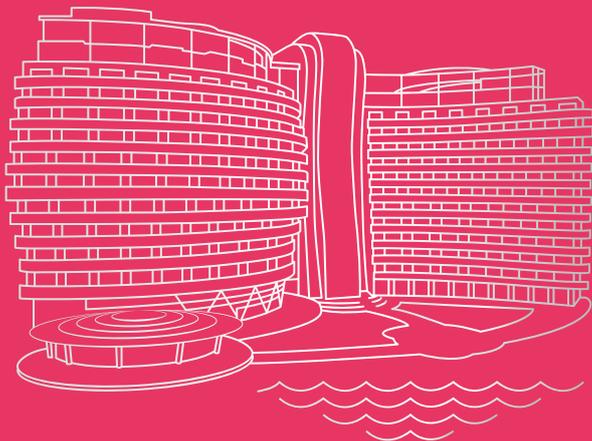




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REPORT

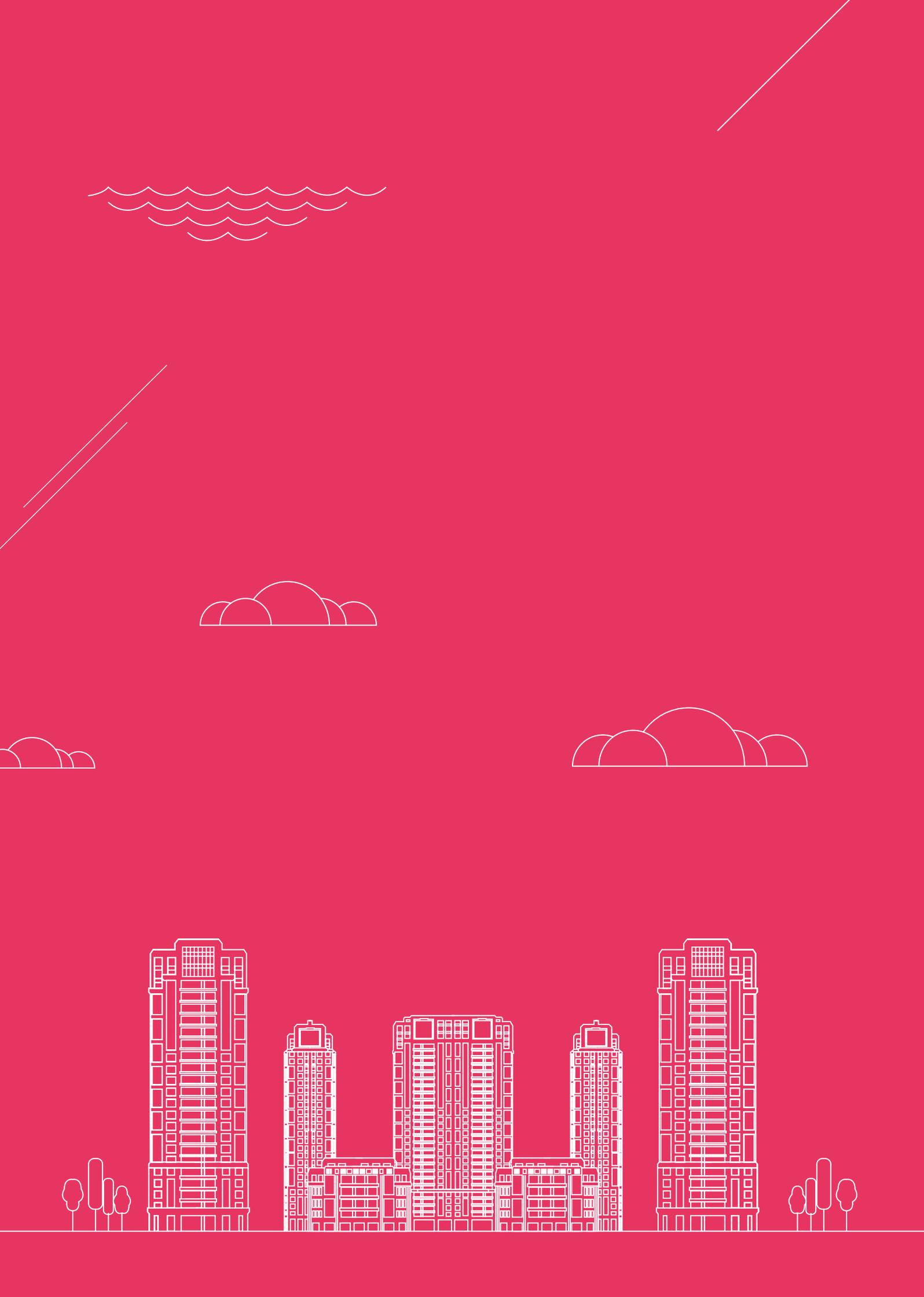
2017 年報



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

(Incorporated in the Cayman Islands with limited liability)

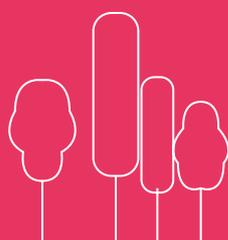
Stock Code: 813



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# NATIONWIDE QUALITY LAND RESERVES

Land reserves in 47 cities, with 165 projects, covered an area of 47.90 million sq.m. (before interest) (as at 31 December 2017)



**Zhejiang District**

Hangzhou Gate of Zhejiang  
 Hangzhou Pengbu Project  
 Hangzhou Shimao Born with Legend  
 Jiaxing Science and  
 Technology City Parcel  
 Ningbo Sunjia  
 Shaoxing Didang Lake No. 1 Parcel  
 Shaoxing Renmin Road  
 Shaoxing Yuecheng District  
 Qingdian Lake Project

**Central China District**

Hefei Shimao Jade Mansion  
 Nanchang Shimao The Grand View  
 Wuhan Baishazhou Shimao Cloud Value  
 Wuhan Caidian Parcel (46#, 1-3 parcel,  
 new parcel)  
 Wuhan Shimao Carnival  
 Wuhan Shimao Splendid River  
 Changsha Shimao Plaza  
 Hefei Gaoxin Project

**Western District**

Chengdu Shimao City  
 Chongqing Runyijiang Zhishang Lianbang  
 Project  
 Xi'an Shimao City  
 Yinchuan Yuehai Project

**Shandong District**

Jinan Huaiyin District Meili Road Parcel  
 Jinan Shimao Skyscraper City  
 Jinan Shimao The Capital of Yuanshan  
 Jinan Xiaoya Parcel  
 Jinan Zhangqiu District Nangaobu Parcel  
 Jinan Zhangqiu District  
 New No. 4 Middle School Parcel  
 Qingdao Shimao International Plaza  
 Qingdao Shimao Noble Town  
 Qingdao Shimao Noosa Bay

**Northern China District**

Beijing Tongzhou Xincheng Yangzhuang  
 No. 12 Project  
 Beijing Fengtai District Xitieying  
 Village Parcel  
 Beijing Shangzhuang Project  
 Beijing Yidu Qingqing Town  
 Beijing Yinghai Project  
 Gu'an Project  
 Tianjin Eco-City  
 Tianjin Jinnan Project  
 Tianjin Wuqing Shimao Luxury Mansion

**Central and South District**

Nanjing Pukou Royal Real  
 Nanjing Straits City  
 Nanjing Jianye Jiangdong No. 5 Project  
 Nanjing Pukou G24 Parcel  
 Nanjing Shimao Bund New City  
 Xuzhou Shimao Dongdu

**Jiangsu and Shanghai District**

Shanghai Baoshan Luodian Parcel  
 Shanghai Baoshan Luoqing Parcel  
 Shanghai Songjiang Project  
 Shanghai Zhoupu Shimao Cloud Atlas  
 Suzhou Shimao Bronze Swallow Terrace  
 Suzhou Shimao Shihu Bay  
 Zhangjiagang Shimao Lake Palace  
 Kunshan Parcel  
 Nantong mixed-use Project

**Fujian District**

Fuzhou Changle Jinfeng Town  
 No. 3-4 Parcels  
 Fuzhou City 108 Building Project  
 Fuzhou Fuqing 2017 Pai-01 and  
 Pai-03 Parcels  
 Fuzhou Guihu Longtou Yuan Parcel II  
 Fuzhou Jin'an District Houlong  
 Community Parcel II  
 Fuzhou Jinrong Street Project  
 Fuzhou Lianpan Shimao Shine City  
 Fuzhou Licuoshan Parcel  
 Fuzhou Pingtan Straits Future City  
 Fuzhou Yongtai Project  
 Quanzhou Jinjiang Dongshi Parcel  
 Quanzhou Jinjiang Project  
 Quanzhou Luojiang No. 1-2 Parcels  
 Quanzhou Luoyang River Project  
 Quanzhou Nan'an Downtown Fanhua  
 Project  
 Quanzhou Nan'an Guanqiao Aileyufu  
 Project  
 Quanzhou Quangang Project  
 Quanzhou Shimao Hi Dream  
 Quanzhou Shimao Zimaoshan  
 Quanzhou Shishi Shimao Skyscraper City  
 Xiamen Shimao Shine City  
 Xiamen Tong'an T2017P01 and T2017P04  
 Parcels  
 Xiamen Xiang'an XP13 and XP14 Parcels  
 Zhangzhou Changtai Longrenguqin  
 Cultural Village Parcel

**Southern China District**

Foshan Chan City Green Island Lake Parcel  
 Foshan Chan City Qicha 003 and 004 Parcels  
 Guangzhou Finance City  
 Guangzhou Zengcheng Zhangpo Village  
 Shenzhen Longgang Project  
 Shenzhen Qianhai Shimao Financial Centre

**HKSAR**

Tung Chung Project  
 Kowloon Tai Wo Ping Project  
 New Kowloon Inland Lot No. 6549 Project





InterContinental Shanghai Wonderland



Hangzhou Shimao  
Honor of China



Jiaxing Shimao  
Shine City



Nanjing Shimao G11 Project



Hangzhou Shimao  
Honor of China



Shanghai Shimao International Plaza



Nanjing Shimao G11 Project



Xiamen Shimao Shine City



Shenzhen Shimao SCC



Wuhan Shimao  
Dragon Bay



Beijing Shimao Shine City



Beijing Shimao Xishan Royal



Suzhou Shimao Gusu Royal



Beijing Shimao Tower



Shanghai Shimao Binjiang Tower



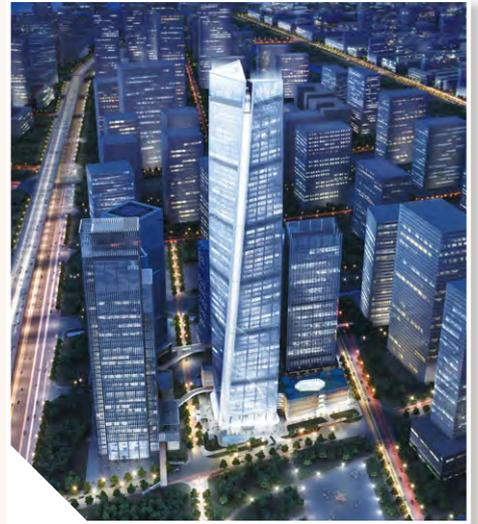
Fuzhou Shimao Cloud Guling



Fuzhou Shimao  
Classic Chinese Chic Changan



Quanzhou Shishi Shimao Skyscraper City



Shenzhen Qianhai  
Shimao Financial Centre



Fuzhou Shimao SCC



Nanjing Shimao SCC (Commercial)



Shaoxing Shimao Dear Town



Sheraton Hong Kong  
Tung Chung and Four Points  
by Sheraton Hong Kong  
Tung Chung



Shenzhen Pingshan  
Shimao Tower



Nanjing Shimao SCC  
(Office)



Jinan Shimao  
International Plaza

# CORPORATE INFORMATION

## Board of Directors

### Executive Directors

Hui Wing Mau (*Chairman*)  
Hui Sai Tan, Jason (*Vice Chairman*)  
Tang Fei

### 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 Place of Business in Hong Kong

38th Floor, Tower One  
Lippo Centre  
89 Queensway  
Hong Kong  
Telephone: (852) 2511 9968  
Facsimile: (852) 2511 0287  
Website: [www.shimaoproperty.com](http://www.shimaoproperty.com)



### Registered Office

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

### Hong Kong Branch Share Registrar and Transfer Office

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

### Principal Share Registrar and Transfer Office

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

### Place of Listing

The Stock Exchange of Hong Kong Limited  
Stock code: 813

### Investor and Media Relations

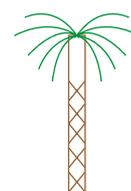
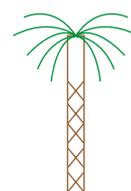
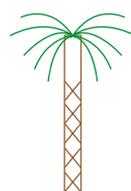
Investor Relations Department  
Email: [ir@shimaoproperty.com](mailto:ir@shimaoproperty.com)  
Telephone: (852) 2511 9968  
Facsimile: (852) 2511 0287



Xiamen Shimaoproperty Shine City



Beijing Yidu Qingqing Town

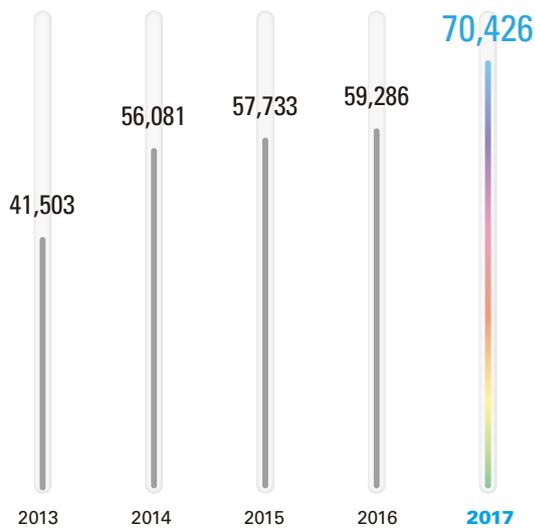


# FIVE YEARS FINANCIAL SUMMARY

	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000
<b>Revenue</b>	<b>70,425,874</b>	59,286,161	57,732,974	56,080,546	41,502,660
Cost of sales	<b>(48,996,361)</b>	(42,937,532)	(41,284,575)	(37,855,393)	(26,861,772)
<b>Gross profit</b>	<b>21,429,513</b>	16,348,629	16,448,399	18,225,153	14,640,888
Fair value gains on investment properties – net	<b>679,484</b>	1,996,673	2,776,694	1,510,622	1,031,206
Other income/Other gains – net	<b>545,095</b>	838,785	1,570,998	502,184	845,063
Selling and marketing costs	<b>(1,461,804)</b>	(1,352,643)	(1,615,275)	(1,495,887)	(1,305,735)
Administrative expenses	<b>(2,989,871)</b>	(2,742,720)	(3,278,396)	(2,807,693)	(2,283,303)
Other operating expenses	<b>(523,702)</b>	(268,509)	(288,194)	(262,921)	(592,136)
<b>Operating profit</b>	<b>17,678,715</b>	14,820,215	15,614,226	15,671,458	12,335,983
Finance income/(costs) – net	<b>1,328,414</b>	(1,175,946)	(1,408,648)	(240,522)	(121,361)
Share of results of					
– Associated companies	<b>167,593</b>	37,584	108,684	(153,470)	(51,443)
– Joint ventures	<b>(482,969)</b>	(485,975)	(591,853)	(21,033)	895,649
	<b>(315,376)</b>	(448,391)	(483,169)	(174,503)	844,206
<b>Profit before income tax</b>	<b>18,691,753</b>	13,195,878	13,722,409	15,256,433	13,058,828
Income tax expenses	<b>(8,121,060)</b>	(5,685,493)	(5,563,671)	(5,768,686)	(4,833,504)
<b>Profit for the year</b>	<b>10,570,693</b>	7,510,385	8,158,738	9,487,747	8,225,324
<b>Profit for the year attributable to equity holders of the Company</b>	<b>7,840,494</b>	5,171,855	6,115,784	8,103,833	7,389,857
Non-current assets	<b>85,027,201</b>	72,712,665	69,317,652	63,647,567	57,819,154
Current assets	<b>222,531,472</b>	189,190,340	174,937,039	156,885,890	117,948,704
<b>Total assets</b>	<b>307,558,673</b>	261,903,005	244,254,691	220,533,457	175,767,858
Non-current liabilities	<b>75,334,749</b>	55,077,089	58,725,582	47,608,745	41,538,923
Current liabilities	<b>135,477,127</b>	118,608,923	110,779,789	107,941,628	82,377,073
<b>Total liabilities</b>	<b>210,811,876</b>	173,686,012	169,505,371	155,550,373	123,915,996
<b>Net assets</b>	<b>96,746,797</b>	88,216,993	74,749,320	64,983,084	51,851,862
Equity attributable to equity holders of the Company	<b>57,634,683</b>	52,456,051	50,161,660	46,863,379	41,742,250
Non-controlling interests	<b>39,112,114</b>	35,760,942	24,587,660	18,119,705	10,109,612
<b>Total equity</b>	<b>96,746,797</b>	88,216,993	74,749,320	64,983,084	51,851,862

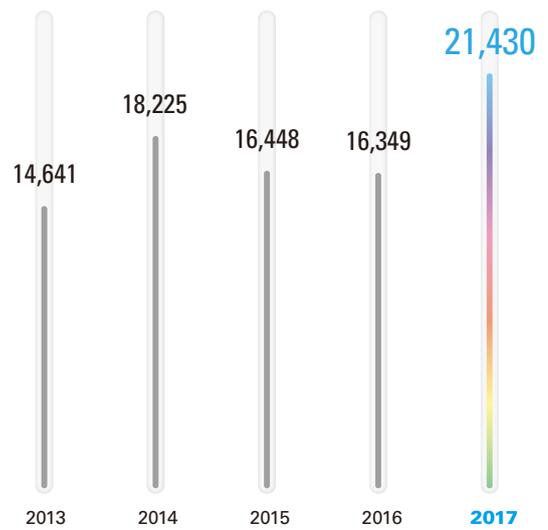
**REVENUE**

(RMB million)



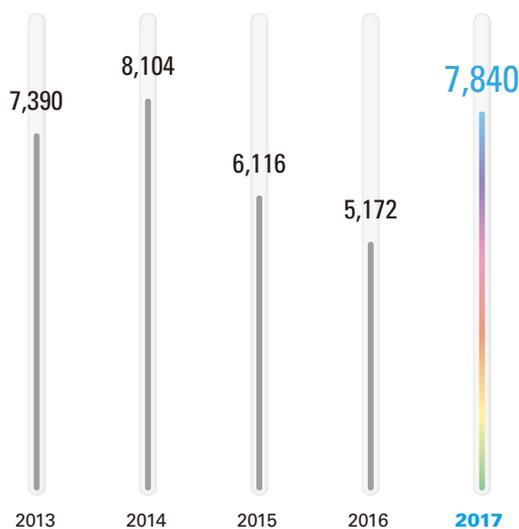
**GROSS PROFIT**

(RMB million)



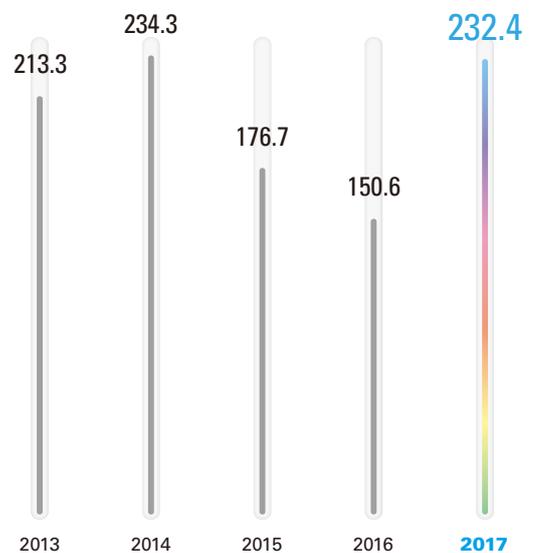
**PROFIT ATTRIBUTABLE TO SHAREHOLDERS**

(RMB million)



**BASIC EARNINGS PER SHARE**

(RMB cents)



# CHAIRMAN'S STATEMENT

## Dear shareholders,

I am pleased to present the annual results of Shimao Property Holdings Limited ("Shimao Property", "Shimao" or the "Company", together with its subsidiaries, the "Group") for the year ended 31 December 2017.

## Market and Outlook

Since 2016, China continued to tighten its regulation on real estate market. During 2017, the control of the real estate market had been intensified. Various cities imposed restrictions on property purchase, mortgage loans, property sales and increased the down payment ratios of property purchase. Adding to the unfavourable macro-economic conditions such as financial deleveraging, the commencement of new starts further declined. Under strict regulation, the real estate markets in major cities began to stabilize. The growth of gross floor area sold further decreased when compared with the previous year while the value of sales exhibited significant drop in prime cities, in particular the first-tier cities. On the other hand, due to less restricted regulation and the policy of money compensation for relocation and redevelopment, the real estate markets in third-tier and fourth-tier cities exhibited signs of recovery, resulting in higher sales in aggregate. According to the National Bureau of Statistics, the gross floor area and value of commodity properties sold in China recorded their historical highs. A total of approximately 1,694.08 million sq.m. of gross floor area of commodity properties were sold for approximately RMB13,370.1 billion, representing year-on-year increases of 7.7% and 13.7% respectively.





Shenzhen Qianhai Shimao  
Financial Centre

Looking forward into 2018, it is expected that due to on-going and effective regulation and control measures, the sales of commodity properties will slightly decline from its new high in 2017. The real estate markets in third-tier and fourth-tier cities will be under higher pressure after the phasing out of the inventory clearance policy. However, the markets in first-tier and second-tier cities may bottom out. Market differentiation is more prominent. Despite slight decline in total sales, market concentration will be more significant due to higher effect of scale of economy.

In 2018, the Group will still focus on the sales of upgraded units. Core cities will remain the primary targets with first-tier and strong second-tier cities with strong demand, accounting for 60% of the Group's saleable resources. It is expected that the average selling prices and profit will further boost.



Fuzhou Jinrong Street Project



Quanzhou Luojiang Shine City

## Shimao's Strategies and New Management Structure

As part of our corporate strategies, Shimao slowed down in scale expansion for quality growth in 2015 and 2016, while attaching equal weight to scale and profit for 2017. The Group believes that it can only respond to market fluctuations with an enhancement in profit, customer's recognition and branding driven by sound operations. The Group emphasizes the collection rate and profit margin much more than scale and discount promotional pricing. In 2017, the Group recorded a cash collection rate of 80% and a gross profit margin of 30.4%, both of which were at a relatively high level in the industry. The cash from sales proceeds rose from RMB60.0 billion in 2016 to RMB80.7 billion in 2017, up by 35%. To solve the problems related to the price caps set by the government, web-based contracts and filing, and mortgage loans, the Group secured sufficient liquidity by increasing the percentage of all-cash and down payment ratio for projects in popular cities as well as top-selling projects depending on the products and market conditions, without compromising sales. Gross profit margin increased from 27.6% in 2016 to 30.4% in 2017, mainly attributable to the constant rise in selling prices, highly competitive products and land acquisition at reasonable cost. The Group strictly linked the actual incurred costs with the achievement rate through comprehensive cost budgeting and dynamic tracking. The cost efficiency of the selling and marketing costs and administrative expenses to the contracted sales dropped from 5.8% in 2016 to 4.3% in 2017. In particular, the percentage of the two major costs of saleable properties to the contracted sales decreased from 4.2% in 2016 to 3.1% in 2017, which was relatively low in the industry.

The Group will invest in selected projects and strengthened the management of construction, sales and inventory control. Regional workforces will be built up as powerful teams through various measures, elimination of the weakest, delegation of authority to front line staff and improvement of long-term incentive system. Presidents of nine business regions were promoted as regional chairmen as a recognition of the importance of the regions. Sub-regions were established and city presidents can be appointed to allow more opportunities of advancement and promotion. Regional branches are allowed to adopt different operation models according to local market conditions so as allow internal competition to eliminate business with poor performance. Division of management and performance assessment to allow the contributors to have their fair shares of profit and bonus. The division can create a sense of independence of local branches so that they have the incentive to proactively and effectively improve efficiency and management for better results in the future.

## Product Advancement and Integration of Cross-Disciplinary Resources

In 2017, Shimao advocated a mission of “being a leader in the industry for long-term development”. The products of Shimao must be of good quality and craftsmanship and perfectly match the city environment and the needs of buyers. We have introduced five brand new series of high quality and competitive products, including “Cloud” (雲系), “Shine” (璀璨系), “Glory” (天譽系), “Classic Chinese Chic” (國風系) and “Royal” (龍鳳系) to form a strong foundation for future rapid and healthy growth of Shimao. The design of product is user-oriented and different requirements of users are taken into account to incorporate various functions. Equipped with modern features with aesthetic sense, the perfectly designed area has created a more comfortable atmosphere for our customers.

In addition, the Group also advocated product innovation and value adding. Through cross-disciplinary integration and focus on education, sports and cultural innovation, the Group succeeded in enhancing the brand value, achieving software breakthroughs, empowering the community and resulting in premium pricing of the products. A house is not just a space, but also represents a lifestyle. Among the lifestyle of such community, the two most important things are education and health. From 2016 onwards, the Group has been introducing and implementing the Shimao-style photosynthetic education all over the country. Photosynthetic Education Community is neither a simple upgrading of the educational facilities in the community, nor a direct introduction of educational resources. Forgoing the cliché of “school-district properties” or “quality education”, Photosynthetic Education Community returns to the essence of education. Targeting the different educational needs of the three generations, Shimao centralized the educational resources by connecting together the children, parents with premium educational resources. The Shimao O2O platform and ecological environment provide a perpetual organic learning environment for the children to grow. In 2017, the Group also formed a “property + sports” strategic alliance with the top football brand in the world, FC Barcelona, to promote excellence in sportsmanship with a focus on health through different dimensions, such as “community sports infrastructure”, “youth football programme”, “football sportsmanship promotion” and “community neighbourhood”. Through innovation and upgrading in the aspects of product research and development, customer experience and service systems, the Group aims at creating the top exemplary sports lifestyle in China and attracting more sports-loving customers.



Yantai Shimao  
No.1 The Harbour



Nanjing Yuhuatai Project





Beijing Shimao Lá Villa

## Sales Performance

The Group set its annual contracted sales target at RMB80 billion at the beginning of 2017 and raised it to RMB88 billion in August. With record-high monthly contracted sales achieved in December thanks to the high-quality saleable resources, product structure and the number of available projects nationwide, the Group realized contracted sales of more than RMB100 billion for the first time. The contracted sales for the year were RMB100.77 billion, representing 114.5% of the annual target. The total contracted sales area amounted to 6,062,000 sq.m., with an average selling price of RMB16,623 per sq.m. in 2017, up from RMB13,850 per sq.m. in 2016. This has laid a good foundation for the Group's stable growth in profit margin in future.

In terms of cities, the average sales in each city of the Group amounted to approximately RMB2.52 billion, and the average sales per project amounted to approximately RMB910 million. The sales in Fuzhou, Guangzhou and Quanzhou were more than RMB8 billion, the sales in Nanjing were more than RMB7.5 billion, the sales in Ningbo, Xiamen, Hangzhou, Jinan and Wuhan were more than RMB4.5 billion, and sales in Beijing, Zhangjiagang, Tianjin and Qingdao were more than RMB3 billion, demonstrating a relatively strong competitiveness in the industry.

In 2017, the sell-through rate of saleable resources increased by 6 percentage points to 65%. The sell-through rates of new supply and inventory increased significantly as compared to those of 2016. The sell-through rate of new supply increased by 1 percentage point to 76%. The sell-through rate of inventory increased by 3 percentage points to 49% at the beginning of the year. At the end of 2017, the percentage of inventory of more than two years had significantly reduced, thereby further improving the structure of inventory. The inventory as a percentage of total saleable resources was reduced, which laid a strong business foundation for increasing the cash collection ratio and enhancing the competitive industry position.



Hangzhou Shimao Born with Legend



Quanzhou Luoyang  
River Project



Fuzhou Guihu Shimao Classic Chinese Chic Jin'an

## Prudent Replenishment of Premium Land Reserves

In 2017, land price remained high as the competition for land resources among property developers was severe, 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. Different control measures of the real estate market were introduced by different cities. The Group considered that government policy differentiation might continue and changed its strategy accordingly. In addition to first-tier and second-tier cities, the Group also acquire land in nearby third-tier and fourth-tier cities which may benefit from the spill-over effects of first-tier and second-tier cities. In order to maintain its sustainable growth, the Group had adopted an active yet prudent land acquisition policy. In 2017, the Group acquired land reserves of 10.60 million sq.m. (before interests) in cities including Shanghai, Xiamen, Guangzhou, Wuhan, Xi'an, Fuzhou, Quanzhou, Beijing, Foshan, Jiaying, Kunshan, Chongqing, Jinjiang, Jinan, Suzhou, Nanjing, Shaoxing and Hong Kong. Approximately 45% of the land was acquired through base price auction, acquisition and cooperation. Currently, Shimao Property has 165 projects with a total area of 47.90 million sq.m. (before interests) of quality land in 47 cities in China.

In view of intensifying competition in land acquisition in major investment cities, the Group will build resource advantage by enhancing human resources and budget for land acquisition, seeking cooperation opportunities, strictly following the latest policies and urban development planning in various cities, and developing numerous land acquisition methods and channels in addition to public auction to pave the way for future success.

## Determination to Uphold Prudent Financial Policy

In 2017, the Group continued to adopt prudent financial strategies to improve its results of operation. Sales performance of the Group recorded strong growth and key financial indices, such as turnover, gross margin and core profit attributable to shareholders, increased steadily, which met the expectation of the management and achieved an outstanding profit level.

In 2017, the cash from sales proceeds of the Group was approximately RMB80.7 billion, with a cash collection rate of 80%. As of 31 December 2017, the Group had sufficient capital, with book cash in the amount of RMB33.007 billion. In addition, the Group actively developed different financing channels and became one of the first private property developers to receive the approval to issue the panda medium-term notes. The capital sufficiency and multi-channel financing have offered sound support for the strategic investment and acquisition of premium land sources of the Group. As of 31 December 2017, net gearing ratio of the Group was 58.9%, which was below 60% for six consecutive years. Despite the increasingly stringent real estate control policy, the Group continued to lower its financing costs through multi-channel financing. The weighted average financing cost further decreased from 5.8% in 2016 to 5.3% in 2017, reflecting the sound operation and financial management of the Group.

In 2017, in addition to the increase in cash from sales proceeds, all key financing projects of the Group also achieved smooth progress. In respect of fund raising in local market, the real estate asset backed notes (ABN) of Shanghai Shimao International Plaza, which is a premium commercial and hotel complex of the Group, was successfully issued to raise RMB6.5 billion in September 2017. The notes have a term of 20 years and have a coupon rate of 4.8%. It was also the first ABN issued in the inter-bank market in China. In addition, Shanghai Shimao Co., Ltd. ("Shanghai Shimao"), a subsidiary of the Group, also issued medium-term notes of RMB1.3 billion and corporate bonds of RMB4.0 billion during the year. On the other hand, the Group was also active in offshore financing. The Group early redeemed its 6.625% senior notes of US\$800 million due 14 January 2020 in February 2017, and issued five-year 4.75% senior notes of US\$600 million and US\$400 million in July and December 2017, respectively. In October 2017, the Group entered into facility agreement with various overseas banks to secure dual currency 4-year fixed term loans of US\$680 million and HK\$5,890 million to repay debts and use for daily operation purpose.



Fuzhou Pingtan  
Straits Future City



Xiamen Shimao Shine City



Xuzhou Shimao Dongdu

Riding on its robust operating and financial performance, the Group received positive comments from domestic and international rating agencies. Standard & Poor's maintained the annual rating of Shimao at "BB+", and revised its outlook from negative to stable. Moody's and Fitch maintained their ratings of the Group at "Ba2" and "BBB-" respectively. Besides, Shanghai Shimao Jianshe Co., Ltd. ("Shimao Jianshe") and Shanghai Shimao, the two subsidiaries of the Group, were upgraded to "AAA" rating, the highest corporate credit rating, by Dagong Global Credit Rating Co., Ltd. and United Ratings Co., Ltd., respectively.

Looking forward to 2018, the Group will uphold its robust financial strategy and adopt a prudent financial management approach to further enhance cash collection, maintain sufficient capital reserves, maintain reasonable net gearing ratio and stabilize the operating efficiency. In 2018, the property policy is expected to be further tightened, and the regulation on financial market will be increasingly stringent. Nevertheless, with outstanding operational performance and multi-channel financing, the Group is confident in securing a sound and healthy development.

## Final Dividend

To demonstrate our appreciation for our shareholders' support, the board of directors of the Company (the "Board") has proposed the payment of a final dividend of HK60 cents per share (2016: HK44 cents per share). Together with an interim dividend of HK40 cents per share, the total distribution for the year will amount to HK\$1.00 per share (2016: HK76 cents per share).

