inn Shaoxing, DoubleTree by Hilton Wuhu, Crowne Plaza Shaoxing, InterContinental Fuzhou, Hilton Tianjin Eco-city, DoubleTree by Hilton Ningbo Chunxiao, Yuluxe Hotel Taizhou, a self-operated five-star hotel, MiniMax Hotel Shanghai Songjiang and MiniMax Premier Hotel Shanghai Hongqiao. Currently, the Group has more than 5,100 hotel guest rooms. Hilton Wuhan Riverside, the twelfth international-branded hotel under the Group with 338 hotel guest rooms, was grandly opened on 1 July. Hotels which are planned to commence operations in the second half of 2016 include Conrad Xiamen, DoubleTree by Hilton Ningbo Beilun, MiniMax Premier Hotel Dalian Jinzhou (self-operated), MiniMax Hotel Xiamen Central (self-operated) and MiniMax Premier Hotel Chengdu City Centre (self-operated).

## Management Discussion and Analysis

In the first half of 2016, the tourism market of China gradually expanded in scale and continued to outperform the macro-economy. In the first half of the year, total revenue from the tourism sector amounted to RMB2.25 trillion representing an increase of 12.4%. The increasing number of hotels has led to more intensified industry competition which squeezed out some hoteliers. However, this will also drive the members in the hotel industry to keep improving themselves and enhance their competitiveness. In the first half of 2016, the Group's hotels achieved revenue of RMB667 million, representing a year-on-year increase of 6.9%. In the first half of 2016, the Group further promoted its "Lifestyle Operator" strategy and actively implemented the new strategic model of people-oriented operation. In addition, to stay well ahead of the coming of information-oriented society and experience-oriented economy, the Group has already been well-equipped. In the future, the Group may be involved in multiple businesses such as elderly care, youth hostel and finance. The light asset business is conducted through advanced technology, quality services and professional operating standard. Further, in July, Shimao Hotels and Resorts entered into entrusted management arrangements for the first hotel – MiniMax Hotel Linyi Binhe in respect of the export of hotel management, and the hotel is expected to officially commence operation in the middle of 2017. This also signifies the first step of the "light asset" strategic transformation of Shimao Hotels and Resorts.

Looking forward to the second half of the year, challenges and opportunities still coexist in the hotel market. From a macroscopic perspective, the economy of China will maintain a steady growth. The government will introduce various measures to stimulate the development of tourism industry and to boost individual consumption. On the other hand, with the continual economic development of China, four-star and five-star hotels account for an increasing proportion in the consumption of tourists of Mainland China. The due opening of Shanghai Disneyland in the first half of this year will drive tourist arrivals at Shanghai to new heights, and bring forth positive impact on the hotel industry of Shanghai. Further, the government's recent lifting of the restrictions on consumption in five-star hotels will also have positive impact on the hotels under the Group.

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

Hotel	Number of Rooms	Date of Commencement	Revenue (RMB million)		EBITDA (RMB million)	
			1H 2016	1H 2015	1H 2016	1H 2015
Le Méridien Sheshan Shanghai	327	November 2005	78	79	27	27
Le Royal Méridien Shanghai	770	September 2006	182	185	72	75
Hyatt on the Bund Shanghai	631	June 2007	169	176	61	62
Holiday Inn Mudanjiang	266	December 2010	10	12	1	2
Holiday Inn Shaoxing	284	September 2011	14	16	4	2
Hilton Nanjing Riverside	411	December 2011	42	37	8	5
DoubleTree by Hilton Wuhu	442	October 2013	28	25	4	1
InterContinental Fuzhou	318	January 2014	48	43	12	11
Crowne Plaza Shaoxing	453	March 2014	47	33	11	4
Yuluxe Hotel Taizhou	262	August 2014	12	10	(1)	(4)
MiniMax Hotel Shanghai Songjiang	150	December 2014	5	4	1	-
Hilton Tianjin Eco-city	302	April 2015	14	4	(8)	(9)
DoubleTree by Hilton Ningbo Chunxiao	220	December 2015	7	-	(1)	-
MiniMax Premier Hotel Shanghai Hongqiao	292	December 2015	11	-	(1)	-
<b>Total</b>	<b>5,128</b>		<b>667</b>	<b>624</b>	<b>190</b>	<b>176</b>

## Management Discussion and Analysis

Hotel properties are stated at carrying amount, i.e. cost less accumulated depreciation and impairment losses, if any, rather than at fair value. In order to provide shareholders with additional non-GAAP information on the net assets value of the Group, the board of directors of the Company (the "Board") has appointed Vigers Appraisal and Consulting Limited, an independent valuer, to perform a valuation of the Group's hotel properties as at 30 June 2016. Had the 29 hotels (2015: 29 hotels), namely, Le Méridien Sheshan Shanghai, Le Royal Méridien Shanghai, Hyatt on the Bund Shanghai, Hilton Nanjing Riverside, Holiday Inn Mudanjiang, Crowne Plaza Shaoxing, Conrad Xiamen, Holiday Inn Shaoxing, Hilton Shenyang, Hilton Tianjin Eco-city, InterContinental Fuzhou, DoubleTree by Hilton Wuhu, Yuluxe Hotel Taizhou, DoubleTree by Hilton Ningbo Chunxiao, Hilton Yantai, Hilton Wuhan Riverside, DoubleTree by Hilton Ningbo Beilun, Yuluxe Hotel Xuzhou, Yuluxe Hotel Fuzhou Riverside, InterContinental Shanghai Wonderland, Yuluxe Hotel Jinjiang, Yuluxe Hotel Yuyao, Yuluxe Hotel Wenchang Hainan, Yuluxe Hotel Chengdu, MiniMax Premier Hotel Dalian Jinzhou, Le Méridien Hangzhou Binjiang, Yu Resort Quanzhou, Sheraton Hong Kong Tung Chung and Four Points by Sheraton Hong Kong Tung Chung been restated at fair value of RMB35.4 billion (2015: RMB34.8 billion), the net assets value of the Group would have been increased to RMB98.4 billion (2015: RMB88.5 billion).

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

	As at 30 June 2016 (RMB million)	As at 31 December 2015 (RMB million)
Fair value of above-mentioned hotels	35,388	34,787
Less: Carrying amount	(16,381)	(16,387)
Amounts to adjust from carrying amount to fair value	19,007	18,400
Less: Deferred income taxes	(4,752)	(4,600)
Increase in net assets value if the above-mentioned hotels are stated at fair value	14,255	13,800
Net assets value per consolidated balance sheet	84,148	74,749
Adjusted net assets value	98,403	88,549
Net debt	46,882	43,411
Adjusted net gearing ratio	47.6%	49.0%

## Management Discussion and Analysis

### FINANCIAL ANALYSIS

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

	1H 2016 RMB million	1H 2015 RMB million
Revenue	30,016	29,193
Gross profit	8,467	8,962
Operating profit	8,251	7,881
Profit attributable to shareholders	3,028	3,559
Earnings per share – Basic (RMB cents)	87.55	102.84

### REVENUE

For the six months ended 30 June 2016, the revenue of the Group was approximately RMB30,016 million (1H 2015: RMB29,193 million), representing an increase of 2.8% over the corresponding period in 2015. 95.2% (1H 2015: 95.0%) of the revenue was generated from the sales of properties and 4.8% (1H 2015: 5.0%) from hotel operations, leasing of commercial properties and others.

The components of the revenue are analysed as follows:

	1H 2016 RMB million	1H 2015 RMB million
Sales of properties	28,589	27,731
Hotel operating income	667	624
Rental income from investment properties	415	371
Others	345	467
<b>Total</b>	<b>30,016</b>	<b>29,193</b>



▲ Wuhan Baishazhou Shimao Cloud Value

## Management Discussion and Analysis

### (i) Sales of Properties

Sales of properties for the six months ended 30 June 2016 and 2015 are set out below:

	1H 2016		1H 2015	
	Area (sq.m.)	RMB million	Area (sq.m.)	RMB million
<b>(a) Shimao Property</b>				
Nanjing Straits City	187,598	3,937	46,796	894
Wuhan Shimao Splendid River	112,941	1,541	160,375	1,835
Shanghai Zhoupu Shimao Cloud Atlas	40,691	1,540	–	–
Hangzhou Shimao Born with Legend	35,938	1,413	–	–
Hefei Shimao Jade Mansion	122,211	966	–	–
Tianjin Shimao Wetland Century	94,837	940	54,090	465
Fuzhou Pingtan Straits Future City	110,751	925	131,915	1,182
Xiamen Shimao Royal Villa	38,848	848	–	–
Beijing Tongzhou World Chamber of Commerce Centre	22,585	811	–	–
Beijing Shimao Salamanca	100,819	785	209,784	1,931
Shimao Cloud Guling	55,047	762	–	–
Nanjing Shimao Merchants Mountain	31,111	760	–	–
Chengdu Shimao City	113,141	662	33,248	216
Zhangjiagang Shimao Lake Palace	52,550	656	62,404	793
Beijing Shimao Lá Villa	22,791	576	16,495	344
Changzhou Shimao Champagne Lake	76,673	556	78,120	536
Yinchuan Flourishing Mansion	115,782	517	–	–
Qingdao Shimao Noble Town	52,251	496	13,077	102
Quanzhou Shimao Hi Dream	32,360	364	–	–
Jinan Shimao The Capital of Yuanshan	50,361	363	–	–
Xuzhou Shimao Dongdu	51,812	357	291	4
Quanzhou Zimao Mansion	12,190	288	–	–
Suzhou Shimao Shihu Bay	14,954	272	41,961	574
Wuhan Shimao Lake Island	45,768	249	50,642	366
Dalian Shimao Glory City	42,906	247	2,120	12
Nanjing Shimao Glory Villa	14,255	245	40,927	666
Nantong Shimao In the Park	39,770	193	6,957	48
Chongqing Shimao Luxury Mansion	24,450	185	–	–
Nanchang Shimao APM	12,298	182	–	–
Hainan Wenchang Shimao Blooming Sea	20,374	168	3,336	30
Shenyang Shimao Wulihe	15,813	119	4,382	45
Fuzhou Minhou Shimao Dragon Bay	12,223	117	192,165	1,870
Kunshan Shimao The East Bund	11,069	104	141,044	976
Quanzhou Jinjiang Shimao Dragon Bay	21,406	91	113,543	1,199
Wuhan Shimao Dragon Bay	11,347	73	26,670	187
Chengdu Jianyang Shimao Misty Lakeside	9,524	72	–	–
Hangzhou Shimao Above the Lake	2,399	53	20,718	475
Harbin Shimao Riviera New City	10,425	53	6,924	22
Chengdu Shimao Royal Bay	8,567	52	114,616	1,310
Xiamen Shimao Lakeside Garden	3,833	35	28,823	899
Hangzhou Shimao East No.1	1,701	32	12,187	212
Hangzhou Shimao Riviera Garden	1,236	20	83,312	535
Dalian Shimao Dragon Bay	5,098	16	8,464	85
Mudanjiang Shimao Holiday Landscape	3,709	16	9,150	51
Ningbo Shimao The Capital	614	14	7,533	116

## Management Discussion and Analysis

	1H 2016		1H 2015	
	Area (sq.m.)	RMB million	Area (sq.m.)	RMB million
Wuxi Shimao International City	710	9	27,557	218
Shenyang Shimao Notting Hill	1,030	9	705	8
Ningbo Shimao Dragon Bay	461	4	6,888	73
Nanchang Shimao The Grand View	390	4	—	—
Suzhou Shimao Canal Scene	—	—	57,528	741
Shaoxing Shimao Dear Town	—	—	43,071	419
Ningbo Shimao Sea Dawn	—	—	14,593	100
Shanghai Shimao Sheshanli	—	—	11,212	223
Xianyang Shimao The Centre	—	—	3,936	17
Shanghai Shimao Emme County	—	—	3,934	35
Taizhou Shimao Riverside Garden	—	—	2,244	8
Shenyang Shimao Bojing Plaza	—	—	865	4
Jiaxing Shimao New City	—	—	797	6
Ningbo Shimao World Gulf	—	—	697	6
Sub-total (a)	1,869,618	22,697	1,896,096	19,838
<b>(b) Shanghai Shimao</b>				
Nanjing Shimao Bund New City	97,325	1,680	128,412	2,196
Jinan Shimao Skyscraper City	152,106	1,472	75,127	743
Qingdao Shimao Noosa Bay	92,408	821	39,289	437
Quanzhou Shishi Shimao Skyscraper City	62,505	635	211,281	2,062
Jinan Shimao International Plaza	11,956	313	11,821	269
Ningbo Shimao Riviera Garden	15,727	267	—	—
Shanghai Shimao Wonderland	8,934	243	—	—
Wuhan Shimao Carnival	12,788	137	3,704	45
Tianjin Wuqing Shimao Luxury Mansion	14,699	114	16,167	156
Suzhou Shimao Royal Villa	2,537	42	21,142	293
Ningbo Shimao Sunlake Centre	3,868	39	8,723	117
Xuzhou Shimao Dongdu (Commercial)	6,351	34	3,397	41
Suzhou Shimao Canal Scene (Commercial)	3,744	33	5,698	51
Changzhou Shimao Champagne Lake (Commercial)	4,199	32	36,094	290
Changshu Shimao Royal Bay	2,003	21	—	—
Qingdao Shimao Shi'ao Tower	299	8	—	—
Changshu Shimao The Centre (Commercial)	152	1	16,522	253
Xiamen Shimao Straits Mansion	—	—	26,470	936
Wuhu Shimao Riviera Garden (Commercial)	—	—	239	4
Sub-total (b)	491,601	5,892	604,086	7,893
Total (a)+(b)	2,361,219	28,589	2,500,182	27,731

## Management Discussion and Analysis

### (ii) Hotel Income

Hotel operation income is analysed as follows:

	1H 2016 RMB million	1H 2015 RMB million
Le Royal Méridien Shanghai	182	185
Hyatt on the Bund Shanghai	169	176
Le Méridien Sheshan Shanghai	78	79
InterContinental Fuzhou	48	43
Crowne Plaza Shaoxing	47	33
Hilton Nanjing Riverside	42	37
DoubleTree by Hilton Wuhu	28	25
Holiday Inn Shaoxing	14	16
Hilton Tianjin Eco-city	14	4
Yuluxe Hotel Taizhou	12	10
MiniMax Premier Hotel Shanghai Hongqiao	11	–
Holiday Inn Mudanjiang	10	12
DoubleTree by Hilton Ningbo Chunxiao	7	–
MiniMax Hotel Shanghai Songjiang	5	4
<b>Total</b>	<b>667</b>	<b>624</b>

Hotel operation income increased approximately 6.9% to RMB667 million from approximately RMB624 million over the six months ended 30 June 2016. The increase was mainly derived from increasing occupancy rate and newly-opened hotels.