## Appreciation

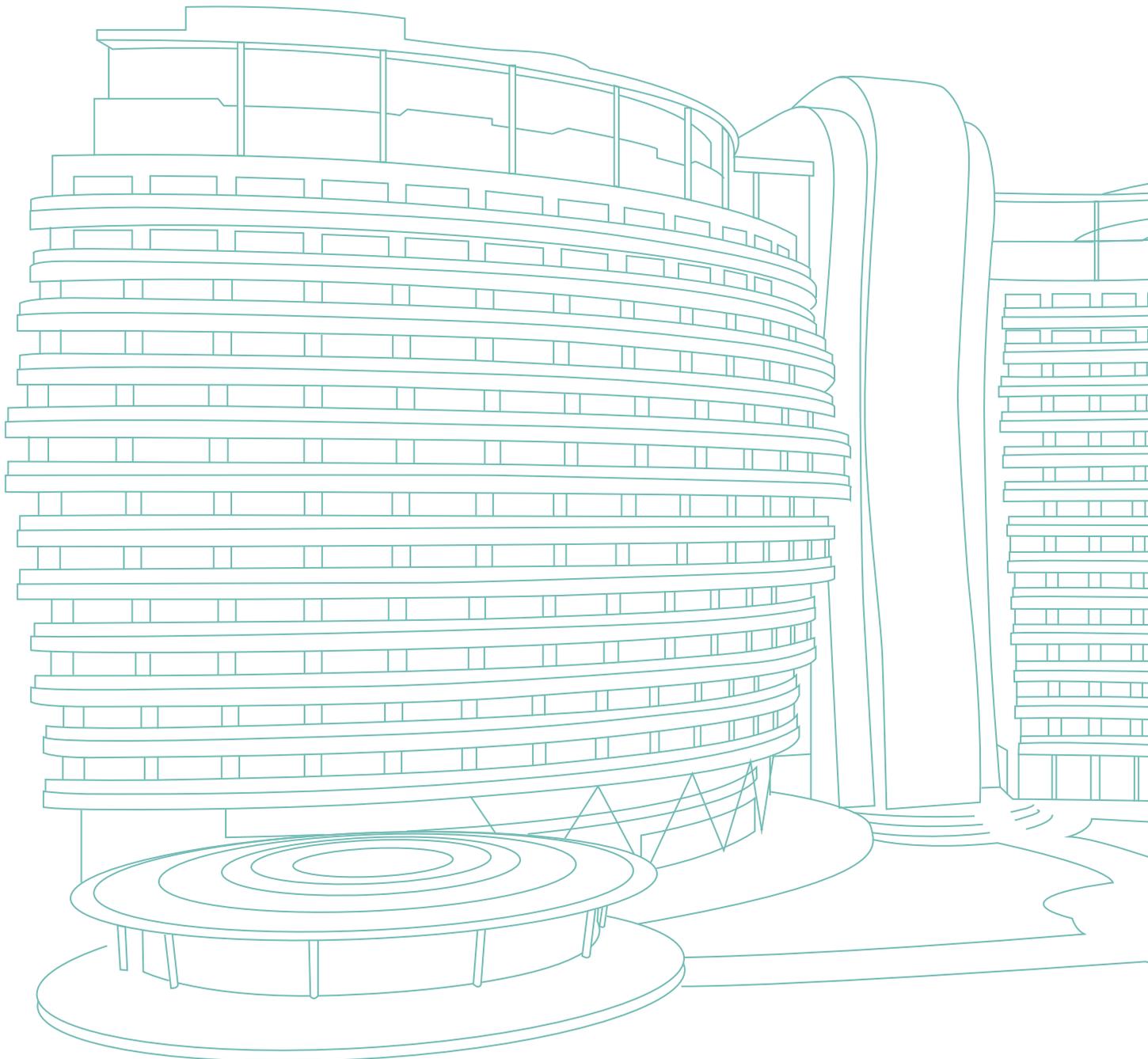
On behalf of the Board, I would like to thank our shareholders, partners, local governments and customers for their tremendous support. I would also like to take this opportunity to express my heartfelt gratitude to our directors, management and staff for all their valuable contributions. The Group's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

**Hui Wing Mau**

*Chairman*

Hong Kong, 27 March 2018

# MANAGEMENT DISCUSSION AND ANALYSIS

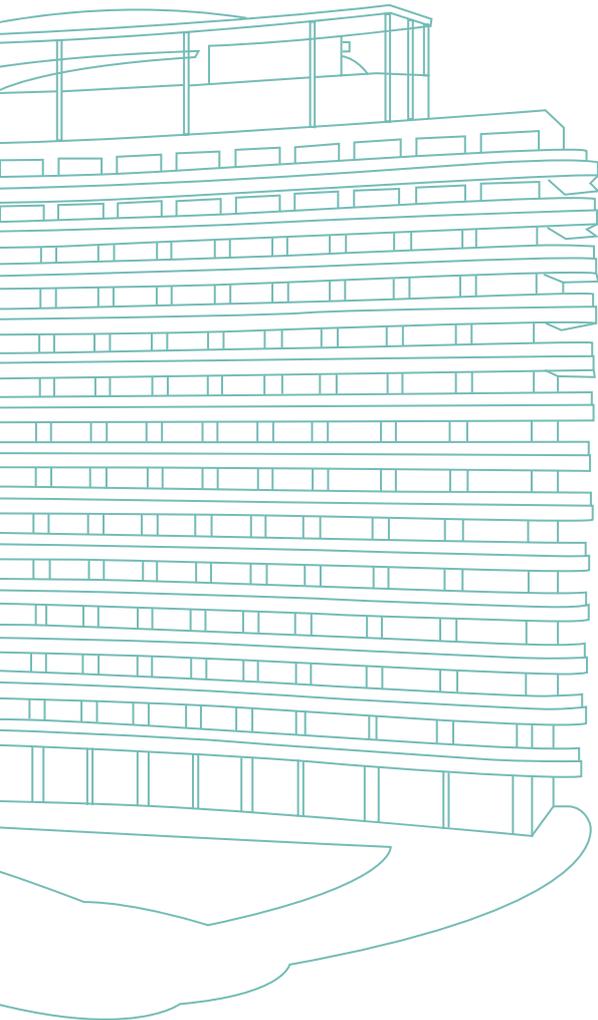




InterContinental  
Shanghai Wonderland



InterContinental Shanghai Wonderland



## BUSINESS REVIEW

### Property Development

#### 1) Recognized Sales Revenue

The Group generates its revenue primarily from property development, property investment and hotel operation. The Group's revenue for the year ended 31 December 2017 grew by 18.8% to RMB70.426 billion, from RMB59.286 billion in 2016. During the year, revenue from property sales was RMB66.796 billion, accounting for 94.8% of total revenue and representing an increase of 18.9% over 2016. The average recognized selling price increased by 17.6% to RMB13,585 per sq.m. in 2017, from RMB11,551 per sq.m. in 2016. The number of projects recognized by the Group in 2017 totalled 78, higher than the 77 projects recognized in the corresponding period of 2016. Beijing Tongzhou World Chamber of Commerce Centre achieved impressive results and recognized sales revenue of RMB3.614 billion; Fuzhou Pingtan Straits Future City, the first runner-up, recognized sales revenue of RMB3.369 billion; and Tianjin Shimao Wetland Century, the second runner-up, recognized sales revenue of RMB2.528 billion.

The delivered gross floor area ("GFA") recognized for each project in 2017 and the relevant particulars are set out as follows:

Project	Recognized Area (sq.m.)	Recognized Sales (RMB million)	Average Selling Price (RMB per sq.m.)
<b>(a) Shimao Property</b>			
Beijing Tongzhou World Chamber of Commerce Centre	80,858	3,614	44,696
Fuzhou Pingtan Straits Future City	318,635	3,369	10,573
Tianjin Shimao Wetland Century	176,264	2,528	14,342
Zhangjiagang Shimao Lake Palace	164,248	2,497	15,203
Fuzhou Lianpan Shimao Shine City	84,964	2,460	28,953
Qingdao Shimao Noble Town	241,222	2,420	10,032
Hefei Shimao Jade Mansion	155,794	2,095	13,447
Chongqing Shimao Luxury Mansion	274,417	2,012	7,332
Chengdu Shimao City	262,824	2,004	7,625
Nanjing Straits City	68,455	1,931	28,208
Shaoxing Shimao Works of Time	122,076	1,653	13,541
Jinan Shimao The Capital of Yuanshan	160,036	1,650	10,310
Xi'an Shimao City	169,009	1,400	8,284
Suzhou Shimao Shihu Bay	56,637	1,364	24,083
Quanzhou Jinjiang Shimao Dragon Bay	199,153	1,260	6,327
Wuhan Baishazhou Shimao Cloud Value	121,627	1,123	9,233
Xiamen Shimao Royal Villa	35,665	1,089	30,534
Fuzhou Shimao Cloud Guling	45,760	1,073	23,448
Beijing Yidu Qingqing Town	61,597	1,035	16,803
Hangzhou Shimao Above the Lake	45,907	1,029	22,415
Wuhan Shimao Splendid River	52,874	1,010	19,102
Hangzhou Shimao Born with Legend	19,580	958	48,927
Quanzhou Shimao Hi Dream	98,027	910	9,283
Hainan Wenchang Shimao Blooming Sea	105,565	872	8,260
Wuhan Shimao Lake Island	102,014	809	7,930
Changzhou Shimao Champagne Lake	72,936	748	10,256

Project	Recognized Area (sq.m.)	Recognized Sales (RMB million)	Average Selling Price (RMB per sq.m.)
<b>(a) Shimao Property</b> <i>(continued)</i>			
Nanjing Shimao Merchants Mountain	29,941	738	24,648
Dalian Shimao Dragon Bay	69,090	662	9,582
Yinchuan Yuehai No. 1	97,963	635	6,482
Shenyang Shimao Wulihe	40,480	383	9,461
Chengdu Jianyang Shimao Misty Lakeside	29,673	362	12,200
Quanzhou Shimao Zimao Mansion	19,281	329	17,063
Yinchuan Shiyue Mansion	46,051	313	6,797
Xuzhou Shimao Dongdu	33,762	305	9,034
Fuzhou Minhou Shimao Dragon Bay	30,161	275	9,118
Mudanjiang Shimao Holiday Landscape	65,928	266	4,035
Yinchuan Maoyue Mansion	19,363	260	13,428
Nanning Shimao Luxury Mansion	32,380	256	7,906
Nanchang Shimao The Grand View	19,430	250	12,867
Suzhou Shimao Canal Scene	9,541	222	23,268
Dalian Shimao Glory City	33,075	190	5,745
Beijing Shimao Salamanca	19,888	171	8,598
Yinchuan Flourishing Mansion	26,345	166	6,301
Nanjing Shimao Glory Villa	2,889	148	51,229
Hangzhou Shimao Riviera Garden	6,525	109	16,705
Jiangyin Shimao Dragon Bay	8,195	89	10,860
Chengdu Shimao Royal Bay	3,002	78	25,983
Beijing Shimao Lá Villa	3,271	56	17,120
Shanghai Shimao Riviera Garden	431	55	127,610
Wuhu Shimao Riviera Garden	3,258	42	12,891
Harbin Shimao Riviera New City	6,583	31	4,709
Wuhan Shimao Dragon Bay	2,517	26	10,330
Hangzhou Shimao East No.1	1,203	25	20,781
Ningbo Shimao The Capital	972	18	18,519
Fuzhou Shimao Skyscrapers	66	13	196,970
Xiamen Shimao Lakeside Garden	706	11	15,581
Shenyang Shimao Notting Hill	1,064	9	8,459
Nantong Shimao In The Park	1,381	8	5,793
<b>Sub-total (a)</b>	<b>3,960,559</b>	<b>49,414</b>	<b>12,477</b>

Project	Recognized Area (sq.m.)	Recognized Sales (RMB million)	Average Selling Price (RMB per sq.m.)
<b>(b) Shanghai Shimao</b>			
Xiamen Shimao Shine City	147,696	5,111	34,605
Nanjing Shimao Bund New City	130,376	3,503	26,868
Nanjing Yuhuatai Project	63,708	1,900	29,824
Qingdao Shimao Noosa Bay	156,769	1,730	11,035
Jinan Shimao Skyscraper City	83,788	1,115	13,307
Quanzhou Shishi Shimao Skyscraper City	132,743	1,095	8,249
Tianjin Wuqing Shimao Luxury Mansion	79,002	829	10,493
Changshu Shimao Royal Bay	73,516	763	10,379
Jinan Shimao International Plaza	21,574	549	25,447
Ningbo Shimao Riviera Garden	8,078	174	21,540
Nanchang Shimao APM	10,347	162	15,657
Ningbo Shimao Sunlake Centre	12,209	139	11,385
Changzhou Shimao Champagne Lake (Commercial)	17,870	116	6,491
Wuhan Shimao Carnival	5,257	60	11,413
Hangzhou Shimao Wisdom Tower	1,513	43	28,420
Xuzhou Shimao Dongdu (Commercial)	6,500	39	6,000
Suzhou Shimao Canal Scene (Commercial)	3,390	37	10,914
Qingdao Shimao International Plaza	1,137	9	7,916
Suzhou Shimao Royal Villa	209	5	23,923
Changshu Shimao The Centre (Commercial)	513	3	5,848
<b>Sub-total (b)</b>	<b>956,195</b>	<b>17,382</b>	<b>18,178</b>
<b>Total (a) + (b)</b>	<b>4,916,754</b>	<b>66,796</b>	<b>13,585</b>

The breakdown of recognized sales for 2017 by cities is set out as follows:



▲ Nanjing	12.3%	▲ Chongqing	3.0%
▲ Xiamen	9.3%	▲ Shaoxing	2.5%
▲ Beijing	7.3%	▲ Suzhou	2.4%
▲ Qingdao	6.2%	▲ Xi'an	2.1%
▲ Fuzhou	5.7%	▲ Yinchuan	2.1%
▲ Quanzhou	5.4%	▲ Other 14 cities	8.4%
▲ Pingtan	5.0%		
▲ Tianjin	5.0%		
▲ Jinan	5.0%		
▲ Wuhan	4.6%		
▲ Zhangjiagang	3.7%		
▲ Chengdu	3.7%		
▲ Hangzhou	3.2%		
▲ Hefei	3.1%		

## 2) Steady Sales Growth

With respect to property sales, the Group's contracted sales amounted to RMB100.77 billion in 2017, exceeding the sales target. The aggregate sales area for the year was 6.062 million sq.m., with an average selling price of RMB16,623 per sq.m..

In 2017, as property curbs tightened in the first- and second-tier popular cities, the Group launched more projects in third- and fourth-tier cities, and the results proved that such strategy was correct. Evidently, the property demand in first- and second-tier cities spilled over to the lower-tier cities. Looking forward to 2018, the Group will launch saleable areas of approximately 11.03 million sq.m.. Together with the existing saleable areas of approximately 2.70 million sq.m. as at 31 December 2017, the Group's total saleable areas in 2018 will be approximately 13.73 million sq.m..

Key projects available for sale in 2018 are set out as follows:

District	Project	Saleable Area (sq.m.)
Fujian District	Quanzhou Nan'an Downtown Fanhua Project	241,824
	Fuzhou Fuqing	95,504
	Fuzhou Lianpan Shimao Shine City	139,200
	Xiamen Xiang'an New Project	85,934
	Fuzhou Jin'an New Project	149,319
Jiangsu and Shanghai District	Shanghai Zhoupu Shimao Cloud Atlas	35,902
	Wuxi Shimao The Capital	140,979
	Zhangjiagang Shimao Lake Palace	200,708
Northern China District	Beijing Yidu Qingqing Town	210,272
	Tianjin Jinnan Project	166,946
Southern China District	Guangzhou Zengcheng Zhangpo Village	28,149
Central China District	Wuhan Dragon Bay New City	234,957
	Hefei Gaoxin Project	93,025
Central and South District	Nanjing Shimao Bund New City	164,268
	Nanjing Hexi Jianye G11 Project	146,320
Zhejiang District	Ningbo Yaojiang New Town	85,590
	Jiaxing Science and Technology City Project	79,698
	Hangzhou Pengbu Project	89,871
Western District	Chengdu Shimao City	266,541
	Chongqing Runyijiang Zhishang Lianbang Project	217,772
	Yinchuan Shiyue Mansion	166,987
Shandong District	Qingdao Shimao Noble Town	232,997
	Jinan Xiaoya Project	78,492
Shanghai Shimao	Xiamen Jimei	34,978
	Shenzhen Qianhai Shimao Financial Centre	44,096
	Jinan Shimao Skyscraper City	52,721
Projects available for sale in 2018 worth over RMB1.5 billion		4,432,178
Projects available for sale in 2018 worth below RMB1.5 billion		6,600,109
Completed inventory		1,221,083
Uncompleted projects available for sale as of 31 December 2017		1,477,113
<b>Total</b>		<b>13,730,483</b>

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

The Group recovered from consolidation and experienced rapid growth in 2017. The sales for 2017 hit a record high of over RMB100 billion. In 2017, the gross floor area (“GFA”) of the projects of the Group under construction was 20.23 million sq.m.. The GFA completed was approximately 7.65 million sq.m.. Looking forward to 2018, the Group will maintain its high quality development with the completion of planned GFA of approximately 9.00 million sq.m. and commencement of the construction of GFA of approximately 30.00 million sq.m..

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

To support its sustainable development, the Group adopts an active but prudent policy toward land acquisition. In 2017, the Group acquired 10.60 million sq.m. (before interests) of land bank in cities including Shanghai, Xiamen, Guangzhou, Wuhan, Xi’an, Fuzhou, Quanzhou, Beijing, Foshan, Jiaying, Kunshan, Chongqing, Jinjiang, Jinan, Suzhou, Nanjing, Shaoxing and Hong Kong. Currently, Shimao Property possesses 165 projects in 47 cities in China, with a high-quality land bank of 47.90 million sq.m. (before interests) in total. The premium land resources and relatively low land cost provide continued support to Shimao Property’s results in the major markets of China in the next few years.

Geographically, in response to the city-specific control policies launched by the country and the possible continuance of such policies in the future, the Group made minor adjustments to its strategies, i.e. keeping watch for third- and fourth-tier cities which can accommodate the spillover demand from the surrounding first- and second-tier cities while acquiring land in first- and second-tier cities. The average floor price of the new land reserves was approximately RMB10,861 per sq.m. in terms of land cost. The Group holds sensible attitude, increases its land reserves by following its longstanding prudent policy and strives to strike a balance between development opportunity and risk control. As at 31 December 2017, the Group’s average land cost was RMB5,108 per sq.m.. The reasonable land cost provides effective assurance for the Group to achieve a higher profit margin in the future.

The land parcels acquired (including in process) by the Group in 2017 are as follows:

New Land Parcels	Date of Acquisition	Usage	Land Cost (Attributable Interests) (RMB million)	Total Planned GFA (Before Interests) (sq.m.)	Cost per sq.m. (RMB)	Group’s Interest
1. Shanghai Baoshan Luodian Parcel	January 2017	Commercial and residential	516	136,852	16,405	23.0%
2. Shanghai Baoshan Luojing Parcel	January 2017	Residential	1,204	100,556	23,469	51.0%
3. Xiamen Xiang’an XP13 Parcel	February 2017	Residential and commercial ancillary	995	34,300	29,009	100.0%
4. Xiamen Xiang’an XP14 Parcel	February 2017	Residential and commercial ancillary	972	33,500	29,015	100.0%
5. Guangzhou Zengcheng Zhangpo Village	March 2017	Residential	1,436	300,000	14,500	33.0%
6. Wuhan Caidian Parcel	April 2017	Commercial service	155	50,924	3,040	100.0%
7. Xi’an Weiyang District Lijun Future City Parcel	April 2017	Residential	1,217	811,000	3,000	50.0%
8. Fuzhou Guihu Longtou Yuan Parcel II	April 2017	Residential	557	88,872	6,267	100.0%
9. Quanzhou Luoyang River Project	April 2017	Residential	392	76,495	5,125	100.0%
10. Beijing Tongzhou Xincheng Yangzhuang No. 12 Project	May 2017	Residential and public facilities	1,374	45,600	30,133	100.0%
11. Quanzhou Quanguang Parcel	May 2017	Residential	115	306,336	734	51.0%
12. Foshan Chan City Green Island Lake Parcel	May 2017	Residential, commercial and office	1,049	83,891	12,500	100.0%
13. Jiaying Science and Technology City Parcel	May 2017	Residential	540	148,041	9,125	40.0%

New Land Parcels	Date of Acquisition	Usage	Land Cost (Attributable Interests) (RMB million)	Total Planned GFA (Before Interests) (sq.m.)	Cost per sq.m. (RMB)	Group's Interest
14. Jiaxing Xiuzhou District No. 14 Parcel	May 2017	Commercial and residential	479	159,361	10,017	30.0%
15. Kunshan Commercial and Residential Parcel	May 2017	Residential commercial and office	1,275	360,000	6,944	51.0%
16. Kunshan Commercial Parcel	May 2017	Commercial	84	66,000	2,500	51.0%
17. Fuzhou Changle Jinfeng Town No. 3 Parcel	May 2017	Residential	180	52,705	3,415	100.0%
18. Fuzhou Changle Jinfeng Town No. 4 Parcel	May 2017	Residential and commercial ancillary	390	115,500	3,377	100.0%
19. Wuyishan Project	May 2017	Residential, integrated commercial and residential and golf course	139	27,795	4,991	100.0%
20. Foshan Chan City Qicha 003 Parcel	June 2017	Residential and commercial ancillary	1,203	192,530	12,500	50.0%
21. Fuzhou Fuqing 2017 Pai-01 Parcel	June 2017	Residential and commercial ancillary	540	102,073	5,290	100.0%
22. Fuzhou Fuqing 2017 Pai-03 Parcel	June 2017	Residential	697	137,840	5,067	100.0%
23. Chongqing Runyijiang Zhishang Lianbang Project	June 2017	Residential, commercial and office	2,928	516,700	5,667	100.0%
24. Jinjiang Dongshi Parcel	June 2017	Residential	130	177,295	1,222	60.0%
25. Jinan Zhangqiu District Nangaobu Parcel	June 2017	Residential	433	112,399	6,415	60.0%
26. Jinan Zhangqiu District New No. 4 Middle School Parcel	June 2017	Residential	372	424,406	5,312	16.5%
27. Suzhou Yuanhe Street Parcel	June 2017	Residential	1,783	280,298	19,280	33.0%
28. Foshan Chan City Qicha 004 Parcel	June 2017	Residential and commercial ancillary	500	79,990	12,500	50.0%
29. Xiamen Tong'an T2017P01 Parcel	June 2017	Commercial and residential	813	119,160	20,074	34.0%
30. Xiamen Tong'an T2017P04 Parcel	June 2017	Residential and commercial ancillary	885	88,100	20,091	50.0%
31. Zhangzhou Changtai Longrenguqin Cultural Village Parcel	June 2017	Residential	330	97,382	5,213	65.0%
32. Nanjing Pukou G24 Parcel	July 2017	Residential	2,490	251,206	19,824	50.0%
33. Beijing Fengtai District Xitieying Village Parcel	July 2017	Commercial and residential	4,722	193,846	40,599	60.0%
34. Shaoxing Yuecheng District YC-04 Unit (Xiguo District) A-09 Parcel	July 2017	Commercial and residential	1,410	294,411	4,789	100.0%
35. Beijing Daxing District Yinghai Town Parcel	July 2017	Residential and educational	1,437	133,506	35,879	30.0%
36. Fuzhou Jin'an District Houlong Community Parcel II	July 2017	Residential	148	19,186	7,714	100.0%
37. Beijing Laishui Parcel I	August 2017	Residential	81	104,403	775	100.0%
38. Beijing Laishui Parcel II	August 2017	Residential	3	3,633	763	100.0%
39. Shaoxing Didang Lake No. 1 Parcel	September 2017	Residential	595	222,694	10,598	25.2%
40. Fuzhou Yongtai County Scenery Legend Project	September 2017	Residential, commercial and hotel	1,399	768,220	2,276	80.0%
41. Jiaxing Jingkai No. 2017-14 Parcel	September 2017	Residential	386	96,049	8,030	50.0%
42. Quanzhou Nan'an Downtown Fanhua Project	October 2017	Commercial and residential	646	403,132	2,912	55.0%

New Land Parcels	Date of Acquisition	Usage	Land Cost (Attributable Interests) (RMB million)	Total Planned GFA (Before Interests) (sq.m.)	Cost per sq.m. (RMB)	Group's Interest
43. Fuzhou City 108 Building Project	October 2017	Commercial and residential	1,530	313,698	4,877	100.0%
44. Quanzhou Nan'an Guangjiao Aileyufu Project	October 2017	Residential and commercial	307	151,329	3,980	51.0%
45. Hong Kong New Kowloon Inland Lot No. 6549 Parcel	November 2017	Residential	3,296	91,770	159,638	22.5%
46. Shanghai Jinshan Development Park Parcel	November 2017	Residential	275	87,219	9,569	33.0%
47. Shanghai Songjiang District Zhongshan Street Parcel	November 2017	Residential	618	69,289	27,046	33.0%
48. Jinan Huaiyin District Meili Road Parcel	December 2017	Residential	630	131,625	9,573	50.0%
49. Shenzhen Longgang Project	December 2017	Commercial and residential	23,943	1,364,500	17,547	100.0%
50. Fuzhou No. 2017-41 Taijiang District Jinrong Street Parcel	December 2017	Commercial service (commercial and office)	86	37,267	11,538	20.0%
51. Changchun Lianhuashan Project Nos. 82-87 Parcels	December 2017	Residential	264	539,269	784	62.5%
<b>Total</b>			<b>67,949</b>	<b>10,602,153</b>	<b>10,861</b>	

### Property Investment

Shimao Property is engaged in the development of commercial properties through Shanghai Shimao, a subsidiary in which Shimao Property has 58.92% equity interest. Shanghai Shimao is mainly engaged in the development and operation of commercial properties. It is the strategy of Shanghai Shimao to focus on the development and operation of commercial properties. Shanghai Shimao actively pursued opportunities of the domestic commercial property market to provide a wide range of commercial properties and quality services so as to improve its comprehensive competitiveness to become a leading company specialized in the development and operation of commercial properties.

During the year 2017, Shanghai Shimao strengthened its management, operation risk control and finance management. It actively pursued commercial property development and investment as well as other investments to maintain its growth momentum. Shanghai Shimao has restructured its business into four major segments of different kinds of commercial properties under the theme of "Metropolitan Living" to create a sense of city life at home, work, leisure and entertainment. Life will be endowed with fun and customers will feel connected. Shanghai Shimao launched two product lines of high-rise office buildings featured "city intelligence" outstanding in the skyline to provide the convenience of city life. In addition, Shanghai Shimao also modified the brand images of certain of its commercial properties. In August 2017, the renovation of Beijing Shimao Tower was completed after 151 days of works. In September 2017, Jinan Shimao International Plaza has completed 30% of its brand modification and upgrade of operation. Shanghai Shimao will continue to upgrade and renovate existing commercial properties to create a brand new image in the market.

Particulars of investment property projects of the Group in 2017 are set out as follows:

Commercial and Office Premises	Total GFA (sq.m)	Date of Commencement	Revenue (RMB million)	
			2017	2016
Shanghai Shimao International Plaza	71,239	Phase I – December 2004 Phase II – May 2007	37	136
Changshu Shimao The Centre	43,357	Commercial – 1st quarter of 2009	23	17
Beijing Shimao Tower	70,175	July 2009	154	146
Wuhu Shimao Riviera Garden (Commercial)	19,963	September 2009	8	8
Beijing Fortune Times (Commercial)	49,147	2010	–	35
Shanghai Shimao Shangdu	9,584	November 2010	35	32
Shaoxing Shimao Dear Town (Commercial)	181,605	May 2010	83	85
Suzhou Shimao Canal Scene (Commercial)	49,993	June 2010	33	34
Kunshan Shimao Plaza	88,249	April 2012	44	41
Xuzhou Shimao Dongdu (Commercial)	59,471	January 2012	14	15
Jinan Shimao International Plaza	280,641	May 2014	115	99
Nanjing Straits City (Commercial)	65,719	December 2014	29	20
Quanzhou Shishi Shimao Skyscraper City	156,335	January 2017	37	–
Xiamen Shimao Straits Mansion	37,261	January 2017	25	–
Miscellaneous rental income	–	–	43	42
<b>Total</b>			<b>680</b>	<b>710</b>
<b>Total</b> (excluding impact of Beijing Fortune Times and Shanghai Shimao International Plaza)			<b>643</b>	<b>539</b>



Quanzhou Nan'an Guanqiao Aileiyufu Project

### Hotel Operations

Shimao Star Hotel Group (“Shimao Star”) was established on 11 July 2017. Since its establishment, Shimao Star has built a hotel portfolio comprising all kinds of hotels by owning six self-owned brand hotels with different market positions, ranging from urban business hotels, featured resorts and apartments, which provide high-end full services and middle-end selected services. As at the end of 2017, Shimao Star owned two luxury resorts, “Yu Resort”, nine high-end business hotels, “Yuluxe”, one high grade business hotel, “Yu Hotels”, one high grade service apartment, “Yu Residence”, four high-end conceptual hotels, “MiniMax”, and fourteen conceptual hotels, “Mini”, all of which were operating or under preparation for opening. Among these 31 hotels, 8 hotels have been commenced operation and 23 hotels were under preparation for opening. Furthermore, Shimao Star showed its first presence overseas by entering into contracts in relation to Yuluxe Hotel and Yu Residence projects in Bali, which will be the first high-end hotel developed by Chinese enterprise in Bali. Shimao Star will put efforts in developing self-owned brand hotels and focus on the rapid growing hotel market in China. Shimao Star will focus on the hotel development, brand operation and asset management in first- and second-tier cities with flourishing economy and tourism industry, including Shanghai, Chengdu, Xiamen, Wuhan and Nanjing. Positioning itself as an international hotel group, Shimao Star plans to develop 100 hotels in the coming four years.

As of 31 December 2017, the Group had 18 hotels in operation, including Le Royal Méridien Shanghai, Hyatt on the Bund Shanghai, The Yuluxe Sheshan, A Tribute Portfolio Hotel, Shanghai, Hilton Nanjing Riverside, Holiday Inn Mudanjiang, Holiday Inn Shaoxing, DoubleTree by Hilton Wuhu, Crowne Plaza Shaoxing, InterContinental Fuzhou, Hilton Tianjin Eco-City, DoubleTree by Hilton Ningbo Chunxiao, Hilton Wuhan Riverside, Conrad Xiamen, DoubleTree By Hilton Ningbo Beilun, Hilton Yantai and three hotels entrusted to Shimao Star for management. Currently, the Group has over 6,000 hotel guest rooms. Hilton Yantai commenced operations in the second half of 2017. In 2017, the Group’s hotels achieved revenue of RMB1.708 billion, representing a year-on-year increase of 16.5%. EBITDA was RMB558 million, representing a year-on-year increase of 25.4%. EBITDA ratio increased by 2.3 percentage points from 30.4% in 2016 to 32.7%.

In 2018, Shimao Star will establish new hotels in major cities including Chengdu. With stylish designs and carefully polished facilities and services, the new hotels will provide consumers with diversified accommodation experience and further accelerate the output of light assets. Among all international brand hotels of the Group, the much-anticipated Shimao Wonderland InterContinental (上海深坑洲際酒店) will commence its operation in 2018. Hilton Shenyang commenced its operation in January 2018, while Le Méridien Hangzhou is expected to commence its operation in the fourth quarter of 2018. In addition, with a history of over 10 years, Le Royal Méridien Shanghai, Hyatt on the Bund Shanghai and The Yuluxe Sheshan, A Tribute Portfolio Hotel, Shanghai will be successively rebuilt in the next few years, in order to explore and cater for new market needs. All hotels will continue to focus on generating profit by strengthening cross-sector cooperation and exploring new income sources.



Nanjing Straits City

Particulars of hotel projects of the Group in 2017 are set out as follows:

Hotel	Number of Rooms	Date of Commencement	Revenue (RMB million)		EBITDA (RMB million)	
			2017	2016	2017	2016
The Yuluxe Sheshan, A Tribute Portfolio Hotel, Shanghai	325	November 2005	164	162	69	62
Le Royal Méridien Shanghai	770	September 2006	345	357	142	148
Hyatt on the Bund Shanghai	631	June 2007	388	368	154	141
Holiday Inn Mudanjiang	265	December 2010	33	30	10	8
Holiday Inn Shaoxing	284	September 2011	28	26	11	7
Hilton Nanjing Riverside	411	December 2011	98	92	27	21
DoubleTree by Hilton Wuhu	442	October 2013	63	59	13	8
InterContinental Fuzhou	318	January 2014	97	97	26	17
Crowne Plaza Shaoxing	453	March 2014	73	88	18	23
Yuluxe Hotel Taizhou	262	August 2014	31	25	3	(1)
Hilton Tianjin Eco-City	301	April 2015	46	35	2	(3)
DoubleTree by Hilton Ningbo Chunxiao	220	December 2015	25	18	1	1
Hilton Wuhan Riverside	338	July 2016	99	33	27	4
Conrad Xiamen	241	August 2016	133	34	39	4
DoubleTree by Hilton Ningbo Beilun	194	December 2016	39	–	16	–
Hilton Yantai	252	August 2017	18	–	(1)	–
Others	780		28	42	1	5
<b>Total</b>	<b>6,487</b>		<b>1,708</b>	1,466	<b>558</b>	445

Hotel properties are stated at carrying amount, i.e. cost less accumulated depreciation and impairment losses, if any, rather than at fair value. In order to provide shareholders with additional non-GAAP information on the net assets value of the Group, the Board has appointed Vigers Appraisal and Consulting Limited, an independent valuer, to perform a valuation of the Group's hotel properties as at 31 December 2017. Had the 29 hotels (2016: 29 hotels), namely, The Yuluxe Sheshan, A Tribute Portfolio Hotel, Shanghai, Le Royal Méridien Shanghai, Hyatt on the Bund Shanghai, Hilton Nanjing Riverside, Holiday Inn Mudanjiang, Crowne Plaza Shaoxing, Conrad Xiamen, Holiday Inn Shaoxing, Hilton Shenyang, Hilton Tianjin Eco-City, InterContinental Fuzhou, DoubleTree by Hilton Wuhu, Yuluxe Hotel Taizhou, DoubleTree by Hilton Ningbo Chunxiao, Hilton Yantai, Hilton Wuhan Riverside, DoubleTree by Hilton Ningbo Beilun, Yuluxe Hotel Xuzhou, InterContinental Shanghai Wonderland, Yuluxe Hotel Jinjiang, Yuluxe Hotel Yuyao, Yuluxe Hotel Wenchang Hainan, Yuluxe Hotel Chengdu, Shimao MiniMax Hotel Dalian, Le Méridien Hangzhou Binjiang, Yu Resort Quanzhou, MiniMax Hotel Shishi, Sheraton Hong Kong Tung Chung and Four Points by Sheraton Hong Kong Tung Chung been restated at fair value of RMB37.2 billion (2016: RMB35.8 billion), the net assets value of the Group would have been increased to RMB107.8 billion (2016: RMB98.2 billion).

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

	As at 31 December	
	2017	2016
	RMB million	RMB million
Fair value of above-mentioned hotels	<b>37,203</b>	35,830
Less: Carrying amount	<b>(16,845)</b>	(16,585)
Amounts to adjust from carrying amount to fair value	<b>20,358</b>	19,245
Less: Deferred income taxes	<b>(5,090)</b>	(4,811)
Increase in net assets value if the above-mentioned hotels are stated at fair value	<b>15,268</b>	14,434
Net assets value per consolidated balance sheet (excluding perpetual capital instruments)	<b>92,547</b>	83,717
Adjusted net assets value (excluding perpetual capital instruments)	<b>107,815</b>	98,151
Net debt	<b>54,498</b>	44,709
Adjusted net gearing ratio	<b>50.5%</b>	45.6%

## FINANCIAL ANALYSIS

Key consolidated income statement figures are set out below:

	2017	2016
	RMB million	RMB million
Revenue	<b>70,426</b>	59,286
Gross profit	<b>21,430</b>	16,349
Operating profit	<b>17,679</b>	14,820
Profit attributable to shareholders	<b>7,840</b>	5,172
Earnings per share – Basic (RMB cents)	<b>232.4</b>	150.6

### Revenue

For the year ended 31 December 2017, the revenue of the Group was approximately RMB70,426 million (2016: RMB59,286 million), representing an increase of 18.8% over 2016. 94.8% (2016: 94.8%) of the revenue was generated from the sales of properties and 5.2% (2016: 5.2%) from hotel operation, leasing of commercial properties, property management and others.

The components of the revenue are analysed as follows:

	2017	2016
	RMB million	RMB million
Sales of properties	<b>66,796</b>	56,197
Hotel operation income	<b>1,708</b>	1,466
Rental income from investment properties	<b>680</b>	710
Property management and other income	<b>1,242</b>	913
Total	<b>70,426</b>	59,286

**(i) Sales of Properties**

Sales of properties for the years ended 31 December 2017 and 2016 are set out below:

	2017		2016	
	Area (sq.m.)	RMB million	Area (sq.m.)	RMB million
<b>(a) Shimao Property</b>				
Beijing Tongzhou World				
Chamber of Commerce Centre	<b>80,858</b>	<b>3,614</b>	118,316	4,128
Fuzhou Pingtan Straits Future City	<b>318,635</b>	<b>3,369</b>	184,550	1,500
Tianjin Shimao Wetland Century	<b>176,264</b>	<b>2,528</b>	111,845	1,175
Zhangjiagang Shimao Lake Palace	<b>164,248</b>	<b>2,497</b>	102,781	1,195
Fuzhou Lianpan Shimao Shine City	<b>84,964</b>	<b>2,460</b>	–	–
Qingdao Shimao Noble Town	<b>241,222</b>	<b>2,420</b>	195,110	1,539
Hefei Shimao Jade Mansion	<b>155,794</b>	<b>2,095</b>	192,339	1,813
Chongqing Shimao Luxury Mansion	<b>274,417</b>	<b>2,012</b>	204,992	1,559
Chengdu Shimao City	<b>262,824</b>	<b>2,004</b>	196,425	1,101
Nanjing Straits City	<b>68,455</b>	<b>1,931</b>	207,655	4,455
Shaoxing Shimao Works of Time	<b>122,076</b>	<b>1,653</b>	34,151	455
Jinan Shimao The Capital of Yuanshan	<b>160,036</b>	<b>1,650</b>	117,111	811
Xi'an Shimao City	<b>169,009</b>	<b>1,400</b>	–	–
Suzhou Shimao Shihu Bay	<b>56,637</b>	<b>1,364</b>	76,391	1,236
Quanzhou Jinjiang Shimao Dragon Bay	<b>199,153</b>	<b>1,260</b>	95,076	381
Wuhan Baishazhou Shimao Cloud Value	<b>121,627</b>	<b>1,123</b>	–	–
Xiamen Shimao Royal Villa	<b>35,665</b>	<b>1,089</b>	74,638	1,760
Fuzhou Shimao Cloud Guling	<b>45,760</b>	<b>1,073</b>	92,471	1,348
Beijing Yidu Qingqing Town	<b>61,597</b>	<b>1,035</b>	32,050	412
Hangzhou Shimao Above the Lake	<b>45,907</b>	<b>1,029</b>	2,848	64
Wuhan Shimao Splendid River	<b>52,874</b>	<b>1,010</b>	119,844	1,718
Hangzhou Shimao Born with Legend	<b>19,580</b>	<b>958</b>	50,853	2,060
Quanzhou Shimao Hi Dream	<b>98,027</b>	<b>910</b>	37,590	410
Hainan Wenchang Shimao Blooming Sea	<b>105,565</b>	<b>872</b>	21,501	149
Wuhan Shimao Lake Island	<b>102,014</b>	<b>809</b>	56,345	371
Changzhou Shimao Champagne Lake	<b>72,936</b>	<b>748</b>	135,419	1,000
Nanjing Shimao Merchants Mountain	<b>29,941</b>	<b>738</b>	32,645	803
Dalian Shimao Dragon Bay	<b>69,090</b>	<b>662</b>	37,856	269
Yinchuan Yuehai No. 1	<b>97,963</b>	<b>635</b>	–	–
Shenyang Shimao Wulihe	<b>40,480</b>	<b>383</b>	47,091	331
Chengdu Jianyang Shimao Misty Lakeside	<b>29,673</b>	<b>362</b>	43,846	369
Quanzhou Shimao Zimao Mansion	<b>19,281</b>	<b>329</b>	29,544	583
Yinchuan Shiyue Mansion	<b>46,051</b>	<b>313</b>	–	–
Xuzhou Shimao Dongdu	<b>33,762</b>	<b>305</b>	94,628	674
Fuzhou Minhou Shimao Dragon Bay	<b>30,161</b>	<b>275</b>	19,273	198
Mudanjiang Shimao Holiday Landscape	<b>65,928</b>	<b>266</b>	56,693	218
Yinchuan Maoyue Mansion	<b>19,363</b>	<b>260</b>	–	–
Nanning Shimao Luxury Mansion	<b>32,380</b>	<b>256</b>	198,642	1,042
Nanchang Shimao The Grand View	<b>19,430</b>	<b>250</b>	32,635	284
Suzhou Shimao Canal Scene	<b>9,541</b>	<b>222</b>	–	–
Dalian Shimao Glory City	<b>33,075</b>	<b>190</b>	62,228	374
Beijing Shimao Salamanca	<b>19,888</b>	<b>171</b>	167,986	1,410
Yinchuan Flourishing Mansion	<b>26,345</b>	<b>166</b>	223,133	977

	2017		2016	
	Area (sq.m.)	RMB million	Area (sq.m.)	RMB million
<b>(a) Shimao Property</b> <i>(continued)</i>				
Nanjing Shimao Glory Villa	2,889	148	17,535	389
Hangzhou Shimao Riviera Garden	6,525	109	4,687	43
Jiangyin Shimao Dragon Bay	8,195	89	405	5
Chengdu Shimao Royal Bay	3,002	78	53,113	534
Beijing Shimao Lá Villa	3,271	56	27,544	707
Shanghai Shimao Riviera Garden	431	55	–	–
Wuhu Shimao Riviera Garden	3,258	42	66,818	466
Harbin Shimao Riviera New City	6,583	31	30,927	168
Wuhan Shimao Dragon Bay	2,517	26	35,896	303
Hangzhou Shimao East No.1	1,203	25	4,705	86
Ningbo Shimao The Capital	972	18	1,329	32
Fuzhou Shimao Skyscrapers	66	13	–	–
Xiamen Shimao Lakeside Garden	706	11	2,707	37
Shenyang Shimao Notting Hill	1,064	9	5,283	45
Nantong Shimao In The Park	1,381	8	43,743	212
Shanghai Zhoupu Shimao Cloud Atlas	–	–	40,912	1,548
Nanjing Jiangning Higher Education Mega Centre Project	–	–	37,162	519
Kunshan Shimao The East Bund	–	–	14,285	159
Wuxi Shimao International City	–	–	5,314	44
Beijing Shimao Alhambra Palace	–	–	513	29
Ningbo Shimao Dragon Bay	–	–	2,450	23
<b>Sub-total (a)</b>	<b>3,960,559</b>	<b>49,414</b>	3,901,829	43,521



Jinan Shimao Skyscraper City

	2017		2016	
	Area (sq.m.)	RMB million	Area (sq.m.)	RMB million
<b>(b) Shanghai Shimao</b>				
Xiamen Shimao Shine City	147,696	5,111	–	–
Nanjing Shimao Bund New City	130,376	3,503	190,081	3,406
Nanjing Yuhuatai Project	63,708	1,900	–	–
Qingdao Shimao Noosa Bay	156,769	1,730	106,371	1,032
Jinan Shimao Skyscraper City	83,788	1,115	254,332	2,613
Quanzhou Shishi Shimao Skyscraper City	132,743	1,095	158,797	1,428
Tianjin Wuqing Shimao Luxury Mansion	79,002	829	22,007	179
Changshu Shimao Royal Bay	73,516	763	2,003	29
Jinan Shimao International Plaza	21,574	549	17,805	504
Ningbo Shimao Riviera Garden	8,078	174	24,403	430
Nanchang Shimao APM	10,347	162	37,058	386
Ningbo Shimao Sunlake Centre	12,209	139	12,791	119
Changzhou Shimao Champagne Lake (Commercial)	17,870	116	22,424	114
Wuhan Shimao Carnival	5,257	60	28,835	306
Hangzhou Shimao Wisdom Tower	1,513	43	29,990	684
Xuzhou Shimao Dongdu (Commercial)	6,500	39	11,212	70
Suzhou Shimao Canal Scene (Commercial)	3,390	37	10,154	96
Qingdao Shimao International Plaza	1,137	9	–	–
Suzhou Shimao Royal Villa	209	5	4,959	92
Changshu Shimao The Centre (Commercial)	513	3	365	3
Shenzhen Qianhai Shimao Financial Centre	–	–	8,114	803
Shanghai Shimao Wonderland	–	–	15,716	268
Xiamen Shimao Straits Mansion	–	–	4,772	91
Qingdao Shimao Shi'ao Tower	–	–	1,092	23
Sub-total (b)	956,195	17,382	963,281	12,676
Total (a)+(b)	4,916,754	66,796	4,865,110	56,197



Dalian Jinzhou Shimao Dragon Bay



Hangzhou Yuhang Shimao New West Lake

**(ii) Hotel Income**

Hotel operation income is analysed as follows:

	2017 RMB million	2016 RMB million
Hyatt on the Bund Shanghai	388	368
Le Royal Méridien Shanghai	345	357
The Yuluxe Sheshan, A Tribute Portfolio Hotel, Shanghai	164	162
Conrad Xiamen	133	34
Hilton Wuhan Riverside	99	33
Hilton Nanjing Riverside	98	92
InterContinental Fuzhou	97	97
Crowne Plaza Shaoxing	73	88
DoubleTree by Hilton Wuhu	63	59
Hilton Tianjin Eco-City	46	35
DoubleTree by Hilton Ningbo Beilun	39	–
Holiday Inn Mudanjiang	33	30
Yuluxe Hotel Taizhou	31	25
Holiday Inn Shaoxing	28	26
DoubleTree by Hilton Ningbo Chunxiao	25	18
Hilton Yantai	18	–
Others	28	42
<b>Total</b>	<b>1,708</b>	<b>1,466</b>

Hotel operation income increased approximately 16.5% to RMB1,708 million in 2017 from RMB1,466 million in 2016. The increase was mainly derived from newly-opened hotels in the past two years.

In March 2017, the Group and Starwood Capital Group entered into a comprehensive strategic cooperation agreement to expand the boutique hotel market in China. As at 31 December 2017, main hotels operated under the agreement include MiniMax Hotel Shanghai Songjiang, MiniMax Premier Hotel Shanghai Hongqiao, MiniMax Hotel Xiamen Central and MiniMax Premier Chengdu Downtown.



Ningbo Shimao Sunlake Centre

**(iii) Rental income, Property Management and Others Income**

Rental income from investment properties was approximately RMB680 million for the year ended 31 December 2017. It decreased by 4.2%, mainly due to the fact that Shanghai Shimao sold Beijing Fortune Times Property Co., Ltd. (“Beijing Fortune Times”) to Leshi Holdings (Beijing) Co., Ltd. in May 2016 and the rental income decreased by RMB35 million accordingly. Moreover, there was a temporary decrease of RMB99 million in rental income from Shanghai Shimao International Plaza due to the commencement of its decoration and cease of operation in 2017. Excluding the impact of Beijing Fortune Times and Shanghai Shimao International Plaza, rental income would increase by 19.3%.

Property management and other income amounted to RMB1,242 million for the year ended 31 December 2017. It achieved a significant increase of 36.1% over 2016.

	2017 RMB million	2016 RMB million
Beijing Shimao Tower	154	146
Jinan Shimao International Plaza	115	99
Shaoxing Shimao Dear Town (Commercial)	83	85
Kunshan Shimao Plaza	44	41
Shanghai Shimao International Plaza	37	136
Quanzhou Shishi Shimao Skyscraper City	37	–
Shanghai Shimao Shangdu	35	32
Suzhou Shimao Canal Scene (Commercial)	33	34
Nanjing Straits City (Commercial)	29	20
Xiamen Shimao Straits Mansion	25	–
Changshu Shimao The Centre	23	17
Xuzhou Shimao Dongdu (Commercial)	14	15
Wuhu Shimao Riviera Garden (Commercial)	8	8
Beijing Fortune Times (Commercial)	–	35
Miscellaneous rental income	43	42
Property management and other income	1,242	913
<b>Total</b>	<b>1,922</b>	<b>1,623</b>



Qingdao Shimao Noble Town

### Cost of Sales

Cost of sales increased by 14.1% to approximately RMB48,996 million in 2017 from RMB42,937 million in 2016, which was in line with the growth in sales. The gross profit margin increased from 27.6% to 30.4%.

Cost of sales are analysed as follows:

	2017 RMB million	2016 RMB million
Sales taxes	428	1,699
Land costs and construction costs	42,643	35,929
Capitalised borrowing costs	3,910	3,606
Direct operating costs for hotels, commercial properties and others	2,015	1,703
<b>Total</b>	<b>48,996</b>	<b>42,937</b>

### Fair Value Gains on Investment Properties – Net

During the year, the Group recorded aggregate fair value gains of approximately RMB679 million, mainly contributed by the further increase in value of certain investment properties. The decrease in fair value gains from RMB1,997 million to RMB679 million was mainly due to less newly opened investment properties.

### Other Income/Other Gains – Net

Other gains of approximately RMB545 million for the year ended 31 December 2017 (2016: RMB839 million), which mainly included net gains on acquisition and disposal of subsidiaries of RMB154 million (2016: RMB489 million), gain on government grants of RMB161 million (2016: RMB76 million) and gain on investment in structured products issued by banks and other financial institution of RMB91 million (2016: RMB94 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. Selling and marketing costs and administrative expenses arising from property sales accounted for 3.1% of contracted sales in 2017 (2016: 4.2%), which was competitive in the market.



Tianjin Shimao Wetland Century

### Operating Profit

Operating profit amounted to RMB17.679 billion for the year ended 31 December 2017, increased by 19.3% from RMB14.820 billion for the year ended 31 December 2016, which was mainly attributable to the increase of revenue and gross profit.

### Finance Income/(Costs) – Net

Net finance income was approximately RMB1,328 million (2016: net finance costs of RMB1,176 million), mainly due to net foreign exchange gain as a result of the appreciation of RMB exchange rate. The Group recorded the net exchange gain of approximately RMB1,478 million during the year, compared to the net exchange loss of approximately RMB864 million in 2016.

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

Share of losses of associated companies and joint ventures decreased approximately RMB133 million to approximately RMB315 million in 2017 from approximately RMB448 million in 2016, mainly due to the recognition of profit from Hangzhou Shiyong Project, Nanjing Pukou Project and Tianjin Jinnan Project.

### Taxation

The Group's tax provisions amounted to approximately RMB8,121 million in which PRC land appreciation tax ("LAT") was RMB4,013 million (2016: RMB5,685 million, in which LAT was RMB2,012 million) for the year. The increase in LAT was in line with the growth in gross margin.

### Profit Attributable to Shareholders

Profit attributable to shareholders for the year significantly increased by 51.6% from approximately RMB5.172 billion in 2016 to RMB7.840 billion in 2017. The increase was mainly due to the significant increase of core profit and foreign exchange gain as well. Excluding the net impact of major after-tax non-cash items, net profit from core business attributable to shareholders for the year increased by 10.9% to approximately RMB6.930 billion, compared with 2016. Excluding the after-tax profit attributable to shareholders from the disposal of Beijing Fortune Times and Beijing Baiding New Century Business Management Co., Ltd. of approximately RMB634 million in 2016, net profit from core business attributable to shareholders for the year increased by 23.4% compared with 2016. Net profit margin from core business attributable to shareholders was 14.0% in 2017.



Hainan Wenchang Shimao Blooming Sea

### Liquidity and Financial Resources

As of 31 December 2017, total assets of the Group were approximately RMB307.559 billion, of which current assets were approximately RMB222.531 billion. Total liabilities were approximately RMB210.812 billion, whereas non-current liabilities were approximately RMB75.335 billion. Total equity was approximately RMB96.747 billion, of which equity attributable to the shareholders of the Company amounted to approximately RMB57.635 billion.

As of 31 December 2017, the Group had aggregate cash and bank balances (including restricted cash) of approximately RMB33.007 billion (as at 31 December 2016: RMB22.235 billion), total borrowings amounted to approximately RMB87.505 billion (as at 31 December 2016: RMB66.944 billion). Total net borrowings were RMB54.498 billion (as at 31 December 2016: RMB44.709 billion). Net gearing ratio is measured by the total net borrowings (total amount of borrowings net of aggregate cash and bank balances (including restricted cash balances)) over the total equity (excluding perpetual capital instruments). Net gearing ratio increased from 53.4% as at 31 December 2016 to 58.9% as at 31 December 2017, it has been maintained below 60% for six consecutive years.

The maturity of the borrowings of the Group as at 31 December 2017 is set out as follows:

	RMB million
<b>Bank borrowings and borrowings from other financial institutions and bonds</b>	
Within 1 year	14,296
Between 1 and 2 years	14,563
Between 2 and 5 years	31,723
Over 5 years	9,387
<b>Senior notes</b>	
Within 1 year	3,899
Between 2 and 5 years	13,637
<b>Total</b>	<b>87,505</b>

The borrowings were denominated in different currencies set out below:

	Original currency million	RMB equivalent million
USD	4,511	29,476
HKD	8,857	7,403
JPY	8,700	504
AUD	75	382
RMB	49,740	49,740

### Financing Activities

The Group adheres to uphold prudent financial policy and keeps its capital structure safe. The total amount of borrowings increased by 31% from approximately RMB66.944 billion as at 31 December 2016 to approximately RMB87.505 billion as at 31 December 2017 to support the Group's expansion, of which short-term borrowings was approximately 21% and long-term borrowings was approximately 79% as at 31 December 2017.

The Group continued to explore diversified financing approaches to reduce financial risks. During the year, the financial activities were mainly carried out as follows:

First of all, on 28 April 2017, the Group become one of the first private real estate companies approved by NAFMII to issue Panda MTNs and the registered amount was RMB8 billion.

Secondly, on 13 September 2017, the Group has successfully issued the real estate asset backed notes (ABN) of Shanghai Shimao International Plaza, which is the first-ever real estate ABN for public placement in China with a registered amount of RMB6.5 billion. The term of the ABN is 20 years and the average interest rate is 4.8% which is the lowest among industry at the same time.

Thirdly, in February 2017, the Group early redeemed the original Senior notes with total principal of US\$800 million at a fixed rate of 6.625% which due in the year of 2020 and issued senior notes amounting to US\$600 million in June (withdrawal in July) and US\$400 million in December 2017 respectively with interest rate of 4.75%. In January 2018, the Group also early redeemed senior note amounting to US\$600 million with the interest rate of 8.125% originally due in the year of 2021. Instead, the Group issued US\$500 million senior notes with the interest rate of 5.2% to further reduce the average financing cost and optimize the structure of the borrowings. And in March 2018, the Group issued the first dim sum bond amounting to RMB950 million with the interest rate of 5.75%. The market reaction to the bond is intensively which reflected the great confidence of the market to the performance and the future of the Group.

Fourthly, the Group obtained dual currency syndicated loan facilities of US\$680 million and HK\$5,890 million with a Libor/Hibor+2.3% interest rate. It was available for the Group for a term of 48 months from the date of the facility agreement and the withdrawal amounts were US\$300 million and HK\$2,600 million, respectively, as at 31 December 2017.



Beijing Tongzhou World Chamber of Commerce Centre

Last but not least, Shanghai Shimao issued 3-year medium term note of RMB1,300 million at a fixed interest rate of 4.5% in January 2017 and repaid the due medium term note of RMB2,000 million in April 2017 and August 2017 respectively. In September 2017, the Company redeemed an aggregate principal amount of RMB950 million of domestic corporate bonds at a fixed interest rate of 3.7% due on 22 September 2018. Shanghai Shimao also repaid the short-term financing bonds with aggregate principal of RMB4,000 million and issued 3-year long-term bonds with total principal amount of RMB2,500 million, RMB1,000 million and RMB500 million at a fixed interest rate of 4.95%, 5.15% and 5.19% in July, September and October 2017 respectively.

Due to the Group effort in exploring various financing channels, the average financing cost dropped from 5.8% in 2016 to 5.3% in 2017.

In view of the steady operating and financial performance of the Group, several credit rating agencies upgraded the rating of the Group and its subsidiaries. In July 2017, Standard & Poor's maintained the Group's long-term corporate credit rating at "BB+" and upgraded the outlook from negative to stable. Moody's and Fitch maintained their ratings of the Group at "Ba2" and "BBB-" respectively. Dagong Global Credit Rating Co., Ltd., China Chengxin Securities Rating Co., Ltd. and United Ratings Co., Ltd. maintained the Group's long-term corporate credit rating at the highest rating of "AAA".

In June 2017, Dagong Global Credit Rating Co., Ltd. upgraded the corporate credit rating of Shimao Jianshe, a subsidiary of the Group, from "AA+" to "AAA". In May 2017, United Ratings Co., Ltd. upgraded the corporate credit rating of Shanghai Shimao, a subsidiary of the Group, from "AA+" to "AAA".

### Foreign Exchange Risks

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

The Group is paying closely attention to the fluctuation of the foreign exchange rate and actively taking measures to mitigate the risk of exchange rate fluctuation, including control the portion of borrowings dominated in foreign currency and adopted appropriate financial derivatives. The Group recorded foreign exchange gain of RMB1,478 million during 2017 due to the appreciation of RMB exchange rate.



Nanchang Shimao The Grand View

### Pledge of Assets

As of 31 December 2017, 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 RMB48.999 billion to secure bank facilities granted to the Group. The corresponding bank and other loans amounted to approximately RMB17.881 billion.

### Contingencies

As of 31 December 2017, the Group had provided guarantees for approximately RMB11.799 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 RMB6.959 billion in its portion of equity interests in associated companies and joint ventures for their borrowings.

### Capital and Property Development Expenditure Commitments

As of 31 December 2017, the Group had contracted capital and property development expenditure but not provided for amounted to approximately RMB50.427 billion.

### Employees and Remuneration Policy

As of 31 December 2017, the Group employed a total of 8,394 employees. Total remuneration for the year amounted to approximately RMB1.723 billion. The Group has adopted a performance-based rewarding system to motivate its staff. The board of directors of the Company (the "Board") adopted a share award scheme (the "Share Award Scheme") of the Company on 30 December 2011. The purpose of the Share Award Scheme is to recognize the contributions by certain selected employees of the Group and to provide them with incentives in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group. In relation to staff training, the Group also provides different types of programs for its staff to improve their skills and develop their respective expertise.



Quanzhou Shishi Shimao Skyscraper City

# REPORT OF THE DIRECTORS

The directors (the “Directors”) of Shimao Property Holdings Limited (the “Company”) have pleasure in presenting their report and the audited financial statements of the Company and its subsidiaries (together the “Group”) for the year ended 31 December 2017.

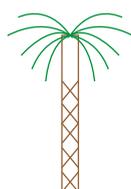
## Principal Activities

The Company is an investment holding company. Its subsidiaries are principally engaged in property development, investment and hotel operation. The principal activities of its principal subsidiaries are set out in note 37 to the consolidated financial statements.

## Results and Dividends

The results of the Group for the year ended 31 December 2017 are set out on pages 82 to 180 of this annual report.

The board of directors of the Company (the “Board”) has proposed a final dividend of HK60 cents (2016: HK44 cents) per ordinary share for the year ended 31 December 2017. The proposed final dividend, together with the interim dividend of HK40 cents per ordinary share paid on 29 September 2017, will amount to a total dividend of HK\$1.00 per ordinary share for the year ended 31 December 2017 (throughout 2016: HK76 cents). The proposed final dividend, if approved at the forthcoming annual general meeting (the “AGM”) to be held on Tuesday, 19 June 2018, will be payable on Monday, 9 July 2018 to shareholders whose names appear on the register of members of the Company on Tuesday, 26 June 2018.





Fuzhou Shimao Cloud Guling

Chengdu Jianyang Shimao  
Misty Lakeside

### Closure of Register of Members

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

- (i) from Wednesday, 13 June 2018 to Tuesday, 19 June 2018 (both days inclusive), for the purpose of ascertaining shareholders' entitlement to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 12 June 2018; and
- (ii) on Monday, 25 June 2018 and Tuesday, 26 June 2018, for the purpose of ascertaining shareholders' entitlement to the proposed final dividend. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at the address as set out in sub-paragraph (i) above for registration no later than 4:30 p.m. on Friday, 22 June 2018.

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

## Business Review

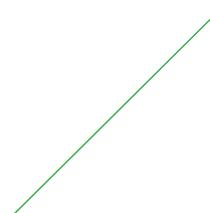
A business review of the Group for the year ended 31 December 2017 and a discussion of the Group's future business development and possible risks and uncertainties that the Group may encounter are provided in the Chairman's Statement on pages 14 to 21 and the Management Discussion and Analysis on pages 22 to 45 of this annual report. The financial risk management objectives and policies of the Group are shown in note 3 to the consolidated financial statements. An analysis of the Group's performance during the year using key financial performance indicators is set out in the Five Years Financial Summary on pages 12 to 13 of this annual report. Particulars of important events affecting the Group that have occurred after the reporting period are set out in note 42 to the consolidated financial statements on page 178. The above discussions form part of the Report of the Directors.

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

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

The Group considers its employees, investors, shareholders, customers, contractors, vendors, governments and non-governmental organizations as its stakeholders and adopts various ways to communicate with them, taking into account their different appeals. The Group is committed to rewarding its stakeholders for their expectation, never forgetting the mission of craftsmanship. The Group has been creating stable returns in value for its shareholders, making great strides on emphasizing both economic and social benefits. The Group grows along with its partners by adopting a development philosophy of earnest cooperation and win-win collaboration. The Group aims to continuously improve the quality of life of its customers by providing the most ingenious and customer-oriented products and services. In the meantime, the Board regards employees as one of the crucial elements to success of the Group and places much emphases on long term career development of the employees. Regular trainings are conducted to ensure that the skills and knowledge of the employees are kept abreast with the times.

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



## Reserves

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

## Major Customers and Suppliers

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

None of the Directors, their close associates or any shareholders (which to the knowledge of the Directors owns more than 5% of the number of issued shares of the Company) had any interest in the major suppliers noted above.

## Bank and Other Borrowings

Particulars of bank and other borrowings of the Company and the Group as at 31 December 2017 are set out in note 24 to the consolidated financial statements. The net proceeds is for refinancing the indebtedness of the Company and for business development and other general corporate requirements of the Group.

## Donations

Charitable and other donations made by the Group during the year amounted to RMB267,873,000 (2016: RMB123,697,000).

## Property and Equipment

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

## Share Capital

Details of movements in the share capital of the Company for the year ended 31 December 2017 are set out in note 21 to the consolidated financial statements.

## Financial Highlights

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 12 of this annual report.

## Pre-Emptive Rights

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

## Directors

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

### Executive Directors

Mr. Hui Wing Mau (*Chairman*)  
Mr. Hui Sai Tan, Jason (*Vice Chairman*)  
Ms. Tang Fei  
Mr. Liao Lujiang (resigned on 31 January 2018)  
Mr. Kan Naigui (resigned on 30 September 2017)

### Non-executive Director

Mr. Liu Sai Fei

### Independent Non-executive Directors

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

In accordance with Article 87 of the Articles of Association, three directors, namely, Mr. Hui Wing Mau, Mr. Lu Hong Bing and Mr. Lam Ching Kam shall retire from office by rotation respectively at the forthcoming AGM and, all being eligible, have offered themselves for re-election as Directors at the forthcoming AGM.

The Directors who resigned as mentioned above have no disagreement with the Board and nothing relating to the affairs of the Company needed to be brought to the attention of the shareholders of the Company.

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

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

## Directors' Interests in Transactions, Arrangements and Contracts

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

## Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or subsisted during the year.

## Share Award Scheme

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

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

During the year ended 31 December 2017, 7,899,586 shares were granted to certain executive directors and selected employees of the Group under the Share Award Scheme and 3,061,698 awarded shares have been vested during the year ended 31 December 2017.

## Equity-Linked Agreements

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

## Disclosure of Interests in Securities

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

As at 31 December 2017, the interests and short position of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise to be notified to the Company and the HKEx pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Appendix 10 of the Listing Rules were as follows:

#### (1) Long position in the shares of the Company

Name of Directors	Capacity/Nature of interests	Number of ordinary shares held	Approximate Percentage of issued share capital
Hui Wing Mau	Interest of controlled corporation	2,299,242,942 <sup>(Note 1)</sup>	67.884%
Hui Sai Tan, Jason	Beneficial owner	2,737,402 <sup>(Note 2)</sup>	0.081%
Tang Fei	Beneficial owner	566,632 <sup>(Note 3)</sup>	0.017%
Liu Sai Fei	Beneficial owner	833,942	0.025%
Liao Lujiang (resigned on 31 January 2018)	Beneficial owner	505,950 <sup>(Note 4)</sup>	0.015%
Kan Naigui (resigned on 30 September 2017)	Beneficial owner	402,450 <sup>(Note 5)</sup>	0.012%

Notes:

- These 2,299,242,942 shares represent the interest in the Company held by Gemfair Investments Limited and Shiyang Finance Limited, companies which are directly wholly-owned by Mr. Hui Wing Mau.
- The interests disclosed include deemed interests in 205,175 shares granted under the Share Award Scheme.
- The interests disclosed include deemed interests in 174,637 shares granted under the Share Award Scheme.
- The interests disclosed include deemed interests in 149,103 shares granted under the Share Award Scheme.
- The interests disclosed include deemed interests in 174,968 shares granted under the Share Award Scheme.



**(2) Long position in the shares of associated corporation – Shanghai Shimao Co., Ltd. (“Shanghai Shimao”)**

Name of Director	Capacity/Nature of Interests	Number of shares held	Approximate percentage of issued share capital
Liu Sai Fei	Beneficial owner	297,574 <sup>(Note)</sup>	0.008%

Note:

The interests disclosed represent deemed interests granted under the employee stock ownership plan of Shanghai Shimao.

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

**Directors’ Right to Acquire Shares or Debentures**

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

**Interests of Substantial Shareholders**

As at 31 December 2017, the interests and short position of substantial shareholders in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

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

Name	Nature of interest	Number of shares or underlying shares held	Approximate percentage of issued share capital
<b>Long position</b>			
Gemfair Investments Limited (“Gemfair”)	Note 1	1,947,984,000	57.513%
Overseas Investment Group International Limited (“Overseas Investment”)	Note 2	1,947,984,000	57.513%
Shiyong Finance Limited (“Shiyong Finance”)	Note 3	351,258,942	10.371%

Notes:

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

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

## Directors' Interests in Competing Business

Pursuant to Rule 8.10 of the Listing Rules, the Company disclosed below that during the year ended 31 December 2017, the following Director was considered to have interests in the following businesses which competed or were likely to compete, either directly or indirectly, with the businesses of the Group.

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

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

## Permitted Indemnity Provisions

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

## Purchase, Sale or Redemption of Listed Securities

During the year ended 31 December 2017,

- (1) the Company redeemed an aggregate principal amount of US\$800,000,000 of all outstanding 6.625% senior notes due 2020.
- (2) the Company redeemed an aggregate principal amount of RMB950,000,000 of domestic corporate bonds at a fixed interest rate of 3.7% due on 22 September 2018.
- (3) Shanghai Shimaο, a 58.92%-owned subsidiary of the Company, repaid an aggregate principal amount of RMB2,000,000,000 of short-term financing bonds at a fixed interest rate of 3% due on 12 January 2017 and an aggregate principal amount of RMB2,000,000,000 of short-term financing bonds at a fixed interest rate of 2.98% due on 20 October 2017.
- (4) Shanghai Shimaο redeemed an aggregate principal amount of RMB1,000,000,000 of medium-term notes at a fixed interest rate of 8.37% due on 15 April 2017 and an aggregate principal amount of RMB1,000,000,000 of medium-term notes at a fixed interest rate of 7.60% due on 22 August 2017.
- (5) the trustee of the Share Award Scheme, pursuant to the terms of the rules and trust deed of the Share Award Scheme, purchased from the market a total of 6,087,500 shares of the Company at a total consideration of approximately HK\$73,498,000.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2017.



## Connected Transactions

1. On 29 May 2017, Shimao Property Investments Limited (“SPIL”) (a wholly-owned subsidiary of the Company) as purchaser and Shimao International Holdings Limited (“SIHL”) as vendor entered into a conditional equity transfer agreement (the “Equity Transfer Agreement”). Pursuant to the Equity Transfer Agreement, SPIL conditionally agreed to acquire and SIHL conditionally agreed to sell the entire issued share capital of Perfect Run Group Limited at a cash consideration of RMB138,730,000, subject to adjustment for the additional consideration of RMB58,900,000 (if applicable) (the “Acquisition I”). The Acquisition I was to enable the Group to expand its land bank for future development.

SIHL is beneficially wholly-owned by Mr. Hui Wing Mau, Executive Director, Chairman of the Board and the controlling shareholder (as defined in the Listing Rules) of the Company. Accordingly, SIHL, being an associate of Mr. Hui, is a connected person of the Company under the Listing Rules and the Acquisition I constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. Details of the Acquisition I were set out in the announcement of the Company dated 29 May 2017.

2. On 18 December 2017, Shimao Property Holdings (BVI) Limited (“SPH (BVI)”) (a wholly-owned subsidiary of the Company) as purchaser, Good Dream Holdings Limited (“GDHL”) as vendor, the Company as guarantor of the purchaser and Kingboard Chemical Holdings Limited (“KCHL”) as guarantor of the vendor entered into a conditional sale and purchase agreement (the “SP Agreement”). Pursuant to the SP Agreement, SPH (BVI) conditionally agreed to acquire and GDHL conditionally agreed to sell the entire issued share capital of Win Real Group Limited at an aggregate cash consideration of RMB3,200,000,000 (the “Acquisition II”). The Acquisition II was to enable the Group to maintain its competitiveness in the commercial property section and thereby the Acquisition II was in line with the development strategies and the interests of the Group.

As each of GDHL and KCHL is a substantial shareholder (as defined in the Listing Rules) of a non wholly-owned subsidiary of the Company, each of GDHL and KCHL is a connected person of the Company at the subsidiary level under the Listing Rules and accordingly, the Acquisition II constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. Details of the Acquisition II were set out in the announcement of the Company dated 18 December 2017.

## Continuing Disclosure Pursuant to Rule 13.21 of the Listing Rules

The Company entered into the following agreements:

1. A facility agreement on 6 January 2017 between, among others, the Company as borrower, Shanghai Pudong Development Bank Baoshan Branch, Bank of Shanghai Xu Hui Sub-branch and Shanghai Rural Commercial Bank Baoshan Branch as original lenders, Shanghai Pudong Development Bank Baoshan Branch as the lead bank and Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch as agent, a syndicated loan facility in the amount of RMB3,000,000,000 has been made available to the Company for a term of 36 months from the date of drawdown of the loan facility.
2. A facility agreement on 30 October 2017 between, among others, the Company as borrower, various banks as lenders and The Hongkong and Shanghai Banking Corporation Limited as facility agent, dual currency term loan facilities in the amount of US\$680,000,000 and HK\$5,890,000,000 have been made available to the Company for a term of 48 months from the date of the facility agreement.

As provided in each of the above agreements, if (a) Mr. Hui Wing Mau and his family together cease: (i) to be the single largest shareholder of the Company; (ii) to maintain (directly or indirectly) at least 51% beneficial shareholding interest in the issued share capital of the Company; (iii) to have the power to direct the management of the Company, whether through the ownership of voting capital, by contract or otherwise; or (b) Mr. Hui Wing Mau ceases to be the chairman of the Board and is not replaced by Mr. Hui Sai Tan, Jason as the replacement chairman of the Board within 10 business days of any such cessation, the commitments under each of the above loan facilities may be cancelled and all amounts outstanding may become immediately due and payable.

### Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, throughout the year ended 31 December 2017 and up to the date of this report, the Company has maintained a sufficient public float of more than 25% of the Company's issued shares as required under the Listing Rules.

### Corporate Governance

The Company is committed to achieving and maintaining high standards of corporate governance which it believes is crucial to the development of the Group and safeguard the interests of the shareholders of the Company. Information on the Company's corporate governance principles and practices is set out in the Corporate Governance Report on pages 56 to 71 of this annual report.

### Auditor

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

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

Hong Kong, 27 March 2018

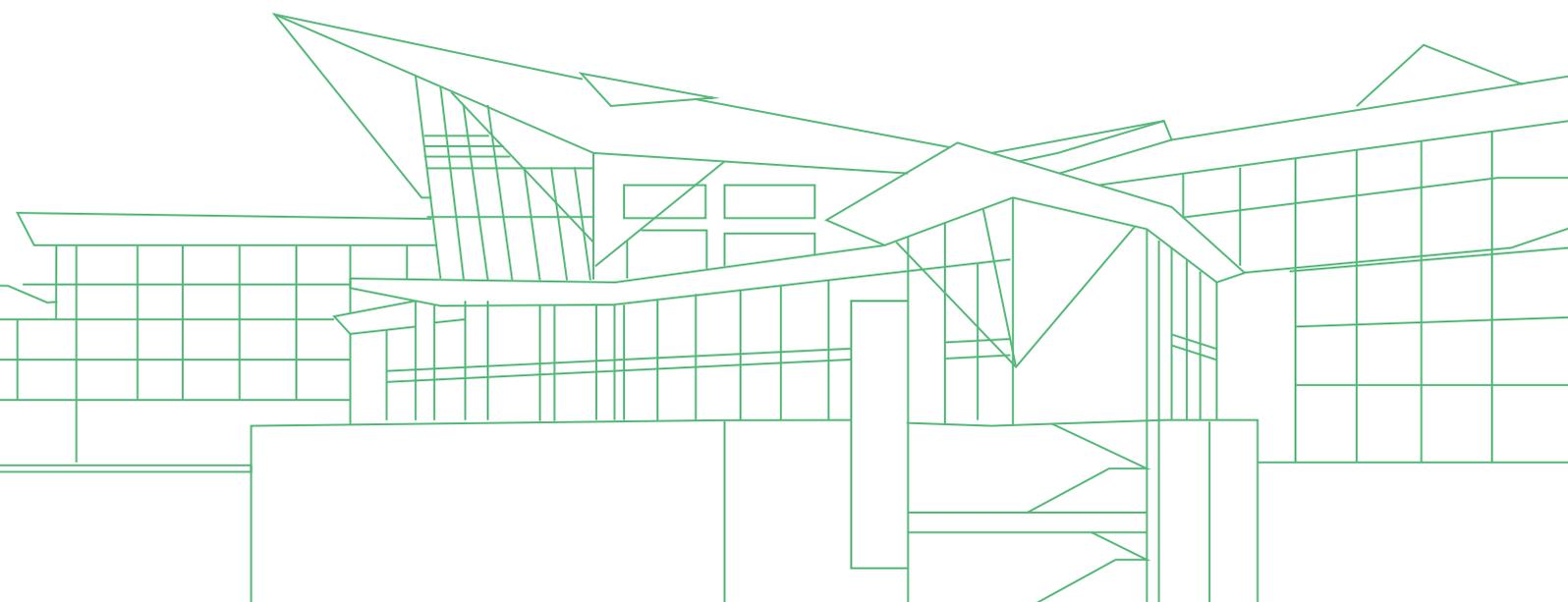


Ningbo Shimao Dragon Bay



Suzhou Shimao Bronze Swallow Terrace

# CORPORATE GOVERNANCE REPORT



## A. Corporate Governance Practices

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

The Company complied with the code provisions set out in the Corporate Governance Code (the “Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “HKEx”) throughout the financial year ended 31 December 2017 with the exception of one deviation, namely, code provision A.2.1 providing for the roles of the chairman and chief executive to be performed by different individuals. The reason of the said deviation from the relevant code provision is set out under the paragraph on “C.2 Chairman and Chief Executive” below.