▲ Beijing Shimao Lá Villa



▲ Nanjing Shimao Bund New City

## Management Discussion and Analysis

### (iii) Rental income and Others

Rental income from investment properties reached approximately RMB415 million, which increased by 11.9% mainly due to the continuous growth of rental income from existing shopping malls such as Jinan Shimao International Plaza.

Other income amounted to approximately RMB345 million was mainly derived from operation of property management and department stores. Excluding the impact of the disposal of cinema business in 2015, other income achieved an increase of 12.0% over corresponding period in 2015.

	1H 2016 RMB million	1H 2015 RMB million
Shanghai Shimao International Plaza	79	78
Beijing Shimao Tower	71	67
Shaoxing Shimao Dear Town (Commercial)	57	50
Jinan Shimao International Plaza	54	44
Beijing Fortune Times (Commercial)	35	33
Kunshan Shimao Plaza	21	20
Shanghai Shimao Shangdu	18	18
Suzhou Shimao Canal Scene (Commercial)	17	16
Changshu Shimao The Centre	13	8
Xuzhou Shimao Dongdu (Commercial)	5	5
Wuhu Shimao Riviera Garden (Commercial)	3	3
Miscellaneous rental income	42	29
Others	345	467
<b>Total</b>	<b>760</b>	<b>838</b>

### COST OF SALES

Cost of sales increased by 6.5% to approximately RMB21,549 million for the six months ended 30 June 2016 from RMB20,231 million for the six months ended 30 June 2015.

Cost of sales are analysed as follows:

	1H 2016 RMB million	1H 2015 RMB million
Sales taxes	1,218	1,675
Land costs and construction costs	17,774	16,472
Capitalised borrowing costs	1,943	1,754
Direct operating costs for hotels, commercial properties and others	614	330
<b>Total</b>	<b>21,549</b>	<b>20,231</b>

### FAIR VALUE GAINS ON INVESTMENT PROPERTIES

During the period under review, the Group recorded aggregate fair value gains of approximately RMB1,276 million (1H 2015: RMB820 million), mainly contributed by further increase in value of certain investment properties. Aggregate net fair value gains after deferred income tax of approximately RMB319 million recognized was RMB957 million (1H 2015: fair value gains after deferred income tax was RMB615 million).

### OTHER GAINS

Other gains of approximately RMB671 million for the six months ended 30 June 2016 (1H 2015: RMB406 million), which mainly included net gains on disposal of subsidiaries of RMB454 million, fair value gain on derivative financial instruments of RMB65 million, gain on government grants of RMB72 million and gain on disposal of investment in structured products issued by banks of RMB34 million.

### SELLING AND MARKETING COSTS AND ADMINISTRATIVE EXPENSES

The Group strictly linked actual cost with performance ratio through overall budget management and dynamic tracking. Cost efficiency has improved significantly. Total selling and marketing costs and administrative expenses for the first half of 2016 decreased by 8.5% to approximately RMB2.033 billion (1H 2015: RMB2.224 billion). The proportion of selling and marketing costs and administrative expenses, except for hotel expenses, to the total contracted sales was 4.8% (1H 2015: 5.3%). Selling and marketing costs for the period were approximately RMB0.425 billion (1H 2015: RMB0.661 billion), which decreased by 35.7%. Administrative expenses for the period were approximately RMB1.608 billion (1H 2015: RMB1.563 billion), which increased by 2.9%. It was mainly due to the increase of hotel expenses. Administrative expenses except for hotel expenses decreased by 3.0% compared with the corresponding period in 2015.

### OPERATING PROFIT

Operating profit amounted to approximately RMB8,251 million for the six months ended 30 June 2016, representing an increase of RMB370 million or approximately 4.7% over the first half of 2015.

### FINANCE COSTS – NET

Net finance costs increased to approximately RMB456 million (1H 2015: RMB190 million) mainly due to foreign exchange losses of approximately RMB320 million occurred during the period.

### SHARE OF RESULTS OF ASSOCIATED COMPANIES AND JOINT VENTURES

Share of profits of associated companies amounted to approximately RMB84 million (1H 2015: share of losses of RMB45 million) in the first half of 2016, which was mainly due to the profits of Nanjing Pukou Project. Share of losses of joint ventures amounted to RMB271 million (1H 2015: share of losses of RMB329 million), which was mainly due to the fact that some joint venture projects were under construction with no sales recognized yet. Moreover, some other joint venture projects recognized losses due to inventory clearance.

### TAXATION

The Group's tax provisions amounted to approximately RMB3,229 million in which PRC land appreciation tax ("LAT") was RMB991 million (1H 2015: RMB2,812 million, in which LAT was RMB841 million) for the period.

## Management Discussion and Analysis

### PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Profit attributable to shareholders for the period decreased by 14.9% from approximately RMB3.559 billion in first half of 2015 to RMB3.028 billion in the first half of 2016. The decrease was mainly due to the additional exchange losses of approximately RMB400 million, the decrease of LAT reversal in the first half of 2016 and the additional profit attributable to non-controlling interests. Excluding the net impact of major after-tax non-cash items, plus after-tax profit attributable to shareholders from the disposal of Beijing Fortune Times Property Co., Ltd. and Beijing Baiding New Century Business Management Co., Ltd. of approximately RMB630 million, net profit from core business attributable to shareholders for the period increased by 0.4% to approximately RMB3.502 billion, compared with the corresponding period in 2015. The profit margin from core business attributable to shareholders was 12.9% in the first half of 2016.

### LIQUIDITY AND FINANCIAL RESOURCES

As of 30 June 2016, total assets of the Group were RMB253.215 billion, of which current assets reached approximately RMB178.702 billion. Total liabilities were approximately RMB169.067 billion, whereas non-current liabilities were RMB60.464 billion. Total equity was RMB84.148 billion, of which equity attributable to the shareholders of the Company amounted to approximately RMB51.985 billion.

As of 30 June 2016, the Group had aggregate cash and bank balances (including restricted cash balances) of approximately RMB20.064 billion (31 December 2015: RMB26.410 billion), total borrowings amounted to approximately RMB66.946 billion (31 December 2015: RMB69.821 billion). Total net borrowings were approximately RMB46.882 billion (31 December 2015: RMB43.411 billion). Net gearing ratio is measured by the total net borrowings (total amount of borrowings net of aggregate cash and bank balances (including restricted cash balances)) over the total equity. Net gearing ratio decreased from approximately 58.1% as at 31 December 2015 to approximately 55.7% as at 30 June 2016.

The maturity of the borrowings of the Group as at 30 June 2016 is set out as follows:

	RMB million
<b><i>Bank borrowings and borrowings from other financial institutions</i></b>	
Within 1 year	12,233
Between 1 and 2 years	7,666
Between 2 and 5 years	24,263
Over 5 years	6,306
<b><i>Senior notes</i></b>	
Between 2 and 5 years	9,203
Over 5 years	7,275
<b>Total</b>	<b>66,946</b>

The borrowings were denominated in different currencies set out below:

	Original currency million	RMB equivalent million
US\$	2,515	16,677
HK\$	6,285	5,372
RMB	44,897	44,897

## Management Discussion and Analysis

### ▼ Qingdao Shimao Noble Town



### FINANCING ACTIVITIES

The Group continued to take advantage of its onshore and offshore diversified financing channels to support its sustainable development and further optimize its financing structure, of which short-term borrowings was approximately 18% and long-term borrowings was approximately 82% as at 30 June 2016. The cash coverage ratio increased from approximately 156% as at 31 December 2015 to approximately 164% as at 30 June 2016, which indicated the Group kept high liquidity and low debt pressure.

With the liberalization of the capital market in China, the Group actively explored opportunities in the domestic bond market and gradually reduced its average borrowing costs. The Group accomplished the following financing activities at favorable interest rate.

In January 2016, the Group became one of the first enterprises approved by the Shanghai Stock Exchange to issue domestic corporate bonds to qualified investors in the PRC and completed the issuance of RMB4.0 billion with a term of five years and an annual coupon rate of 4.8%. In January 2016, the Group launched the preparation of issuing public panda bonds in China and the application for the issuance was submitted to the Shanghai Stock Exchange.

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

In November 2015, Shanghai Shimao, a subsidiary of the Group, received approval to issue domestic corporate bonds publicly in the PRC. In March 2016, Shanghai Shimao completed the issuance of RMB2.0 billion with a term of three years and an annual coupon rate of 3.29%. In July 2016, Shanghai Shimao completed the issuance of RMB1.5 billion with a term of three years and an annual coupon rate of 3.38%.

The Group actively explored opportunities in innovative financing activities and asset securitization market. In April 2016, the Group issued the largest ABS product backed by hotel assets in domestic market which received “AAA” rating from China Chengxin Securities Rating Co., Ltd.. The issuance received overwhelming response with over subscription and set a new benchmark for the industry.

## Management Discussion and Analysis

The Group is also actively expanding various financing channels, including securitization of buy-out mortgage payments and comprehensively-customized financing service for its upstream and downstream partners.

The Group has taken steps to reduce the average financing cost. For existing borrowings with high costs, the Group negotiated for cost reduction or made early repayment. The Group set strict control over the cost of new borrowings through comparing with market interest and pick-up optimal proposal from internal bidding. As a result, average financing cost dropped from 6.9% in year 2015 to 6.5% during the first half of 2016, which was the lowest average financing cost of the Group in the past few years.

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

### FOREIGN EXCHANGE RISKS

The Group's foreign exchange exposure is mainly derived from the borrowings denominated in USD and HKD. The Group is actively taking measures to mitigate the risk of devaluation of RMB, balance borrowing costs and exchange risks costs and gradually narrow the foreign exchange risk exposure. The Group takes measures to reduce the portion of borrowings dominated in foreign currency by expanding domestic financing channels and arrange cross-border RMB payment. The Group repaid foreign currency borrowings equivalent to approximately RMB12.2 billion during the first half of 2016. The portion of borrowings dominated in foreign currency decreased from approximately 48% as at 31 December 2015 to approximately 33% as at 30 June 2016.

Moreover, during the period, the Group entered into a US\$150 million forward exchange option agreement and will continue to seek foreign exchange hedging instruments at a reasonable cost to manage foreign exchange risk more effectively.



▲ Dalian Shimao Glory City

### PLEDGE OF ASSETS

As of 30 June 2016, the Group had pledged property and equipment, investment properties, land use rights, properties under development, completed properties held for sale and restricted cash with a total carrying amount of RMB52.572 billion to secure bank facilities granted to the Group. The corresponding bank and other loans amounted to approximately RMB23.709 billion. The Group had also pledged shares of a subsidiary for a total borrowing of RMB0.162 billion.

### CONTINGENCIES

As of 30 June 2016, the Group had provided guarantees for approximately RMB11.454 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 RMB6.051 billion in its portion of equity interests in certain associated companies and joint ventures for their borrowings.

### CAPITAL AND PROPERTY DEVELOPMENT EXPENDITURE COMMITMENTS

As of 30 June 2016, the Group had contracted capital and property development expenditure but not provided for amounted to RMB34.422 billion.

### EMPLOYEES AND REMUNERATION POLICY

As of 30 June 2016, the Group employed a total of 7,667 employees. Total remuneration for the period amounted to RMB820 million. The Group has adopted a performance-based rewarding system to motivate its staff. The Board adopted a share award scheme (the "Share Award Scheme") of the Company on 30 December 2011. The purpose of the Share Award Scheme is to recognize the contributions by outstanding employees of the Group and to provide them with incentives in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group. In relation to staff training, the Group also regularly provided different types of programmes for its staff to improve their skills and develop their respective expertise.



▲ Xiamen Shimao Straits Mansion

▼ Changsha Shimao Brilliant Bay



# Corporate Governance and Other Information



▲ Wuhan Shimao Splendid River

▲ Hong Kong Tung Chung Project



### DIRECTORS AND SENIOR MANAGEMENT PROFILES

#### EXECUTIVE DIRECTORS

##### HUI WING MAU (CHAIRMAN)

Mr. Hui Wing Mau, aged 66, the Chairman and Executive Director of Shimao Property Holdings Limited (the “Company”) and the founder of the Group. With over 26 years’ experience in property development, property investment and hotel operation, he is primarily responsible for the Group’s overall strategic planning and business management. Mr. Hui is currently a member of the National Committee of the Twelfth Chinese People’s Political Consultative Conference (“CPPCC”) and deputy director of the Economic Committee of the National Committee of the CPPCC, vice president of All-China Federation of Returned Overseas Chinese, the president of China Federation of Overseas Chinese Entrepreneurs, vice president of China Overseas Chinese Entrepreneurs Association, chairman of Shanghai Overseas Chinese Chamber of Commerce, president of The Association for the Promotion of Global Chinese Traders Fraternity, executive president of China Red Ribbon Foundation and president of New Home Association Hong Kong. Mr. Hui obtained a Master’s Degree in Business Administration from the University of South Australia. Mr. Hui is also the non-executive chairman of Shanghai Shimao Co., Ltd. (“Shanghai Shimao”), a 58.92%-owned subsidiary of the Company listed on the Shanghai Stock Exchange and the chairman and a director of Shimao International Holdings Limited. He is a director of Gemfair Investments Limited and Shiyang Finance Limited, substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”). He has been the Chairman and Executive Director of the Company since 8 November 2004. Mr. Hui is the father of Mr. Hui Sai Tan, Jason, the Vice Chairman and Executive Director of the Company, and Ms. Hui Mei Mei, Carol, the Vice Chairman of Shanghai Shimao.

##### HUI SAI TAN, JASON (VICE CHAIRMAN)

Mr. Hui Sai Tan, Jason, aged 39, the Vice Chairman and Executive Director of the Company. He has been the Group Sales Controller since he joined the Group in March 2000. Mr. Jason Hui is responsible for the sales, marketing, management and design of the Group’s projects. He has more than 17 years’ experience in the property development industry and has presided over the sales and marketing of Shanghai Shimao Riviera Garden which boasted top sales proceeds among residential projects in Shanghai for four consecutive years from 2001 to 2004. Mr. Jason Hui obtained a Master of Science Degree in Real Estate from the University of Greenwich, the United Kingdom in 2001 and a Master’s Degree in Business Administration from the University of South Australia in 2004. He is a member of the Standing Committee of All-China Youth Federation and a member of Shanghai Committee of the CPPCC. He has been an Executive Director and the Vice Chairman of the Company since 17 November 2004 and 21 April 2008 respectively. He is also a director of Shanghai Shimao. Mr. Jason Hui is the son of Mr. Hui Wing Mau, the Chairman and Executive Director of the Company, and the brother of Ms. Hui Mei Mei, Carol, the Vice Chairman of Shanghai Shimao.

##### TANG FEI

Ms. Tang Fei, aged 45, has joined the Group since July 2004 and was appointed an Executive Director of the Company since 6 February 2013. Ms. Tang is currently a Vice President of the Group, responsible for the financial control of the Group. Ms. Tang holds a Master’s Degree in Business Administration from the University of South Australia and has over 22 years’ experience in financial management and internal audit. Prior to joining the Group, Ms. Tang worked in the internal audit department of Bank of China, Head office from 1992 to 1998. She also worked in the audit department and treasury department of Bank of China (Hong Kong) Limited from 1999 to 2004.

### DIRECTORS AND SENIOR MANAGEMENT PROFILES (continued)

#### EXECUTIVE DIRECTORS (continued)

##### LIAO LUJIANG

Mr. Liao Lujiang, aged 44, has joined the Group since January 2011 and was appointed an Executive Director of the Company since 6 February 2013. Mr. Liao is currently the Chief Operation Officer of the Group, responsible for management of enterprise operation and information system of the Group. Mr. Liao holds a Master's Degree in Public Administration from Tsinghua University and has over 13 years' experience in corporate management. Prior to joining the Group, Mr. Liao worked in Ianjia Group as senior human resources manager of northern district from 2003 to 2006. From 2006 to 2010, he worked for Beijing Longfor Properties Co., Ltd. as deputy human resources general manager and chief human resources officer (property).

##### KAN NAIGUI

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

#### NON-EXECUTIVE DIRECTOR

##### LIU SAI FEI

Mr. Liu Sai Fei, aged 54, has joined the Group since 2003, was appointed an Executive Director of the Company on 1 February 2010 and has been re-designated as a Non-executive Director of the Company since 9 January 2015. He is also a director and the President of Shanghai Shimao. He obtained a Master's Degree in Project Management from the University of Western Sydney, Australia in 2000. Mr. Liu has over 31 years' experience in architectural design and project management. Prior to joining the Group, he worked for CRG Contractors Dte from 1998 to 2001. From 2001 and 2003, he worked for Shanghai Merry Land Co., Ltd. as project manager.

#### INDEPENDENT NON-EXECUTIVE DIRECTORS

##### KAN LAI KUEN, ALICE

Ms. Kan Lai Kuen, Alice, aged 61, has been an Independent Non-executive Director of the Company since 16 March 2006 and has more than 24 years' experience in corporate finance. She is a responsible officer of two licensed corporations registered under the SFO, namely, Asia Investment Management Limited ("AIML") and Asia Investment Research Limited ("AIRL"). She is also a shareholder and the managing director of AIML and AIRL. Ms. Kan currently serves as an independent non-executive director on the boards of the following companies which are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"): Shougang Concord International Enterprises Company Limited, Regal Hotels International Holdings Limited, China Engerine International (Holdings) Limited and Cosmopolitan International Holdings Limited. She is also an independent director of AVIC International Maritime Holdings Limited, a company listed on the Catalist Board of the Singapore Exchange Securities Trading Limited. She is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Hong Kong Institute of Directors. Ms. Kan held various senior positions in international and local banks and financial institutions.

### DIRECTORS AND SENIOR MANAGEMENT PROFILES (continued)

#### INDEPENDENT NON-EXECUTIVE DIRECTORS (continued)

##### LU HONG BING

Mr. Lu Hong Bing, aged 49, has been an Independent Non-executive Director of the Company since 17 November 2004. Mr. Lu obtained a Master's Degree in law from East China University of Political Science and Law in 1991 and has more than 23 years' experience in corporate and securities laws in China. Mr. Lu currently serves as an independent non-executive director of ZTE Corporation, a company publicly listed on the Shenzhen Stock Exchange and the Stock Exchange. He is also an independent director of Shanghai Shentong Metro Co., Ltd. (上海申通地鐵股份有限公司), a company publicly listed on the Shanghai Stock Exchange, and Shandong Airlines Co., Ltd. (山東航空股份有限公司), a company publicly listed on the Shenzhen Stock Exchange. Mr. Lu is the Chief Executive Partner of the Grandall Legal Group, a vice-president of the Executive Council of the All China Lawyers Association, an arbitrator of the Shanghai International Economic and Trade Arbitration Commission, an arbitrator of the Shanghai Arbitration Committee, a concurrent professor of East China University of Political Science and Law and the Shanghai Institute of Foreign Trade, a member of Expert Advisory Committee for M&A and Restructuring, China Securities Regulatory Commission and a commissioner of the public offering commission of the Shanghai Stock Exchange.

##### LAM CHING KAM

Mr. Lam Ching Kam, aged 55, has been an Independent Non-executive Director of the Company since 1 June 2006. He is currently a fellow member of The Hong Kong Institute of Surveyors. Mr. Lam obtained a Master's Degree in Business Administration from the Hong Kong Open University in 2004 and is a fellow member of the Chartered Institute of Civil Engineering Surveyors and the Royal Institution of Chartered Surveyors. Mr. Lam was the Vice Chairman of the Royal Institution of Chartered Surveyors China Group from 2003 to 2006. He is a member of the China Civil Engineering Society (中國土木工程師學會會員) and also a registered China Costing Engineer (中國造價工程師執業資格). Mr. Lam has been a consultant to the Beijing Construction Project Management Association (北京市建設監理協會) since 2003 and has engaged in professional training and vocational education in China for more than 14 years. Mr. Lam has been in the property development and construction industry for 32 years, and has worked for construction contractors such as Shui On Building Contractors Limited, China State Construction Engineering Corporation and Hopewell Construction Co., Ltd. Mr. Lam was employed as a quantity surveyor and worked in London from 1990 to 1991. He was employed by certain consultant firms and the Architectural Services Department of the Hong Kong Government before he emigrated to Australia in 1996 and operated a project management firm in Sydney. Mr. Lam was the project controller of Sino Regal Ltd. (HK) for investment projects in China from 1994 to 1996. In 1998, Mr. Lam established a surveying and management consultant firm which has been participating in many large-scale projects in China and Macau, including a Beijing Olympic 2008 project involving the hotels, offices towers and commercial complex in Olympic Park, Beijing.

#### SENIOR MANAGEMENT

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

### CHANGE IN INFORMATION OF DIRECTOR

The Company is required under Rule 13.51B(1) of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) to disclose the change in information of the directors of the Company (the “Directors”) since the date of publication of 2015 annual report to the date of this report as set out below:

Name of Director	Detail of Change
<b>Independent Non-Executive Director</b> Lu Hong Bing	Appointed as an independent director of Shandong Airlines Co., Ltd., a company publicly listed on the Shenzhen Stock Exchange.

Save as disclosed above, no other change in information of the Directors is required to be disclosed since the date of publication of 2015 annual report to the date of this report pursuant to Rule 13.51B(1) of the Listing Rules. The updated biographical details of the Directors of the Company are set out in the preceding section headed “Directors and Senior Management Profiles”.

### INFORMATION ON SHARE OPTIONS

#### SHARE OPTION SCHEME OF THE COMPANY

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

- (a) The purpose of the Share Option Scheme is to provide the participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and the shares of the Company for the benefit of the Company and shareholders of the Company as a whole. The Share Option Scheme will provide the Company with a flexible means of retaining, incentivizing, rewarding, remunerating, compensating and/or providing benefits to the participants.
- (b) The Directors may, at their discretion, invite any directors, employees and officers of any member of the Group and any advisors, consultants, distributors, contractors, contract manufacturers, agents, customers, business partners, joint venture business partners and service providers of any member of the Group to participate in the Share Option Scheme.
- (c) The total number of shares which may be issued upon exercise of all options (the “Share Options”) granted and yet to be exercised under the Share Option Scheme or any other share option schemes adopted by the Company must not exceed 30% of the Company’s shares in issue from time to time.

### INFORMATION ON SHARE OPTIONS (continued)

#### SHARE OPTION SCHEME OF THE COMPANY (continued)

- (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 has expired on 8 June 2016.
- (i) No Share Options was granted under the Share Option Scheme for the six months ended 30 June 2016, nor was there any share option outstanding as at 1 January 2016 and 30 June 2016.

#### SHARE OPTION SCHEME OF SHANGHAI SHIMAO

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

- (a) The purpose of the Shanghai Shimao Scheme is to further optimize the corporate governance structure, establish and improve the incentive and discipline mechanism of Shanghai Shimao, unleash motivation of the management, function as a measure to attract and retain quality executives, align the interests of Shanghai Shimao’s shareholders and corporate interests with personal interests of the management for building a common vision of long-term development of Shanghai Shimao, and to provide individual employee with incentives through profit sharing, thus securing the sustainable healthy development of Shanghai Shimao.
- (b) Options granted under the Shanghai Shimao Scheme are incentives to directors, senior management and mid-level key managerial personnel of Shanghai Shimao. The shares subject to the options granted under the Shanghai Shimao Scheme are share(s) of Shanghai Shimao which are listed on the Shanghai Stock Exchange and traded and denominated in RMB (“A Shares”). Participants who are granted with the options will be entitled to acquire A Shares at a pre-determined price during the exercise period of the relevant options, subject to the fulfilment of the relevant conditions and the terms of the Shanghai Shimao Scheme.

### INFORMATION ON SHARE OPTIONS (continued)

#### SHARE OPTION SCHEME OF SHANGHAI SHIMAO (continued)

- (c) A total number of 10,000,000 A Shares, representing approximately 0.85% of the total number of A Shares in issue as at the Date of Adoption, was available for issue under the Shanghai Shimao Scheme. On 28 June 2013, all share options carrying rights to subscribe for a total of 10,000,000 A Shares were granted by Shanghai Shimao. No further shares would be available for issue under the Shanghai Shimao Scheme.
- (d) The total number of shares to be granted under the Shanghai Shimao Scheme to an individual grantee will not exceed 1% of the total issued share capital of Shanghai Shimao.
- (e) Subject to the fulfillment of various conditions as provided in the Shanghai Shimao Scheme, the options granted under the Shanghai Shimao Scheme can be exercised in two batches commencing from (i) the first trading day after the expiry of the 12-month period from the date of grant; and (ii) the first trading day after the expiry of the 24-month period from the date of grant respectively.
- (f) Performance targets have been imposed as conditions for the grant of options under the Shanghai Shimao Scheme.
- (g) No amount is payable on application or acceptance of the option by the grantees of the options.
- (h) The exercise price of the options granted under the Shanghai Shimao Scheme was RMB9.84 per A Share, which was the higher of the followings: (i) the closing price of the A Shares quoted on the Shanghai Stock Exchange on the last trading day immediately preceding the date of the announcement on the draft of the Shanghai Shimao Scheme made by Shanghai Shimao (i.e. 11 April 2013), which was RMB9.74 per A Share; and (ii) the average of the closing prices of the A Shares quoted on the Shanghai Stock Exchange for the last 30 trading days immediately preceding the date of the announcement on the draft of the Shanghai Shimao Scheme made by Shanghai Shimao, which was RMB9.84 per A Share. During the year ended 31 December 2014, the exercise price of the options granted under the Shanghai Shimao Scheme has been adjusted to RMB9.60 per A Share as a result of distribution of dividends for the six months ended 30 June 2013 and for the year ended 31 December 2013. During the year ended 31 December 2015, the exercise price of the options granted under the Shanghai Shimao Scheme has been adjusted to RMB6.29 per A Share as a result of distribution of dividends and issue of bonus shares for the year ended 31 December 2014. During the six months ended 30 June 2016, the exercise price of the options granted under the Shanghai Shimao Scheme has been adjusted to RMB4.41 per A Share as a result of distribution of dividends and issue of bonus shares for the year ended 31 December 2015.
- (i) The options granted by Shanghai Shimao on 28 June 2013, being outstanding as at 1 January 2016 and 30 June 2016, were 2,700,000 options (before adjustment) and 0 option respectively, which are exercisable in the manner as set out in paragraph (e) above. During the six months ended 30 June 2016, the number of options granted under the Shanghai Shimao Scheme has been adjusted as a result of distribution of dividends and issue of bonus shares for the year ended 31 December 2015.
- (j) No options were granted by Shanghai Shimao under the Shanghai Shimao Scheme during the six months ended 30 June 2016.