## B. Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the directors of the Company (the "Directors"). Before the Group's interim and annual results are announced, notifications are sent to the Directors to remind them not to deal in the securities of the Company during the blackout periods. The Company has made specific enquiry of all Directors and all the Directors confirmed that they had complied with the required standard set out in the Model Code during the financial year.

## C. Directors

### C.1 The Board

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

The Board has four scheduled meetings a year at quarterly interval and meets as and when required. During the financial year ended 31 December 2017, four Board meetings were held, all of which were attended by all Directors. All Directors attended Board meetings in person or through electronic means of communication during the year. Details of the attendance records of the Directors are set out in the table on page 60. Apart from formal meetings, matters requiring the Board approval were dealt with by way of written resolutions.

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



Dalian Shimao Glory City

### C.2 Chairman and Chief Executive

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

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

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

### C.3 Board Composition

The Board has a balance of skills and experience appropriate for the Company's business. Given below are names of Directors during the financial year ended 31 December 2017 and up to the date of this report:

#### Executive Directors

Mr. Hui Wing Mau (*Chairman*)  
Mr. Hui Sai Tan, Jason (*Vice Chairman*)  
Ms. Tang Fei  
Mr. Liao Lujiang (resigned on 31 January 2018)  
Mr. Kan Naigui (resigned on 30 September 2017)

#### Non-executive Director

Mr. Liu Sai Fei

#### Independent Non-executive Directors

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

Brief biographical particulars of all existing Directors, together with information relating to the relationship among them, are set out in the "Directors and Senior Management Profiles" section under this annual report.

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

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

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

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

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

#### C.5 Nomination Committee

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

There was one Nomination Committee meeting held during the financial year ended 31 December 2017. Details of attendance of the Nomination Committee members are set out in the table on page 60.

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

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

The work performed by the Nomination Committee for the financial year ended 31 December 2017 is the review of the structure, size and composition (including the skills, knowledge and experience) of the Board.

For the nomination by the Board of Ms. Kan Lai Kuen, Alice to stand for re-election as an Independent Non-executive Director at the annual general meeting in 2017, explanatory statements were included in the circular accompanying the relevant notice of meeting to set out reasons why the Board considers her to be independent.

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

### C.6 Responsibilities of Directors

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

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

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

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

Directors	Reading materials
Mr. Hui Wing Mau	✓
Mr. Hui Sai Tan, Jason	✓
Ms. Tang Fei	✓
Mr. Liu Sai Fei	✓
Ms. Kan Lai Kuen, Alice	✓
Mr. Lu Hong Bing	✓
Mr. Lam Ching Kam	✓
Mr. Liao Lujiang (resigned on 31 January 2018)	✓
Mr. Kan Naigui (resigned on 30 September 2017)	✓

Individual attendance records of the Directors at board meetings, board committees' meetings and annual general meeting during the financial year ended 31 December 2017, are set out below:

Directors	Attendance/Number of Meeting(s)				Annual general meeting
	Board meeting	Audit Committee meeting	Nomination Committee meeting	Remuneration Committee meeting	
Mr. Hui Wing Mau	4/4	N/A	1/1	1/1	1/1
Mr. Hui Sai Tan, Jason	4/4	N/A	N/A	N/A	1/1
Ms. Tang Fei	4/4	N/A	N/A	N/A	1/1
Mr. Liu Sai Fei	4/4	N/A	N/A	N/A	1/1
Ms. Kan Lai Kuen, Alice	4/4	2/2	1/1	1/1	1/1
Mr. Lu Hong Bing	4/4	2/2	1/1	1/1	1/1
Mr. Lam Ching Kam	4/4	2/2	1/1	1/1	1/1
Mr. Liao Lujiang (resigned on 31 January 2018)	4/4	N/A	N/A	N/A	1/1
Mr. Kan Naigui (resigned on 30 September 2017)	3/4	N/A	N/A	N/A	1/1

All Independent Non-executive Directors attended the last annual general meeting held in 2017. Please refer to the table set out above for details of attendance records of all Directors at the last annual general meeting of the Company held in June 2017.

### **C.7 Supply of and Access to Information**

In respect of regular Board meetings, and so far as practicable in all other cases, an agenda and accompanying Board papers are circulated in full to all Directors in a timely manner to enable the Directors to make informed decisions on matters to be raised at the Board meetings.

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

## **D. Remuneration of Directors and Senior Management and Board Evaluation**

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

The Company has established a remuneration committee (the "Remuneration Committee") on 9 June 2006 with a majority of its members being Independent Non-executive Directors. The Remuneration Committee consists of four members, comprising Mr. Hui Wing Mau and three Independent Non-executive Directors. The chairman of the Remuneration Committee is Mr. Lu Hong Bing.

There was one Remuneration Committee meeting held during the financial year ended 31 December 2017. Details of attendance of the Remuneration Committee members are set out in the table on page 60.

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

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

The work performed by the Remuneration Committee for the financial year ended 31 December 2017 is summarized below:

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

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

## E. Accountability and Audit

### E.1 Financial Reporting

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

The Directors are responsible for overseeing the preparation of the financial statements for each financial period which gives a true and fair view of the Group's state of affairs, results and cash flows for relevant period.

In preparing the financial statements for the financial year ended 31 December 2017:

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

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

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

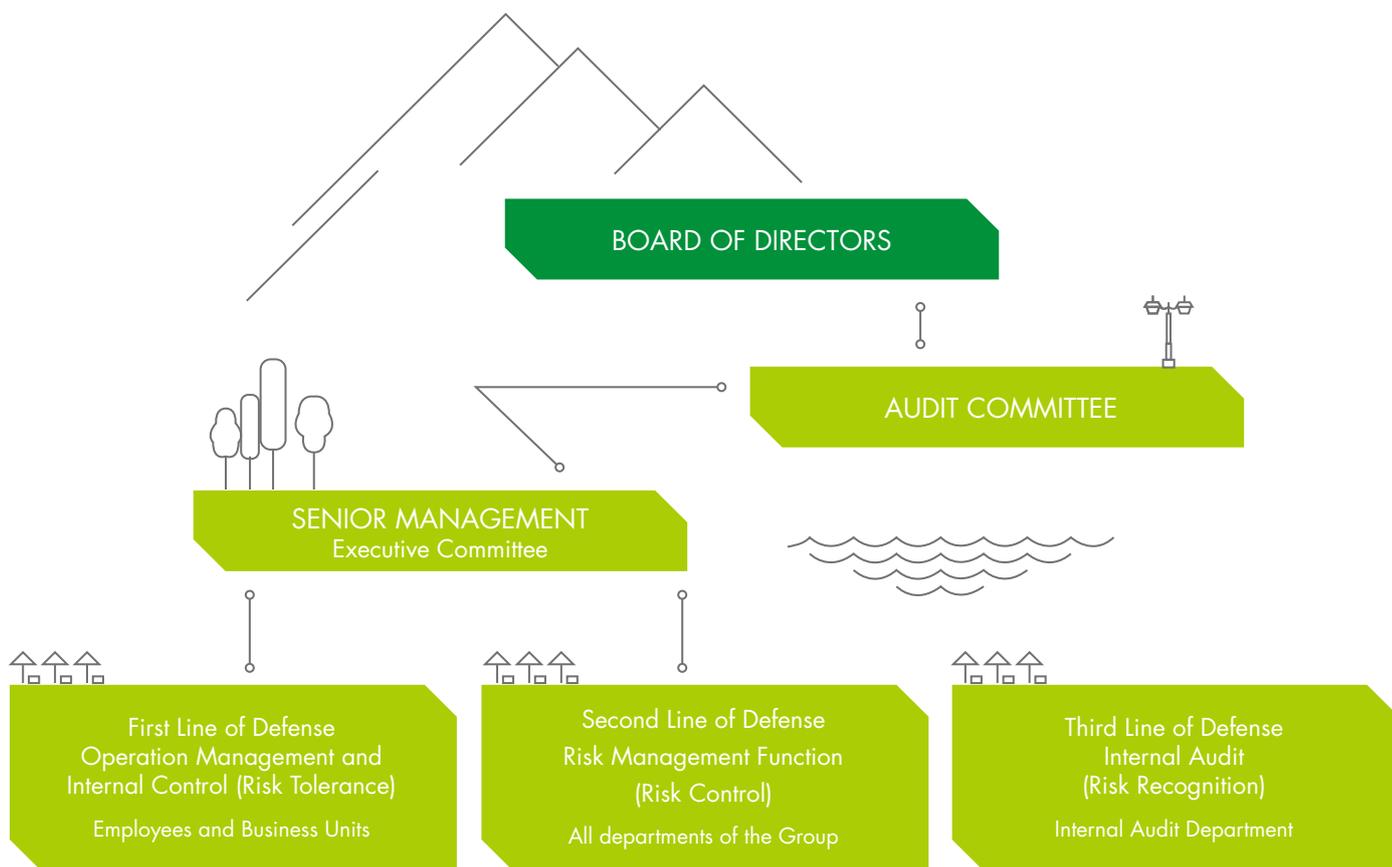
### E.2 Risk Management and Internal Control

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

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

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

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

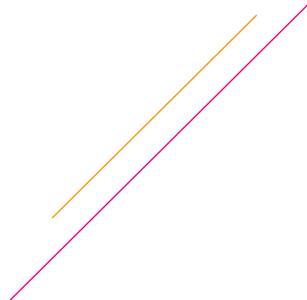


**First Line of Defense**

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

**Second Line of Defense**

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



### **Third Line of Defense**

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

### **Senior Management**

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

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

### **Audit Committee and Board**

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



Ningbo Yaojiangwan Tianyuan

## Risk Management

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



### Control (Finance, Legal, Compliance and Internal Control) Risks

- Exploring financing channel; strengthening exchange risks management
- Strict control of contract templates
- Enhancing protection and management system for trademarks and copyrights
- Strengthening IT security measures



### Project Risk

- Revising "Project Risks Examining System"
- Implementing risk control over the entire project cycle



### Procurement Risk

- Clearly defining responsibilities and authorities of each procurement department, and establishing a structure with separation of powers for check and balance
- Strategic procurement from the manufacturers or brand owners
- Formulating comprehensive strategic procedures for the procurement and tendering of materials and equipment
- Organizing preparation meetings with strategic suppliers, and establishing mechanism for evaluation and feedback on contract performance feedback



### Environmental Risk

- Assessing impacts on the environment for each project
- Strengthening controls of environmental impacts during construction

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

The Company confirms that it has complied with the code provisions of the Code in relation to risk management and internal controls in 2017. The Board has also confirmed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions during the annual review of the risk management and internal control systems.

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

### E.3 Audit Committee

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

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

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

There were two Audit Committee meetings held during the financial year ended 31 December 2017. Details of attendance of the Audit Committee members are set out in the table on page 60.

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

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

The work performed by the Audit Committee for the financial year ended 31 December 2017 is summarized below:

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

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

The consolidated annual results of the Group for the year ended 31 December 2017 have been reviewed by the Audit Committee.

The external auditor of the Company is PricewaterhouseCoopers. The Audit Committee meets the external auditor at least twice a year. A statement by the auditor about their reporting responsibilities is included in the Independent Auditor's Report set out on pages 77 to 81 of this annual report.

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

The remuneration to the Company's auditor in respect of the services rendered for the year ended 31 December 2017 is set out as follows:

<b>Services rendered</b>	<b>RMB'000</b>
Audit services	8,850
Other services	
– Service in connection with the notes offering	2,950
– Others	1,730
<b>Total</b>	<b>13,530</b>

## F. Delegation by the Board

### F.1 Management Functions

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

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

### F.2 Board Committees

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

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

### F.3 Corporate Governance Functions

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

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

## G. Communication with Shareholders

### G.1 Effective Communication

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

The management of the Company believes that effective communication with the investment community is essential. During the year, the Executive Directors and senior management held regular briefings, attended investor forums and participated in roadshows with institutional investors and financial analysts in the PRC, Hong Kong and overseas countries to keep them abreast of the Group's business and development. In addition, the Company makes full use of the internet to make information broadly available to the Shareholders. Electronic copies of annual and interim reports, slides of presentations given at investor conferences, latest news, announcements and general information about the Group's businesses are made available on the Company's website at [www.shimaoproperty.com](http://www.shimaoproperty.com). The Company's website also provides email address (for enquiry purpose only), postal address, fax number and telephone number by which the Shareholders may at any time address their enquiries to the Board.

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

The 2017 Annual General Meeting (the "2017 AGM") of the Company was held on 19 June 2017. Details of attendance of the Directors in the 2017 AGM are set out in the table on page 60. The Company's external auditor, PricewaterhouseCoopers, attended the 2017 AGM, during which its representative was available to answer questions raised by the Shareholders.

### G.2 Voting by Poll

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

## H. Company Secretary

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

## I. Shareholders' Rights

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

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

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

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



Mudanjiang Shimao South Bund

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

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

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



Guangzhou Asian Games City



Wuxi Parcel C Project

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

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

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

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

## J. Significant Amendments to Constitutional Documents

During the financial year ended 31 December 2017, there is no significant change in the constitutional documents of the Company.



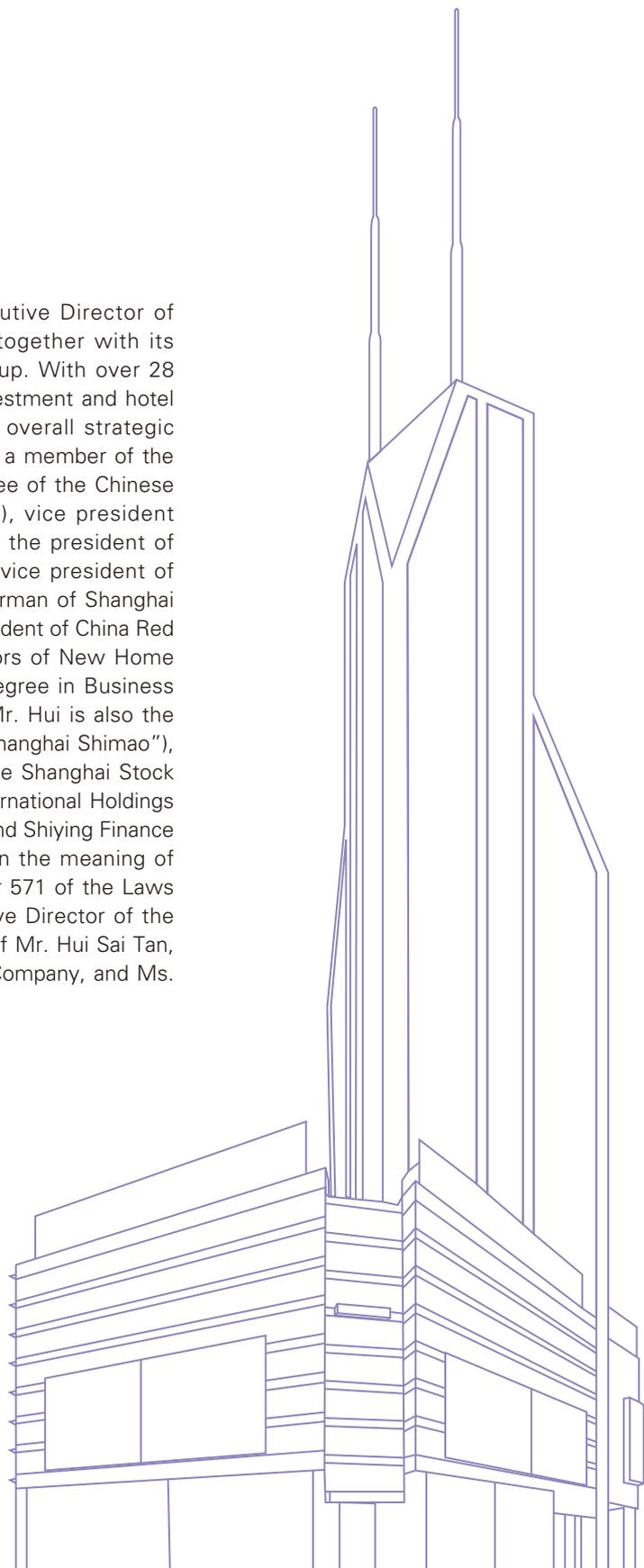
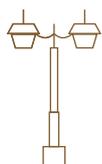
Hangzhou Shimao Above the Lake Yu Residence

# DIRECTORS AND SENIOR MANAGEMENT PROFILES

## Executive Directors

### Hui Wing Mau (Chairman)

Mr. Hui Wing Mau, aged 67, the Chairman and Executive Director of Shimao Property Holdings Limited (the "Company", together with its subsidiaries, the "Group") and the founder of the Group. With over 28 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 Standing Committee of the Thirteenth National Committee of the Chinese People's Political Consultative Conference ("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, executive president of China Red Ribbon Foundation and chairman of the board of directors of New Home Association Hong Kong. Mr. Hui obtained a Master's Degree in Business Administration from the University of South Australia. Mr. Hui is also the non-executive chairman of Shanghai Shimao Co., Ltd. ("Shanghai Shimao"), a 58.92%-owned subsidiary of the Company listed on the Shanghai Stock Exchange and the chairman and a director of Shimao International Holdings Limited. He is a director of Gemfair Investments Limited and Shiyang Finance Limited, substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). He has been the Chairman and Executive Director of the Company since 8 November 2004. Mr. Hui is the father of Mr. Hui Sai Tan, Jason, the Vice Chairman and Executive Director of the Company, and Ms. Hui Mei Mei, Carol, the vice chairman of Shanghai Shimao.





Shenyang Shimao  
New Wulihe

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

Mr. Hui Sai Tan, Jason, aged 41, 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 19 years' experience in the property development industry and has presided over the sales and marketing of Shanghai Shimao Riviera Garden which boasted top sales proceeds among residential projects in Shanghai for four consecutive years from 2001 to 2004. Mr. Jason Hui obtained a Master of Science Degree in Real Estate from the University of Greenwich, the United Kingdom in 2001 and a Master's Degree in Business Administration from the University of South Australia in 2004. He is a member of the Standing Committee of All-China Youth Federation and a member of Shanghai Committee of the CPPCC. He has been an Executive Director and the Vice Chairman of the Company since 17 November 2004 and 21 April 2008 respectively. He is also a director of Shanghai Shimao. Mr. Jason Hui is the son of Mr. Hui Wing Mau, the Chairman, an Executive Director and a controlling shareholder (as defined in the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "HKEx")) of the Company, and the brother of Ms. Hui Mei Mei, Carol, the vice chairman of Shanghai Shimao.

#### **Tang Fei**

Ms. Tang Fei, aged 47, 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 24 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.



## Non-Executive Director

### **Liu Sai Fei**

Mr. Liu Sai Fei, aged 56, 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 33 years' experience in architectural design and project management. Prior to joining the Group, he worked for CRG Contractors Dte from 1998 to 2001. From 2001 to 2003, he worked for Shanghai Merry Land Co., Ltd. as project manager.

## Independent Non-Executive Directors

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

Ms. Kan Lai Kuen, Alice, aged 63, has been an Independent Non-executive Director of the Company since 16 March 2006 and has more than 26 years' experience in corporate finance. She is the responsible officer, the managing director and the controlling shareholder of Asia Investment Management Limited, a licensed corporation accredited by the Securities and Futures Commission of Hong Kong. Ms. Kan currently serves as an independent non-executive director on the boards of the following companies which are listed on the HKEx: Shougang Concord International Enterprises Company Limited, Regal Hotels International Holdings Limited, China Energine International (Holdings) Limited, Cosmopolitan International Holdings Limited and Mason Group Holdings Limited. She is also an independent director of AVIC International Maritime Holdings Limited, a company listed on the Catalist Board of the Singapore Exchange Securities Trading Limited. She is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Hong Kong Institute of Directors, the Association of Chartered Certified Accountants and the Australian Society of Certified Practising Accountants. Ms. Kan held various senior positions in international and local banks and financial institutions.

### **Lu Hong Bing**

Mr. Lu Hong Bing, aged 51, 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 25 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 HKEx, and CEFC Hong Kong Financial Investment Company Limited (formerly known as Runway Global Holdings Company Limited), a company publicly listed on the HKEx. He is also an independent director of Shanghai Shentong Metro Co., Ltd., a company publicly listed on the Shanghai Stock Exchange, and Shandong Airlines Co., Ltd., a company publicly listed on the Shenzhen Stock Exchange. Mr. Lu is the executive partner of the Grandall Law Firm, a vice-president of the All China Lawyers Association, an arbitrator and member of the Shanghai International Economic and Trade Arbitration Commission, an arbitrator and a member of the Shanghai Arbitration Commission, a concurrent professor of East China University of Political Science and Law and the Shanghai University of International Business and Economics, a member of the Review Board of the China Securities Regulatory Commission for Mergers, Acquisitions, and Restructurings of Listed Companies and a commissioner of the Listing Committee of the Shanghai Stock Exchange.

### Lam Ching Kam

Mr. Lam Ching Kam, aged 57, 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 16 years. Mr. Lam has been in the property development and construction industry for 34 years, and has worked for construction contractors such as Shui On Building Contractors Limited, China State Construction Engineering Corporation and Hopewell Construction Co., Ltd. Mr. Lam was employed as a quantity surveyor and worked in London from 1990 to 1991. He was employed by certain consultant firms and the Architectural Services Department of the Hong Kong Government before he emigrated to Australia in 1996 and operated a project management firm in Sydney. Mr. Lam was the project controller of Sino Regal Ltd. (HK) for investment projects in China from 1994 to 1996. In 1998, Mr. Lam established a surveying and management consultant firm which has been participating in many large-scale projects in China and Macau, including a Beijing Olympic 2008 project involving the hotels, offices towers and commercial complex in Olympic Park, Beijing. In October 2016, Mr. Lam's company merged with ShineWing (Beijing) International Construction Consulting Co., Ltd. ("ShineWing") and he became a partner of ShineWing on 1 October 2016.

### Senior Management

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



Hangzhou Shimao Wisdom Tower



# INFORMATION FOR SHAREHOLDERS

## ANNUAL REPORT

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

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

## ANNUAL GENERAL MEETING ("AGM")

The 2018 AGM will be held on Tuesday, 19 June 2018. The notice of the 2018 AGM, which constitutes part of the circular to shareholders, is sent together with this annual report. The notice of the 2018 AGM and the proxy form are also available on the Company's website.

## 2017 DIVIDENDS

Interim dividend	HK40 cents per ordinary share
Proposed final dividend	HK60 cents per ordinary share

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

For determining shareholders' eligibility to attend and vote at the 2018 AGM:

Latest time to lodge transfer documents for registration	4:30 p.m. on Tuesday, 12 June 2018
Closure of ROM	from Wednesday, 13 June 2018 to Tuesday, 19 June 2018 (both days inclusive)

For determining shareholders' entitlement to the final dividend:

Latest time to lodge transfer documents for registration	4:30 p.m. on Friday, 22 June 2018
Closure of ROM	Monday, 25 June 2018 and Tuesday, 26 June 2018
Record date	Tuesday, 26 June 2018
Dispatch of final dividend warrants	Monday, 9 July 2018

**To the Shareholders of Shimao Property Holdings Limited**

*(incorporated in Cayman Islands with limited liability)*

## Opinion

### What we have audited

The consolidated financial statements of Shimao Property Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 82 to 180, which comprise:

- the consolidated balance sheet as at 31 December 2017;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

### Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### Basis for Opinion

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

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

### Independence

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

### Key Audit Matters

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

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

- Valuation of investment properties
- Impairment of goodwill

**Key Audit Matters** (CONTINUED)

<b>Key Audit Matter</b>	<b>How our audit addressed the Key Audit Matter</b>
<p><b>Valuation of investment properties</b></p> <p>Refer to note 2.7 "Summary of significant accounting policies – Investment property" and note 7 "Investment properties" to the consolidated financial statements.</p> <p>The Group's investment properties were carried at RMB34,036 million as at 31 December 2017 and a revaluation gain of RMB679 million was recorded in the consolidated income statement for the year ended 31 December 2017, which represented 11.1% of total assets as at 31 December 2017 and 3.6% of profit before income tax for the year ended 31 December 2017 respectively.</p> <p>We focused on this area because the investment property balance and the revaluation gain during the year based on the valuation of the investment properties are significant to the financial statements and the valuation of the investment properties, which was performed by independent and professionally qualified valuers ("the Valuers"), was highly dependent on the estimates on key assumptions, including market prices and estimated costs to be incurred.</p>	<p>We assessed the competence, independence and integrity of the Valuers.</p> <p>We assessed whether the valuation methodology used is acceptable with the assistance of our internal valuation experts.</p> <p>We tested the inputs used in the valuation, on a sample basis, to available supporting evidence including rental contracts, available third-party reports and market data of comparable properties. We also checked the mathematical accuracy of the underlying calculations in the valuation model.</p> <p>We challenged management's estimates on key assumptions adopted in the valuation by comparing market prices to the recent comparable transactions and comparing estimated costs to be incurred to the project budgets. We also evaluated past actual to budget variance to assess the reliability of the project budgets.</p> <p>In addition, we assessed the sensitivity analysis performed by management to consider the likelihood that the actual outcome differs from the estimates on key assumptions to an extent that results in significant change to the valuation of the investment properties.</p> <p>Based on the work conducted, we found that the methodology applied by management was acceptable and the estimates on key assumptions adopted were supported by the evidence we gathered.</p>

## Key Audit Matters (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><b>Impairment of goodwill</b></p> <p>Refer to note 2.8 “Summary of significant accounting policies – Intangible assets – goodwill” and note 9 “Intangible assets” to the consolidated financial statements.</p> <p>As at 31 December 2017, goodwill in relation to Shanghai Shimao Co., Ltd. (“Shanghai Shimao”), a subsidiary listed in PRC stock market amounted to RMB1,710 million, representing 92.9% of the goodwill and 1.8% of net assets of the Group.</p> <p>Management is required to assess goodwill impairment on an annual basis. In view of volatility of the PRC stock market and that the market value of Shanghai Shimao was lower than its net book value as at 31 December 2017, management was required to assess if any impairment provision was needed based on discount future cash flow calculations.</p> <p>We focused on this area because the preparation of the discounted cash flow projection involved estimates on key assumptions about Shanghai Shimao’s gross margin excluding land appreciation tax, long term growth rate of revenue and discount rate.</p>	<p>We assessed the key assumptions used in the cash flow forecasts (such as gross margin excluding land appreciation tax and long term growth rate of revenue) by comparing approved budget, historical trend, available market data and industry outlook.</p> <p>We assessed the discount rate used in the discounted cash flow projection with the assistance from our internal valuation experts.</p> <p>We tested the mathematical accuracy of the discounted cash flow projection and compared cash flow forecasts to the latest approved management plan. We also compared the current year’s actual performance with the prior year’s management plan to assess the reliability of the management plan.</p> <p>In addition, we assessed the sensitivity analysis performed by management to consider the likelihood that the actual outcome differs from the estimates on key assumptions to an extent that results in goodwill being impaired.</p> <p>Based upon the above procedures, we found that management’s estimates on key assumptions were supported by the evidence we gathered.</p>

## Other Information

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

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

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

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

## Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

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

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

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

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements *(CONTINUED)*

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Esmond S.C. Kwan.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 27 March 2018

	Note	As at 31 December	
		2017 RMB'000	2016 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	6	13,513,914	13,493,658
Investment properties	7	34,036,147	32,270,913
Land use rights	8	8,176,521	8,218,571
Intangible assets	9	1,840,658	1,840,658
Associated companies	10	1,345,018	912,465
Joint ventures	11	13,601,709	9,183,425
Amounts due from related parties	12	1,471,478	1,923,231
Available-for-sale financial assets	13	1,068,775	941,256
Deferred income tax assets	14	2,523,663	2,298,849
Other non-current assets	15	7,449,318	1,629,639
		<b>85,027,201</b>	72,712,665
<b>Current assets</b>			
Inventories	16	133,554,704	120,342,997
Trade and other receivables and prepayments	17	15,583,786	20,256,536
Prepayment for acquisition of land use rights	18	21,605,517	17,950,915
Prepaid income taxes		2,743,827	2,691,546
Available-for-sale financial assets	13	–	3,000,000
Amounts due from related parties	12	16,035,676	2,623,314
Derivative financial instruments	19	1,190	90,199
Restricted cash	20	4,469,331	2,875,658
Cash and cash equivalents	20	28,537,441	19,359,175
		<b>222,531,472</b>	189,190,340
<b>Total assets</b>		<b>307,558,673</b>	261,903,005
<b>EQUITY</b>			
<b>Equity attributable to the equity holders of the Company</b>			
Share capital	21	348,864	348,864
Reserves	22	57,285,819	52,107,187
		<b>57,634,683</b>	52,456,051
<b>Non-controlling interests</b>			
Perpetual capital instruments	23	4,200,000	4,500,000
Other non-controlling interests		34,912,114	31,260,942
		<b>39,112,114</b>	35,760,942
<b>Total equity</b>		<b>96,746,797</b>	88,216,993

As at 31 December 2017

	Note	As at 31 December	
		2017 RMB'000	2016 RMB'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	24	69,309,472	49,188,203
Finance lease liabilities	25	–	222,353
Deferred income tax liabilities	14	6,025,277	5,666,533
		<b>75,334,749</b>	55,077,089
<b>Current liabilities</b>			
Trade and other payables	26	33,524,265	27,307,614
Advanced proceeds received		34,117,188	31,903,265
Income tax payable		15,641,375	13,682,645
Borrowings	24	18,195,220	17,755,309
Finance lease liabilities	25	130,560	171,420
Amounts due to related parties	27	33,868,519	27,788,670
		<b>135,477,127</b>	118,608,923
<b>Total liabilities</b>		<b>210,811,876</b>	173,686,012
<b>Total equity and liabilities</b>		<b>307,558,673</b>	261,903,005

The notes on pages 89 to 180 are an integral part of these consolidated financial statements.

The financial statements on pages 82 to 180 were approved by the Board of Directors on 27 March 2018 and were signed on its behalf.

**Hui Wing Mau**  
Director

**Hui Sai Tan, Jason**  
Director

	Note	Year ended 31 December	
		2017 RMB'000	2016 RMB'000
<b>Revenue</b>	5	<b>70,425,874</b>	59,286,161
Cost of sales	29	<b>(48,996,361)</b>	(42,937,532)
<b>Gross profit</b>		<b>21,429,513</b>	16,348,629
Fair value gains on investment properties – net	7	<b>679,484</b>	1,996,673
Other income/other gains – net	28	<b>545,095</b>	838,785
Selling and marketing costs	29	<b>(1,461,804)</b>	(1,352,643)
Administrative expenses	29	<b>(2,989,871)</b>	(2,742,720)
Other operating expenses	29	<b>(523,702)</b>	(268,509)
<b>Operating profit</b>		<b>17,678,715</b>	14,820,215
Finance income		<b>2,059,980</b>	369,832
Finance costs		<b>(731,566)</b>	(1,545,778)
Finance income/(costs) – net	30	<b>1,328,414</b>	(1,175,946)
Share of results of associated companies and joint ventures		<b>(315,376)</b>	(448,391)
<b>Profit before income tax</b>		<b>18,691,753</b>	13,195,878
Income tax expense	33	<b>(8,121,060)</b>	(5,685,493)
<b>Profit for the year</b>		<b>10,570,693</b>	7,510,385
<b>Other comprehensive income:</b>			
<i>Items that may be reclassified to profit or loss</i>			
Fair value losses on available-for-sale financial assets, net of tax		<b>(8,641)</b>	(219,911)
Translation reserves		<b>(101)</b>	–
<b>Total comprehensive income for the year</b>		<b>10,561,951</b>	7,290,474

For the year ended 31 December 2017

	Note	Year ended 31 December	
		2017 RMB'000	2016 RMB'000
<b>Profit for the year attributable to:</b>			
Equity holders of the Company		<b>7,840,494</b>	5,171,855
Non-controlling interests		<b>2,730,199</b>	2,338,530
		<b>10,570,693</b>	7,510,385
<b>Total comprehensive income for the year attributable to:</b>			
Equity holders of the Company		<b>7,835,302</b>	5,042,283
Non-controlling interests		<b>2,726,649</b>	2,248,191
		<b>10,561,951</b>	7,290,474
<b>Earnings per share for profit attributable to the equity holders of the Company</b>			
– Basic (RMB cents)	34	<b>232.4</b>	150.6
– Diluted (RMB cents)	34	<b>231.9</b>	150.4

The notes on pages 89 to 180 are an integral part of these consolidated financial statements.

	Note	Attributable to the equity holders of the Company				Total RMB'000
		Share capital RMB'000	Reserves RMB'000	Perpetual capital instruments RMB'000	Non- controlling interests RMB'000	
<b>Balance at 1 January 2017</b>		<b>348,864</b>	<b>52,107,187</b>	<b>4,500,000</b>	<b>31,260,942</b>	<b>88,216,993</b>
Comprehensive income						
Profit for the year		–	7,840,494	293,845	2,436,354	10,570,693
<b>Other comprehensive income for the year</b>						
<i>Items that may be reclassified to profit or loss</i>						
Fair value losses on available-for-sale financial assets		–	(6,788)	–	(4,733)	(11,521)
Tax on fair value losses on available-for-sale financial assets		–	1,697	–	1,183	2,880
Translation reserves		–	(101)	–	–	(101)
<b>Total comprehensive income for the year</b>		<b>–</b>	<b>7,835,302</b>	<b>293,845</b>	<b>2,432,804</b>	<b>10,561,951</b>
Acquisition of subsidiaries	40(a)	–	–	–	857,447	857,447
Capital contribution from non-controlling interests	40(d(i))	–	–	–	2,973,971	2,973,971
Changes in ownership interests in subsidiaries without change of control	40(d(ii))	–	(236,983)	–	(2,499,695)	(2,736,678)
Deemed disposal of a subsidiary	40(c)	–	–	–	(8,109)	(8,109)
Equity-settled share-based payment						
– Value of employee services	22	–	75,470	–	–	75,470
– Purchase of shares	22	–	(65,328)	–	–	(65,328)
– Dividends received	22	–	6,510	–	–	6,510
Perpetual capital instruments issued	23	–	–	1,200,000	–	1,200,000
Perpetual capital instruments redeemed	23	–	–	(1,500,000)	–	(1,500,000)
Perpetual capital instruments dividends		–	–	(293,845)	–	(293,845)
Dividends and distributions	35	–	(2,436,339)	–	(105,246)	(2,541,585)
<b>Total transactions with owners</b>		<b>–</b>	<b>(2,656,670)</b>	<b>(593,845)</b>	<b>1,218,368</b>	<b>(2,032,147)</b>
<b>Balance at 31 December 2017</b>		<b>348,864</b>	<b>57,285,819</b>	<b>4,200,000</b>	<b>34,912,114</b>	<b>96,746,797</b>

For the year ended 31 December 2017

	Note	Attributable to the equity holders of the Company				Total RMB'000
		Share capital RMB'000	Reserves RMB'000	Perpetual capital instruments RMB'000	Non- controlling interests RMB'000	
<b>Balance at 1 January 2016</b>		356,275	49,805,385	–	24,587,660	74,749,320
Comprehensive income						
Profit for the year		–	5,171,855	95,000	2,243,530	7,510,385
<b>Other comprehensive income for the year</b>						
<i>Items that may be reclassified to profit or loss</i>						
Fair value losses on available-for-sale financial assets		–	(172,763)	–	(120,451)	(293,214)
Tax on fair value losses on available-for-sale financial assets		–	43,191	–	30,112	73,303
<b>Total comprehensive income for the year</b>		–	5,042,283	95,000	2,153,191	7,290,474
Transfer from joint ventures to subsidiaries		–	–	–	1,229,298	1,229,298
Capital contribution from non-controlling interests		–	–	–	6,556,880	6,556,880
Changes in ownership interests in subsidiaries without change of control		–	116,685	–	(3,043,613)	(2,926,928)
Disposal of subsidiaries		–	–	–	(29,999)	(29,999)
Equity-settled share-based payment						
– Value of employee services	22	–	50,005	–	–	50,005
– Purchase of shares	22	–	(37,198)	–	–	(37,198)
– Dividends received	22	–	7,518	–	–	7,518
Perpetual capital instruments issued	23	–	–	5,100,000	–	5,100,000
Perpetual capital instruments redeemed	23	–	–	(600,000)	–	(600,000)
Perpetual capital instruments dividends		–	–	(95,000)	–	(95,000)
Translation reserves		–	(36)	–	–	(36)
Buy-back of shares						
– Purchase of shares	21	–	(758,374)	–	–	(758,374)
– Dividends received		–	6,455	–	–	6,455
– Cancellation of shares		(7,411)	7,411	–	–	–
Dividends and distributions	35	–	(2,132,947)	–	(192,475)	(2,325,422)
<b>Total transactions with owners</b>		(7,411)	(2,740,481)	4,405,000	4,520,091	6,177,199
<b>Balance at 31 December 2016</b>		348,864	52,107,187	4,500,000	31,260,942	88,216,993

The notes on pages 89 to 180 are an integral part of these consolidated financial statements.