### INFORMATION ON SHARE OPTIONS (continued)

#### SHARE OPTION SCHEME OF SHANGHAI SHIMAO (continued)

- (k) During the six months ended 30 June 2016, 900,000 options (before adjustment) and 2,520,000 options (after adjustment) were cancelled and lapsed respectively under the Shanghai Shimao Scheme.
- (l) No options were exercised during the six months ended 30 June 2016.
- (m) The Shanghai Shimao Scheme has expired on 28 June 2016.

Other details of the Share Option Scheme and the Shanghai Shimao Scheme are set out in note 14 to the interim condensed consolidated financial information.

### SHARE AWARD SCHEME

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

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

During the six months ended 30 June 2016, 3,517,115 shares were granted to certain executive directors and selected employees of the Group under the Share Award Scheme and 2,387,734 awarded shares have been vested during the six months ended 30 June 2016.

### DISCLOSURE OF INTERESTS IN SECURITIES

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

As at 30 June 2016, the interests and short position of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Appendix 10 of the Listing Rules were as follows:

##### *Long position in the shares of the Company*

Name of Directors	Capacity/Nature of Interests	Number of ordinary shares held	Approximate percentage of issued share capital
Hui Wing Mau	Interest of controlled corporation	2,299,242,942 <sup>(Note 1)</sup>	66.212%
Hui Sai Tan, Jason	Beneficial owner	2,532,227 <sup>(Note 2)</sup>	0.073%
Tang Fei	Beneficial owner	391,995 <sup>(Note 3)</sup>	0.011%
Liao Lujiang	Beneficial owner	356,847 <sup>(Note 4)</sup>	0.010%
Kan Naigui	Beneficial owner	227,482 <sup>(Note 5)</sup>	0.007%
Liu Sai Fei	Beneficial owner	833,942	0.024%

Notes:

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

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

#### DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the six months ended 30 June 2016 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.

## Corporate Governance and Other Information

### INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2016, the interests and short position of substantial shareholders in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

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

Name	Nature of interests	Number of shares or underlying shares held	Approximate percentage of issued share capital
<b>Long position</b>			
Gemfair Investments Limited (“Gemfair”)	Note 1	1,947,984,000	56.096%
Overseas Investment Group International Limited (“Overseas Investment”)	Note 2	1,947,984,000	56.096%
Shiyong Finance Limited (“Shiyong Finance”)	Note 3	351,258,942	10.115%

Notes:

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

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

### DIRECTORS' INTERESTS IN COMPETING BUSINESS

Pursuant to Rule 8.10 of the Listing Rules, the Company disclosed below that during the six months ended 30 June 2016, the following Director was considered to have interests in the following businesses which competed or were likely to compete, either directly or indirectly, with the businesses of the Group.

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

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

## Corporate Governance and Other Information

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

The Company entered into the following agreements:

1. A facility agreement on 21 May 2013 between, among others, Tianjin Jinnan Xincheng Real Estate Development Co., Ltd., a company which is indirectly owned as to 25% by the Company as the borrower, the Company as one of the sponsors, certain financial institutions as specified in the facility agreement as initial lenders, a term loan facility in the amount of RMB1,000,000,000 have been made available to the borrower for a term of 36 months from the date of the facility agreement. The facility has been fully repaid in August 2016.
2. A facility agreement on 10 October 2013 between, among others, Charm Talent Limited, a company which is indirectly owned as to 25% by the Company as the borrower, the Company as one of the guarantors, The Bank of East Asia, Limited, The Hongkong and Shanghai Banking Corporation Limited and Standard Chartered Bank (Hong Kong) Limited as original lenders and mandated lead arrangers, a transferable term loan facility in the amount of HK\$2,700,000,000 have been made available to the borrower for a term of 36 months from the first utilisation date. The facility has been fully repaid in August 2016.

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.

### CORPORATE GOVERNANCE

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

### THE BOARD

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

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

## Corporate Governance and Other Information

### THE BOARD (continued)

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

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

### AUDIT COMMITTEE

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

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

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

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

The unaudited interim condensed consolidated results of the Group for the six months ended 30 June 2016 have been reviewed by the Audit Committee and the auditor of the Company.

### REMUNERATION COMMITTEE

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

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

## Corporate Governance and Other Information

### NOMINATION COMMITTEE

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

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

### COMPANY SECRETARY

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

### DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Before the Group’s interim and annual results are announced, notifications are sent to the Directors to remind them not to deal in the securities of the Company during the blackout periods. The Company has made specific enquiry of all Directors and all the Directors confirmed that they had complied with the required standard set out in the Model Code throughout the six months ended 30 June 2016.

### CORPORATE GOVERNANCE CODE

The Company complied with the code provisions set out in the Code throughout the six months ended 30 June 2016 except for one deviation, namely, code provision A.2.1.

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

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.

## Corporate Governance and Other Information

### PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES

During the six months ended 30 June 2016, 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 4,300,000 shares of the Company at a total consideration of approximately HK\$44,225,000.

### CHOICE OF LANGUAGE OR MEANS OF RECEIPT OF CORPORATE COMMUNICATIONS

This interim report is now available in printed form and on the websites of the Company ([www.shimaoproperty.com](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 interim report by electronic means but (i) wish to receive a printed copy; or (ii) for any reason have difficulty in receiving or gaining access to this report on the Company's website, they may obtain a printed copy free of charge by sending a request to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited ("Tricor Investor") by email at [shimao-ecom@hk.tricorglobal.com](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 all future corporate communications, free of charge, they could at any time notify Tricor Investor by email or by post.

### INTERIM DIVIDEND, SPECIAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has declared an interim dividend of HK26 cents per ordinary share and a special dividend of HK6 cents per ordinary share, totaling HK32 cents per ordinary share for the six months ended 30 June 2016 (2015 Interim: HK30 cents). The dividends will be payable on Friday, 30 September 2016 to shareholders whose names appear on the register of members of the Company on Thursday, 15 September 2016.

The register of members of the Company will be closed on Wednesday, 14 September 2016 and Thursday, 15 September 2016. During these two days no transfer of shares will be registered. In order to qualify for the interim and special dividends, all transfer documents accompanied by the relevant share certificates must be lodged with Tricor Investor, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 13 September 2016.

On behalf of the Board  
**Hui Wing Mau**  
*Chairman*

Hong Kong, 30 August 2016

# Independent Auditor's Report



羅兵咸永道

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

## INTRODUCTION

We have reviewed the interim financial information set out on pages 47 to 88, which comprises the interim condensed consolidated balance sheet of Shimao Property Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2016 and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

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

## CONCLUSION

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

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 30 August 2016

# Interim Condensed Consolidated Balance Sheet

As at 30 June 2016

	Note	Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	6	11,865,991	11,571,944
Investment properties	6	30,136,547	30,025,297
Land use rights	6	7,863,999	7,921,887
Intangible assets	6	1,840,658	1,840,684
Associated companies	7	949,378	898,275
Joint ventures	8	9,434,742	9,784,898
Amounts due from related parties	9	3,070,258	2,774,694
Available-for-sale financial assets	10	1,336,294	1,204,470
Deferred income tax assets		2,420,821	1,983,977
Other non-current assets	11	5,594,170	1,311,526
		74,512,858	69,317,652
<b>Current assets</b>			
Properties under development		103,851,639	100,727,237
Completed properties held for sale		18,642,622	18,140,289
Trade and other receivables and prepayments	12	14,869,801	14,786,878
Prepayments for acquisition of land use rights	11	13,663,466	11,133,906
Prepaid income taxes		2,955,073	2,115,462
Available-for-sale financial assets	10	1,570,000	–
Amounts due from related parties	9	3,084,122	1,581,929
Derivative financial instruments		1,181	41,782
Restricted cash	13	2,739,549	3,817,713
Cash and bank balances	13	17,324,543	22,591,843
		178,701,996	174,937,039
<b>Total assets</b>		<b>253,214,854</b>	<b>244,254,691</b>
<b>EQUITY</b>			
<b>Equity attributable to the equity holders of the Company</b>			
Share capital	14	356,275	356,275
Share premium		993,382	1,077,061
Reserves			
– Proposed dividend		954,318	1,163,728
– Others		49,681,394	47,564,596
		51,985,369	50,161,660

Interim Condensed Consolidated Balance Sheet  
As at 30 June 2016

	Note	Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 RMB'000
<b>Non-controlling interests</b>			
Perpetual capital instruments	16	600,000	—
Other non-controlling interests		31,562,900	24,587,660
		32,162,900	24,587,660
<b>Total equity</b>		<b>84,148,269</b>	<b>74,749,320</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	15	54,712,881	52,867,396
Finance lease liabilities		309,704	386,365
Deferred income tax liabilities		5,441,729	5,471,821
		60,464,314	58,725,582
<b>Current liabilities</b>			
Trade and other payables	17	24,888,327	25,962,991
Dividend payable		1,187,203	—
Advanced proceeds received		29,463,238	30,766,515
Income tax payable		13,321,237	12,460,061
Borrowings	15	12,232,851	16,953,596
Finance lease liabilities		221,645	186,620
Amounts due to related parties	18	27,282,702	24,447,996
Deferred income		5,068	2,010
		108,602,271	110,779,789
<b>Total liabilities</b>		<b>169,066,585</b>	<b>169,505,371</b>
<b>Total equity and liabilities</b>		<b>253,214,854</b>	<b>244,254,691</b>

The notes on pages 52 to 88 form an integral part of this interim condensed consolidated financial information.

# Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2016

	Note	Unaudited Six months ended 30 June 2016 RMB'000	2015 RMB'000
Revenue	5(a)	30,016,400	29,193,057
Cost of sales	19	(21,549,397)	(20,231,103)
<b>Gross profit</b>		<b>8,467,003</b>	<b>8,961,954</b>
Fair value gains on investment properties		1,276,104	820,479
Other income/other gains – net	20	670,723	406,298
Selling and marketing costs	19	(425,439)	(660,830)
Administrative expenses	19	(1,608,077)	(1,562,750)
Other operating expenses	19	(129,073)	(83,716)
<b>Operating profit</b>		<b>8,251,241</b>	<b>7,881,435</b>
Finance income		226,044	155,921
Finance costs		(682,146)	(345,993)
Finance costs – net	21	(456,102)	(190,072)
Share of results of			
– Associated companies	7	84,103	(45,204)
– Joint ventures	8	(271,199)	(328,950)
		(187,096)	(374,154)
<b>Profit before income tax</b>		<b>7,608,043</b>	<b>7,317,209</b>
Income tax expense	22	(3,229,181)	(2,811,508)
<b>Profit for the period</b>		<b>4,378,862</b>	<b>4,505,701</b>
<b>Other comprehensive income/(losses):</b>			
<i>Item that may be reclassified to profit or loss</i>			
Fair value gains/(losses) on available-for-sale financial assets, net of tax		23,868	(14,408)
<b>Total comprehensive income for the period</b>		<b>4,402,730</b>	<b>4,491,293</b>
<b>Profit for the period attributable to:</b>			
Equity holders of the Company		3,028,329	3,558,539
Non-controlling interests		1,350,533	947,162
		4,378,862	4,505,701
<b>Total comprehensive income for the period attributable to:</b>			
Equity holders of the Company		3,042,392	3,549,301
Non-controlling interests		1,360,338	941,992
		4,402,730	4,491,293
<b>Earnings per share for profit attributable to the equity holders of the Company</b>			
– Basic (RMB cents)	24	87.55	102.84
– Diluted (RMB cents)	24	87.48	102.76

The notes on pages 52 to 88 form an integral part of this interim condensed consolidated financial information.

Details of dividends of the Company are set out in Note 23 to this interim condensed consolidated financial information.

# Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016

	Note	Unaudited							
		Attributable to the equity holders of the Company					Perpetual capital instruments RMB'000	Non-controlling interests RMB'000	Total RMB'000
		Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained profits RMB'000	Total RMB'000			
<b>Balance at 1 January 2016</b>		356,275	2,240,789	1,882,538	45,682,058	50,161,660	–	24,587,660	74,749,320
Profit for the period		–	–	–	3,028,329	3,028,329	–	1,350,533	4,378,862
Other comprehensive income									
– Fair value gains on available-for-sale financial assets, net of tax		–	–	14,063	–	14,063	–	9,805	23,868
<b>Total comprehensive income for the period</b>		–	–	14,063	3,028,329	3,042,392	–	1,360,338	4,402,730
<b>Transactions with owners:</b>									
Transfer from joint ventures to subsidiaries	27 (b)	–	–	–	–	–	–	587,847	587,847
Changes in ownership interests in subsidiaries without change of control		–	(23,005)	–	–	(23,005)	–	(199,626)	(222,631)
Capital contribution from non-controlling interests	27 (c)	–	–	–	–	–	–	5,293,733	5,293,733
Equity-settled share-based payment	14 (c)								
– Value of employee services		–	–	28,724	–	28,724	–	–	28,724
– Purchase of shares		–	(37,199)	–	–	(37,199)	–	–	(37,199)
Issue of perpetual capital instruments		–	–	–	–	–	600,000	–	600,000
Profit appropriations		–	–	141,275	(141,275)	–	–	–	–
Dividends relating to 2015	23	–	(1,187,203)	–	–	(1,187,203)	–	(67,052)	(1,254,255)
<b>Total transactions with owners</b>		–	(1,247,407)	169,999	(141,275)	(1,218,683)	600,000	5,614,902	4,996,219
<b>Balance at 30 June 2016</b>		356,275	993,382	2,066,600	48,569,112	51,985,369	600,000	31,562,900	84,148,269
<b>Balance at 1 January 2015</b>		356,275	5,116,815	1,565,931	39,824,358	46,863,379	–	18,119,705	64,983,084
Profit for the period		–	–	–	3,558,539	3,558,539	–	947,162	4,505,701
Other comprehensive loss									
– Fair value losses on available-for-sale financial assets, net of tax		–	–	(9,238)	–	(9,238)	–	(5,170)	(14,408)
<b>Total comprehensive income for the period</b>		–	–	(9,238)	3,558,539	3,549,301	–	941,992	4,491,293
<b>Transactions with owners:</b>									
Capital contribution from non-controlling interests		–	–	–	–	–	–	1,362,522	1,362,522
Equity-settled share-based payment									
– Value of employee services		–	–	45,233	–	45,233	–	–	45,233
– Purchase of shares		–	(40,184)	–	–	(40,184)	–	–	(40,184)
Profit appropriations		–	–	126,553	(126,553)	–	–	–	–
Dividends relating to 2014		–	(1,644,540)	–	–	(1,644,540)	–	(51,491)	(1,696,031)
<b>Total transactions with owners</b>		–	(1,684,724)	171,786	(126,553)	(1,639,491)	–	1,311,031	(328,460)
<b>Balance at 30 June 2015</b>		356,275	3,432,091	1,728,479	43,256,344	48,773,189	–	20,372,728	69,145,917

The notes on pages 52 to 88 form an integral part of this interim condensed consolidated financial information.

# Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2016

		Unaudited Six months ended 30 June	
	Note	2016 RMB'000	2015 RMB'000
<b>Cash flows from operating activities</b>			
Net cash generated from operations		3,206,166	5,622,719
Interest received	21	226,044	155,921
Interest paid		(2,499,236)	(2,478,374)
PRC Income tax paid		(3,179,229)	(1,843,064)
<b>Net cash flows from operating activities</b>		<b>(2,246,255)</b>	<b>1,457,202</b>
<b>Cash flows from investing activities</b>			
Additions of property and equipment and investment properties		(2,851,700)	(1,625,801)
Sales of property and equipment		2,379	40,634
Additions of land use rights and other non-current assets		(3,537,458)	(92,931)
Disposal of subsidiaries	27(a)	803,942	(27,269)
Closure of an associated company		–	1,063
Acquisition of subsidiaries		(66,996)	(2,025,852)
Deemed acquisition of subsidiaries	27(b)	211,299	–
Settlement for derivative financial instruments		105,775	–
Net cash gains from disposal of investment in structured products issued by banks	20	34,461	–
Increase of available-for-sale financial assets		(1,670,000)	–
Capital injection to joint ventures	8	(257,890)	(50,000)
Capital injection to associated companies	7	–	(49,450)
(Increase)/Decrease in prepayment for acquisition of equity interests	11	(1,520,000)	954,411
Advance to joint ventures and associated companies		(2,468,475)	(693,892)
<b>Net cash flows from investing activities</b>		<b>(11,214,663)</b>	<b>(3,569,087)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings	15	35,548,241	38,259,143
Repayments of borrowings	15	(38,948,795)	(33,829,754)
Purchases of shares		(37,199)	(40,184)
Proceeds from perpetual capital instruments	16	600,000	–
Capital contribution from non-controlling interests of subsidiaries	27(c)	5,293,733	1,362,522
Acquisition of non-controlling interests in subsidiaries		(222,631)	–
Dividends paid to equity holders of the Company		–	(376,580)
Dividends paid to non-controlling interests		(67,052)	(51,491)
Increase/(Decrease) in amounts due to non-controlling interests of subsidiary	18	4,999,590	(215,687)
Increase/(Decrease) in restricted cash pledged for borrowings	13	1,018,353	(934,690)
<b>Net cash flows from financing activities</b>		<b>8,184,240</b>	<b>4,173,279</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(5,276,678)</b>	<b>2,061,394</b>
Cash and cash equivalents at the beginning of the period		22,591,843	20,471,830
Exchange gains/(losses)		9,378	(208)
<b>Cash and cash equivalents at end of the period</b>		<b>17,324,543</b>	<b>22,533,016</b>

The notes on pages 52 to 88 form an integral part of this interim condensed consolidated financial information.

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2016

## 1 GENERAL INFORMATION AND BASIS OF PREPARATION

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

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

This interim condensed consolidated financial information is presented in thousands of Renminbi (“RMB’000”), unless otherwise stated, and was approved for issue on 30 August 2016.

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

This interim condensed consolidated financial information for the six months ended 30 June 2016 has been prepared in accordance with HKAS 34, ‘Interim financial reporting’. The interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with HKFRSs.

## 2 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2015, as described in those annual financial statements.

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

## 2 ACCOUNTING POLICIES (continued)

### (A) NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

The following amendments to standards have been adopted by the group for the first time for the financial year beginning on or after 1 January 2016:

Amendment to HKFRS 11 “Accounting for acquisitions of interests in joint operations”. The amendment requires an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a ‘business’ (as defined in HKFRS 3, Business combinations). All other principles of business combination accounting apply unless they conflict with HKFRS 11. The amendment is applicable to both the acquisition of the initial interest and a further interest in a joint operation. The previously held interest is not remeasured when the acquisition of an additional interest in the same joint operation with joint control maintained.

Amendments to HKAS 16 and HKAS 38 “Clarification of acceptable methods of depreciation and amortisation”. The amendments clarify when a method of depreciation or amortisation based on revenue may be appropriate. The amendment to HKAS 16 clarifies that depreciation of an item of property, plant and equipment based on revenue generated by using the asset is not appropriate. The amendment to HKAS 38 establishes a rebuttable presumption that amortisation of an intangible asset based on revenue generated by using the asset is inappropriate.

Amendments to HKAS 1 “Disclosure initiative”. The amendments clarify guidance in HKAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. Although the amendments do not require specific changes, they clarify a number of presentation issues and highlight that prepares are permitted to tailor the format and presentation of the financial statements to their circumstances and the needs of users.

Amendments to HKAS 19 “Employee benefits”. This amendments clarify that, when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, and not the country where they arise. The assessment of whether there is a deep market in high-quality corporate bonds is based on corporate bonds in that currency, not corporate bonds in a particular country. Similarly, where there is no deep market in high-quality corporate bonds in that currency, government bonds in the relevant currency should be used.

Amendments from annual improvements to HKFRSs — 2012–2014 Cycle, on HKFRS 7, ‘Financial instruments: Disclosures’ and HKAS 34, ‘Interim financial reporting’.

## 2 ACCOUNTING POLICIES (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 2016, and have not been early adopted.

Currently related to the Group:

		Effective for annual periods beginning on or after
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 16	Leases	1 January 2019
Amendments to HKAS 12	Income taxes	1 January 2017
Amendments to HKAS 7	Statement of cash flows	1 January 2017

The Group has not early adopted any new accounting and financial reporting standards, amendments and interpretations to existing standards which have been issued but are not yet effective for the six months ended 30 June 2016. The Group is in the process of making an assessment on the impact of these new standards, amendments and interpretations and does not anticipate that the adoption when they become effective will result in any material impact on the Group's results of operations and financial position, except for the new financial reporting standard HKFRS 15 "Revenue from Contracts with Customers" (effective for annual periods beginning on or after 1 January 2018) which the Group is not yet in a position to conclude.

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

Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
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### (C) PERPETUAL CAPITAL INSTRUMENTS

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

### 3 ESTIMATES

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

In preparing this interim condensed consolidated financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2015 with the exception of changes in estimates that are required in determining the provision for income taxes.

### 4 FINANCIAL RISK MANAGEMENT

#### 4.1 FINANCIAL RISK FACTORS

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

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2015.

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

#### 4.2 LIQUIDITY RISK

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

#### 4.3 FAIR VALUE ESTIMATION

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

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

#### 4 FINANCIAL RISK MANAGEMENT (continued)

##### 4.3 FAIR VALUE ESTIMATION (continued)

The following table presents the Group's assets that are measured at fair value at 30 June 2016 and 31 December 2015.

As at 30 June 2016	Unaudited			Total RMB'000
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	
<b>Assets</b>				
Investment properties	–	–	27,272,700	27,272,700
Derivative financial instruments	–	–	1,181	1,181
Available-for-sale financial assets				
– listed equity securities	131,070	–	1,038,924	1,169,994
– investment in structured products issued by banks	–	–	1,666,300	1,666,300
<b>Total</b>	<b>131,070</b>	<b>–</b>	<b>29,979,105</b>	<b>30,110,175</b>
As at 31 December 2015	Audited			Total RMB'000
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	
<b>Assets</b>				
Investment properties	–	–	28,452,815	28,452,815
Derivative financial instruments	–	–	41,782	41,782
Available-for-sale financial assets				
– listed equity securities	134,470	–	1,000,000	1,134,470
<b>Total</b>	<b>134,470</b>	<b>–</b>	<b>29,494,597</b>	<b>29,629,067</b>

During the six months ended 30 June 2016, there were no reclassifications of financial assets and no transfers between different levels.

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.

Investment properties included in Level 3 are all completed investment properties and certain investment properties under development. The investment properties, of which the constructions are at a very early stage and the related fair values are not reliably determinable, are measured at cost until either their fair values become reliably determinable or development is completed, whichever is earlier.

#### 4 FINANCIAL RISK MANAGEMENT (continued)

##### 4.3 FAIR VALUE ESTIMATION (continued)

	Six months ended 30 June 2016 RMB'000	Year ended 31 December 2015 RMB'000
<b>Investment properties at fair value</b>		
Opening balance	28,452,815	25,393,401
Additions – Transfer from properties under development	60,703	1,329,425
Additions – Construction cost and others	81,078	3,158,795
Transfer to properties under development	–	(4,205,500)
Disposal	(2,598,000)	–
Fair value gains	1,276,104	2,776,694
Closing balance	27,272,700	28,452,815

The valuations of the investment properties at 30 June 2016 and 31 December 2015 were carried out by an independent firm, Vigers Appraisal and Consulting Limited, who is a fellow member of the Royal Institution of Chartered Surveyors.

For completed investment properties, the fair values were determined on the basis of capitalisation of net rental income derived from the existing tenancies with allowance onto the reversionary interest of the properties and by reference to comparable market transactions. The valuation was determined using discounted cash flow (“DCF”) projections based on significant unobservable inputs. These inputs include future rental cash inflows, discount rates, estimated vacancy rates, capitalisation rates and terminal value.

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 costs to complete and discount rates into account in addition to the inputs noted above.

#### 4 FINANCIAL RISK MANAGEMENT (continued)

##### 4.3 FAIR VALUE ESTIMATION (continued)

Derivative financial instruments included in Level 3 as at 30 June 2016 are six put and call options contracts entered into with an investment bank, the fair value of which is determined using valuation models for which not all inputs are market observable prices or rates.

Available-for-sale financial assets included in Level 3 includes the restricted shares of Wanda Cinema Line Co., Ltd. (“Wanda Cinema Line”)(Note 10) traded in Shenzhen Stock Exchange with one year lock-up period and the investment in structured products issued by banks entered into with commercial banks, the fair value of which are determined using valuation model for which not all inputs are market observable rates.

There were no changes in valuation techniques during the period.

##### 4.4 FAIR VALUE MEASUREMENTS USING SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)

Investment properties at fair value

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

	Six months ended 30 June 2015		
	Completed investment properties RMB'000	Investment properties under development RMB'000	Total RMB'000
Opening balance	17,381,150	8,012,251	25,393,401
Additions	–	403,729	403,729
Transfer to completed investment properties	492,000	(492,000)	–
Net gains from fair value adjustment	297,500	522,979	820,479
Closing balance	18,170,650	8,446,959	26,617,609

#### 4 FINANCIAL RISK MANAGEMENT (continued)

##### 4.4 FAIR VALUE MEASUREMENTS USING SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3) (continued)

Derivatives at fair value through profit or loss

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Opening balances of assets/(liabilities)	41,782	(1,611)
Gains recognised in other income/other gains-net (Note 20)	65,174	70,114
Settlements	(105,775)	–
Closing balances of assets	1,181	68,503
Changes in unrealised gains, under 'Other income/other gains-net'	1,181	70,114

Available-for-sale financial assets at fair value

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Opening balances of assets	1,000,000	–
Addition	1,670,000	–
Fair value gains recognised in other comprehensive income	35,224	–
Closing balances of assets	2,705,224	–
Changes in unrealised gains, under 'Other comprehensive income'	35,224	–

##### 4.5 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES MEASURED AT AMORTISED COST

The fair value of senior notes is as follows:

	30 June 2016 RMB'000	31 December 2015 RMB'000
Non-current	18,126,297	17,250,063

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

## Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2016

### 5 SEGMENT INFORMATION

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

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

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

#### (A) REVENUE

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

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Sales of properties	28,589,225	27,731,306
Hotel operation income	667,436	623,709
Rental income from investment properties	415,080	371,485
Others	344,659	466,557
	<hr/>	<hr/>
	30,016,400	29,193,057

Notes to the Interim Condensed Consolidated Financial Information  
For the six months ended 30 June 2016

5 SEGMENT INFORMATION (continued)

(B) SEGMENT INFORMATION

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

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

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

\*\* Unallocated mainly represent corporate level activities.