	Note	Year ended 31 December	
		2017 RMB'000	2016 RMB'000
<b>Cash flow from operating activities</b>			
Net cash generated from operations	36	22,741,854	5,629,945
Interest received	30	581,511	369,832
Interest paid		(5,711,350)	(4,929,302)
PRC income tax paid		(6,132,804)	(4,530,997)
Net cash generated from/(used in) operating activities		11,479,211	(3,460,522)
<b>Cash flow from investing activities</b>			
Additions of property and equipment and investment properties		(2,257,268)	(3,730,726)
Disposal of property and equipment		6,526	19,899
Additions of land use rights		(58,254)	(196,177)
Acquisition of derivative financial instruments	19	(47,304)	(13,714)
Settlement of derivative financial instruments	19	49,334	105,775
Increase in prepayments for acquisition of equity interests	15	(5,619,589)	(660,000)
Acquisition of subsidiaries	40	(250,079)	(154,462)
Disposal of subsidiaries	40	(125,979)	3,097,913
Capital injections to associated companies	10	(582,791)	(9,606)
Capital injections to joint ventures	11	(3,892,079)	(663,310)
Disposal of shares of joint ventures	11	5,000	–
Advances to joint ventures and associated companies	12	(13,184,690)	(189,922)
Acquisition of available-for-sale financial assets	13	(1,080,000)	(3,100,000)
Disposal of available-for-sale financial assets	13	3,945,961	–
Gain on investment in structured products issued by banks	28	85,847	93,523
Net cash used in investing activities		(23,005,365)	(5,400,807)
<b>Cash flow from financing activities</b>			
Proceeds from borrowings		65,975,338	65,178,815
Repayments of borrowings and finance lease liabilities		(43,385,558)	(69,759,851)
Purchase of shares		(65,328)	(37,198)
Buyback of shares		–	(758,374)
Capital contribution from non-controlling interests of subsidiaries		2,973,971	6,556,880
Acquisition of additional interests in subsidiaries		(2,736,678)	(1,881,928)
Payment for acquisition of equity interests in prior year		(1,045,000)	–
Proceeds from issue of perpetual capital instruments		1,200,000	5,100,000
Redemption of perpetual capital instruments		(1,500,000)	(600,000)
Interest for the holders of perpetual capital instruments		(293,845)	(95,000)
Dividends paid to the equity holders of the Company		(2,436,339)	(2,132,947)
Dividends paid to non-controlling interests		(105,246)	(192,475)
Increase in amounts due to non-controlling interests	27	3,674,770	2,951,746
Dividends received		6,510	13,973
(Increase)/decrease in restricted cash pledged for borrowings		(1,534,226)	1,259,756
Net cash generated from financing activities		20,728,369	5,603,397
<b>Net increase/(decrease) in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of the year		19,359,175	22,591,843
Effect of foreign exchange rate changes		(23,949)	25,264
Cash and cash equivalents at end of the year	20	28,537,441	19,359,175

The notes on pages 89 to 180 are an integral part of these consolidated financial statements.

## 1 General information

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

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

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

## 2 Summary of significant accounting policies

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

### 2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. They have been prepared under the historical cost convention, as modified by the revaluation of investment properties, biological assets, available-for-sale financial assets and derivative financial instruments which are carried at fair value.

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

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

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2017:

- HKAS 7 (Amendments) “Statement of cash flows” introduces an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities, see note 36(b).
- HKAS 12 (Amendments) “Income taxes” on the recognition of deferred tax assets for unrealised losses clarifies how to account for deferred tax assets related to debt instruments measured at fair value.
- HKFRS 12 (Amendments) “Disclosure of interest in other entities” is part of the annual improvements to HKFRSs 2014-2016 cycle and clarifies that the disclosure requirement of HKFRS 12 is applicable to interest in entities classified as held for sale except for summarised financial information.

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

## 2 Summary of significant accounting policies (CONTINUED)

### 2.1 Basis of preparation (continued)

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

Certain new accounting standards and interpretations have been published that are not mandatory for annual periods beginning on 1 January 2017 and have not been early adopted by the Group:

		<b>Effective for annual periods beginning on or after</b>
HKFRS 2 (Amendments)	Classification and measurement of share-based payment transactions	1 January 2018
HKFRS 4 (Amendments)	Insurance contracts "Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts"	1 January 2018
HKFRS 9	Financial instruments	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2018
HK (IFRIC) 22	Foreign currency transactions and advance consideration	1 January 2018
HKAS 28 (Amendment)	Investments in associates and joint ventures	1 January 2018
HKAS 40 (Amendments)	Transfers of investment property	1 January 2018
HKFRS 16	Leases	1 January 2019
HK (IFRIC) 23	Uncertainty over income tax treatments	1 January 2019
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group's assessment of the impact of these new standards and interpretations is set out below.

#### **HKFRS 9 Financial Instruments**

HKFRS 9 replaces the whole of HKAS 39. HKFRS 9 has three financial assets classification categories for investments in debt instruments: amortised cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss. Classification is driven by the entity's business model for managing the debt instruments and their contractual cash flow characteristics. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in OCI, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability's own credit risk are recognised in OCI, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognised in profit or loss. There is no subsequent recycling of the amounts in OCI to profit or loss. For financial liabilities held for trading (including derivative financial liabilities), all changes in fair value are presented in profit or loss.

HKFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model, which constitutes a change from the incurred loss model in HKAS 39. HKFRS 9 contains a 'three stage' approach, which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applied the effective interest rate method. Where there is a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL.

## 2 Summary of significant accounting policies (CONTINUED)

### 2.1 Basis of preparation (continued)

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

##### **HKFRS 9 Financial Instruments (continued)**

While the Group has yet to undertake a detailed assessment, the Group expects that there will not have significant impact on the majority of the available-for-sale financial assets. There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities.

While the Group has not yet completed the detailed assessment, the ECL model introduced by HKFRS 9 will generally result in earlier recognition of losses compared to the current incurred loss model of HKAS 39.

##### **HKFRS 15 Revenue from Contracts with Customers**

HKFRS 15 "Revenue from Contracts with Customers" replaces the previous revenue standards: HKAS 18 "Revenue" and HKAS 11 "Construction Contracts", and the related interpretations on revenue recognition. HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (1) identify the contract(s) with customer; (2) identify separate performance obligations in a contract; (3) determine the transaction price; (4) allocate transaction price to performance obligations; and (5) recognise revenue when performance obligation is satisfied. It moves away from a revenue recognition model based on an approach of transfer of risk and rewards to an approach based on transfer of control. HKFRS 15 provides specific guidance on capitalisation of contract cost and license arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. Under HKFRS 15, an entity recognises revenue when a performance obligation is satisfied. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

The Group is currently assessing the effects of applying the new standard on the Group's consolidated financial statements and has identified the following areas that are likely to be affected:

- *Presentation of contract assets and liabilities*  
Reclassification shall be made as at 1 January 2018 to be consistent with the terminology used under HKFRS 15.
- *Accounting for revenue from sales of properties*  
Currently, revenue from sales of properties is recognised when the risks and rewards of the properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers pursuant to the sales contracts and collectability of related receivables is reasonably assured. Under HKFRS 15, for those properties that have no alternative use to the Group due to contractual reasons and when the Group has an enforceable right to payment from the customers for performance completed to date, the Group would recognise revenue when the performance obligations are satisfied over time in accordance with the input method for measuring progress. In addition, the transaction price and amount of revenue from sales of properties will be adjusted when significant financing component relating to advance receipts exists in that contract.
- *Accounting for costs incurred to obtain a contract*  
Following the adoption of HKFRS 15, stamp duty, sales commissions and other costs directly attributable to obtaining a contract, if recoverable, will be capitalised as contract assets.

The directors are in the process of assessing the impact of HKFRS 15 and preliminarily consider that it may have some impact on the Group's consolidated financial position and results of operation upon adoption of the new standard on 1 January 2018.

## 2 Summary of significant accounting policies (CONTINUED)

### 2.1 Basis of preparation (continued)

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

##### **HKFRS 16 Leases**

HKFRS 16 "Leases" will affect primarily the accounting for the Group's operating leases. HKFRS 16 provides new provisions for the accounting treatment of leases and will in the future no longer allow lessees to recognise certain leases outside of the balance sheet. Instead, all non-current leases must be recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation). Thus each lease will be mapped in the Group's consolidated balance sheet. Short-term leases of less than twelve months and leases of low-value assets are exempted from the reporting obligation. The new standard will therefore result in an increase in right of use assets and an increase in financial liabilities in the consolidated balance sheet. In the consolidated income statement, as a result, the operating expenses under otherwise identical circumstances will decrease, while depreciation and amortisation and the interest expenses will increase.

The Group is a lessee of certain offices and buildings, which are currently accounted for as operating leases under HKAS 17. HKFRS 16 provides new provisions for the accounting treatment of leases and will in future no longer allow lessees to recognise certain leases outside the consolidated statement of financial position. Instead, all non-current leases must be recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation). Thus, each lease will be mapped in the Group's consolidated statement of financial position. Short-term leases of less than twelve months and leases of low-value assets are exempted from the reporting obligation. The new standard will therefore result in an increase in right of use assets and an increase in payment obligation liabilities in the consolidated statement of financial position. In the statement of income, as a result, the operating lease expense under otherwise identical circumstances will decrease, while depreciation and amortisation and the interest expense will increase.

### 2.2 Principles of consolidation and equity accounting

#### (i) Subsidiaries

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

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 2.3).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

#### (ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (iv) below), after initially being recognised at cost.

## 2 Summary of significant accounting policies (CONTINUED)

### 2.2 Principles of consolidation and equity accounting (continued)

#### (iii) Joint arrangements

Under HKFRS 11 Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has only joint ventures.

Interests in joint ventures are accounted for using the equity method (see (iv) below), after initially being recognised at cost in the consolidated balance sheet.

#### (iv) Equity accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

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

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 2.9.

#### (v) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Group.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

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

## 2 Summary of significant accounting policies (CONTINUED)

### 2.3 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

### 2.4 Segment reporting

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

## 2 Summary of significant accounting policies (CONTINUED)

### 2.5 Foreign currency translation

#### (i) Functional and presentation currency

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

#### (ii) Transactions and balances

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

#### (iii) Group companies

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

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

### 2.6 Property and equipment

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

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

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

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

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

Buildings	50 years or the remaining lease period of the land use rights, whichever is shorter
Building improvements	10 to 20 years
Furniture and equipment	5 to 12 years
Jet plane and motor vehicles	10 to 20 years

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

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

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

## 2 Summary of significant accounting policies (CONTINUED)

### 2.7 Investment property

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

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

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

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

### 2.8 Intangible assets – goodwill

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

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

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

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

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

## 2 Summary of significant accounting policies (CONTINUED)

### 2.10 Financial assets

#### (i) Classification

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

- Loans and receivables

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

- Available-for-sale financial assets

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

#### (ii) Recognition and measurement

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

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

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

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

#### (iii) Offsetting financial instruments

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

## 2 Summary of significant accounting policies (CONTINUED)

### 2.10 Financial assets (continued)

#### (iv) Impairment of financial assets

- Loans and receivables

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

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

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

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

- Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is reclassified from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

### 2.11 Derivative financial instruments and hedging activities

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

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

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

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

## 2 Summary of significant accounting policies (CONTINUED)

### 2.12 Properties under development

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

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

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

### 2.13 Completed properties held for sale

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

Cost comprises development costs attributable to the unsold properties.

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

### 2.14 Biological assets

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

### 2.15 Trade and other receivables

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

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

### 2.16 Cash and cash equivalents

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

### 2.17 Share capital

Ordinary shares are classified as equity.

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

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

### 2.18 Perpetual capital instruments

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

## 2 Summary of significant accounting policies (CONTINUED)

### 2.19 Trade payables

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

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

### 2.20 Borrowings

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

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

### 2.21 Borrowings cost

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

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

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

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

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

### 2.22 Current and deferred income tax

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

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

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

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

## 2 Summary of significant accounting policies (CONTINUED)

### 2.22 Current and deferred income tax (continued)

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

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

### 2.23 Employee benefits

#### (i) Employee leave entitlements

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

#### (ii) Retirement benefits

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

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

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

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

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

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

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

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

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

## 2 Summary of significant accounting policies (CONTINUED)

### 2.23 Employee benefits (continued)

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

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

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

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

### 2.24 Provisions and contingent liabilities

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

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

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

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

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

### 2.25 Revenue recognition

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

#### (i) Sales of properties

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

#### (ii) Property management services

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

#### (iii) Interest income

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

#### (iv) Rental income

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

## 2 Summary of significant accounting policies (CONTINUED)

### 2.25 Revenue recognition (continued)

#### (v) Hotel operation income

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

#### (vi) Commission income

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

#### (vii) Dividend income

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

### 2.26 Government grants

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

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

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

### 2.27 Leases

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

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

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

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

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

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

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

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

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

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

### 2.28 Dividend distribution

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

## 2 Summary of significant accounting policies (CONTINUED)

### 2.29 Insurance contracts

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

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

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

### 2.30 Financial guarantee contracts

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

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

## 3 Financial risk management

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

### (a) Market risk

#### (i) Foreign exchange risk

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

The Company and all of its subsidiaries' functional currency is RMB, except the subsidiaries located in Australia which functional currency is AUD dollar, so that the fluctuation of the exchange rates of RMB against foreign currencies could affect the Group's results of operations. For the year ended 2017, the Group manages its foreign exchange risk by using foreign currency option contracts. Such contracts have the economic effect of setting a strike rate for agreed amount of foreign currency amount. Under these contracts, the Group agrees with a third party to exchange, at specified intervals, the difference between strike and spot exchange rate amounts calculated by reference to the agreed notional amount.

As at 31 December 2017, if RMB had strengthened/weakened by 5%, against US dollar and HK dollar with all other variables held constant, post-tax profit for the year would have been RMB1,641,127,000 (2016: RMB1,065,767,000) higher/lower, mainly as a result of net foreign exchange gains/losses on translation of US dollar and HK dollar denominated bank deposits, senior notes and bank borrowings.

### 3 Financial risk management (CONTINUED)

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

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

###### Exposure

The Group's major exposure to foreign currency risk at the end of the reporting period, expressed in Renminbi, was as follows:

	31 December 2017				
	RMB RMB'000	USD RMB'000	HKD RMB'000	JPY RMB'000	AUD RMB'000
Borrowings	49,739,590	29,476,040	7,403,543	503,559	381,960

###### Amounts recognised in profit or loss and other comprehensive income

During the year, the following foreign-exchange related amounts were recognised in profit or loss:

	2017 RMB'000
Amounts recognised in profit or loss	
Exchange gain on foreign currency borrowings included in finance income	1,721,705

##### (ii) Price risk

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

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

Except for cash deposits in the banks, the Group has no other significant interest-bearing assets. The Group's exposure to changes in interest rates is mainly attributable to its borrowings, especially long-term borrowings. Borrowings at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk. The interest rate and terms of repayments of borrowings are disclosed in Note 24. The Group manages certain of its fair value interest rate risk by using fixed-to-floating interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from fixed rates to floating rates. As at 31 December 2017, the Group converted no borrowings from fixed rate to floating rate through interest rate swap (2016: nil) (Note 24).

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

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

If interest rates on RMB denominated variable rate borrowings had been 100 basis points higher/lower with all other variables held constant, the post-tax profit for the year would have been RMB48,672,000 (2016: RMB111,045,000) lower/higher mainly as a result of higher/lower interest expenses on borrowings with variable rates as at 31 December 2017. If interest rates on US dollar and HK dollar denominated variable rate borrowings had been 100 basis points higher/lower with all other variables held constant, the post-tax profit for the year would have been RMB145,070,000 (2016: RMB44,059,000) lower/higher mainly as a result of higher/lower interest expenses on borrowings with variable rates as at 31 December 2017.

### 3 Financial risk management (CONTINUED)

#### (b) Credit risk

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

Cash transactions are limited to high-credit-quality institutions. The table below shows the bank deposit balances of the major counterparties as at 31 December 2017.

Counterparty	Rating (Note)	As at 31 December	
		2017 RMB'000	2016 RMB'000
Bank A	A	3,418,239	2,183,976
Bank B	BBB+	3,015,840	1,600,346
Bank C	A	2,563,814	1,876,057
Bank D	A	2,196,197	1,573,133
Bank E	Baa2	2,010,818	2,519,347

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

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

#### (c) Liquidity risk

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

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

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

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

### 3 Financial risk management (CONTINUED)

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

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
<b>As at 31 December 2017</b>					
Borrowings and interest payments	21,157,516	17,006,158	48,923,336	14,415,530	101,502,540
Finance lease liabilities	135,475	–	–	–	135,475
Trade and other payables (excluding other taxes payables)	31,014,900	39,536	38,692	53,222	31,146,350
Amounts due to related parties	33,868,519	–	–	–	33,868,519
	<b>86,176,410</b>	<b>17,045,694</b>	<b>48,962,028</b>	<b>14,468,752</b>	<b>166,652,884</b>
<b>As at 31 December 2016</b>					
Borrowings and interest payments	20,723,802	8,800,975	35,357,031	13,910,404	78,792,212
Finance lease liabilities	200,824	200,586	38,004	–	439,414
Trade and other payables (excluding other taxes payables)	26,178,120	12,139	34,699	11,903	26,236,861
Amounts due to related parties	27,788,670	–	–	–	27,788,670
	74,891,416	9,013,700	35,429,734	13,922,307	133,257,157

Note: The interest on borrowings is calculated based on borrowings outstanding as at 31 December 2017 and 2016 without taking into account of future issues. Floating-rate interest is estimated using the applicable interest rate as at 31 December 2017 and 2016 respectively.

The amount of derivative financial instruments is measured at fair value at 31 December 2017 and 2016.

#### (d) Capital risk management

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

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

### 3 Financial risk management (CONTINUED)

#### (e) Fair value estimation

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

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

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2017. See Note 7 for disclosures of the investment properties that are measured at fair value.

As at 31 December 2017	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>Assets</b>				
Derivative financial instruments	–	–	1,190	1,190
Available-for-sale financial assets				
– equity securities	812,258	–	–	812,258
– investment in structured products issued by other financial institution	–	–	256,517	256,517

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

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

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

Derivative financial instruments included in Level 3 as at 31 December 2017 are eight currency option contracts with the Morgan Stanley & Co International PLC ("Morgan Stanley"), the fair value of which is determined using valuation models for which not all inputs are market observable prices or rates.

Derivative financial instruments included in Level 3 as at 31 December 2016 are six currency option contracts and four currency forward contracts with the Morgan Stanley, 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 are the investment in structured products entered into with financial institutions, the fair value of which are determined using valuation model for which not all inputs are market observable rates.

### 3 Financial risk management (CONTINUED)

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

As at 31 December 2016, available-for-sale financial assets included in Level 3 also included the restricted shares of Wanda Cinema Line Co., Ltd. ("Wanda Cinema Line") (Note 13) traded in Shenzhen Stock Exchange with one year lock-up period up to 3 January 2017, the fair value of which is determined using valuation model for which not all inputs are market observable rates. For the year ended 31 December 2017, the investment in Wanda Cinema Line transferred from Level 3 to Level 1. There were no other reclassifications of financial assets and no transfers between different levels.

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

	Year ended 31 December	
	2017 RMB'000	2016 RMB'000
Opening balances of assets	3,941,256	1,134,470
Additions	1,080,000	3,100,000
Disposals	(3,945,961)	–
Fair value losses recognised in other comprehensive income	(6,520)	(293,214)
Closing balances of assets	1,068,775	3,941,256
Changes in unrealised losses, under 'Other comprehensive income'	(11,521)	(293,214)

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

	Year ended 31 December	
	2017 RMB'000	2016 RMB'000
Opening balances of assets	90,199	41,782
Acquisition of currency options and forwards	47,304	13,714
(Loss)/gain recognised in the income statement	(86,979)	140,478
Settlements	(49,334)	(105,775)
Closing balances of assets	1,190	90,199
Changes in realised losses, under 'Other expenses'	(12,151)	–
Changes in unrealised losses, under 'Other expenses'	(74,828)	–
Changes in realised gains, under 'Other income/other gains – net'	–	63,993
Changes in unrealised gains, under 'Other income/other gains – net'	–	76,485

### 3 Financial risk management (CONTINUED)

#### (f) Financial instruments by category

Financial assets	As at 31 December	
	2017 RMB'000	2016 RMB'000
Other financial assets at amortised cost:		
– Trade and other receivables	6,776,507	6,949,095
– Amounts due from related parties	17,507,154	4,546,545
– Restricted cash	4,469,331	2,875,658
– Cash and cash equivalents	28,537,441	19,359,175
Assets at fair value through the profit and loss:		
– Derivative financial instruments	1,190	90,199
– Available-for-sale financial assets	1,068,775	3,941,256
<b>Total</b>	<b>58,360,398</b>	<b>37,761,928</b>
Financial liabilities	As at 31 December	
	2017 RMB'000	2016 RMB'000
Other financial liabilities at amortised cost:		
– Borrowings	87,504,692	66,943,512
– Finance lease liabilities	130,560	393,773
– Trade and other payables (excluding other taxes payable)	31,146,350	26,236,861
– Amounts due to related parties	33,868,519	27,788,670
<b>Total</b>	<b>152,650,121</b>	<b>121,362,816</b>

### 4 Critical accounting estimates and judgements

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

#### 4.1 Critical accounting estimates and assumptions

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

##### (a) Income taxes and deferred income tax assets

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

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

##### (b) Land appreciation tax

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

## 4 Critical accounting estimates and judgements (CONTINUED)

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

#### (c) Impairment of goodwill

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

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

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

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

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

#### (f) Impairment of trade receivables

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

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

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

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

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

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

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

## 5 Segment information

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

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

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

## 5 Segment information (CONTINUED)

### (a) Revenue

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

	Year ended 31 December	
	2017 RMB'000	2016 RMB'000
Sales of properties	66,795,945	56,196,877
Hotel operation income	1,707,902	1,466,201
Rental income from investment properties	680,007	710,357
Property management and other income	1,242,020	912,726
	<b>70,425,874</b>	<b>59,286,161</b>

### (b) Segment information

Year ended 31 December 2017

	Property development and investment		Hotel operation RMB'000	Unallocated** RMB'000	Total RMB'000
	Shanghai Shimao Co., Ltd. ("Shanghai Shimao")* RMB'000	Others RMB'000			
Revenue					
– Sales of properties	17,381,966	49,413,979	–	–	66,795,945
– Hotel operation income	230,166	–	1,477,736	–	1,707,902
– Rental income from investment properties	577,168	102,839	–	–	680,007
– Property management and other income	477,470	764,550	–	–	1,242,020
Total revenue	18,666,770	50,281,368	1,477,736	–	70,425,874
Operating profit/(loss)	7,504,996	10,451,213	155,089	(432,583)	17,678,715
Finance income	115,264	1,931,037	751	12,928	2,059,980
Finance costs	(240,618)	(193,878)	(11,340)	(285,730)	(731,566)
Share of results of					
– Associated companies	(173)	167,766	–	–	167,593
– Joint ventures	66,984	(549,953)	–	–	(482,969)
Profit/(loss) before income tax	7,446,453	11,806,185	144,500	(705,385)	18,691,753
Income tax expense					(8,121,060)
Profit for the year					10,570,693
Other segment items are as follows:					
Capital and property development expenditure	23,991,044	42,072,845	653,397	–	66,717,286
Fair value gains/(losses) on investment properties	724,106	(44,622)	–	–	679,484
Fair value losses on derivative financial instruments	–	(86,979)	–	–	(86,979)
Depreciation	57,298	167,776	318,463	36,816	580,353
Amortisation of land use rights	9,611	5,795	69,585	–	84,991
Provision for impairment of receivables	41,706	13,681	782	–	56,169

\* The Group owns an effective equity interest of 58.92% in Shanghai Shimao as at 31 December 2017

\*\* Unallocated mainly represent corporate level activities

## 5 Segment information (CONTINUED)

### (b) Segment information (continued)

The segment assets and liabilities at 31 December 2017 are as follows:

	Property development and investment			Hotel operation RMB'000	Total RMB'000
	Shanghai Shimao RMB'000	Others RMB'000			
Associated companies	200,239	1,144,779	–	–	1,345,018
Joint ventures	2,107,174	11,494,535	–	–	13,601,709
Intangible assets	1,709,730	–	130,928	–	1,840,658
Other segment assets	86,327,419	180,773,033	18,048,407	–	285,148,859
<b>Total segment assets</b>	<b>90,344,562</b>	<b>193,412,347</b>	<b>18,179,335</b>	<b>–</b>	<b>301,936,244</b>
Deferred income tax assets	–	–	–	–	2,523,663
Available-for-sale financial assets	–	–	–	–	1,068,775
Derivative financial instruments	–	–	–	–	1,190
Other assets	–	–	–	–	2,028,801
<b>Total assets</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>307,558,673</b>
Borrowings	17,149,556	35,133,395	1,091,500	–	53,374,451
Other segment liabilities	36,109,134	66,351,538	14,044,160	–	116,504,832
<b>Total segment liabilities</b>	<b>53,258,690</b>	<b>101,484,933</b>	<b>15,135,660</b>	<b>–</b>	<b>169,879,283</b>
Corporate borrowings	–	–	–	–	34,130,241
Deferred income tax liabilities	–	–	–	–	6,025,277
Other liabilities	–	–	–	–	777,075
<b>Total liabilities</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>210,811,876</b>

## 5 Segment information (CONTINUED)

## (b) Segment information (continued)

Year ended 31 December 2016

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

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

\*\* Unallocated mainly represent corporate level activities

## 5 Segment information (CONTINUED)

### (b) Segment information (continued)

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

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

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

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

## 6 Property and equipment

	Assets under construction RMB'000	Hotel buildings and improvements RMB'000	Furniture and equipment RMB'000	Jet plane and motor vehicles RMB'000	Self-use buildings RMB'000	Total RMB'000
<b>Cost</b>						
At 1 January 2017	3,777,013	10,655,854	485,965	444,686	1,159,931	16,523,449
Additions	167,849	156,171	78,019	299,929	99,782	801,750
Acquisition of subsidiaries	-	-	78	-	-	78
Disposal of subsidiaries	(100,213)	-	(684)	-	-	(100,897)
Disposals	-	(18,765)	(38,184)	(10,627)	(3,285)	(70,861)
Transfer to properties under development and completed properties held for sale	(94,198)	-	-	-	-	(94,198)
Transfer upon completion	(1,704,180)	1,704,180	-	-	-	-
At 31 December 2017	2,046,271	12,497,440	525,194	733,988	1,256,428	17,059,321
<b>Accumulated depreciation</b>						
At 1 January 2017	-	2,464,775	233,472	173,165	158,379	3,029,791
Acquisition of subsidiaries	-	-	13	-	-	13
Charge for the year	-	315,557	76,653	126,864	61,279	580,353
Disposal of subsidiaries	-	-	(415)	-	-	(415)
Disposals	-	(17,047)	(37,198)	(7,069)	(3,021)	(64,335)
At 31 December 2017	-	2,763,285	272,525	292,960	216,637	3,545,407
<b>Net book value</b>						
At 31 December 2017	2,046,271	9,734,155	252,669	441,028	1,039,791	13,513,914

## 6 Property and equipment (CONTINUED)

	Assets under construction RMB'000	Hotel buildings and improvements RMB'000	Furniture and equipment RMB'000	Jet plane and motor vehicles RMB'000	Self-use buildings RMB'000	Total RMB'000
<b>Cost</b>						
At 1 January 2016	3,117,719	9,211,844	417,478	447,218	1,034,054	14,228,313
Additions	482,850	2,126	77,995	8,093	148,609	719,673
Acquisition of subsidiaries	–	–	25,734	2,744	–	28,478
Disposal of subsidiaries	–	–	(9,160)	(1,390)	–	(10,550)
Disposals	–	(8,775)	(26,082)	(11,979)	(22,732)	(69,568)
Transfer from properties under development and completed properties held for sale	687,975	939,128	–	–	–	1,627,103
Transfer upon completion	(511,531)	511,531	–	–	–	–
At 31 December 2016	3,777,013	10,655,854	485,965	444,686	1,159,931	16,523,449
<b>Accumulated depreciation</b>						
At 1 January 2016	–	2,182,843	195,259	156,593	121,674	2,656,369
Charge for the year	–	288,947	68,715	27,914	44,573	430,149
Disposal of subsidiaries	–	–	(5,785)	(1,183)	–	(6,968)
Disposals	–	(7,015)	(24,717)	(10,159)	(7,868)	(49,759)
At 31 December 2016	–	2,464,775	233,472	173,165	158,379	3,029,791
<b>Net book value</b>						
At 31 December 2016	3,777,013	8,191,079	252,493	271,521	1,001,552	13,493,658

Depreciation charge of RMB580,353,000 for the year ended 31 December 2017 (2016: RMB430,149,000) has been recorded in cost of sales and administrative expenses in the consolidated statement of comprehensive income (Note 29).

As at 31 December 2017, assets under construction and buildings of the Group with a total carrying amount of RMB1,738,927,000 (2016: RMB2,163,756,000) were pledged as collateral for certain borrowings of the Group (Note 24).

For the year ended 31 December 2017, the Group has capitalised borrowing costs amounting to RMB66,976,000 (2016: RMB188,943,000) in assets under construction. Borrowing costs were capitalised at the weighted average rate of 5.36% (2016: 5.67%).

Included in hotel buildings and improvements are assets under finance lease with a net book value of RMB130,560,000 as at 31 December 2017 (2016: RMB393,773,000)(Note 25).

## 7 Investment properties

	Year ended 31 December	
	2017 RMB'000	2016 RMB'000
Opening balance at 1 January	<b>32,270,913</b>	30,025,297
Additions – Construction cost and others	<b>1,085,750</b>	3,196,416
Transfer to properties under development	–	(349,473)
Disposal	–	(2,598,000)
Fair value gains – net	<b>679,484</b>	1,996,673
Closing balance at 31 December	<b>34,036,147</b>	32,270,913

As at 31 December 2017, investment properties under construction of approximately RMB2,418,147,000 were measured at cost, because their constructions were at very early stage and related fair values were not reliably determinable (31 December 2016: approximately RMB2,204,273,000). These investment properties under development shall be measured at cost until either their fair values become reliably determinable or development is completed, whichever is earlier.

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

	Year ended 31 December	
	2017 RMB'000	2016 RMB'000
Rental income	<b>680,007</b>	710,357
Direct operating expenses from properties that generated rental income (Note 29)	<b>17,315</b>	29,741
Direct operating expenses from properties that did not generate rental income (Note 29)	<b>3,252</b>	4,753

## 7 Investment properties (CONTINUED)

### (b) Valuation

The following table analyses the investment properties carried at fair value, by valuation method and fair value hierarchy as at 31 December 2017 and 2016.

Description	Fair value measurements at 31 December 2017 using		
	Quoted prices in active markets for identical assets (Level 1) RMB'000	Significant other observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000
Recurring fair value measurements Investment properties: – Commercial buildings-China	–	–	31,618,000

Description	Fair value measurements at 31 December 2016 using		
	Quoted prices in active markets for identical assets (Level 1) RMB'000	Significant other observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000
Recurring fair value measurements Investment properties: – Commercial buildings-China	–	–	30,066,640

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

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

	31 December 2017 Significant unobservable Inputs-Commercial buildings-China (Level 3)		
	Completed investment properties RMB'000	Investment properties under development RMB'000	Total RMB'000
Opening balance	21,316,400	8,750,240	30,066,640
Additions	113,289	758,587	871,876
Transfer from a completed investment property to an under development property (Note (a))	(5,830,000)	5,830,000	–
Net gains from fair value adjustment	592,311	87,173	679,484
Closing balance	16,192,000	15,426,000	31,618,000

## 7 Investment properties (CONTINUED)

### (b) Valuation (continued)

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

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

Note (a):

During the year ended 31 December 2017, Shanghai Shimao International Plaza transferred from completed investment property to under development investment property due to the commencement of its redevelopment, which fair value balance is RMB5,830,000,000.

#### Valuation processes of the Group

The Group's investment properties were valued at 31 December 2017 and 2016 by independent and professionally qualified valuers, Vigers Appraisal & Consulting Limited ("Vigers"), who holds a recognised relevant professional qualification and has recent experience in the locations and segments of the investment properties valued. For all the investment properties, their current use equates to the best use.

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

At each financial year end the finance department:

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

#### Valuation techniques

For completed investment properties, the fair values were determined using term and reversionary method on the basis of capitalisation of net rental income derived from the existing tenancies and the reversionary value by reference to recent comparable sales transactions or capitalisation of comparable market rents in the relevant property market. The significant unobservable inputs adopted in the valuation included market prices, market rents, term and reversionary yields.

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

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

## 7 Investment properties (CONTINUED)

## (b) Valuation (continued)

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

Description	Fair value at 31 Dec 2017 (RMB'000)	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (probability- weighted average)	Relationship of unobservable inputs to fair value
Completed commercial buildings – China	16,192,000	Term and reversionary method	Market prices	RMB7,500-RMB75,821 per square meter (RMB23,310 per square meter)	The higher the market prices, the higher the fair value
			Market rents	RMB6-RMB378 per square meter (RMB87 per square meter)	The higher the market rents, the higher the fair value
			Term yields	4.75%-8.58% (6.18%)	The higher the term yields, the lower the fair value
			Reversionary yields	5.00%-8.83% (6.25%)	The higher the reversionary yields, the lower the fair value
Commercial buildings – China (under development)	15,426,000	Discounted cash flows with estimated costs to complete	Market prices	RMB19,146-RMB106,621 per square meter (RMB39,114 per square meter)	The higher the market prices, the higher the fair value
			Estimated costs to be incurred	RMB481-RMB12,169 per square meter (RMB5,932 per square meter)	The higher the estimated costs to be incurred, the lower the fair value
			Yields	4.35%-4.75% (4.68%)	The higher the capitalisation rate, the lower the fair value
<hr/>					
Description	Fair value at 31 Dec 2016 (RMB'000)	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (probability- weighted average)	Relationship of unobservable inputs to fair value
Completed commercial buildings – China	21,316,400	Term and reversionary method	Market prices	RMB8,000-RMB128,125 per square meter (RMB36,001 per square meter)	The higher the market prices, the higher the fair value
			Market rents	RMB4-RMB363 per square meter (RMB101 per square meter)	The higher the market rents, the higher the fair value
			Term yields	4.50%-8.58% (6.05%)	The higher the term yields, the lower the fair value
			Reversionary yields	5.00%-8.83% (6.25%)	The higher the reversionary yields, the lower the fair value
Commercial buildings – China (under development)	8,750,240	Discounted cash flows with estimated costs to complete	Market prices	RMB19,146-RMB41,750 per square meter (RMB31,903 per square meter)	The higher the market prices, the higher the fair value
			Estimated costs to be incurred	RMB843-RMB14,422 per square meter (RMB8,210 per square meter)	The higher the estimated costs to be incurred, the lower the fair value
			Yields	4.75% (4.75%)	The higher the capitalisation rate, the lower the fair value

## 7 Investment properties (CONTINUED)

### (b) Valuation (continued)

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

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

### (c) Pledge

As at 31 December 2017, the Group's investment properties were held in the PRC on leases of between 10 to 50 years. Investment properties with a carrying amount of RMB8,585,682,000 (2016: RMB12,630,800,000) were pledged as collateral for the Group's borrowings (Note 24).

### (d) Leasing arrangements

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

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Within one year	503,460	532,697
Later than one year but no later than 5 years	1,247,307	1,350,493
Later than 5 years	729,322	854,733
	<b>2,480,089</b>	2,737,923

## 8 Land use rights

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Land use rights relating to property and equipment under non-current assets		
Opening balance	8,218,571	7,921,887
Additions	58,254	395,200
Amortisation (Note 29)	(84,991)	(84,180)
Transfer to properties under development and completed properties held for sale	(15,313)	(14,336)
	<b>8,176,521</b>	8,218,571

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

As at 31 December 2017, land use rights of RMB1,723,941,000 (2016: RMB1,647,135,000) were pledged as collateral for the Group's borrowings (Note 24).

## 9 Intangible assets

Intangible assets comprise goodwill arising from acquisitions:

	Year ended 31 December	
	2017 RMB'000	2016 RMB'000
Opening balance	1,840,658	1,840,684
Write-off of goodwill recognised as expenses (Note 29)	–	(26)
Ending balance	1,840,658	1,840,658

### Impairment tests for goodwill

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

	As at 31 December	
	2017 RMB'000	2016 RMB'000
Property development and investment – Shanghai Shimao	1,709,730	1,709,730
Hotel operation	130,928	130,928
	1,840,658	1,840,658

The recoverable amounts of CGUs are determined based on the higher of fair values (less cost to sale) and value-in-use calculation.

In view of volatility of the PRC stock market and that the market value of Shanghai Shimao was lower than its net book value as at 31 December 2017 and 2016, goodwill of CGU – Property development and investment – Shanghai Shimao was tested for impairment using the higher of value-in-use by discounted cash flow projection and the fair value (equivalent to the market value) less costs to sell. The value-in-use calculation used pre-tax cash flow projections based on approved budgets covering an eight-year period. Cash flows beyond the eight-year period are extrapolated using the estimated long term growth rate of revenue.

As at 31 December 2017 and 2016, the fair values of hotel operation are valued by independent professionally qualified valuers who held a recognised relevant professional qualification and have recent experience in the locations and segments of the hotels valued.

For property development and investment – Shanghai Shimao, the key assumptions used in the value-in-use calculation in 2017 and 2016 are as follows:

	Year ended 31 December	
	2017	2016
Gross margin excluding land appreciation tax	35.5%	34.3%
Long term growth rate of revenue	3.0%	3.0%
Pre-tax discount rate	17.4%	17.4%

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

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

The long term growth rate of revenue used is consistent with the industry outlook. The discount rate used is pre-tax and reflects specific risks relating to the relevant operating segments.

## 10 Associated companies

	Year ended 31 December	
	2017 RMB'000	2016 RMB'000
Share of net assets:		
Opening balance	912,465	898,275
Capital injections (Note (a))	582,791	9,606
Transfer to a subsidiary	–	(33,000)
Transfer to a joint venture (Note (a))	(317,831)	–
Share of results	167,593	37,584
Ending balance	1,345,018	912,465

## Notes:

- (a) Capital injections include investment in new associates and additional injections in existing associates.

For the year ended 31 December 2017, the Group invested in four new associates with a total amount of RMB222,543,000.

In June 2017, the Group made additional capital injection into Guangzhou Li He Property Development Co., Ltd. ("Guangzhou Li He"), an existing associate, with amount of RMB280,000,000. After that, the Group acquired 6.67% equity interest of Guangzhou Li He at a consideration of RMB80,248,000, and gained joint control pursuant to the revised articles.

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

	Country of Incorporation	Assets RMB'000	Liabilities RMB'000	Revenue RMB'000	Net (loss)/ profit RMB'000	Interest held by the Group (%)
<b>2017</b>						
Guangzhou Chengyu Real Estate Development Co., Ltd. ("Guangzhou Cheng Yu")	PRC	4,579,655	(4,293,043)	284,215	40,387	50%
Chengdu Heng Yu Real Estate Development Co., Ltd. ("Chengdu Heng Yu")	PRC	2,793,184	(2,582,180)	73,070	(7,417)	33%
Nanjing Mingmao Property Co., Ltd. ("Nanjing Mingmao")	PRC	1,350,469	(637,286)	663,080	190,895	49%
Others	PRC	804,421	(670,202)	7,669	(56,272)	
		9,527,729	(8,182,711)	1,028,034	167,593	
<b>2016</b>						
Guangzhou Li He	PRC	4,581,499	(4,618,571)	600,033	(44,061)	20%
Guangzhou Cheng Yu	PRC	4,297,710	(4,051,316)	285,316	60,042	50%
Chengdu Heng Yu	PRC	2,282,235	(2,145,144)	–	(31,426)	33%
Nanjing Mingmao	PRC	1,568,972	(1,046,685)	832,586	139,148	49%
Others	PRC	107,858	(64,093)	7,804	(86,119)	
		12,838,274	(11,925,809)	1,725,739	37,584	

## 10 Associated companies (CONTINUED)

Details of the principal associated companies of the Group as at 31 December 2017 are set out in Note 37.

There is no individually material associated company of the Group as at 31 December 2017 and 2016.

The Group provided guarantees to associated companies for their borrowings from banks and other financial institutions amounting to RMB1,465,584,000 as at 31 December 2017 (2016: RMB3,130,560,000)(Note 38).

## 11 Joint ventures

	Year ended 31 December	
	2017 RMB'000	2016 RMB'000
Share of net assets:		
Opening balance	<b>9,183,425</b>	9,784,898
Capital injections (Note (a))	<b>3,892,079</b>	663,310
Transfer from an associate (Note 10(a))	<b>317,831</b>	–
Transfer from subsidiaries (Note 40(b(i)) and Note 40(c))	<b>1,540,460</b>	450,490
Transfer to a subsidiary (Note 40(a))	<b>(844,117)</b>	(1,229,298)
Disposal (Note (b))	<b>(5,000)</b>	–
Share of results	<b>(482,969)</b>	(485,975)
Ending balance	<b>13,601,709</b>	9,183,425

Notes:

- (a) Capital injections include investment in new joint ventures and additional injections in existing joint ventures.

In 2017, the Group set up thirteen joint ventures with total capital injections of RMB2,326,449,000. Pursuant to the articles of association, the Group has joint control over these entities.

The Group made additional capital injection into an existing joint venture with amount of RMB661,630,000. The Group's equity interests in the joint venture remained 50% after the capital injection.

The Group and certain third parties made capital injections into three then wholly-owned subsidiaries, of which the Group's share amounted to RMB904,000,000 in total. Pursuant to the revised articles of association, the Group and the third parties would jointly control the operation of these entities.

- (b) In September 2017, the Group disposed 5% out of 50% equity interest in Beijing Fuhua Yuntong Real Estate Development Co., Ltd. ("Beijing Fuhua Yuntong") at consideration of RMB5,000,000, the remaining interests of the Group retained as a joint venture. The disposal had resulted no gain or loss.

## 11 Joint ventures (CONTINUED)

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

	Country of Incorporation	Assets RMB'000	Liabilities RMB'000	Revenue RMB'000	Net profit/ (loss) RMB'000	Interest held by the Group (%)
<b>2017</b>						
Guangzhou Li He	PRC	6,312,595	(6,152,791)	785,557	130,368	27%
Nantong Shimao New Era Real Estate Development Co., Ltd. ("Nantong New Era")	PRC	4,612,635	(4,371,782)	431,550	(102,846)	50%
Ningbo Shimao New Century Real Estate Development Co., Ltd. ("Ningbo New Century")	PRC	3,926,358	(3,623,539)	626,152	(213,143)	50%
Hangzhou Maoguo Yueying Property Co., Ltd.	PRC	3,630,345	(2,881,386)	–	(1,041)	50%
Beijing Maorui Property Co., Ltd.	PRC	3,518,164	(3,500,038)	–	(1,873)	40%
Ningbo Shimao New Miles Property Co., Ltd. ("Ningbo New Miles")	PRC	3,492,017	(3,399,710)	(11,646)	(193,575)	50%
Tianjin Jinnan Xincheng Real Estate Development Co., Ltd. ("Tianjin Jinnan")	PRC	3,342,435	(2,304,485)	637,487	132,443	25%
Shanghai Shimao Sheshan Huiying Property Co., Ltd. ("Shanghai Sheshan Huiying")	PRC	2,783,670	(2,529,582)	195,206	(107,368)	50%
Ningbo Shimao New City Real Estate Development Co., Ltd.	PRC	2,613,133	(2,631,985)	126,871	(45,063)	50%
Suzhou Shimao Industrial Park Lakeside Property Co., Ltd. ("Suzhou Industrial Lakeside")	PRC	2,361,245	(1,672,389)	–	(299)	49%
Foshan New Era Real Estate Development Co., Ltd.	PRC	2,194,944	(2,190,119)	–	(176)	50%
Changsha Shimao Investment Co., Ltd. ("Changsha Investment")	PRC	1,891,021	(1,406,829)	–	(1,350)	49%
Suzhou Shimao Industrial Park Century Property Co., Ltd. ("Suzhou Industrial Century")	PRC	1,819,995	(1,122,141)	22,649	(5,087)	40%
Wuxi Shimao Real Estate Development & Construction Co., Ltd. ("Wuxi Shimao")	PRC	1,739,693	(1,809,841)	317,957	(32,098)	50%
Xiamen Taishi Real Estate Development Co., Ltd. ("Xiamen Taishi")	PRC	1,591,059	(1,592,913)	–	(5,887)	49%
Nanchang Shimao New Development Property Co., Ltd. ("Nanchang New Development")	PRC	1,569,154	(1,255,216)	37,329	(103,475)	50%

## 11 Joint ventures (CONTINUED)

	Country of Incorporation	Assets RMB'000	Liabilities RMB'000	Revenue RMB'000	Net profit/ (loss) RMB'000	Interest held by the Group (%)
Nantong Shimao New Miles Real Estate Development Co., Ltd. ("Nantong New Miles")	PRC	1,534,739	(1,037,666)	–	(2,474)	50%
Changsha Shimao Real Estate Co., Ltd. ("Changsha Real Estate")	PRC	1,533,802	(1,239,571)	16,573	(120,576)	50%
Beijing Yuan Chuang Xing Mao Property Co., Ltd.	PRC	1,488,702	(1,459,067)	–	(365)	30%
Shanghai Chunri Property Co., Ltd. ("Shanghai Chunri")	PRC	1,473,454	(1,470,088)	–	(980)	45%
Fujian Shimao Ruiying Real Estate Development Co., Ltd. ("Fujian Ruiying")	PRC	1,391,318	(892,957)	–	(1,086)	50%
Suzhou Fuyuan Property Co., Ltd.	PRC	1,378,413	(1,366,164)	–	1	25%
Gu'an Maoyue Real Estate Development Co., Ltd. ("Gu'an Maoyue")	PRC	1,322,258	(1,076,986)	–	–	50%
Shanghai Haomiao Enterprises Management Co., Ltd. ("Shanghai Haomiao")	PRC	1,219,612	(920,382)	(505)	(770)	50%
Fast Right Investments Limited ("Fast Right")	Hong Kong	1,214,524	(107,901)	568,440	207,531	50%
Hangzhou Rongda Qiyun Property Co., Ltd.	PRC	1,162,732	(1,121,961)	–	(8,921)	50%
Xiamen Mujia Business Factoring Co., Ltd. ("Xiamen Mujia")	PRC	1,107,851	(984,303)	16,530	(30,268)	50%
Guangzhou Xin He Real Estate Co., Ltd.	PRC	1,068,877	(1,042,438)	–	(6,561)	33%
Kingtron Enterprises Limited ("Kingtron")	Hong Kong	976,261	(164,322)	201,835	12,684	50%
Beijing Fuhua Yuntong	PRC	946,577	(898,280)	–	(169)	45%
Tianjin He'an Investment Co., Ltd.	PRC	902,092	(900,000)	–	(2)	25%
Ningbo Dingfeng Real Estate Development Co., Ltd. ("Ningbo Dingfeng")	PRC	889,416	(786,661)	554,319	74,711	40%
Foshan Ganying Property Co., Ltd.	PRC	868,226	(818,243)	–	(17)	50%
Others	PRC	13,475,475	(9,019,347)	407,915	(55,237)	
		81,352,792	(67,751,083)	4,934,219	(482,969)	

## 11 Joint ventures (CONTINUED)

	Country of Incorporation	Assets RMB'000	Liabilities RMB'000	Revenue RMB'000	Net profit/ (loss) RMB'000	Interest held by the Group (%)
<b>2016</b>						
Nantong New Era	PRC	5,810,152	(5,466,452)	87,720	4,045	50%
Ningbo New Miles	PRC	3,873,200	(3,668,473)	(32,595)	(29,183)	50%
Changsha Real Estate	PRC	3,207,782	(2,792,975)	501,370	2,808	50%
Shanghai Sheshan Huiying	PRC	2,777,945	(2,416,489)	365,253	(8,046)	50%
Suzhou Industrial Lakeside	PRC	2,649,289	(1,960,134)	–	(295)	49%
Tianjin Jinnan	PRC	2,496,133	(1,594,866)	424,834	11,606	25%
Wuhan Shimao Tianrun Property Co., Ltd. ("Wuhan Tianrun")	PRC	2,313,149	(1,468,193)	–	(4,788)	50%
Ningbo New Century	PRC	1,863,411	(1,347,449)	619,940	(145,626)	50%
Changsha Investment	PRC	1,746,215	(1,260,546)	–	(970)	49%
Wuxi Shimao	PRC	1,741,551	(1,865,760)	30,958	(105,424)	50%
Suzhou Industrial Century	PRC	1,731,908	(1,020,774)	925,655	(79,016)	40%
Ningbo Shimao Carnival Property Co., Ltd.	PRC	1,617,582	(1,425,824)	–	(60)	50%
Xiamen Taishi	PRC	1,463,487	(1,459,454)	–	(886)	49%
Shanghai Chunri	PRC	1,415,073	(1,411,266)	–	(592)	45%
Fast Right	Hong Kong	1,251,466	(345,914)	296,353	7,532	50%
Nanchang New development	PRC	1,178,716	(761,304)	31,744	(78,016)	50%
Xiamen Mujia	PRC	1,197,613	(943,797)	22,165	(3,816)	50%
Ningbo Dingfeng	PRC	997,140	(957,273)	–	(5,790)	40%
Kingtron	Hong Kong	789,953	(442,640)	300,255	(3,554)	50%
Others	PRC	5,341,045	(3,669,802)	337,816	(45,904)	
		45,462,810	(36,279,385)	3,911,468	(485,975)	

Details of the principal joint ventures of the Group as at 31 December 2017 are set out in Note 37.

There is no individually material joint venture of the Group as at 31 December 2017 and 2016.

The Group provided guarantees to joint ventures for their borrowings from banks amounting to RMB5,493,201,000 as at 31 December 2017 (2016: RMB3,167,689,000) (Note 38).

## 12 Amounts due from related parties

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

	<b>As at 31 December</b>	
	<b>2017</b>	2016
	<b>RMB'000</b>	RMB'000
Included in non-current assets		
– Joint ventures	<b>786,712</b>	1,298,879
– Associated companies	<b>684,766</b>	624,352
	<b>1,471,478</b>	1,923,231

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

	<b>As at 31 December</b>	
	<b>2017</b>	2016
	<b>RMB'000</b>	RMB'000
Included in current assets		
– Company with common directors	<b>160</b>	160
– Associated companies	<b>49,218</b>	2,195,889
– Joint ventures	<b>15,986,298</b>	427,265
	<b>16,035,676</b>	2,623,314

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

## 13 Available-for-sale financial assets

	Year ended 31 December	
	2017 RMB'000	2016 RMB'000
Opening balance	3,941,256	1,204,470
Additions	1,080,000	3,100,000
Disposals	(3,945,961)	(70,000)
Fair value losses recognised in other comprehensive income	(6,520)	(293,214)
Ending balance	1,068,775	3,941,256

Available-for-sale financial assets include the following:

	As at 31 December	
	2017 RMB'000	2016 RMB'000
Available-for-sale financial assets included in non-current assets		
Listed securities:		
– Equity securities		
– without lock-up period (Note(a))	812,258	133,875
– with lock-up period (Note(b))	–	730,281
Investment in structured products issued by other financial institution (Note (c))	256,517	77,100
	1,068,775	941,256
Available-for-sale financial assets included in current assets		
Investment in structured products issued by banks (Note(d))	–	3,000,000
	–	3,000,000

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 as at 31 December 2016 represented 1.15% equity interest (13,506,212 shares) in Wanda Cinema Line, a company listed on the Shenzhen Stock Exchange. As at 3 January 2017, upon the end of lock-up period, it is recorded in listed securities without lock-up period.
- (c) Investment in structured products issued by other financial institution represented a combination of financial products with a floating interest measured at fair value. The fair value of these assets are determined using valuation model for which not all inputs are observable and is within Level 3 of the fair value hierarchy (Note 3).
- (d) Investment in structured products issued by banks represented a combination of financial products with a floating interest measured at fair value. The fair value of these assets are determined using valuation model for which not all inputs are observable and is within Level 3 of the fair value hierarchy (Note 3).

## 14 Deferred income tax

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

	<b>As at 31 December</b>	
	<b>2017</b>	2016
	<b>RMB'000</b>	RMB'000
Deferred income tax assets		
– to be recovered after more than 12 months	<b>1,617,501</b>	1,472,132
– to be recovered within 12 months	<b>906,162</b>	826,717
	<b>2,523,663</b>	2,298,849
Deferred income tax liabilities		
– to be recovered after more than 12 months	<b>5,530,880</b>	5,200,327
– to be recovered within 12 months	<b>494,397</b>	466,206
	<b>6,025,277</b>	5,666,533
Net deferred income tax liabilities	<b>3,501,614</b>	3,367,684

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

	<b>Year ended 31 December</b>	
	<b>2017</b>	2016
	<b>RMB'000</b>	RMB'000
Opening balance	<b>3,367,684</b>	3,487,844
Disposal of subsidiaries	<b>41,329</b>	(456,651)
Charged to the consolidated income statement (Note 33)	<b>95,481</b>	409,794
Credited to other comprehensive income	<b>(2,880)</b>	(73,303)
Ending balance	<b>3,501,614</b>	3,367,684

Movement in deferred income tax assets and liabilities for the year ended 31 December 2017, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

### Deferred income tax assets

	<b>Provision for land appreciation tax deductible for future income tax clearance</b>	<b>Unrealized profit on intra-group transaction</b>	<b>Tax loss and temporary difference on recognition of expenses</b>	<b>Total</b>
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2016	1,071,733	235,668	716,544	2,023,945
Credited/(charged) to the consolidated income statement	123,953	(278)	180,642	304,317
Disposal of subsidiaries	(27,146)	–	–	(27,146)
At 31 December 2016	1,168,540	235,390	897,186	2,301,116
Credited to the consolidated income statement	88,458	8,702	166,716	263,876
Disposal of subsidiaries	(41,329)	–	–	(41,329)
At 31 December 2017	<b>1,215,669</b>	<b>244,092</b>	<b>1,063,902</b>	<b>2,523,663</b>

## 14 Deferred income tax (CONTINUED)

## Deferred income tax liabilities

	Fair value gains on investment properties RMB'000	Fair value adjustments on assets and liabilities upon acquisition of subsidiaries RMB'000	Withholding tax on the retained earnings of certain subsidiaries RMB'000	Others RMB'000	Total RMB'000
At 1 January 2016	3,864,346	979,712	493,731	174,000	5,511,789
Charged/(credited) to the consolidated income statement	459,200	80,538	225,000	(50,627)	714,111
Credited to other comprehensive income	–	(73,303)	–	–	(73,303)
Disposal of subsidiaries	(351,685)	(132,112)	–	–	(483,797)
At 31 December 2016	3,971,861	854,835	718,731	123,373	5,668,800
Charged/(credited) to the consolidated income statement	169,871	35,486	197,500	(43,500)	359,357
Credited to other comprehensive income	–	(2,880)	–	–	(2,880)
At 31 December 2017	<b>4,141,732</b>	<b>887,441</b>	<b>916,231</b>	<b>79,873</b>	<b>6,025,277</b>

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

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of RMB55,206,000 (2016: RMB54,710,000) in respect of accumulated losses amounting to RMB220,822,000 (2016: RMB218,840,000) that can be carried forward against future taxable income. Losses amounting to RMB15,066,000, RMB14,198,000, RMB26,381,000, RMB80,878,000 and RMB84,299,000, will expire in 2018, 2019, 2020, 2021 and 2022 respectively.

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

## 15 Other non-current assets

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

As at 31 December 2017, the Group has made prepayments of RMB366,173,000 (2016: RMB969,639,000) for certain land use rights for the purpose to develop hotel buildings, self-used buildings and investment properties, the ownership certificates of which have not been obtained. As at 31 December 2017, prepayments of RMB21,605,517,000 (31 December 2016: RMB17,950,915,000) were related to the lands for the purpose to develop properties for sale, and are included in current assets, 'prepayments for acquisition of land use rights'.

As at 31 December 2017, the Group made prepayments of RMB6,279,589,000 (31 December 2016: RMB660,000,000) for acquisition of certain equity interests.

## 16 Inventories

	<b>As at 31 December</b>	
	<b>2017</b>	2016
	<b>RMB'000</b>	RMB'000
Inventories comprise:		
Properties under development (Note (a))	<b>114,888,153</b>	101,568,030
Completed properties held for sale (Note (b))	<b>18,347,894</b>	18,476,834
Biological assets (Note (c))	<b>318,657</b>	298,133
	<b>133,554,704</b>	120,342,997

Notes:

(a) Properties under development

	<b>As at 31 December</b>	
	<b>2017</b>	2016
	<b>RMB'000</b>	RMB'000
Properties under development comprise:		
Land use rights and leasehold land	<b>72,593,988</b>	64,553,124
Construction costs and capitalised expenditures	<b>33,169,578</b>	28,344,102
Interests capitalised	<b>9,124,587</b>	8,670,804
	<b>114,888,153</b>	101,568,030

	<b>As at 31 December</b>	
	<b>2017</b>	2016
	<b>RMB'000</b>	RMB'000
Land use rights and leasehold land		
Held on leases of:		
Over 50 years	<b>59,638,432</b>	53,209,635
Between 10 to 50 years	<b>12,955,556</b>	11,343,489
	<b>72,593,988</b>	64,553,124

As at 31 December 2017, leasehold land of RMB5,764,953,000 was located in Hong Kong. The other properties under development are all located in the PRC. The relevant land use rights are on leases of 40 to 70 years.

As at 31 December 2017, properties under development of approximately RMB17,112,567,000 (2016: RMB26,992,358,000) were pledged as collateral for the Group's borrowings (Note 24).

The capitalisation rate of borrowings was 5.36% for the year ended 31 December 2017 (2016: 5.67%).

	<b>As at 31 December</b>	
	<b>2017</b>	2016
	<b>RMB'000</b>	RMB'000
Properties under development:		
Expected to be completed and available for sale after more than 12 months	<b>30,008,606</b>	27,463,204
Expected to be completed and available for sale within 12 months	<b>84,879,547</b>	74,104,826
	<b>114,888,153</b>	101,568,030

## 16 Inventories (CONTINUED)

Notes: (continued)

(b) Completed properties held for sale

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

	<b>As at 31 December</b>	
	<b>2017</b>	2016
	<b>RMB'000</b>	RMB'000
Outside Hong Kong, held on leases of:		
Over 50 years	<b>5,908,123</b>	5,759,229
Between 10 to 50 years	<b>1,004,476</b>	972,861
	<b>6,912,599</b>	6,732,090

As at 31 December 2017, completed properties held for sale of RMB16,016,288,000 (2016: RMB6,581,322,000) were pledged as collateral for the Group's borrowings (Note 24).

For the year ended 31 December 2017, the Group recognised impairment losses of RMB116,619,000 (2016: RMB173,295,000) on completed properties held for sale (Note 29).

(c) Biological assets

Biological assets represent cattle which is stated at fair value measured by market approach method, using significant other observable input (Level 2).

## 17 Trade and other receivables and prepayments

	<b>As at 31 December</b>	
	<b>2017</b>	2016
	<b>RMB'000</b>	RMB'000
Bidding deposits for land use rights (Note (a))	<b>5,228,769</b>	10,434,729
Trade receivables (Note (c))	<b>4,705,330</b>	4,623,286
Prepaid business tax on pre-sale proceeds	<b>585,423</b>	1,039,979
Prepayments for construction costs	<b>2,464,299</b>	1,832,733
Loan receivables (Note (b))	<b>528,788</b>	–
Other receivables	<b>2,071,177</b>	2,325,809
	<b>15,583,786</b>	20,256,536

Notes:

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

(b) As at 31 December 2017, loan receivables of RMB528,788,000 (31 December 2016: nil) were secured by the pledge of certain properties, notes receivable or credit guaranty of borrowers, bearing interest rate at a range from 4.8% to 14.4% per annum and repayable within one year.

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

	<b>As at 31 December</b>	
	<b>2017</b>	2016
	<b>RMB'000</b>	RMB'000
Within 90 days	<b>3,924,761</b>	3,714,529
Over 90 days and within 365 days	<b>456,499</b>	527,704
Over 365 days	<b>324,070</b>	381,053
	<b>4,705,330</b>	4,623,286

As at 31 December 2017, receivables arising from sales of properties was approximately RMB4,416,410,000 (2016: RMB4,380,004,000).

## 17 Trade and other receivables and prepayments (CONTINUED)

Trade receivables are analysed as follows:

	As at 31 December	
	2017 RMB'000	2016 RMB'000
Fully performing under credit terms	3,940,556	3,690,031
Past due but not impaired	764,774	933,255
	<b>4,705,330</b>	4,623,286

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

	As at 31 December	
	2017 RMB'000	2016 RMB'000
Within 90 days	274,784	375,422
Over 90 days and within 365 days	247,975	225,516
Over 365 days	242,015	332,317
	<b>764,774</b>	933,255

As the Group normally holds the title of the properties sold as collateral before collection of the outstanding balances and passing the titles to the purchasers, the Directors consider that the past due trade receivables would be recovered and no provision was made against past due receivables as at 31 December 2017 and 2016.

As at 31 December 2017, provision for impairment of other receivables was approximately RMB244,920,000 (2016: RMB188,751,000).

As at 31 December 2017 and 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 31 December 2017 and 2016, trade and other receivables of the Group were mainly denominated in RMB.

## 18 Prepayment for acquisition of land use rights

Prepayments for acquisition of land use rights are related to acquisition of land for property development purposes, the ownership certificates of which have not been obtained as at 31 December 2017.

## 19 Derivative financial instruments

The movement of derivative financial instruments assets is as follows:

### Derivatives at fair value through profit or loss

	Year ended 31 December	
	2017 RMB'000	2016 RMB'000
Opening balances of assets	90,199	41,782
Acquisition of currency options and forwards (Note(a))	47,304	13,714
Fair value (losses)/gains – currency options and forwards (Note(a))	(86,979)	76,485
Fair value gains – interest swap contract (Note(b))	–	63,993
Settlement of currency forwards (Note(a))	(49,334)	–
Settlement of interest swap contract (Note(b))	–	(105,775)
Closing balances of assets	<b>1,190</b>	90,199

## 19 Derivative financial instruments (CONTINUED)

### Derivatives at fair value through profit or loss (continued)

Notes:

- (a) For the year ended 31 December 2017, the Group has entered into two currency option contracts with an aggregate notional amount of US\$200,000,000 and settled four currency forward contracts with an aggregate notional amount of US\$400,000,000. For the year ended 31 December 2016, the Group has entered into six currency option contracts with an aggregate notional amount of US\$150,000,000 and four currency forward contracts with an aggregate notional amount of US\$400,000,000. These contracts do not qualify for hedge accounting, and are classified as derivative financial instruments held for trading as current assets or current liabilities. Fair value losses of RMB86,979,000 have been recognised in "Other expenses" (2016: fair value gains of RMB76,485,000 in "Other income/other gains – net") (Note 28).
- (b) On 6 January 2011, the Group entered into two interest rate swap contracts with an aggregate notional amount of US\$300,000,000 (the "Swap Contracts"). The Swap Contracts took effect from 3 August 2010, and will terminate on 3 August 2017. Pursuant to the Swap Contracts, the Group receives interest at a fixed rate of 9.65%, and pays interest at floating rate with reference to the HSBC Vol-Budgeted Dynamic Term Premium Index as published on Bloomberg but subject to a ceiling of 12.1%, semi-annually on 3 February and 3 August commencing from 3 February 2011 and up to termination.

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

There is a day-one loss of approximately RMB125,306,000 arising from the Swap Contracts, which is deferred and amortised in the consolidation income statement based on the straight line method within the effective lives of the Swap Contracts. The Group has terminated the Swap Contracts during the year ended 31 December 2016 and has recorded the fair value gain of the Swap Contracts amounting to RMB63,993,000 which has been recognised in "Other income/other gains – net" (Note 28).

## 20 Cash and cash equivalents and restricted cash

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Bank balances and cash		
– denominated in RMB	32,226,999	21,821,916
– denominated in US dollar	347,097	237,847
– denominated in HK dollar	408,853	175,070
– denominated in AUD dollar	23,823	–
Less: Restricted cash	(4,469,331)	(2,875,658)
	<b>28,537,441</b>	19,359,175

As at 31 December 2017, the Group's restricted cash comprised approximately RMB648,079,000 (2016: RMB588,632,000) of guarantee deposits for the benefit of mortgage loan facilities granted by the banks to the purchasers of the Group's properties (Note 38) and approximately RMB3,821,252,000 (2016: RMB2,287,026,000) of deposits pledged as collateral for the Group's borrowings (Note 24).

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

The effective interest rate on bank deposits as at 31 December 2017 was 0.34% (2016: 0.34%).

## 21 Share capital

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

	Par value	Number of shares	Nominal value of ordinary shares	
	HK\$	'000	HK\$'000	Equivalent to RMB'000
Authorised:				
At 31 December 2017 and 2016	<b>0.1</b>	<b>5,000,000</b>	<b>500,000</b>	
Issued and fully paid:				
At 31 December 2015		3,472,572	347,257	356,275
Cancellation of shares (Note)		(73,191)	(7,319)	(7,411)
At 31 December 2016		3,399,381	339,938	348,864
Cancellation of shares (Note)		(12,359)	(1,236)	–
At 31 December 2017		<b>3,387,022</b>	<b>338,702</b>	<b>348,864</b>

#### Note:

The Company acquired its own shares through purchases on the Hong Kong Stock Exchange from 4 July 2016 till 30 December 2016, among which 73,191,000 shares have been cancelled during the year ended 31 December 2016 and 12,359,000 shares have been cancelled during the year ended 31 December 2017. The total amount paid to acquire the shares was HK\$874,917,561, equivalent to RMB758,374,125 and has been deducted from share premium within shareholders' equity during the year ended 31 December 2016 (Note 22).

### (b) Employee Stock Ownership Plan

As 31 December 2017, pursuant to the employee stock ownership plan ("Employee Stock Ownership Plan") that was approved by Shanghai Shimao's shareholders on 9 May 2017 and will expire at the end of the 60-month period from the date of grant, a total of 2,313,168 ordinary shares of Shanghai Shimao had been bought back from the secondary market at the total cost of RMB11,096,000. The purpose of the Employee Stock Ownership Plan is to provide the participants with an opportunity to hold a personal stake in Shanghai Shimao so as to motivate such participants and to enhance performance and efficiency. In May 2017, options for a total of 2,313,168 ordinary shares of Shanghai Shimao under this plan were granted to Shanghai Shimao's eligible employees with no exercise price or fulfilment of any condition. The exercise of the granted options is subject to a restriction of 12 months from the date of 3 July 2017. As at 31 December 2017, no shares were vested or lapsed.

### (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.

## 21 Share capital (CONTINUED)

### (c) Share Award Scheme (continued)

A Trust was constituted to manage the Share Scheme, and a wholly-owned subsidiary of the Company incorporated in the British Virgin Islands was designated as Trustee. Up to 31 December 2017, the Trust purchased 30,156,500 ordinary shares from market, totaling HK\$401,997,000 (equivalent to RMB328,637,000), of which 25,953,153 shares were granted to eligible employees according to the Share Scheme. Up to 31 December 2017, among the shares granted, 15,858,565 shares vested, 2,195,002 shares lapsed.

The granted shares were subject to several vesting conditions, including 1 year service and non-market performance appraisal before vesting date. The shares granted are held by the Trust before being transferred to the employees when vesting conditions are fully met.

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

	Number of unvested shares granted	
	Year ended 31 December	
	2017	2016
Unvested shares, beginning	3,517,115	4,730,902
Granted	7,899,586	3,517,115
Vested	(3,061,698)	(4,022,474)
Lapsed	(455,417)	(708,428)
Unvested shares, ending	7,899,586	3,517,115

The weighted average fair value of the unvested shares granted during the year ended 31 December 2017 is HK\$134,292,962, equivalent to RMB112,256,830 (2016: HK\$37,492,446, equivalent to RMB31,263,451).

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

	Year ended 31 December	
	2017	2016
	'000	'000
Shares issued	3,387,022	3,399,381
Treasury shares for Share Scheme	(14,298)	(11,273)
Treasury shares for cancellation	–	(12,358)
Shares outstanding	3,372,724	3,375,750

### (e) Material non-controlling interests

There is no individual material non-controlling interests of the Group as at 31 December 2017 and 2016.

## 22 Reserves

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

## 22 Reserves (CONTINUED)

	Merger reserve RMB'000 (Note)	Share premium RMB'000	Translation reserve RMB'000	Share-based compensation reserve RMB'000	Statutory reserve RMB'000	Capital redemption reserve RMB'000	Available- for-sale financial assets RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2017	(185,787)	396,083	(36)	239,950	1,866,540	4,949	(122,681)	49,908,169	52,107,187
Profit for the year	-	-	-	-	-	-	-	7,840,494	7,840,494
Fair value losses on available-for-sale financial assets, net of tax	-	-	-	-	-	-	(5,091)	-	(5,091)
Translation reserves	-	-	(101)	-	-	-	-	-	(101)
Changes in ownership interests in subsidiaries without change of control	-	(236,983)	-	-	-	-	-	-	(236,983)
Equity-settled share-based payment									
– Value of employee services	-	-	-	75,470	-	-	-	-	75,470
– Purchase of shares	-	(65,328)	-	-	-	-	-	-	(65,328)
– Dividends received	-	6,510	-	-	-	-	-	-	6,510
Profit appropriations	-	-	-	-	717,825	-	-	(717,825)	-
2016 final dividend paid	-	-	-	-	-	-	-	(1,293,423)	(1,293,423)
2017 interim dividend paid	-	-	-	-	-	-	-	(1,142,916)	(1,142,916)
Balance at 31 December 2017	(185,787)	100,282	(137)	315,420	2,584,365	4,949	(127,772)	54,594,499	57,285,819
Representing:									
Proposed final dividend								1,638,371	1,638,371
Others								52,956,128	55,647,448
								54,594,499	57,285,819

## Note:

Merger reserve of the Group represents the difference between the nominal value of the shares of the subsidiary purchased pursuant to the reorganisation and the nominal value of the shares of the Company issued in exchange effected prior to the listing of the Company's shares on the Stock Exchange in 2006.

## 23 Perpetual capital instruments

In the year ended 31 December 2016, certain subsidiaries of the Group issued several subordinated unlisted perpetual capital instruments with the total aggregate net proceeds of RMB5,100,000,000, of which RMB600,000,000 was redeemed in the same year.

In the year ended 31 December 2017, certain subsidiaries of the Group issued several subordinated unlisted perpetual capital instruments with the total aggregate net proceeds of RMB1,200,000,000 and in the same year, subordinated unlisted perpetual capital instruments totaling RMB1,500,000,000 were redeemed.

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

## 24 Borrowings

	As at 31 December	
	2017 RMB'000	2016 RMB'000
Borrowings included in non-current liabilities		
Long-term bank borrowings		
– secured by assets (Note (i))	8,423,809	8,525,901
– secured by shares of subsidiary guarantors (Note (iii))	3,874,787	–
– unsecured	10,302,801	2,692,844
Long-term borrowings from other financial institutions		
– secured by assets (Note (i))	9,452,000	2,452,000
– unsecured	1,274,152	1,094,466
Senior notes – secured (Note (iii))	17,536,872	17,266,917
Medium-term notes – unsecured (Note(iv))	4,300,000	5,000,000
Long-term bonds (Note(v))	14,864,781	10,864,781
Domestic corporate bonds (Note(vi))	8,765,903	9,705,620
	<b>78,795,105</b>	57,602,529
Less: Portion of long-term bank borrowings due within one year	(2,072,967)	(544,125)
Portion of long-term borrowings from other financial institutions due within one year	(463,425)	(344,466)
Portion of senior notes due within one year	(3,899,387)	(5,525,735)
Portion of medium-term notes due within one year	(3,000,000)	(2,000,000)
Portion of domestic corporate bonds due within one year	(49,854)	–
Amounts due within one year	<b>(9,485,633)</b>	(8,414,326)
	<b>69,309,472</b>	49,188,203
Borrowings included in current liabilities		
Short-term bank borrowings		
– secured by assets (Notes (i))	5,000	3,188,983
– unsecured	7,153,587	2,105,000
Short-term borrowings from other financial institutions		
– secured by assets (Note (i))	–	46,000
– secured by shares of a listed subsidiary (Note (vii))	800,000	–
– unsecured	751,000	1,000
Short-term bonds – unsecured (Note(viii))	–	4,000,000
Current portion of non-current borrowings	9,485,633	8,414,326
	<b>18,195,220</b>	17,755,309

## 24 Borrowings (CONTINUED)

### Notes:

(i) As at 31 December 2017, the Group's total secured bank borrowings and borrowings from other financial institutions of RMB17,880,809,000 (2016: RMB14,212,884,000) were secured by its assets under construction and buildings (Note 6), investment properties (Note 7), land use rights (Note 8), properties under development (Note 16(a)), completed properties held for sale (Note 16(b)) and restricted cash (Note 20), of which RMB132,500,000 (2016: RMB147,500,000) were further guaranteed by Mr. Hui Wing Mau.