Notes to the Interim Condensed Consolidated Financial Information  
For the six months ended 30 June 2016

5 SEGMENT INFORMATION (continued)

(B) SEGMENT INFORMATION (continued)

The segment results for the six months ended 30 June 2015 are as follows:

	Property development and investment		Hotel Operation RMB'000	Unallocated** RMB'000	Total RMB'000
	Shanghai Shimao* RMB'000	Others RMB'000			
Revenue					
– Sales of properties	7,892,875	19,838,431	–	–	27,731,306
– Hotel operation income	36,493	–	587,216	–	623,709
– Rental income from investment properties	234,250	137,235	–	–	371,485
– Others	362,426	104,131	–	–	466,557
<b>Total revenue</b>	<b>8,526,044</b>	<b>20,079,797</b>	<b>587,216</b>	<b>–</b>	<b>29,193,057</b>
Operating profit	2,672,913	5,137,122	65,523	5,877	7,881,435
Finance income	42,285	111,366	764	1,506	155,921
Finance costs	(118,500)	(170,010)	(25,052)	(32,431)	(345,993)
Share of results of					
– Associated companies	(5,150)	(40,054)	–	–	(45,204)
– Joint ventures	(9,665)	(319,285)	–	–	(328,950)
<b>Profit/(loss) before income tax</b>	<b>2,581,883</b>	<b>4,719,139</b>	<b>41,235</b>	<b>(25,048)</b>	<b>7,317,209</b>
Income tax expense					(2,811,508)
<b>Profit for the period</b>					<b>4,505,701</b>
Other segment items are as follows:					
Capital and property development expenditure	3,869,261	19,474,358	625,419	–	23,969,038
Fair value gains on investment properties	452,897	367,582	–	–	820,479
Fair value gains on derivative financial instruments	–	70,114	–	–	70,114
Depreciation	34,812	33,447	153,705	16,706	238,670
Amortisation of land use rights	4,399	1,402	34,889	–	40,690
Provision for impairment of receivables	20,665	237	–	–	20,902

\* The Group owns an effective equity interest of 64.08% in Shanghai Shimao.

\*\* Unallocated mainly represent corporate level activities.

Notes to the Interim Condensed Consolidated Financial Information  
For the six months ended 30 June 2016

5 SEGMENT INFORMATION (continued)

(B) SEGMENT INFORMATION (continued)

The segment assets and liabilities as at 30 June 2016 are as follows:

	Property development and investment		Hotel operation RMB'000	Total RMB'000
	Shanghai Shimao RMB'000	Others RMB'000		
Associated companies	84,921	864,457	–	949,378
Joint ventures	2,077,195	7,357,547	–	9,434,742
Intangible assets	1,709,730	–	130,928	1,840,658
Other segment assets	57,382,589	160,162,126	15,963,470	233,508,185
<b>Total segment assets</b>	<b>61,254,435</b>	<b>168,384,130</b>	<b>16,094,398</b>	<b>245,732,963</b>
Deferred income tax assets				2,420,821
Available-for-sale financial assets				2,906,294
Derivative financial instruments				1,181
Other assets				2,153,595
<b>Total assets</b>				<b>253,214,854</b>
Borrowings	12,735,582	32,505,135	727,500	45,968,217
Other segment liabilities	22,832,879	60,404,034	11,633,703	94,870,616
<b>Total segment liabilities</b>	<b>35,568,461</b>	<b>92,909,169</b>	<b>12,361,203</b>	<b>140,838,833</b>
Corporate borrowings				20,977,515
Deferred income tax liabilities				5,441,729
Other liabilities				1,808,508
<b>Total liabilities</b>				<b>169,066,585</b>

Notes to the Interim Condensed Consolidated Financial Information  
For the six months ended 30 June 2016

5 SEGMENT INFORMATION (continued)

(B) SEGMENT INFORMATION (continued)

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

	Property development and investment		Hotel operation RMB'000	Total RMB'000
	Shanghai Shimao RMB'000	Others RMB'000		
Associated companies	117,922	780,353	–	898,275
Joint ventures	2,150,523	7,634,375	–	9,784,898
Intangible assets	1,709,730	26	130,928	1,840,684
Other segment assets	58,821,128	153,557,579	14,111,129	226,489,836
<b>Total segment assets</b>	<b>62,799,303</b>	<b>161,972,333</b>	<b>14,242,057</b>	<b>239,013,693</b>
Deferred income tax assets				1,983,977
Available-for-sale financial assets				1,204,470
Derivative financial instruments				41,782
Other assets				2,010,769
<b>Total assets</b>				<b>244,254,691</b>
Borrowings	14,444,947	31,268,177	174,000	45,887,124
Other segment liabilities	22,951,542	61,265,564	9,501,369	93,718,475
<b>Total segment liabilities</b>	<b>37,396,489</b>	<b>92,533,741</b>	<b>9,675,369</b>	<b>139,605,599</b>
Corporate borrowings				23,933,868
Deferred income tax liabilities				5,471,821
Other liabilities				494,083
<b>Total liabilities</b>				<b>169,505,371</b>

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

Notes to the Interim Condensed Consolidated Financial Information  
For the six months ended 30 June 2016

6 CAPITAL EXPENDITURE

	Property and equipment RMB'000	Investment properties RMB'000	Land use rights RMB'000	Intangible assets RMB'000	Total RMB'000
Opening net book amount as at 1 January 2016	11,571,944	30,025,297	7,921,887	1,840,684	51,359,812
Additions	514,172	1,372,443	1,838	–	1,888,453
Transfer from properties under development	16,662	60,703	–	–	77,365
Transfer to properties under development	(11,295)	–	–	–	(11,295)
Transfer to completed properties	–	–	(8,423)	–	(8,423)
Fair value gains	–	1,276,104	–	–	1,276,104
Depreciation/amortisation	(219,494)	–	(51,303)	–	(270,797)
Disposal of subsidiaries	(3,619)	(2,598,000)	–	–	2,601,619
Impairment of goodwill recognised as expenses	–	–	–	(26)	(26)
Disposals	(2,379)	–	–	–	(2,379)
Closing net book amount as at 30 June 2016	11,865,991	30,136,547	7,863,999	1,840,658	51,707,195
Opening net book amount as at 1 January 2015	11,951,703	26,975,771	7,286,582	1,840,684	48,054,740
Additions	448,952	578,009	189,493	–	1,216,454
Transfer to properties under development	(6,293)	(27,222)	(26,294)	–	(59,809)
Transfer from land use rights	–	16,799	–	–	16,799
Transfer to investment properties	–	–	(16,799)	–	(16,799)
Fair value gains	–	820,479	–	–	820,479
Depreciation/amortisation	(238,670)	–	(40,690)	–	(279,360)
Disposals	(40,634)	–	–	–	(40,634)
Closing net book amount as at 30 June 2015	12,115,058	28,363,836	7,392,292	1,840,684	49,711,870

Note:

Intangible assets comprise goodwill from business combinations.

Investment properties under construction as at 30 June 2016 of RMB2,863,847,000 (31 December 2015: RMB1,572,482,000) were measured at cost, because their constructions were at very early stage and related fair values were not reliably determinable. These investment properties under development shall be measured at cost until either their fair values become reliably determinable or development is completed, whichever is earlier. As at 30 June 2016, investment properties under construction amounted to RMB27,272,700,000 were measured at fair value (31 December 2015: RMB28,452,815,000).

Notes to the Interim Condensed Consolidated Financial Information  
For the six months ended 30 June 2016

7 ASSOCIATED COMPANIES

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Opening balance	898,275	1,258,029
Share of results	84,103	(45,204)
Transfer to a subsidiary (Note)	(33,000)	—
Capital injection	—	49,450
Transfer from a joint venture	—	30,609
Closure	—	(1,457)
Ending balance	949,378	1,291,427

Note:

In June 2016, the Group purchased 67% equity interest in an associated company from a third party at a consideration of RMB67,000,000. The purchase had resulted in a net cash outflow of RMB66,996,000.

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

	Assets RMB'000	Liabilities RMB'000	Revenue RMB'000	Net profit RMB'000
As at 30 June 2016 and for the six months ended 30 June 2016	12,732,681	(11,783,303)	608,235	84,103

Notes to the Interim Condensed Consolidated Financial Information  
For the six months ended 30 June 2016

8 JOINT VENTURES

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Opening balance	9,784,898	8,534,090
Capital injections (Note (a))	257,890	50,000
Transfer from subsidiaries (Note (b))	251,000	80,000
Capital distribution	–	(700,000)
Transfer to subsidiaries (Note (c))	(587,847)	(1,455,610)
Transfer to an associated company	–	(30,609)
Share of results	(271,199)	(328,950)
Ending balance	9,434,742	6,148,921

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

	Assets RMB'000	Liabilities RMB'000	Revenue RMB'000	Net loss RMB'000
As at 30 June 2016 and for the six months ended 30 June 2016	37,317,295	(27,882,553)	1,732,446	(271,199)

Notes:

- For the six months ended 30 June 2016, the Group made additional capital injections with amount of RMB207,890,000 into two joint ventures. In April 2016, the Group contributed RMB50,000,000 to the newly established joint venture, accounting for 50% registered capital.
- For the six months ended 30 June 2016, certain third parties made capital injections into two then wholly owned subsidiaries. Pursuant to the agreements, the Group and the third parties would jointly control the operation of these entities. The disposal had resulted in a net cash outflow of RMB32,305,000 and no gain was recognised from these capital injections.
- The Group gained the control over Beijing FuWah Wulan Real Estate Development Co., Ltd. ("FuWah Wulan") and Beijing FuWah Borong Real Estate Development Co., Ltd. ("FuWah Borong"), by obtaining 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 RMB211,299,000 (Note 27(b)).

## 9 AMOUNTS DUE FROM RELATED PARTIES

	30 June 2016 RMB'000	31 December 2015 RMB'000
<b>Included in non-current assets</b>		
– Joint ventures	2,408,301	2,112,737
– Associated companies	661,957	661,957
	3,070,258	2,774,694

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

	30 June 2016 RMB'000	31 December 2015 RMB'000
<b>Included in current assets</b>		
– Companies with common directors	160	160
– Associated companies	1,745,840	1,458,481
– Joint ventures	1,338,122	123,288
	3,084,122	1,581,929

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

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

## 10 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30 June 2016 RMB'000	31 December 2015 RMB'000
Available-for-sale financial assets included in non-current liabilities		
Listed securities:		
– Equity securities		
– without lock-up period (Note (a))	131,070	134,470
– with lock-up period (Note (b))	1,038,924	1,000,000
Unlisted securities:		
– Equity securities (Note (c))	70,000	70,000
Investment in structured products issued by banks (Note (d))	96,300	–
	1,336,294	1,204,470
Available-for-sale financial assets included in current liabilities		
Investment in structured products issued by banks (Note (d))	1,570,000	–
	1,570,000	–

Notes:

- (a) Listed securities without lock-up period represented investment in listed equity securities in the PRC which were stated at market value based on the quoted price.
- (b) Listed securities with lock-up period represented 1.15% equity interest (13,506,212 shares) in Wanda Cinema Line, a company listed on the Shenzhen Stock Exchange, with a lock-up period up to 3 January, 2017. The fair value of this asset is determined using valuation model for which not all inputs are observable and is within Level 3 of the fair value hierarchy (Note 4).
- (c) Unlisted securities represented a 2.12% equity interest in an unlisted company which was established in the PRC.
- (d) Investment in structured products issued by banks represented a combination of financial products with a floating interest measured with fair value. The fair value of these assets are determined using valuation model for which not all inputs are observable and is within Level 3 of the fair value hierarchy (Note 4).

## 11 OTHER NON-CURRENT ASSETS

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

The Group made prepayments for certain land use rights, the ownership certificates of which have not been obtained as at the balance sheet date. As at 30 June 2016, prepayments of RMB4,074,170,000 (31 December 2015: RMB1,311,526,000) were related to the lands for the purpose to develop hotel buildings, self-used buildings and investment properties, and are included in non-current assets. As at 30 June 2016, prepayments of RMB13,663,466,000 (31 December 2015: RMB11,133,906,000) were related to the lands for the purpose to develop properties for sale, and are included in current assets, 'prepayments for acquisition of land use rights'.

As at 30 June 2016, the Group made prepayments of RMB1,520,000,000 (31 December 2015: Nil) for acquisition of certain equity interests.