(ii) On 7 December 2017, the Company entered into a multi-currency loan facility agreement with a syndicate of 12 banks. Pursuant to the agreement, the Company obtained 4-year syndicated loan facilities, including a US\$680,000,000 facility and a HK\$5,890,000,000 facility at a floating rate of interest, 15% out of the loan principal will mature in 2019, 35% will mature in 2020 and 50% will mature in 2021. The loan facilities were guaranteed by certain subsidiaries of the Group, and secured by pledge of the shares of these subsidiary guarantors. As at 31 December 2017, US\$300,000,000 and HK\$2,598,529,411 have been drawn down.

(iii) 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, which was early redeemed on 6 February 2017. The total redemption price paid was US\$829,738,880 including 103.3125% of the principal amount of the senior note, being US\$826,500,000, plus accrued and unpaid interest of US\$3,238,880 to the redemption date.

On 22 January 2014, the Company issued senior notes with total principal of US\$600,000,000 at a fixed interest rate of 8.125% due on 22 January 2021, which was early redeemed on 22 January 2018. The total redemption price paid was US\$648,753,000 including 104.063% of the principal amount of the senior notes, being US\$624,378,000, plus accrued and unpaid interest of US\$24,375,000 to the redemption date.

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

On 22 June 2017 and 28 June 2017, the Company issued senior notes with total principal of US\$450,000,000 and US\$150,000,000 at a fixed interest rate of 4.750% due on 3 July 2022. On 4 December 2017, the Company issued senior notes with total principal of US\$400,000,000 at a fixed interest rate of 4.750% due on 11 December 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.

(iv) 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, which was redeemed on 12 April 2017. The total redemption price paid was RMB1,083,700,000 including the principal amount of RMB1,000,000,000 plus accrued and unpaid interest of RMB83,700,000 to the redemption date.

On 22 August 2014, Shanghai Shimao issued medium-term notes with total principal of RMB1,000,000,000 at a fixed interest rate of 7.60% due on 22 August 2017, which was redeemed on 22 August 2017. The total redemption price paid was RMB1,076,000,000 including the principal amount of RMB1,000,000,000 plus accrued and unpaid interest of RMB76,000,000 to the redemption date.

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.

On 6 January 2017, Shanghai Shimao issued the first phase of medium-term notes with total principal of RMB1,300,000,000 at a fixed interest rate of 4.50% due on 5 January 2020.

## 24 Borrowings (CONTINUED)

Notes: (continued)

- (v) On 18 September 2015, Shanghai Shimao Jianshe Co., Ltd. ("Shimao Jianshe") issued long-term bonds in an aggregate principal amount of RMB6,000,000,000 at a fixed interest rate of 3.90% per annum, which will mature on 18 September 2020.

On 15 October 2015, Shimao Jianshe issued long-term bonds with total principal of RMB1,400,000,000 at a fixed interest rate of 4.15% due on 15 October 2022.

On 24 March 2016, Shanghai Shimao issued long-term bonds in amount of RMB2,000,000,000 at a fixed interest rate of 3.29% per annum due on 23 March 2019. On 12 July 2016, Shanghai Shimao issued long-term bonds in amount of RMB1,500,000,000 at a fixed interest rate of 3.38% per annum due on 12 July 2019.

On 11 July 2017, Shanghai Shimao issued the first phase of long-term bonds with aggregate principal amount of RMB2,500,000,000 at a fixed interest rate of 4.95% due on 12 July 2020. On 20 September 2017, Shanghai Shimao issued the second phase of long-term bonds with aggregate principal amount of RMB1,000,000,000 at a fixed interest rate of 5.15% due on 21 September 2020. On 17 October 2017, Shanghai Shimao issued the third phase of long-term bonds with aggregate principal amount of RMB500,000,000 at a fixed interest rate of 5.19% due on 18 October 2020.

- (vi) On 14 January 2016, 3 August 2016, 22 September 2016, 22 September 2016 and 22 September 2016, Shimao Property Holdings Limited issued domestic corporate bonds with total principal of RMB4,000,000,000, RMB540,000,000, RMB1,000,000,000, RMB3,000,000,000 and RMB1,200,000,000 at a fixed interest rate of 4.8%, 4.3%, 3.7%, 3.9% and 4.1% due on 14 January 2021, 3 August 2021, 22 September 2018, 22 September 2019 and 22 September 2021.

On 18 September 2017, the Company early redeemed domestic corporate bonds with total principal of RMB950,000,000 at a fixed interest rate of 3.7%, which was originally due on 22 September 2018. The total redemption price paid was RMB985,150,000 including the principal amount of RMB950,000,000 plus accrued and unpaid interest of RMB35,150,000 to the redemption date.

- (vii) As at 31 December 2017, 330,000,000 shares of Shanghai Shimao (31 December 2016: NIL) have been pledged for total borrowings from other financial institutions of RMB800,000,000 (31 December 2016: NIL) for Group companies.

- (viii) 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 3.00% due on 12 January 2017. On 20 October 2016, Shanghai Shimao issued short-term financing bonds with total principal of RMB2,000,000,000 at a fixed interest rate of 2.98% due on 20 October 2017. As at 31 December 2017, Shanghai Shimao repaid all short-term notes.

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

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

	6 months or less RMB'000	6–12 months RMB'000	1–5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Borrowings included in non-current liabilities:					
At 31 December 2017	14,009,777	385,000	2,621,880	52,292,815	69,309,472
At 31 December 2016	27,563,118	2,504,048	4,129,961	14,991,076	49,188,203
Borrowings included in current liabilities:					
At 31 December 2017	8,900,435	9,294,785	–	–	18,195,220
At 31 December 2016	15,465,850	2,289,459	–	–	17,755,309

**24 Borrowings** (CONTINUED)

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

	<b>As at 31 December</b>	
	<b>2017</b>	<b>2016</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Bank borrowings:		
Between 1 and 2 years	<b>6,820,634</b>	2,809,603
Between 2 and 5 years	<b>10,513,188</b>	3,920,509
Over 5 years	<b>3,194,608</b>	3,944,508
Borrowings from other financial institution:		
Between 1 and 2 years	<b>1,250,727</b>	480,000
Between 2 and 5 years	<b>2,820,000</b>	2,722,000
Over 5 years	<b>6,192,000</b>	–
Domestic corporate bonds:		
Between 1 and 2 years	<b>2,991,214</b>	–
Between 2 and 5 years	<b>5,724,836</b>	9,705,620
Senior notes:		
Between 2 and 5 years	<b>13,637,484</b>	4,129,902
Over 5 years	–	7,611,280
Medium-term notes:		
Between 1 and 2 years	–	3,000,000
Between 2 and 5 years	<b>1,300,000</b>	–
Long-term bonds:		
Between 1 and 2 years	<b>3,500,000</b>	–
Between 2 and 5 years	<b>11,364,781</b>	9,500,000
Over 5 years	–	1,364,781
	<b>69,309,472</b>	49,188,203

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

	<b>As at 31 December</b>	
	<b>2017</b>	<b>2016</b>
Bank borrowings – RMB	<b>4.83%</b>	5.30%
Bank borrowings – US dollar	<b>3.58%</b>	3.71%
Bank borrowings – HK dollar	<b>2.64%</b>	2.19%
Bank borrowings – JPY yen	<b>1.06%</b>	1.10%
Bank borrowings – AUD dollar	<b>3.26%</b>	3.06%
Senior notes – US dollar	<b>6.98%</b>	7.76%
Borrowings from other financial institutions – RMB	<b>5.77%</b>	5.70%

**24 Borrowings (CONTINUED)**

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

	<b>Carrying amounts</b> RMB'000	<b>Fair values</b> RMB'000
Fixed rate portion – senior notes	13,637,485	14,194,491
Fixed rate portion – others	38,655,330	38,251,167
Floating rate portion	17,016,657	17,090,056
<b>At 31 December 2017</b>	<b>69,309,472</b>	<b>69,535,714</b>
Fixed rate portion – senior notes	11,741,182	12,956,634
Fixed rate portion – others	23,570,401	23,495,048
Floating rate portion	13,876,620	13,874,116
<b>At 31 December 2016</b>	<b>49,188,203</b>	<b>50,325,798</b>

The fair values of current borrowings approximated their carrying amount, as the impact of discounting is not significant. The fair values of senior notes recorded in non-current liabilities as at 31 December 2017 amounting to RMB14,194,491,000 (2016: RMB12,956,634,000) were calculated using the market price of the traded senior notes on the balance sheet date. The fair values of senior notes are within level 1 of the fair value hierarchy.

The fair values of other non-current borrowings are based on discounted cash flow approach using the prevailing market rates of interest available to the Group for financial institution with substantially the same terms and characteristics at the respective balance sheet dates. The fair values of other non-current borrowings are within level 3 of the fair value hierarchy.

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

	<b>As at 31 December</b>	
	<b>2017</b>	2016
	<b>RMB'000</b>	RMB'000
RMB	<b>49,739,590</b>	44,376,073
HK dollar	<b>7,403,543</b>	4,405,911
US dollar	<b>29,476,040</b>	17,266,917
AUD dollar	<b>381,960</b>	376,178
JPY yen	<b>503,559</b>	518,433
	<b>87,504,692</b>	66,943,512

## 25 Finance lease liabilities

	<b>As at 31 December</b>	
	<b>2017</b>	2016
	<b>RMB'000</b>	RMB'000
Included in current liabilities	<b>130,560</b>	171,420
Included in non-current liabilities	–	222,353

Finance lease liabilities for hotel facilities are repayable by installment in three to five years and have effective interest rates from 5.81% to 7.56% as at 31 December 2017 and 2016 (Note 6). During the year ended 31 December 2017, the Group had terminated one of the leases in advance and repaid all the installments and finance charges.

As at 31 December 2017 and 2016, finance lease liabilities of the Group were denominated in RMB.

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

	<b>As at 31 December</b>	
	<b>2017</b>	2016
	<b>RMB'000</b>	RMB'000
<b>Finance lease liabilities</b>		
Between 1 and 2 years	–	184,565
Between 2 and 5 years	–	37,788
	–	222,353

## 26 Trade and other payables

	<b>As at 31 December</b>	
	<b>2017</b>	2016
	<b>RMB'000</b>	RMB'000
Trade payables (Note (a))	<b>26,403,178</b>	21,220,985
Other taxes payable	<b>2,377,915</b>	1,070,753
Accrued expenses	<b>1,837,207</b>	1,670,331
Other payables (Note (b))	<b>2,905,965</b>	3,345,545
	<b>33,524,265</b>	27,307,614

## 26 Trade and other payables (CONTINUED)

Notes:

(a) As at 31 December 2017, the aging analysis of the trade payables based on invoice date is as follows:

	<b>As at 31 December</b>	
	<b>2017</b>	2016
	<b>RMB'000</b>	RMB'000
Within 90 days	<b>26,172,019</b>	20,371,754
Over 90 days and within 1 year	<b>231,159</b>	849,231
	<b>26,403,178</b>	21,220,985

(b) Other payables comprise:

	<b>As at 31 December</b>	
	<b>2017</b>	2016
	<b>RMB'000</b>	RMB'000
Deposits received from customers	<b>1,640,761</b>	1,235,158
Payables for equity interest	–	1,045,000
Fees collected from customers on behalf of government agencies	<b>169,812</b>	144,105
Deposits from constructors	<b>421,689</b>	356,455
Rental deposits from tenants and hotel customers	<b>536,331</b>	463,658
Others	<b>137,372</b>	101,169
	<b>2,905,965</b>	3,345,545

## 27 Amounts due to related parties

	<b>As at 31 December</b>	
	<b>2017</b>	2016
	<b>RMB'000</b>	RMB'000
– Associated companies	<b>3,016,217</b>	2,470,252
– Joint ventures	<b>18,156,243</b>	16,297,129
– Non-controlling interests	<b>12,696,059</b>	9,021,289
	<b>33,868,519</b>	27,788,670

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

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

## 28 Other income/other gains – net

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Net gains on disposal and deemed disposal of subsidiaries with loss of control (Note 40(b) and 40(c))	119,947	476,406
Gain on derivative financial instruments (Note 19)	–	140,478
Gain on investment in structured products issued by banks	85,847	93,523
Gain on disposal of investment in structured products issued by other financial institution	5,001	–
Government grants	161,417	75,699
Gain on acquisition of subsidiaries (Note 40(a))	34,183	12,497
Penalty income (Note)	96,662	23,084
Others	42,038	17,098
	<b>545,095</b>	<b>838,785</b>

Note:

Penalty income represents penalty received from property buyers who do not execute sales and purchase agreements on property sales or from tenants who early terminate tenancy agreements.

## 29 Expenses by nature

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

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Cost of properties sold and others	47,599,906	40,410,295
Including: interests capitalised	3,909,953	3,606,000
land and construction	42,643,381	35,929,000
Business taxes and other levies on sales of properties (Note (a))	403,492	1,635,370
Staff costs – including directors' emoluments (Note 31(a))	1,723,224	1,603,436
Advertising, promotion and commission costs	1,143,431	1,050,473
Direct expenses arising from hotel operation	972,396	857,339
Corporate and office expenses	698,376	610,932
Depreciation (Note 6)	580,353	430,149
Amortisation of land use rights (Note 8)	84,991	84,180
Operating lease rental expenses	82,771	77,072
Direct expenses arising from investment properties (Note 7(a))	20,567	34,494
Charitable donations	267,873	123,697
Auditor's remuneration	13,530	13,350
– Audit services	8,850	9,400
– Non-audit services	4,680	3,950
Provision for impairment of receivables	56,169	57,362
Provision of impairment losses on completed properties held for sale (Note 16(b))	116,619	173,295
Write-off of intangible assets (Note 9)	–	26
Loss on derivative financial instruments (Note 19)	86,979	–
Other expenses	121,061	139,934
	<b>53,971,738</b>	<b>47,301,404</b>

Note:

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

## 30 Finance costs – net

	Year ended 31 December	
	2017 RMB'000	2016 RMB'000
Finance income		
– interest income on short-term bank deposits	(581,511)	(369,832)
– net foreign exchange gain	(1,478,469)	–
Finance income	(2,059,980)	(369,832)
Interest on bank borrowings		
– wholly repayable within five years	3,645,507	2,759,925
– not wholly repayable within five years	147,218	256,384
Interest on senior notes		
– wholly repayable within five years	604,807	692,607
– not wholly repayable within five years	736,484	614,752
Interest on borrowings from other financial institutions		
– wholly repayable within five years	563,721	1,052,686
Interest on finance lease liabilities		
– wholly repayable within five years	36,256	49,214
	5,733,993	5,425,568
Less: interest capitalised	(5,002,427)	(4,743,492)
Net foreign exchange loss	–	1,435,225
Less: foreign exchange loss capitalised	–	(571,523)
Finance costs	731,566	1,545,778
Net finance (income)/costs	(1,328,414)	1,175,946

## 31 Employee benefit expense

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

	Year ended 31 December	
	2017 RMB'000	2016 RMB'000
Wages and salaries	1,302,725	1,203,572
Pension costs – statutory pension (Note (b))	141,598	133,154
Other allowances and benefits	278,901	266,710
	1,723,224	1,603,436

### 31 Employee benefit expense (CONTINUED)

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

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

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

#### (c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include five (2016: five) directors whose emoluments are reflected in Note 32.

### 32 Benefits and interests of directors

#### (a) Directors' emoluments

The remuneration of each of the directors of the Company for the year ended 31 December 2017 is set out as follows:

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

Name of directors	Fees RMB'000	Salary RMB'000	Bonuses RMB'000	Housing allowance RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Employee share award schemes RMB'000	Total RMB'000
Executive directors							
Mr. Hui Wing Mau	-	5,015	836	-	-	-	5,851
Mr. Hui Sai Tan, Jason	-	5,530	-	-	15	734	6,279
Ms. Tang Fei	-	1,822	170	60	99	1,193	3,344
Mr. Liao Lujiang (Note 1)	-	2,150	2,150	144	99	534	5,077
Mr. Kan Naigui (Note 1)	-	1,369	-	90	74	1,144	2,677
Non-executive director							
Mr. Liu Sai Fei	-	2,646	525	-	-	-	3,171
Independent non-executive directors							
Ms. Kan Lai Kuen, Alice	301	-	-	-	-	-	301
Mr. Lu Hong Bing	301	-	-	-	-	-	301
Mr. Lam Ching Kam	301	-	-	-	-	-	301
	903	18,532	3,681	294	287	3,605	27,302

Note 1:

Mr. Liao Lujiang resigned as an executive director with effect from 31 January 2018.

Mr. Kan Naigui resigned as an executive director with effect from 30 September 2017.

### 32 Benefits and interests of directors (CONTINUED)

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

The remuneration of each of the directors of the Company for the year ended 31 December 2016 is set out as follows:

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

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

Note 1:

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

#### (b) Directors' retirement benefits

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

#### (c) Directors' termination benefits

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

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

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

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

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

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

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

## 33 Income tax expense

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Current income tax		
– PRC enterprise income tax	3,939,299	3,232,300
– PRC withholding income tax	73,648	31,544
– PRC land appreciation tax	4,012,632	2,011,855
	<b>8,025,579</b>	5,275,699
Deferred income tax (Note 14)		
– PRC enterprise income tax	(102,019)	184,794
– PRC withholding income tax	197,500	225,000
	<b>8,121,060</b>	5,685,493

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

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Profit before income tax	18,691,753	13,195,878
Add: Share of results of associated companies and joint ventures	315,376	448,391
Land appreciation tax	(4,012,632)	(2,011,855)
	<b>14,994,497</b>	11,632,414
Calculated at PRC enterprise income tax rate of 25% (2016:25%)	3,748,624	2,908,104
Effect of different tax rates in other countries or regions	(1,880)	(24,823)
Expenses not deductible for income tax purposes (Note (a))	315,208	598,365
Income not subject to tax (Note (b))	(379,225)	(70,952)
Tax losses not recognised	154,553	6,400
PRC enterprise income tax charge	<b>3,837,280</b>	3,417,094
PRC land appreciation tax charge	<b>4,012,632</b>	2,011,855
Current income tax – PRC withholding income tax	73,648	31,544
Deferred income tax – PRC withholding income tax	197,500	225,000
	<b>8,121,060</b>	5,685,493

## Notes:

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

### 33 Income tax expense (CONTINUED)

#### Hong Kong profits tax

No Hong Kong profits tax has been provided for as the Group has no assessable profit in Hong Kong for the year ended 31 December 2017 (2016: Nil).

#### PRC enterprise income tax

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

#### PRC land appreciation tax

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

#### PRC withholding income tax

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

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

### 34 Earnings per share

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

	Year ended 31 December	
	2017	2016
Profit attributable to the equity holders of the Company (RMB'000)	<b>7,840,494</b>	5,171,855
Weighted average number of ordinary shares in issue (thousands)	<b>3,373,739</b>	3,433,844
Basic earnings per share (RMB cents)	<b>232.4</b>	150.6

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 Scheme assuming they were exercised.

	Year ended 31 December	
	2017	2016
Profit attributable to the equity holders of the Company (RMB'000)	<b>7,840,494</b>	5,171,855
Weighted average number of ordinary shares in issue (thousands)	<b>3,373,739</b>	3,433,844
Adjustment for shares granted under Share Scheme (thousands)	<b>6,561</b>	4,470
Weighted average number of ordinary shares for diluted earnings per share (thousands)	<b>3,380,300</b>	3,438,314
Diluted earnings per share (RMB cents)	<b>231.9</b>	150.4

## 35 Dividends

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Interim dividends paid of HK40 cents (2016: HK32 cents) per ordinary share (Note(a))	1,152,807	954,318
Proposed final dividends of HK60 cents (2016: HK44 cents) per ordinary share (Note (b))	1,638,371	1,318,310
Other dividends paid	105,246	192,475
	<b>2,896,424</b>	2,465,103

## Notes:

- (a) An interim dividend in respect of the six months ended 30 June 2017 of HK40 cents per ordinary share, amounting to HK\$1,354,809,000 (equivalent to RMB1,152,807,000) was paid in September 2017 (2016: RMB954,318,000).
- (b) At a meeting held on 27 March 2018, the directors proposed a final dividend of HK60 cents per ordinary share for the year ended 31 December 2017. This proposed dividend is not reflected as a dividend payable in these consolidated financial statements, but will be reflected as an appropriation for the year ending 31 December 2017 upon approval by the shareholders at the forthcoming annual general meeting of the Company.

A final dividend of RMB1,318,310,000 relating to the year ended 31 December 2016 was paid in 2017.

## 36 Notes to the consolidated statements of cash flows

## (a) Net cash generated from operations

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Profit before income tax	18,691,753	13,195,878
Adjustments for:		
Interest income	(581,511)	(369,832)
Interest expense	731,566	682,076
Provision for impairment of receivables	56,169	57,362
Provision for impairment loss on completed properties held for sale	116,619	173,295
Depreciation	580,353	430,149
Gain on disposal of property and equipment	–	(90)
Share of results of associated companies	(167,593)	(37,584)
Share of results of joint ventures	482,969	485,975
Net gain on disposal of subsidiaries with loss of control	(59,451)	(476,406)
Net gain on acquisition of a subsidiary	–	(12,497)
Gain on deemed disposal of subsidiaries with loss of control	(60,496)	–
Gain on acquisition of equity interests in joint ventures and obtaining control	(34,183)	–
Amortisation of land use rights	84,991	84,180
Fair value loss/(gain) on derivative financial instruments	86,979	(140,478)
Interest received from investment in structured products issued by banks	(85,847)	(93,523)
Gain on disposal of investment in structured products issued by other financial institution	(5,001)	–
Fair value gains on investment properties	(679,484)	(1,996,673)
Write-off of intangible assets	–	26
Value of employee services arising from equity-settled share based payment scheme	75,470	50,005
Net exchange (gain)/loss	(1,478,469)	863,702
	<b>17,754,834</b>	12,895,565

## 36 Notes to the consolidated statements of cash flows (CONTINUED)

## (a) Net cash generated from operations (continued)

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Changes in working capital:		
Properties under development, completed properties held for sale and prepayment for acquisition of land use rights	(12,692,428)	(1,640,725)
Other non-current assets	(803,556)	–
Biological assets	(15,831)	–
Restricted cash	(59,447)	(317,701)
Trade and other receivables and prepayments	9,963,939	(7,223,588)
Trade and other payables	5,101,794	1,679,743
Advanced proceeds received from customers	1,087,470	(152,277)
Amounts due to related companies excluding non-controlling interests	2,405,079	388,928
Net cash generated from operations	22,741,854	5,629,945

## (b) Net debt reconciliation

Net debt	2017 RMB'000
Borrowings – repayable within one year	18,325,780
Borrowings – repayable after one year	69,309,472
Cash and cash equivalents	(28,537,441)
Net debt	59,097,811
Gross debt – fixed interest rates	61,421,040
Gross debt – variable interest rates	26,214,212
Cash and cash equivalents	(28,537,441)
Net debt	59,097,811

	Other assets		Liabilities from financing activities			Total RMB'000
	Cash and cash equivalents RMB'000	Finance leases due within 1 year RMB'000	Finance leases due after 1 year RMB'000	Borrowings due within 1 year RMB'000	Borrowings due after 1 year RMB'000	
<b>Net debt as at 31 December 2016</b>	(19,359,175)	171,420	222,353	17,755,309	49,188,203	47,978,110
Cash flows	(9,202,215)	(180,099)	(83,114)	(8,869,852)	31,739,277	13,403,997
Foreign exchange adjustments	23,949	–	–	(803,330)	(918,375)	(1,697,756)
Reclassification	–	139,239	(139,239)	9,485,633	(9,485,633)	–
Other non-cash movements	–	–	–	627,460	(1,214,000)	(586,540)
<b>Net debt as at 31 December 2017</b>	(28,537,441)	130,560	–	18,195,220	69,309,472	59,097,811

### 37 Principal subsidiaries, associated companies and joint ventures

Particulars of the principal subsidiaries, associated companies and joint ventures of the Group as at 31 December 2017 are as follows:

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2017	Principal activities
<b>Principal subsidiaries – established and operation conducted in the PRC</b>					
上海世茂股份有限公司 (Shanghai Shimao Co., Ltd.)	1 July 1992	Foreign investment enterprise	Registered capital RMB2,679,405,901	58.92%	Property development
上海世茂房地產有限公司 (Shanghai Shimao Real Estate Co., Ltd.)	15 March 2000	Foreign investment enterprise	Registered capital US\$75,000,000	100%	Property development
上海世茂國際廣場有限責任公司 (Shanghai Shimao International Plaza Co., Ltd.)	15 September 1994	Foreign investment enterprise	Registered capital RMB1,600,000,000	100%	Hotel and shopping mall
上海世茂建設有限公司 (Shanghai Shimao Jianshe Co., Ltd.)	16 March 2001	Foreign investment enterprise	Registered capital RMB540,000,000	100%	Investment holding
上海世茂莊園置業有限公司 (Shanghai Shimao Manor Real Estate Co., Ltd.)	19 June 2002	Foreign investment enterprise	Registered capital US\$18,400,000	100%	Property development and hotel
上海世茂北外灘開發建設有限公司 (Shanghai Shimao North Bund Development and Construction Co., Ltd.)	17 May 2002	Foreign investment enterprise	Registered capital HK\$650,000,000	100%	Hotel
北京世茂投資發展有限公司 (Beijing Shimao Investment and Development Co., Ltd.)	26 December 2000	Foreign investment enterprise	Registered capital RMB755,780,000	100%	Property development
哈爾濱世茂濱江新城開發建設有限公司 (Harbin Shimao Riviera New City Development and Construction Co., Ltd.)	24 March 2004	Foreign investment enterprise	Registered capital HK\$548,000,000	100%	Property development
常熟世茂房地產開發有限公司 (Changshu Shimao Real Estate Development Co., Ltd.)	24 December 2004	Foreign investment enterprise	Registered capital HK\$440,000,000	100%	Property development
昆山世茂蝶湖灣開發建設有限公司 (Kunshan Shimao Butterfly Bay Development and Construction Co., Ltd.)	10 November 2003	Foreign investment enterprise	Registered capital RMB412,410,000	100%	Property development
武漢世茂錦繡長江房地產開發有限公司 (Wuhan Shimao Splendid River Real Estate Development Co., Ltd.)	6 June 2005	Foreign investment enterprise	Registered capital US\$114,269,000	100%	Property development
昆山世茂房地產開發有限公司 (Kunshan Shimao Real Estate Development Co., Ltd.)	24 December 2003	Domestic enterprise	Registered capital RMB547,668,147	58.92%	Property development
上海世茂新體驗置業有限公司 (Shanghai Shimao Wonderland Property Co., Ltd.)	6 March 2006	Domestic enterprise	Registered capital RMB391,092,834	58.92%	Property development

## 37 Principal subsidiaries, associated companies and joint ventures (CONTINUED)

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2017	Principal activities
<b>Principal subsidiaries – established and operation conducted in the PRC (continued)</b>					
紹興世茂新城房地產開發有限公司 (Shaoxing Shimao New City Real Estate Development Co., Ltd.)	11 July 2006	Foreign investment enterprise	Registered capital US\$52,350,000	100%	Property development
紹興世茂置業有限公司 (Shaoxing Shimao Property Co., Ltd.)	11 July 2006	Foreign investment enterprise	Registered capital US\$130,030,000	100%	Property development
蕪湖世茂房地產開發有限公司 (Wuhu Shimao Real Estate Development Co., Ltd.)	8 September 2006	Foreign investment enterprise	Registered capital US\$56,500,000	100%	Property development
煙台世茂置業有限公司 (Yantai Shimao Property Co., Ltd.)	6 September 2006	Foreign investment enterprise	Registered capital US\$48,500,000	100%	Property development
常州世茂房地產有限公司 (Changzhou Shimao Real Estate Co., Ltd.)	27 November 2006	Foreign investment enterprise	Registered capital US\$323,730,000	100%	Property development
青島世茂新城房地產開發有限公司 (Qingdao Shimao New City Real Estate Development Co., Ltd.)	29 April 2010	Foreign Investment enterprise	Registered capital US\$159,980,000	100%	Property development
杭州世茂置業有限公司 (Hangzhou Shimao Property Co., Ltd.)	13 December 2006	Foreign investment enterprise	Registered capital US\$111,900,000	100%	Property development
徐州世茂新城房地產開發有限公司 (Xuzhou Shimao New City Real Estate Development Co., Ltd.)	14 February 2007	Foreign investment enterprise	Registered capital US\$75,980,000	100%	Property development
徐州世茂置業有限公司 (Xuzhou Shimao Property Co., Ltd.)	14 February 2007	Domestic enterprise	Registered capital RMB491,412,600	58.92%	Property development
福州世茂實業有限公司 (Fuzhou Shimao Industrial Co., Ltd.)	5 July 2007	Foreign investment enterprise	Registered capital RMB430,000,000	100%	Property development
福州世茂新城房地產開發有限公司 (Fuzhou Shimao New City Real Estate Development Co., Ltd.)	5 July 2007	Foreign investment enterprise	Registered capital RMB880,000,000	100%	Property development
蕪湖世茂新發展置業有限公司 (Wuhu Shimao New Development Property Co., Ltd.)	16 May 2007	Domestic enterprise	Registered capital RMB110,000,000	58.92%	Property development
蕪湖世茂新世紀置業有限公司 (Wuhu Shimao New Century Property Co., Ltd.)	26 September 2007	Foreign investment enterprise	Registered capital RMB35,000,000	100%	Property development
瀋陽世茂新世紀房地產開發有限公司 (Shenyang Shimao New Century Real Estate Development Co., Ltd.)	24 May 2007	Domestic enterprise	Registered capital RMB581,512,000	58.92%	Property development

## 37 Principal subsidiaries, associated companies and joint ventures (CONTINUED)

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2017	Principal activities
<b>Principal subsidiaries – established and operation conducted in the PRC (continued)</b>					
瀋陽世茂新紀元置業有限公司 (Shenyang Shimao New Era Property Co., Ltd.)	24 May 2007	Foreign investment enterprise	Registered capital HK\$257,000,000	100%	Property development
大連世茂龍河發展有限公司 (Dalian Shimao Dragon River Development Co., Ltd.)	9 June 2006	Foreign investment enterprise	Registered capital US\$109,600,000	100%	Property development
蘇州世茂投資發展有限公司 (Suzhou Shimao Investment & Development Co., Ltd.)	2 March 2007	Domestic enterprise	Registered capital RMB526,795,630	58.92%	Property development
蘇州世茂置業有限公司 (Suzhou Shimao Property Co., Ltd.)	26 January 2007	Foreign investment enterprise	Registered capital US\$178,000,000	100%	Property development
紹興世茂新紀元置業有限公司 (Shaoxing Shimao New Era Property Co., Ltd.)	13 July 2007	Domestic enterprise	Registered capital RMB245,520,127	58.92%	Property development
紹興世茂新置業發展有限公司 (Shaoxing Shimao New Property Development Co., Ltd.)	13 July 2007	Foreign investment enterprise	Registered capital US\$14,500,000	100%	Property development
北京良譽房地產開發有限公司 (Beijing Liangyu Real Estate Development Co., Ltd.)	7 April 2013	Foreign investment enterprise	Registered capital RMB20,000,000	50%	Property development
牡丹江世茂置業有限公司 (Mudanjiang Shimao Property Co., Ltd.)	4 September 2007	Foreign investment enterprise	Registered capital US\$16,000,000	95%	Property development
牡丹江世茂新城房地產開發有限公司 (Mudanjiang Shimao New City Real Estate Development Co., Ltd.)	4 September 2007	Foreign investment enterprise	Registered capital US\$29,980,000	100%	Property development
常熟世茂新發展置業有限公司 (Changshu Shimao New Development Property Co., Ltd.)	24 August 2007	Domestic enterprise	Registered capital RMB692,174,000	58.92%	Property development
余姚世茂牟山湖休閒度假區開發有限公司 (Yuyao Shimao Moushanhu Leisure Resort Development Co., Ltd.)	21 October 2010	Domestic enterprise	Registered capital RMB200,000,000	70%	Property development
南通世茂房地產開發有限公司 (Nantong Shimao Real Estate Development Co., Ltd.)	14 December 2012	Domestic enterprise	Registered capital RMB100,000,000	100%	Property development
南京碩天投資管理有限公司 (Nanjing Shuotian Investment & Management Co., Ltd.)	18 December 2012	Domestic enterprise	Registered capital RMB100,000,000	100%	Property development

## 37 Principal subsidiaries, associated companies and joint ventures (CONTINUED)

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2017	Principal activities
<b>Principal subsidiaries – established and operation conducted in the PRC (continued)</b>					
天津生態城世茂投資發展有限公司 (Tianjin Eco-City Shimao Investment & Development Co., Ltd.)	12 August 2011	Domestic enterprise	Registered capital RMB162,644,691	75%	Property development
福州世茂新發展房地產開發有限公司 (Fuzhou Shimao New Development Real Estate Development Co., Ltd.)	18 October 2012	Domestic enterprise	Registered capital RMB878,000,000	100%	Property development
常州世茂新城房地產開發有限公司 (Changzhou Shimao New City Real Estate Development Co., Ltd.)	12 February 2007	Domestic enterprise	Registered capital RMB269,300,000	58.92%	Property development
張家港世茂房地產開發有限公司 (Zhangjiagang Shimao Real Estate Development Co., Ltd.)	12 July 2013	Domestic enterprise	Registered capital RMB1,000,000,000	51%	Property development
昆山世茂新發展置業有限公司 (Kunshan Shimao New Development Property Co., Ltd.)	12 September 2007	Foreign investment enterprise	Registered capital US\$49,980,000	100%	Property development
成都世盈投資管理諮詢有限公司 (Chengdu Shiyong Investment Management Consulting Co., Ltd.)	20 September 2007	Foreign investment enterprise	Registered capital US\$29,980,000	100%	Property development
上海世源建材貿易有限公司 (Shanghai Shine Construction Materials Trading Co., Ltd.)	22 January 2007	Foreign investment enterprise	Registered capital HK\$65,000,000	100%	Trading of construction material
上海世盈投資管理有限公司 (Shanghai Shiyong Investment Management Co., Ltd.)	21 August 2007	Domestic enterprise	Registered capital RMB200,000,000	100%	Investment holding
廈門信誠建築裝潢有限公司 (Xiamen Xincheng Building Decoration Co., Ltd.)	6 March 2007	Domestic enterprise	Registered capital RMB10,000,000	100%	Trading of construction material
牡丹江睿智營銷企劃有限公司 (Mudanjiang Ruizhi Marketing Planning Co., Ltd.)	4 December 2007	Domestic enterprise	Registered capital RMB1,000,000	100%	Marketing
青島世茂投資發展有限公司 (Qingdao Shimao Investment & Development Co., Ltd.)	27 May 2011	Domestic enterprise	Registered capital RMB450,000,000	58.92%	Property development
咸陽世茂房地產開發有限公司 (Xianyang Shimao Real Estate Development Co., Ltd.)	29 April 2004	Foreign investment enterprise	Registered capital HK\$30,000,000	100%	Property development