## 12 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	30 June 2016 RMB'000	31 December 2015 RMB'000
Bidding deposits for land use rights (Note (a))	2,091,855	4,116,809
Trade receivables (Note (b))	4,080,205	4,967,963
Prepaid business taxes on pre-sale proceeds	1,408,012	1,700,264
Prepayments for construction costs	1,959,288	1,239,653
Receivables from disposal of subsidiaries (Note 27)	2,050,409	—
Other receivables	3,280,032	2,762,189
	14,869,801	14,786,878

Notes:

- (a) Bidding deposits for land use rights mainly represented deposits of the Group placed with various municipal governments for the participation in various land auctions. These deposits will be deducted against the total land costs to be paid, if the Group wins the bid at the auction. If the Group does not win, the amount will be fully refunded.
- (b) Trade receivables mainly arose from sales of properties. Consideration in respect of properties sold is receivable in accordance with the terms of the related sales and purchase agreements. The ageing analysis of trade receivables at respective balance sheet dates is as follows:

	30 June 2016 RMB'000	31 December 2015 RMB'000
Within 90 days	2,920,971	3,911,781
Over 90 days and within 365 days	809,473	651,316
Over 365 days	349,761	404,866
	4,080,205	4,967,963

As at 30 June 2016, receivables arising from sales of properties was approximately RMB3,746,938,000 (31 December 2015: RMB4,332,638,000). The remaining balance mainly represents the receivables from property management service, rental income and others.

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12 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (continued)

Trade receivables are analysed as follows:

	30 June 2016 RMB'000	31 December 2015 RMB'000
Fully performing under credit terms	2,871,641	3,694,870
Past due but not impaired	1,208,564	1,273,093
	4,080,205	4,967,963

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

	30 June 2016 RMB'000	31 December 2015 RMB'000
Within 90 days	129,561	245,613
Over 90 days and within 365 days	729,242	622,614
Over 365 days	349,761	404,866
	1,208,564	1,273,093

As the Group normally holds the properties as collateral before collection of the outstanding balances and passing the titles to the purchasers, the Directors consider that the past due trade receivables would be recovered and no provision was made against past due receivables as at 30 June 2016 (31 December 2015: Nil).

As at 30 June 2016, provision for impairment of other receivables was approximately RMB132,586,000 (31 December 2015: RMB131,389,000).

As at 30 June 2016, 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 30 June 2016 and 31 December 2015, trade and other receivables of the Group were mainly denominated in RMB.

### 13 CASH AND BANK BALANCES

	30 June 2016 RMB'000	31 December 2015 RMB'000
Restricted cash	2,739,549	3,817,713
Cash and cash equivalents	17,324,543	22,591,843
	<u>20,064,092</u>	<u>26,409,556</u>

As at 30 June 2016, the Group's bank deposits of approximately RMB211,120,000 (31 December 2015: RMB270,931,000) was restricted and deposited in certain banks as guarantee deposits for mortgage loan facilities granted by the banks to the purchasers of the Group's properties. The Group's cash of approximately RMB2,528,429,000 (31 December 2015: RMB3,546,782,000) were pledged as collateral for the Group's borrowings.

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

The effective interest rate on bank deposits as at 30 June 2016 was 0.34% (31 December 2015: 0.34%).

### 14 SHARE CAPITAL

#### (A) DETAILS OF SHARE CAPITAL OF THE COMPANY ARE AS FOLLOWS:

	Par value HK\$	Number of Shares '000	Nominal value of ordinary shares HK\$'000	Equivalent to RMB'000
Authorised:				
At 30 June 2016 and 31 December 2015	0.1	5,000,000	500,000	
Issued and fully paid:				
At 30 June 2016 and 1 January 2016		3,472,572	347,257	356,275
At 30 June 2015 and 1 January 2015		3,472,572	347,257	356,275

## 14 SHARE CAPITAL (continued)

### (B) SHARE OPTION SCHEME

Pursuant to Shanghai Shimao's shareholders' resolution passed on 27 June 2013, a share option scheme ("A Share Option Scheme") was approved, and will expire at the end of the 36-month period from the date of grant. On 28 June 2013, options for a total of 10,000,000 ordinary shares of Shanghai Shimao ("A Share Option") under this scheme were granted to Shanghai Shimao's eligible employees with exercise price of RMB9.84 per share.

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

For the year ended 31 December 2015 and the six months ended 30 June 2016, Shanghai Shimao capitalised 586,207,669 shares and 765,544,543 shares from capital reserve respectively. In consequence, the total options shares changed from 10,000,000 to 21,000,000.

As at 30 June 2016, 8,820,000 shares have been exercised, and 12,180,000 shares were lapsed. Pursuant to the A Share Option Scheme, the granted options were expired on 26 June 2016. There was no shares granted but not exercised as at 30 June 2016.

### (C) SHARE AWARD SCHEME

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

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

A Trust was constituted to manage the Share Scheme, and a wholly owned subsidiary of the Company incorporated in the British Virgin Islands was designated as Trustee. Up to 30 June 2016, the Trust purchased 24,070,000 ordinary shares from market, totaling HK\$328,484,000 (equivalent to RMB263,378,000), of which 18,053,567 shares were granted to eligible employees according to the Share Scheme up to 30 June 2016. Up to 30 June 2016, there were 11,162,127 shares which have been vested, and 1,324,936 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.

14 SHARE CAPITAL (continued)

(C) SHARE AWARD SCHEME (continued)

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

	Number of unvested shares granted Six months ended 30 June	
	2016	2015
Unvested shares, beginning	4,730,902	5,468,896
Granted	3,517,115	2,781,513
Vested	(2,387,734)	(2,269,120)
Lapsed	(293,779)	(258,404)
<b>Unvested shares, ending</b>	<b>5,566,504</b>	<b>5,722,885</b>

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

(D) RECONCILIATION OF THE NUMBER OF SHARES OUTSTANDING WAS AS FOLLOWS:

	Number of shares issued Six months ended 30 June	
	2016 '000	2015 '000
Shares issued and fully paid at 30 June	3,472,572	3,472,572
Treasury shares at 1 January	(10,995)	(12,748)
Treasury shares purchased for the Share Award Scheme	(4,300)	(3,000)
Vested shares under the Share Award Scheme	2,388	2,269
<b>Shares outstanding at 30 June</b>	<b>3,459,665</b>	<b>3,459,093</b>

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## 15 BORROWINGS

	30 June 2016 RMB'000	31 December 2015 RMB'000
Borrowings included in non-current liabilities		
Long-term bank borrowings		
– secured by assets (Note (i))	17,826,722	15,570,749
– secured by shares of subsidiary guarantors (Note (ii))	–	7,821,483
– secured by shares of a listed subsidiary (Note (iii))	–	35,000
– unsecured	3,853,506	2,382,441
Long-term borrowings from other financial institutions		
– secured by assets (Note (i))	2,802,000	3,490,000
– unsecured	1,219,836	1,339,507
Senior notes – secured (Note (iv))	16,477,515	16,112,385
Medium-term notes – unsecured (Note (v))	5,000,000	5,000,000
Long-term bonds (Note (vi))	9,365,900	7,365,900
Domestic corporate bonds (Note (viii))	4,000,000	–
	60,545,479	59,117,465
Less: Long-term bank borrowings due within one year	(4,572,762)	(5,710,562)
Long-term borrowings from other financial institutions due within one year	(259,836)	(539,507)
Medium-term notes due within one year	(1,000,000)	–
Amounts due within one year	(5,832,598)	(6,250,069)
	54,712,881	52,867,396
Borrowings included in current liabilities		
Short-term bank borrowings		
– secured by assets (Note (i))	3,080,253	3,614,898
– secured by shares of a listed subsidiary (Note (iii))	162,000	462,000
– unsecured	1,156,000	2,489,629
Short term borrowings from other financial institutions		
– secured by assets (Note (i))	–	85,000
– unsecured	2,000	52,000
Short-term bonds – unsecured (Note (vii))	2,000,000	4,000,000
Current portion of long-term borrowings	5,832,598	6,250,069
	12,232,851	16,953,596

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15 BORROWINGS (continued)

Movement of borrowings is analysed as follows:

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Opening balance at 1 January	69,820,992	61,994,089
Additions of borrowings	35,548,241	38,259,143
Transfer from joint ventures to subsidiaries	473,990	673,570
Amortisation of issuance expenses	21,130	86,873
Reductions of borrowings	(38,948,795)	(33,829,754)
Disposal of subsidiaries	(500,000)	(10,629)
Foreign exchange losses/(gains)	530,174	(59,106)
Closing balance at 30 June	66,945,732	67,114,186

Notes:

- (i) As at 30 June 2016, the Group's total secured bank borrowings and borrowings from other financial institutions of RMB23,708,975,000 (31 December 2015: RMB22,760,647,000) were secured by its property and equipment, investment properties, land use rights, properties under development, completed properties held for sale and restricted cash. As at 30 June 2016, secured borrowings of RMB148,500,000 (31 December 2015: RMB1,331,000,000) were further guaranteed by Mr. Hui Wing Mau.

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

	30 June	31 December
	2016 RMB'000	2015 RMB'000
Property and equipment	1,959,294	2,277,722
Investment properties	9,133,800	12,422,023
Land use rights	4,019,405	2,045,086
Properties under development	29,510,697	31,294,587
Completed properties held for sale	5,420,034	5,727,010
Restricted cash	2,528,429	3,546,782
	52,571,659	57,313,210

## 15 BORROWINGS (continued)

Notes (continued):

- (ii) On 14 June 2013, the Company entered into a multi-currency loan facility agreement with a syndicate of 8 banks. Pursuant to the agreement, the Company obtained 4-year syndicated loan facilities, including a US\$320,000,000 facility and a HK\$1,950,000,000 facility at a floating rate of interest, 15% out of the loan principal would mature in 2015, 35% would mature in 2016 and 50% will mature in 2017. The loan facilities were guaranteed by certain subsidiaries of the Group, and secured by pledge of the shares of these subsidiary guarantors. On 16 February 2016 the Company repaid all the remaining principal of the syndicate loan.

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

- (iii) As at 30 June 2016, 24,920,000 (31 December 2015: 98,420,000) shares of Shanghai Shimao have been pledged for total bank and other financial institution borrowings of RMB162,000,000 (31 December 2015: RMB497,000,000) for group companies.

- (iv) On 14 January 2013, the Company issued senior notes with total principal of US\$800,000,000 at a fixed interest rate of 6.625% due on 14 January 2020. On 22 January 2014, the Company issued senior notes with total principal of US\$600,000,000 at a fixed rate of 8.125% due on 22 January 2021.

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

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

- (v) On 15 April 2014, Shanghai Shimao issued medium-term notes with total principal of RMB1,000,000,000 at a fixed interest rate of 8.37% due on 15 April 2017. On 22 August 2014, Shanghai Shimao issued medium-term notes with total principal of RMB1,000,000,000 at a fixed interest rate of 7.6% due on 22 August 2017. On 10 March 2015, Shanghai Shimao issued medium-term notes with total principal of RMB1,500,000,000 at a fixed interest rate of 6.08% due on 10 March 2018. On 10 July 2015, Shanghai Shimao issued medium-term notes with total principal of RMB1,500,000,000 at a fixed interest rate of 5.35% due on 10 July 2018.

- (vi) On 18 September 2015, Shanghai Shimao Jianshe Co., Ltd. ("Shimao Jianshe") issued long-term bonds in an aggregate principal amount of RMB6,000,000,000 at a fixed interest rate of 3.90% per annum, which will mature on 18 September 2020. On 15 October 2015, Shimao Jianshe issued long-term bonds with total principal of RMB1,400,000,000 at a fixed interest rate of 4.15% due on 15 October 2022. On 22 March 2016, Shanghai Shimao issued the first phase of corporate bonds with total principal of RMB2,000,000,000 at a fixed interest rate of 3.29% due on 22 March 2019.

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## 15 BORROWINGS (continued)

Notes (continued):

- (vii) On 26 January 2015, Shanghai Shimao issued short-term bonds with total principal of RMB2,000,000,000 at a fixed interest rate of 5.55% due on 27 January 2016. On 22 April 2015, Shanghai Shimao issued short-term notes with total principal of RMB2,000,000,000 at a fixed interest rate of 4.65% due on 23 April 2016. On 12 January 2016, Shanghai Shimao issued short-term financing bonds with total principal of RMB2,000,000,000 at a fixed interest rate of 3% due on 12 January 2017.
- (viii) On 14 January 2016, Shimao Property Holdings Limited issued Domestic corporate bonds with total principal of RMB4,000,000,000 at a fixed interest rate of 4.8% due on 14 January 2021.

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

	30 June 2016 RMB'000	31 December 2015 RMB'000
RMB	44,897,444	36,072,121
HK dollar	5,371,837	8,355,624
US dollar	16,676,451	25,393,247
Closing balance at 30 June	66,945,732	69,820,992

## 16 PERPETUAL CAPITAL INSTRUMENTS

During the period ended 30 June 2016, Shimao Jianshe issued two subordinated unlisted perpetual capital instruments with the total aggregate net proceeds of RMB600,000,000.

Both perpetual capital instruments issued by Shimao Jianshe are unsecured and non-guaranteed. There is no maturity of the instruments and the payments of distribution can be deferred at the discretion of Shimao Jianshe, and there is no limit as to the number of times of deferral of distribution. When Shimao Jianshe elects to declare dividends to the shareholders, Shimao Jianshe shall make distribution to the holders of perpetual capital instruments at the distribution rate as defined in the subscription agreement.

No distribution for the six months ended 30 June 2016 has been provided and paid by Shimao Jianshe.

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17 TRADE AND OTHER PAYABLES

	30 June 2016 RMB'000	31 December 2015 RMB'000
Trade payables (Note (a))	19,984,095	21,271,645
Other taxes payable	1,141,289	1,334,669
Accrued expenses	1,375,872	1,310,797
Other payables (Note (b))	2,387,071	2,045,880
	24,888,327	25,962,991

Notes:

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

	30 June 2016 RMB'000	31 December 2015 RMB'000
Within 90 days	19,354,369	21,139,006
Over 90 days and within 1 year	629,726	132,639
	19,984,095	21,271,645

(b) Other payables comprise:

	30 June 2016 RMB'000	31 December 2015 RMB'000
Deposits received from customers	1,422,666	1,240,333
Fees collected from customers on behalf of government agencies	97,722	116,509
Deposits from constructors	359,350	360,388
Rental deposits from tenants and hotel customers	340,203	294,340
Others	167,130	34,310
	2,387,071	2,045,880

## 18 AMOUNTS DUE TO RELATED PARTIES

	30 June 2016 RMB'000	31 December 2015 RMB'000
Company with common directors	—	1,861
Joint ventures	14,261,933	16,803,440
Associated companies	1,951,636	1,573,152
Non-controlling interests	11,069,133	6,069,543
<b>Total</b>	<b>27,282,702</b>	<b>24,447,996</b>

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

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

## 19 EXPENSES BY NATURE

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

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Cost of properties sold and others	20,030,416	18,309,276
<i>Including: interests capitalised</i>	1,943,018	1,754,506
<i>land and construction cost</i>	17,774,395	16,471,016
Business taxes and other levies on sales of properties	1,174,839	1,637,322
Staff costs – including directors' emoluments	820,071	774,959
Corporate and office expenses	459,497	502,248
Advertising, promotion and commission costs	316,730	573,453
Direct expenses arising from hotel operation	278,973	246,050
Depreciation (Note 6)	219,494	238,670
Operating lease rental expenses	81,449	60,351
Amortisation of land use rights (Note 6)	51,303	40,690
Charitable donations	46,080	22,962
Direct expenses arising from investment properties	17,432	20,660
Auditor's remuneration	4,200	4,000
Provision for impairment of receivables	1,197	20,902
Others	210,305	86,856
<b>Total cost of sales, selling and marketing costs, administrative expenses and other operating expenses</b>	<b>23,711,986</b>	<b>22,538,399</b>

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## 20 OTHER INCOME/OTHER GAINS – NET

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Gain on disposal of subsidiaries (Note 27)	454,269	6,984
Government grants received	72,148	22,761
Gain on derivative financial instruments	65,174	70,114
Gain on disposal of investment in structured products issued by banks	34,461	–
Loss on closure of an associated company	–	(394)
Gain on acquisition of equity interests in joint ventures and obtaining control	–	210,068
Net exchange gains	–	79,729
Others	44,671	17,036
	<u>670,723</u>	<u>406,298</u>

## 21 FINANCE COSTS – NET

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Interest on bank borrowings		
– wholly repayable within five years	1,344,433	1,013,659
– not wholly repayable within five years	208,170	529,511
Interest on senior notes		
– wholly repayable within five years	348,725	360,680
– not wholly repayable within five years	299,883	352,171
Interest on borrowings from other financial institutions		
– wholly repayable within five years	447,116	428,419
	<u>2,648,327</u>	<u>2,684,440</u>
Less: interest capitalised	(2,286,204)	(2,338,447)
Net foreign exchange losses	534,519	–
Less: foreign exchange losses capitalised	(214,496)	–
	<u>682,146</u>	<u>345,993</u>
Finance costs	682,146	345,993
Finance income	(226,044)	(155,921)
	<u>456,102</u>	<u>190,072</u>

## 22 INCOME TAX EXPENSE

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Current income tax		
– PRC enterprise income tax	2,216,544	1,770,293
– PRC withholding income tax	19,942	44,449
– PRC land appreciation tax	991,320	840,723
	3,227,806	2,655,465
Deferred income tax		
– PRC enterprise income tax	1,375	156,043
	3,229,181	2,811,508

### (A) HONG KONG PROFITS TAX

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

### (B) PRC ENTERPRISE INCOME TAX

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

### (C) PRC LAND APPRECIATION TAX

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

### (D) PRC WITHHOLDING INCOME TAX

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

Gain on disposal of an investment in the PRC by overseas holding companies may also be subject to withholding tax of 10%.

## 23 DIVIDENDS

An interim dividend in respect of the six months ended 30 June 2015 of HK30 cents per ordinary share, amounting to approximately HK\$1,041,771,000 (equivalent to RMB821,541,000) was declared at the Company's board meeting held on 26 August 2015.

A final dividend in respect of the year ended 31 December 2015 of HK40 cents per ordinary share, amounting to approximately HK\$1,389,029,000 (equivalent to RMB1,163,728,000) was proposed at the Company's board meeting held on 30 March 2016, and was approved at the annual general meeting of the Company held on 20 June 2016.

At a meeting held on 30 August 2016, the Board declared an interim dividend of HK26 cents per ordinary share and a special dividend of HK6 cents per ordinary share for the six months ended 30 June 2016, amounting to approximately HK\$1,111,222,000 (equivalent to RMB954,318,000). This proposed dividend is not reflected as a dividend payable in this condensed consolidated financial information.

## 24 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 period.

	Six months ended 30 June	
	2016	2015
Profit attributable to the equity holders of the Company (RMB'000)	3,028,329	3,558,539
Weighted average number of ordinary shares in issue (thousands)	3,459,008	3,460,394
Basic earnings per share (RMB cents)	87.55	102.84

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 Scheme assuming they were exercised.

	Six months ended 30 June	
	2016	2015
Profit attributable to the equity holders of the Company (RMB'000)	3,028,329	3,558,539
Weighted average number of ordinary shares in issue (thousands)	3,459,008	3,460,394
Adjustments for shares granted under Share Award Scheme/share options granted under the Share Option Scheme (thousands)	2,928	2,524
Weighted average number of ordinary shares for diluted earnings per share (thousands)	3,461,936	3,462,918
Diluted earnings per share (RMB cents)	87.48	102.76

## 25 CONTINGENCIES AND FINANCIAL GUARANTEE CONTRACTS

(A) The Group had the following contingent liabilities:

	30 June 2016 RMB'000	31 December 2015 RMB'000
Guarantees in respect of mortgage facilities for certain purchasers	11,454,061	14,099,968

Note:

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

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

	Year of maturity	30 June 2016 RMB'000	31 December 2015 RMB'000
Guarantee in respect of borrowings	2016-2020	6,051,452	7,534,077

Notes:

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

The Group and other shareholders of Guangzhou Li He Property Development Co., Ltd. ("Guangzhou Li He"), an associated company, provided guarantees in proportion of their respective equity interests in Guangzhou Li He for its bank borrowings. The respective guarantees provided by the Group amounted to RMB1,447,860,000 as at 30 June 2016 (31 December 2015: RMB1,781,900,000).

The Group and other shareholders of Chengdu Heng Yu Real Estate Development Co., Ltd. ("Chengdu Heng Yu"), an associated company, provided guarantees in proportion of their respective equity interests in Chengdu Heng Yu for its bank borrowings. As at 30 June 2016, the Group provided guarantees amounted to RMB1,099,890,000 (31 December 2015: RMB1,033,230,000).

The Group and other shareholders of Tianjin Jinnan Xincheng Real Estate Development Co., Ltd. ("Tianjin Jinnan"), a joint venture, provided guarantees in proportion of their respective equity interests in Tianjin Jinnan for its borrowings obtained from other financial institutions. As at 30 June 2016, the Group provided guarantee amounting to RMB128,558,000 (31 December 2015: RMB128,558,000) as well as the pledge of the Group's equity interests in Tianjin Jinnan.

## 25 CONTINGENCIES AND FINANCIAL GUARANTEE CONTRACTS (continued)

### (B) The Group had the following financial guarantee liabilities: (continued)

Notes: (continued)

The Group and other shareholders of Suzhou Industrial Park Shimao Century 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 RMB67,157,000 as at 30 June 2016 (31 December 2015: RMB176,730,000).

The Group and other shareholders of Nanjing Mingmao Real Estate Co., Ltd., an associated company, provided guarantees in proportion of their respective equity interests in Nanjing Mingmao Real Estate Co., Ltd. for its bank borrowings. The respective guarantees provided by the Group amounted to RMB850,000,000 as at 30 June 2016 (31 December 2015: RMB612,500,000).

The Group and other shareholders of Suzhou Industrial Park Shimao Lakeside Co., Ltd. ("Suzhou Industrial Lakeside"), a joint venture, provided guarantees in proportion of their respective equity interests in Suzhou Industrial Lakeside for its bank borrowings. The respective guarantees provided by the Group amounted to RMB942,560,000 as at 30 June 2016 (31 December 2015: RMB589,100,000).

The Group and other shareholders of Beijing Chuangyu Real Estate Development Co., Ltd. ("Beijing Chuangyu"), an associated company, provided guarantees in proportion of their respective equity interests in Beijing Chuangyu for its bank borrowings. The respective guarantees provided by the Group amounted to RMB390,000,000 as at 30 June 2016 (31 December 2015: RMB540,000,000).

The Group and other shareholders of Beijing FuWah Yuntong Real Estate Development Co., Ltd. ("Beijing FuWah"), a joint venture, provided guarantees in proportion of their respective equity interests in Beijing FuWah for its bank borrowings. The respective guarantees provided by the Group amounted to RMB402,165,000 as at 30 June 2016 (31 December 2015: RMB325,000,000).

The Group and other shareholders of Changsha Shimao Investment Co., Ltd., a joint venture, provided guarantees in proportion of their respective equity interests in Changsha Shimao Investment Co., Ltd. for its bank borrowings. The respective guarantees provided by the Group amounted to RMB723,262,000 as at 30 June 2016 (31 December 2015: RMB583,209,000).

## 26 COMMITMENTS

### (A) COMMITMENTS FOR CAPITAL AND PROPERTY DEVELOPMENT EXPENDITURE

	30 June 2016 RMB'000	31 December 2015 RMB'000
Contracted but not provided for		
– Property and equipment and investment properties	2,977,897	2,170,294
– Land use rights (including those related to associated companies and joint ventures)	9,953,273	14,517,215
– Properties being developed for sale	21,490,765	20,325,672
	34,421,935	37,013,181

## 26 COMMITMENTS (continued)

### (B) OPERATING LEASE COMMITMENTS

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

	30 June 2016 RMB'000	31 December 2015 RMB'000
Within 1 year	151,767	129,443
After 1 year but within 5 years	459,446	430,095
After 5 years	214,995	239,280
	826,208	798,818

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

### (A) DISPOSAL OF SUBSIDIARIES

For the six months ended 30 June 2016, the Group disposed of certain equity interests in several wholly owned subsidiaries with total consideration of RMB2,915,599,000.

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

	RMB'000
Cash and cash equivalents	61,248
Investment properties	2,598,000
Borrowings	(500,000)
Amount due from related parties	749,226
Property and equipment	3,619
Other assets	305,014
Other liabilities	(504,777)
Total identifiable net assets	2,712,330
Total consideration	2,915,599
Fair value of interests retained in joint ventures	251,000
Net assets disposed	(2,712,330)
Disposal gains (Note 20)	454,269
Total consideration	2,915,599
Less: consideration receivable (Note 12)	(2,050,409)
Cash and cash equivalents in the entities disposed	(61,248)
Net cash inflow arising from disposal	803,942

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

### (B) CERTAIN JOINT VENTURES TRANSFERRED TO SUBSIDIARIES

During the year, the Group gain control in the following joint ventures:

FuWah Borong and FuWah Wulan originally 50% owned joint ventures became subsidiaries from 1 June 2016 pursuant to the revised articles that confer the Group the exclusive decision making rights in all significant activities, including but not limited to operation and financing activities.

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

	RMB'000
Fair value of equity interest in above companies held before the business combination	587,847
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Cash and cash equivalents	211,299
Properties under development	1,405,438
Borrowings	(473,990)
Other assets	50,298
Other liabilities	(17,351)
Total identifiable net assets	1,175,694
Non-controlling interests	(587,847)
Total acquired net assets	587,847
Net cash inflow from acquisition	211,299

### (C) TRANSACTION WITH NON-CONTROLLING INTERESTS

In the period ended 30 June 2016, the Group disposed the non-controlling interests in certain companies including Fuzhou Shimao Huiying Property Co., Ltd., Shanghai Zequan Enterprises Management Co., Ltd., Nanjing Shimao New Lead Property Co., Ltd. for a total consideration of RMB5,293,733,000. The total carrying amount of the non-controlling interests in the companies on the date of acquisition was RMB5,293,733,000.

## 28 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 person of the Group is Mr. Hui Wing Mau.

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

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Operating lease rental expense paid to a related company (Note)	—	2,177

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Construction material sold to related companies	1,614	4,640

Note:

On 1 January 2016, the Group terminated the lease agreement with a wholly-owned subsidiary of Shimao International Holdings Limited ("Shimao International"), of which certain directors of the Group are also directors, to lease part of office premises of Shimao International in Hong Kong.

## (B) KEY MANAGEMENT COMPENSATION

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Emoluments		
– Salaries and other short-term employee benefits	7,710	10,352
– Retirement scheme contributions	146	154
	7,856	10,506

## 29 SUBSEQUENT EVENTS

On 12 July 2016, Shanghai Shimao issued the second phase of its Corporate Bonds with total principal of RMB1,500,000,000 at a fixed rate of 3.38% due on 12 July 2019. The total amount of the corporate bonds issuance shall not exceed RMB8,000,000,000, and there is no guarantee for this issue.