## 37 Principal subsidiaries, associated companies and joint ventures (CONTINUED)

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2017	Principal activities
<b>Principal subsidiaries – established and operation conducted in the PRC (continued)</b>					
上海碧橙房地產有限公司 (Shanghai Bicheng Real Estate Co., Ltd.)	28 September 2003	Domestic enterprise	Registered capital RMB236,200,000	100%	Property development
福建世茂投資發展有限公司 (Fujian Shimao Investment and Development Co., Ltd.)	17 November 2003	Foreign investment enterprise	Registered capital RMB200,000,000	79.46%	Property development
南京世茂房地產開發有限公司 (Nanjing Shimao Real Estate Development Co., Ltd.)	23 July 2004	Foreign investment enterprise	Registered capital RMB328,000,000	79.46%	Property development
上海星橙房地產有限公司 (Shanghai Xingcheng Real Estate Co., Ltd.)	25 January 2006	Domestic enterprise	Registered capital RMB28,000,000	100%	Property development
上海世茂投資管理有限公司 (Shanghai Shimao Investment Management Co., Ltd.)	11 May 2009	Domestic enterprise	Registered capital RMB50,000,000	100%	Investment holding
上海逸景園林景觀工程有限公司 (Shanghai Yijing Landscaping Architect Co., Ltd.)	3 September 2009	Domestic enterprise	Registered capital RMB10,000,000	100%	Architect
福建世茂新里程投資發展有限公司 (Fujian Shimao New Miles Investment Development Co., Ltd.)	10 October 2009	Domestic enterprise	Registered capital RMB1,867,000,000	79.05%	Property development
上海世茂企業發展有限公司 (Shanghai Shimao Enterprises Development Co., Ltd.)	22 June 2000	Domestic enterprise	Registered capital RMB101,723,586	50.85%	Investment holding
泰州世茂新發展置業有限公司 (Taizhou Shimao New Development Property Co., Ltd.)	17 January 2008	Foreign investment enterprise	Registered capital US\$20,000,000	100%	Property development
泰州世茂新城房地產開發有限公司 (Taizhou Shimao New City Real Estate Development Co., Ltd.)	22 February 2008	Foreign investment enterprise	Registered capital US\$40,000,000	100%	Property development
武漢世茂嘉年華置業有限公司 (Wuhan Shimao Carnival Property Co., Ltd.)	14 December 2009	Domestic enterprise	Registered capital RMB200,000,000	79.05%	Property development
寧波世茂房地產開發有限公司 (Ningbo Shimao Real Estate Development Co., Ltd.)	24 December 2007	Foreign investment enterprise	Registered capital US\$99,980,000	100%	Property development
大連世茂嘉年華置業有限公司 (Dalian Shimao Carnival Property Co., Ltd.)	4 September 2009	Domestic enterprise	Registered capital US\$100,000,000	100%	Property development

## 37 Principal subsidiaries, associated companies and joint ventures (CONTINUED)

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2017	Principal activities
<b>Principal subsidiaries – established and operation conducted in the PRC (continued)</b>					
天津世茂新里程置業有限公司 (Tianjin Shimao New Miles Property Co., Ltd.)	5 November 2009	Domestic enterprise	Registered capital RMB470,000,000	100%	Property development
成都世茂置業有限公司 (Chengdu Shimao Property Co., Ltd.)	13 October 2009	Domestic enterprise	Registered capital RMB299,021,884	100%	Property development
南通萃泰機電科技有限公司 (Nantong Cuitai Electromechanical & Technology Co., Ltd)	18 December 2012	Foreign investment enterprise	Registered capital US\$30,000,000	100%	Research and trading
蘇州世茂新發展房地產開發有限公司 (Suzhou Shimao New Development Real Estate Development Co., Ltd)	16 April 2013	Domestic enterprise	Registered capital RMB1,020,000,000	51%	Property development
蘇州世茂新世紀房地產開發有限公司 (Suzhou Shimao New Century Real Estate Development Co., Ltd)	16 April 2013	Domestic enterprise	Registered capital RMB1,470,678,120	51%	Property development
上海澤承投資管理有限公司 (Shanghai Zecheng Investment & Management Co., Ltd.)	20 December 2013	Domestic enterprise	Registered capital RMB60,000,000	50%	Investment holding
杭州世茂新領域房地產開發有限公司 (Hangzhou Shimao New Domain Real Estate Development Co., Ltd.)	22 March 2013	Domestic enterprise	Registered capital RMB620,000,000	62%	Property development
杭州世融匯盈置業有限公司 (Hangzhou Shirong Huiying Property Co., Ltd.)	29 May 2013	Foreign investment enterprise	Registered capital US\$150,000,000	51%	Property development
杭州世茂嘉年華置業有限公司 (Hangzhou Shimao Carnival Property Co., Ltd.)	16 October 2013	Domestic enterprise	Registered capital RMB2,000,000,000	100%	Property development
南昌水城投資股份有限公司 (Nanchang Shuicheng Investment Co., Ltd.)	8 December 2005	Domestic enterprise	Registered capital RMB350,000,000	58.92%	Property development
南昌世茂新紀元置業有限公司 (Nanchang Shimao New Era Property Co., Ltd.)	7 November 2013	Domestic enterprise	Registered capital RMB1,836,735,000	51%	Property development
天津世茂新體驗置業有限公司 (Tianjin Shimao New Experience Property Co., Ltd)	11 September 2013	Domestic enterprise	Registered capital RMB50,000,000	100%	Property development
山東世盈置業有限公司 (Shandong Shiyong Property Co., Ltd.)	8 March 2013	Domestic enterprise	Registered capital RMB1,220,000,000	50.82%	Property development

## 37 Principal subsidiaries, associated companies and joint ventures (CONTINUED)

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2017	Principal activities
<b>Principal subsidiaries – established and operation conducted in the PRC (continued)</b>					
北京世承投資管理有限公司 (Beijing Shicheng Investment & Management Co., Ltd.)	21 June 2013	Domestic enterprise	Registered capital RMB5,000,000	100%	Investment holding
上海瓊宇投資管理有限公司 (Shanghai Qiongyu Investment & Management Co., Ltd.)	21 March 2013	Domestic enterprise	Registered capital RMB5,000,000	100%	Investment holding
上海朋權投資管理有限公司 (Shanghai Pengquan Investment & Management Co., Ltd.)	21 March 2013	Domestic enterprise	Registered capital RMB5,000,000	100%	Investment holding
上海進環投資管理有限公司 (Shanghai Jinjing Investment & Management Co., Ltd.)	26 April 2013	Domestic enterprise	Registered capital RMB5,000,000	100%	Investment holding
上海建木投資管理有限公司 (Shanghai Jianmu Investment & Management Co., Ltd.)	24 July 2013	Domestic enterprise	Registered capital RMB5,000,000	100%	Investment holding
上海西科投資管理有限公司 (Shanghai Xike Investment & Management Co., Ltd.)	24 July 2013	Domestic enterprise	Registered capital RMB5,000,000	100%	Investment holding
泉州諾信投資有限公司 (Quanzhou Nuoxin Investment Co., Ltd.)	22 October 2013	Domestic enterprise	Registered capital RMB1,000,000	100%	Investment holding
大連世茂新領域置業有限公司 (Dalian Shimao New Domain Property Co., Ltd.)	29 October 2013	Foreign investment enterprise	Registered capital US\$136,000,000	100%	Property development
大連世茂新體驗置業有限公司 (Dalian Shimao New Experience Property Co., Ltd.)	29 October 2013	Foreign investment enterprise	Registered capital US\$120,000,000	100%	Property development
石獅世茂房地產開發有限公司 (Shishi Shimao Real Estate Development Co., Ltd.)	16 May 2013	Domestic enterprise	Registered capital RMB639,000,000	55.67%	Property development
石獅世茂新城房地產開發有限公司 (Shishi Shimao New City Real Estate Development Co., Ltd.)	16 May 2013	Domestic enterprise	Registered capital RMB781,000,000	55.67%	Property development
大廠回族自治縣中基大業房地產開發 有限公司 (Dachang Hui Autonomous County Real Estate Development Co., Ltd.)	11 August 2011	Domestic enterprise	Registered capital RMB493,570,000	65%	Property development
福建世茂置業有限公司 (Fujian Shimao Property Co., Ltd.)	16 July 2009	Domestic enterprise	Registered capital RMB986,560,000	100%	Property development

## 37 Principal subsidiaries, associated companies and joint ventures (CONTINUED)

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2017	Principal activities
<b>Principal subsidiaries – established and operation conducted in the PRC (continued)</b>					
泉州世茂新領域置業有限公司 (Quanzhou Shimao New Domain Property Co., Ltd.)	15 March 2011	Domestic enterprise	Registered capital RMB1,037,750,000	100%	Property development
廈門世茂新紀元置業有限公司 (Xiamen Shimao New Era Property Co., Ltd.)	21 August 2014	Domestic enterprise	Registered capital RMB1,300,000,000	51%	Property development
上海容承企業管理有限公司 (Shanghai Rongcheng Enterprises Management Co., Ltd.)	21 January 2014	Domestic enterprise	Registered capital RMB200,000,000	100%	Investment holding
文昌世茂置業有限公司 (Wenchang Shiamo Property Co., Ltd.)	19 April 2011	Domestic enterprise	Registered capital RMB550,000,000	51%	Property development
紹興世茂投資發展有限公司 (Shaoxing Shiamo Investment Development Co., Ltd.)	13 July 2007	Domestic enterprise	Registered capital RMB483,457,740	58.92%	Property development
蘇州世茂新里程置業有限公司 (Suzhou Shimao New Miles Property Co., Ltd.)	17 January 2013	Domestic enterprise	Registered capital RMB600,000,000	58.92%	Property development
青島世茂濱海置業有限公司 (Qingdao Shimao Binhai Property Co., Ltd.)	8 November 2011	Domestic enterprise	Registered capital RMB200,000,000	58.92%	Property development
上海翊宇投資管理有限公司 (Shanghai Yiyu Investment & Management Co., Ltd.)	30 January 2015	Domestic enterprise	Registered capital RMB5,000,000	100%	Investment holding
上海晟翊投資管理有限公司 (Shanghai Shengyi Investment & Management Co., Ltd.)	30 January 2015	Domestic enterprise	Registered capital RMB5,000,000	100%	Investment holding
上海幻境投資管理有限公司 (Shanghai Huanjing Investment & Management Co., Ltd.)	15 February 2015	Domestic enterprise	Registered capital HK\$10,000,000	100%	Investment holding
武漢濱江天地商業經營管理有限公司 (Wuhan Riviera Tiandi Business-Operation Management Co., Ltd.)	12 January 2015	Domestic enterprise	Registered capital RMB1,000,000	100%	Investment holding
南京漢佑商業管理有限公司 (Nanjing Hanyou Business Management Co., Ltd.)	21 January 2015	Domestic enterprise	Registered capital RMB1,000,000	100%	Investment holding
大連旅順茂盛商業經營管理有限公司 (Dalian Lvshun Maosheng Business-Operation Management Co., Ltd.)	12 January 2015	Domestic enterprise	Registered capital RMB1,000,000	100%	Investment holding

## 37 Principal subsidiaries, associated companies and joint ventures (CONTINUED)

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2017	Principal activities
<b>Principal subsidiaries – established and operation conducted in the PRC (continued)</b>					
南京世招葦置業有限公司 (Nanjing Shizhao Quansheng Property Co., Ltd.)	27 January 2015	Domestic enterprise	Registered capital RMB250,000,000	51%	Investment holding
南京世茂星空投資有限公司 (Nanjing Shimao Xingkong Investment Co., Ltd.)	17 April 2015	Domestic enterprise	Registered capital RMB500,000,000	80%	Investment holding
銀川海茂房地產有限公司 (Yinchuan Hairao Real Estate Co., Ltd.)	20 May 2015	Domestic enterprise	Registered capital RMB100,000,000	51%	Property development
上海世茂旅遊發展有限公司 (Shanghai Shimao Travel Development Co., Ltd.)	11 June 2015	Domestic enterprise	Registered capital RMB10,000,000	100%	Others
重慶浚亮房地產開發有限公司 (Chongqing Junliang Real Estate Development Co., Ltd.)	25 July 2007	Domestic enterprise	Registered capital US\$200,000,000	100%	Property development
福州世茂新世紀房地產開發有限公司 (Fuzhou Shimao New Century Real Estate Development Co., Ltd.)	23 December 2010	Domestic enterprise	Registered capital RMB1,192,700,000	100%	Property development
福州世茂新紀元置業有限公司 (Fuzhou Shimao New Era Property Co., Ltd.)	23 December 2010	Domestic enterprise	Registered capital RMB887,900,000	100%	Property development
南京海峽城開發建設有限公司 (Nanjing Straits City Development Construction Co., Ltd.)	26 April 2011	Domestic enterprise	Registered capital US\$692,000,000	100%	Property development
平潭海峽如意城開發建設有限公司 (Pingtan Straits Ruyi City Development Construction Co., Ltd.)	31 May 2011	Domestic enterprise	Registered capital RMB615,630,000	100%	Property development
平潭海峽如意城新都會開發建設有限公司 (Pingtan Straits Ruyi City Xinduhui Development Construction Co., Ltd.)	31 May 2011	Domestic enterprise	Registered capital RMB226,050,000	100%	Property development
成都世茂房地產開發有限公司 (Chengdu Shimao Real Estate Development Co., Ltd.)	26 November 2010	Domestic enterprise	Registered capital RMB1,430,000,000	100%	Property development
天津生態城世茂新紀元投資開發有限公司 (Tianjin Eco-City Shimao New Era Investment Development Co., Ltd.)	9 November 2009	Domestic enterprise	Registered capital RMB409,140,400	75%	Property development
武漢虹玉置業有限公司 (Wuhan Hongyu Property Co., Ltd.)	9 May 2012	Domestic enterprise	Registered capital RMB1,295,600,000	51.22%	Property development

## 37 Principal subsidiaries, associated companies and joint ventures (CONTINUED)

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2017	Principal activities
<b>Principal subsidiaries – established and operation conducted in the PRC (continued)</b>					
瀋陽世茂新發展置業有限公司 (Shenyang Shimao New Development Property Co., Ltd.)	5 December 2006	Domestic enterprise	Registered capital US\$108,900,000	100%	Property development
武漢世茂新城房地產開發有限公司 (Wuhan Shimao New City Real Estate Development Co., Ltd.)	23 March 2012	Domestic enterprise	Registered capital RMB526,000,000	100%	Property development
南寧世茂新紀元房地產開發有限公司 (Nanning Shimao New Era Real Estate Development Co., Ltd.)	2 July 2014	Domestic enterprise	Registered capital RMB120,000,000	100%	Property development
寧波世茂新領域置業有限公司 (Ningbo Shimao New Domain Property Co., Ltd.)	6 February 2013	Domestic enterprise	Registered capital US\$72,000,000	100%	Property development
簡陽世茂房地產開發有限公司 (Jianyang Shimao Real Estate Development Co., Ltd.)	20 January 2014	Domestic enterprise	Registered capital RMB100,000,000	100%	Property development
寧波世茂新紀元置業有限公司 (Ningbo Shimao New Era Property Co., Ltd.)	27 May 2010	Domestic enterprise	Registered capital RMB50,000,000	100%	Property development
寧波世茂新騰飛置業有限公司 (Ningbo Shimao Xintengfei Property Co., Ltd.)	09 June 2013	Domestic enterprise	Registered capital RMB1,238,500,000	58.92%	Property development
常熟世茂新紀元置業有限公司 (Changshu Shimao New Era Property Co., Ltd.)	11 September 2013	Domestic enterprise	Registered capital RMB850,000,000	58.92%	Property development
上海茂沁投資管理有限公司 (Shanghai Maoqin Investment & Management Co., Ltd.)	5 December 2013	Domestic enterprise	Registered capital RMB1,371,770,000	58.92%	Investment holding
濟南世茂天城置業有限公司 (Jinan Shimao Tiancheng Property Co., Ltd.)	7 January 2014	Domestic enterprise	Registered capital RMB1,131,000,000	58.92%	Property development
天津世茂新世紀置業有限公司 (Tianjin Shimao New Century Property Co., Ltd.)	6 May 2016	Domestic enterprise	Registered capital RMB350,000,000	100%	Property development
天津茂晟酒店管理有限公司 (Tianjin Maosheng Hotel Management Co., Ltd.)	19 October 2016	Domestic enterprise	Registered capital RMB10,000,000	100%	Hotel

## 37 Principal subsidiaries, associated companies and joint ventures (CONTINUED)

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2017	Principal activities
<b>Principal subsidiaries – established and operation conducted in the PRC (continued)</b>					
泰州世悅酒店管理有限公司 (Taizhou Shiyue Hotel Management Co., Ltd.)	27 November 2016	Domestic enterprise	Registered capital RMB10,000,000	100%	Hotel
泉州世茂融信新世紀房地產有限責任公司 (Quanzhou Shimao Rongxin New Century Real Estate Co., Ltd.)	10 October 2016	Domestic enterprise	Registered capital RMB50,000,000	79.05%	Property development
泉州世茂融信新領航房地產有限責任公司 (Quanzhou Shimao Rongxin New Pioneer Real Estate Co., Ltd.)	10 October 2016	Domestic enterprise	Registered capital RMB50,000,000	79.05%	Property development
南京世茂新發展置業有限公司 (Nanjing Shimao New Development Property Co., Ltd.)	13 January 2016	Domestic enterprise	Registered capital RMB3,000,000,000	75.99%	Property development
南京世茂新領航置業有限公司 (Nanjing Shimao New Pioneer Property Co., Ltd.)	1 June 2016	Domestic enterprise	Registered capital RMB7,700,000,000	56.80%	Property development
銀川世茂新發展置業有限公司 (Yinchuan Shimao New Development Property Co., Ltd.)	12 January 2016	Domestic enterprise	Registered capital RMB100,000,000	100%	Property development
成都世茂新世紀商業管理有限公司 (Chengdu Shimao New Century Business Management Co., Ltd.)	13 July 2016	Domestic enterprise	Registered capital RMB1,000,000	100%	Investment holding
南京世茂商業管理有限公司 (Nanjing Shimao Business Management Co., Ltd.)	10 December 2016	Domestic enterprise	Registered capital RMB1,000,000	100%	Investment holding
張家港世茂新里程房地產開發有限公司 (Zhangjiagang Shimao New Miles Real Estate Development Co., Ltd.)	29 March 2016	Domestic enterprise	Registered capital RMB1,400,000,000	51%	Property development
上海茂怡酒店管理有限公司 (Shanghai Maoyi Hotel Management Co., Ltd.)	19 March 2014	Domestic enterprise	Registered capital RMB1,000,000	100%	Hotel
泉州美亞商業管理有限公司 (Quanzhou Meiya Business Management Co., Ltd.)	25 June 2014	Domestic enterprise	Registered capital RMB50,000,000	51%	Investment holding
泉州美亞環境工程有限公司 (Quanzhou Meiya Environmental Engineering Co., Ltd.)	25 June 2014	Domestic enterprise	Registered capital RMB39,000,000	51%	Architect

## 37 Principal subsidiaries, associated companies and joint ventures (CONTINUED)

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2017	Principal activities
<b>Principal subsidiaries – established and operation conducted in the PRC (continued)</b>					
上海茂璟置業有限公司 (Shanghai Maojing Property Co., Ltd.)	6 February 2017	Domestic enterprise	Registered capital RMB10,000,000	51%	Property development
福建世茂嘉年華房地產開發有限公司 (Fujian Shimao Carnival Real Estate Development Co., Ltd.)	14 March 2017	Domestic enterprise	Registered capital RMB10,000,000	100%	Property development
無錫迎碧房地產開發有限公司 (Wuxi Yingbi Real Estate Development Co., Ltd.)	4 January 2016	Domestic enterprise	Registered capital RMB10,000,000	51%	Property development
上海益碧房地產開發有限公司 (Shanghai Yibi Real Estate Development Co., Ltd.)	19 January 2017	Domestic enterprise	Registered capital RMB10,000,000	51%	Property development
廈門毅駿置業有限公司 (Xiamen Yijun Property Co., Ltd.)	9 August 2017	Domestic enterprise	Registered capital RMB10,000,000	50%	Property development
福州世茂悅盈置業有限公司 (Fuzhou Shimao Yueying Property Co., Ltd.)	3 July 2017	Domestic enterprise	Registered capital RMB100,000,000	100%	Property development
福州世茂世盈置業有限公司 (Fuzhou Shimao Shiying Property Co., Ltd.)	22 September 2017	Domestic enterprise	Registered capital RMB100,000,000	100%	Property development
福州世茂世悅置業有限公司 (Fuzhou Shimao Shiyue Property Co., Ltd.)	12 July 2017	Domestic enterprise	Registered capital RMB100,000,000	100%	Property development
<b>Principal subsidiaries – incorporated and operation conducted in the British Virgin Islands</b>					
Shimao Property Holdings (BVI) Limited	23 August 2002	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Advance Assets Holdings Limited	22 June 2001	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Best Empire Investments Limited	2 July 2002	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Double Achieve Assets Limited	31 January 2002	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Ease Reach Group Limited	13 December 2006	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
East Light Group Limited	12 May 2006	Limited liability company	1 ordinary share of US\$1	100%	Investment holding

## 37 Principal subsidiaries, associated companies and joint ventures (CONTINUED)

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2017	Principal activities
<b>Principal subsidiaries – incorporated and operation conducted in the British Virgin Islands (continued)</b>					
Everactive Properties Limited	2 May 2001	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Highsharp International Limited	23 February 2007	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Keen Villa Limited	10 May 2006	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Magic Dynasty Investments Limited	15 November 2006	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Mega Universe Limited	10 July 2001	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Peak Castle Assets Limited	2 July 2002	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Peak Gain International Limited	13 December 2006	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Precise Choice Investments Limited	18 October 2001	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Prime Master Holdings Limited	2 July 2002	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Shimao Management (Overseas) Limited	18 December 2002	Limited liability company	1 ordinary share of US\$1	100%	Management services
Significant Asset Group Limited	2 July 2002	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Vicking International Ltd.	19 January 1994	Limited liability company	50,000 ordinary shares of US\$50,000	100%	Investment holding
Wickfair Investments Limited	8 October 2004	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Year Grant Investments Limited	3 September 2001	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Advance Solution Holdings Limited	9 June 2015	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Ideal Sense Limited	27 May 2015	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
One Best Limited	29 May 2015	Limited liability company	1 ordinary share of US\$1	100%	Investment holding

## 37 Principal subsidiaries, associated companies and joint ventures (CONTINUED)

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2017	Principal activities
<b>Principal subsidiaries – incorporated and operation conducted in the British Virgin Islands</b> (continued)					
Peak Dragon Limited	16 January 2015	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Assets Circle Limited	2 February 2016	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Classic Prime Limited	20 May 2016	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Unique Wonder Limited	24 August 2016	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Paramount Gain Limited	29 August 2016	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Fortune Spring Ventures Limited	8 November 2016	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Up Chance Holdings Limited	1 December 2016	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Able Noble Holdings Limited	12 December 2016	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Shimao Mini Hotel Group Limited	22 April 2014	Limited liability company	100 ordinary shares of US\$100	51%	Investment holding
Straits Construction Investment (Holdings) Limited	17 November 2009	Limited liability company	45,000 ordinary shares of US\$450,000,000	100%	Investment holding
Win Real Group Limited	29 May 2007	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
<b>Principal subsidiaries – incorporated and operation conducted in Hong Kong</b>					
Brilliant Architectural and Construction Professional Consultancy Limited	28 July 2006	Limited liability company	100,000 ordinary shares of HK\$100,000	100%	Consultancy services
Bonus Boom Limited	13 November 2007	Limited liability company	1 ordinary share of HK\$1	100%	Investment holding
Brand Rise Limited	5 March 2013	Limited liability company	1 ordinary share of HK\$1	100%	Property holding
Charm Field Group Limited	1 August 2007	Limited liability company	1 ordinary share of HK\$1	100%	Investment holding
Clear Rise Investments Limited	8 May 2007	Limited liability company	1 ordinary share of HK\$1	100%	Investment holding
Daily Right Holdings Limited	7 May 2007	Limited liability company	1 ordinary share of HK\$1	100%	Investment holding

## 37 Principal subsidiaries, associated companies and joint ventures (CONTINUED)

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2017	Principal activities
<b>Principal subsidiaries – incorporated and operation conducted in Hong Kong</b> (continued)					
Excel Grand Group Limited	22 May 2007	Limited liability company	1 ordinary share of HK\$1	100%	Investment holding
Excellent Space Limited	9 June 2015	Limited liability company	1 ordinary share of HK\$1	100%	Investment holding
Fast Award Limited	9 June 2015	Limited liability company	1 ordinary share of HK\$1	100%	Investment holding
Adventure Success Limited	25 November 2014	Limited liability company	1 ordinary share of HK\$1	100%	Investment holding
Excel Mode Investments Limited	27 November 2007	Limited liability company	1 ordinary share of HK\$1	100%	Investment holding
Faith Joy Investments Limited	7 May 2007	Limited liability company	1 ordinary share of HK\$1	100%	Investment holding
Fine Tune Investments Limited	5 June 2006	Limited liability company	1 ordinary share of HK\$1	100%	Holding of trademarks
Future Right Limited	27 November 2007	Limited liability company	1 ordinary share of HK\$1	100%	Investment holding
Global Square Investments Limited	29 October 2007	Limited liability company	1 ordinary share of HK\$1	100%	Investment holding
Lion Kingdom Investments Limited	27 November 2007	Limited liability company	1 ordinary share of HK\$1	100%	Investment holding
Modern Professional Architectural Design Limited	28 July 2006	Limited liability company	100,000 ordinary shares of HK\$100,000	100%	Design services
Mount Profit Investments Limited	14 December 2006	Limited liability company	2 ordinary shares of HK\$1,040,199,528	100%	Investment holding
New Sincere Investments Limited	11 May 2007	Limited liability company	1 ordinary share of HK\$1	100%	Investment holding
Power One Holdings Limited	27 November 2007	Limited liability company	1 ordinary share of HK\$1	100%	Investment holding
Rich Noble Group Limited	8 May 2007	Limited liability company	1 ordinary share of HK\$1	100%	Investment holding
Rise Max International Limited	16 May 2007	Limited liability company	1 ordinary share of HK\$1	100%	Investment holding
Shimao Holdings Company Limited	3 February 1994	Limited liability company	395 million ordinary shares of HK\$395 million	100%	Investment holding

## 37 Principal subsidiaries, associated companies and joint ventures (CONTINUED)

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2017	Principal activities
<b>Principal subsidiaries – incorporated and operation conducted in Hong Kong (continued)</b>					
Swift Time Limited	18 March 2009	Limited liability company	1 ordinary share of HK\$1	100%	Investment holding
Topwise Limited	29 March 2005	Limited liability company	1 ordinary share of HK\$1	100%	Management services
Grandday International Limited	11 May 2007	Limited liability company	1 ordinary share of HK\$1	100%	Investment holding
<b>Associated companies – established and operation conducted in the PRC</b>					
成都市恒裕房地產開發有限公司 (Chengdu Heng Yu Real Estate Development Co., Ltd.)	7 May 2010	Domestic enterprise	Registered capital RMB4,030,000,000	33.33%	Property development
南京明茂置業有限公司 (Nanjing Mingmao Property Co., Ltd.)	5 February 2015	Domestic enterprise	Registered capital RMB820,000,000	49%	Property development
廣州市誠譽房地產開發有限公司 (Guangzhou Chengyu Real Estate Development Co., Ltd.)	25 November 2012	Domestic enterprise	Registered capital RMB60,000,000	50%	Investment holding
<b>Associated companies – incorporated and operation conducted in the British Virgin Islands</b>					
Eagle Rights Limited	31 March 2010	Limited liability company	45,000,000 shares with no par value	33.33%	Investment holding
<b>Joint ventures – established and operation conducted in the PRC</b>					
無錫世茂房地產開發建設有限公司 (Wuxi Shimao Real Estate Development & Construction Co., Ltd.)	20 November 2009	Domestic enterprise	Registered capital RMB900,000,000	50%	Property development
天津津南新城房地產開發有限公司 (Tianjin Jinnan Xincheng Real Estate Development Co., Ltd.)	26 May 2010	Domestic enterprise	Registered capital RMB3,667,300,000	25%	Property development
天津和安投資有限公司 (Tianjin Hean Investment Co., Ltd.)	19 August 2010	Domestic enterprise	Registered capital RMB10,000,000	25%	Investment holding
南昌世茂新發展置業有限公司 (Nanchang Shimao New Development Property Co., Ltd.)	19 October 2010	Domestic enterprise	Registered capital RMB800,000,000	50%	Property development
長沙世茂房地產有限公司 (Changsha Shimao Real Estate Co., Ltd.)	21 July 2010	Domestic enterprise	Registered capital RMB500,000,000	50%	Property development
成都世茂投資有限公司 (Chengdu Shimao Investment Co., Ltd.)	17 November 2009	Domestic enterprise	Registered capital RMB200,000,000	50%	Property development

## 37 Principal subsidiaries, associated companies and joint ventures (CONTINUED)

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2017	Principal activities
<b>Joint ventures – established and operation conducted in the PRC (continued)</b>					
寧波世茂新世紀房地產開發有限公司 (Ningbo Shimao New Century Real Estate Development Co., Ltd.)	1 March 2013	Domestic enterprise	Registered capital RMB1,429,000,000	50%	Property development
南通世茂新紀元房地產開發有限公司 (Nantong Shimao New Era Real Estate Development Co., Ltd.)	18 June 2013	Domestic enterprise	Registered capital RMB700,000,000	50%	Property development
廣州新合房地產有限公司 (Guangzhou Xinhe Real Estate Co., Ltd.)	11 May 2017	Domestic enterprise	Registered capital RMB100,000,000	33%	Property development
北京遠創興茂置業有限公司 (Beijing Yuanchuang Xingmao Property Co., Ltd.)	15 August 2017	Domestic enterprise	Registered capital RMB100,000,000	30%	Property development
廣州利合房地產開發有限公司 (Guangzhou Li He Property Development Co., Ltd.)	5 February 2010	Foreign Investment enterprise	Registered capital RMB2,059,377,000	26.67%	Property development
蘇州工業園區世茂湖濱置業有限公司 (Suzhou Shimao Industrial Park Lakeside Property Co., Ltd.)	29 October 2013	Domestic enterprise	Registered capital RMB1,400,000,000	49.29%	Property development
寧波世茂新里程置業有限公司 (Ningbo Shimao New Miles Property Co., Ltd.)	05 August 2011	Domestic enterprise	Registered capital RMB600,000,000	50%	Property development
長沙世茂投資有限公司 (Changsha Shimao Investment Co., Ltd.)	21 July 2010	Domestic enterprise	Registered capital RMB1,000,000,000	49%	Property development
寧波世茂新城房地產開發有限公司 (Ningbo Shimao New City Real Estate Development Co., Ltd.)	19 May 2010	Domestic enterprise	Registered capital RMB160,000,000	50%	Property development
上海世茂佘山匯盈置業有限公司 (Shanghai Shimao Sheshan Huiying Property Co., Ltd.)	14 September 2012	Domestic enterprise	Registered capital RMB860,000,000	50%	Property development
上海春日置業有限公司 (Shanghai Chunri Property Co., Ltd.)	3 August 2001	Domestic enterprise	Registered capital RMB90,000,000	45%	Property development
寧波世茂嘉年華置業有限公司 (Ningbo Shimao Carnival Property Co., Ltd.)	18 December 2013	Domestic enterprise	Registered capital RMB400,000,000	50%	Property development
<b>Joint ventures – established and operation conducted in Hong Kong</b>					
Fast Right Investments Limited	7 May 2007	Limited liability company	2 ordinary shares of HK\$2	50%	Investment holding
Kingtron Enterprises Limited	14 June 2007	Limited liability company	2 ordinary shares of HK\$2	50%	Investment holding

### 38 Contingencies and financial guarantee contracts

#### (a) The Group had the following contingent liabilities

	As at 31 December	
	2017 RMB'000	2016 RMB'000
Guarantees in respect of mortgage facilities for certain purchasers	11,799,064	20,614,857

Note:

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

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

	Year of maturity	As at 31 December	
		2017 RMB'000	2016 RMB'000
Guarantee in respect of borrowings	2018-2022	6,958,785	6,298,249

Note:

The Group and other shareholders provided guarantees in proportion of their respective equity interests in certain joint ventures and associated companies for their bank borrowings. The respective guarantees provided by the Group amounted to RMB6,958,785,000 as at 31 December 2017 (2016: RMB6,298,249,000). The fair value of the financial guarantee contracts are not significant. The Directors are of the view that such obligation will not cause an outflow of the Group's resources embodying economic benefits.

#### (c) Contingencies for litigation

A bank filed a litigation against Shanghai Shimao, a subsidiary of the Company, alleging that Shanghai Shimao should repay the principal and interest of the borrowings in a total amount of approximately RMB390,000,000 on behalf of Hangzhou Shimao Century Property Co., Ltd. ("Hangzhou Shimao"), an associated company of Shanghai Shimao, since Hangzhou Shimao was in financial difficulty and Shanghai Shimao once provided guarantee in respect to its borrowings. The provision charge amounting to approximately RMB53,210,000 has been recognised in profit or loss within 'Other income/other gains – net' during the year ended 31 December 2016. As at 31 December 2017, the legal litigation is still in trial process. In the opinion of the Directors, after taking into consideration the appropriate legal advice, the outcome of this legal litigation will not give rise to any significant loss beyond the estimated amounts provided as at 31 December 2017 and 2016. No more provision has been accrued or reversed during the year ended 31 December 2017.

For other litigation against the Group, the Directors are of the view that they would not cause an outflow of the Group's resources embodying economic benefits as at 31 December 2017.

### 39 Commitments

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

	As at 31 December	
	2017 RMB'000	2016 RMB'000
Contracted but not provided for		
– Property and equipment	1,365,178	1,114,851
– Land use rights (including those related to associated companies and joint ventures)	20,365,570	15,975,981
– Properties being developed by the Group for sale	28,696,742	25,840,875
	50,427,490	42,931,707

## 39 Commitments (CONTINUED)

## (b) Operating lease commitments

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

	As at 31 December	
	2017 RMB'000	2016 RMB'000
Within one year	138,997	145,786
Between two to five years	336,916	419,248
After five years	142,376	190,850
	<b>618,289</b>	755,884

## 40 Significant acquisition or disposal of subsidiaries and transactions with NCI

## (a) Acquisition of subsidiaries

In March 2017, the Group acquired 2% equity interest of Wuhan Tianrun, a joint venture of the Group, at a consideration of RMB35,132,000. After the acquisition, the Group owned 52% shares of the company and gained control over the company pursuant to the revised articles of association. The carrying value of the investment in the joint venture was RMB844,117,000 before the business combination. The purchase resulted in a net cash inflow of RMB228,345,000 and RMB34,183,000 gain was recognised from this acquisition.

For the year ended 31 December 2017, the Group acquired Quanzhou Meiya Environmental Engineering Co., Ltd., Quanzhou Meiya Business Management Co., Ltd., Shanghai Juji Mortgage Co., Ltd., Beijing Chengyude Real Estate Development Co., Ltd. and Wuxi Yingbi Real Estate Development Co., Ltd. at a total consideration of RMB495,349,000. The acquisition resulted in a net cash outflow of RMB478,424,000.

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

	RMB'000
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Cash and cash equivalents	280,402
Properties under development	3,128,151
Trade and other receivables and prepayments	9,065,064
Property and equipment (Note 6)	65
Borrowings	(1,937,000)
Advanced proceeds received	(1,127,971)
Trade and other payables	(7,142,483)
Total identifiable net assets	2,266,228
Non-controlling interests	(857,447)
Total acquired net assets	1,408,781
Book value of previously held interests in the joint venture (Note 11)	(844,117)
Cash consideration paid	(530,481)
Gain on acquisition (Note 28)	34,183
Cash consideration paid	(530,481)
Cash and cash equivalents in the entity acquired	280,402
Net cash outflow from acquisition	(250,079)

## 40 Significant acquisition or disposal of subsidiaries and transactions with NCI (CONTINUED)

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

## (i) Disposal of subsidiaries with loss of control and remaining interest retained as joint venture

For the year ended 31 December 2017, the Group disposed 50% equity interest in Shenyang Zhaolong Property Development Co., Ltd. and 49% in Shimao Mini Hotel Group Limited, the two then wholly owned subsidiaries. The remaining interests of the Group in these joint ventures have a fair value of RMB190,460,000. The disposal resulted in a net cash inflow of RMB19,937,000 and a net gain of RMB16,048,000.

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

	RMB'000
Cash and cash equivalents	170,523
Completed properties held for sale	281,984
Properties under development	1,442,432
Property and equipment	100,251
Trade and other receivables and prepayments	378,178
Deferred tax assets	37,498
Prepaid income tax	12,105
Borrowings	(209,540)
Advanced proceeds received	(1,518)
Trade and other payables	(1,847,041)
<b>Net assets</b>	<b>364,872</b>
Fair value of interests retained in joint ventures (Note 11)	190,460
Total consideration	190,460
Net assets disposed	(364,872)
<b>Disposal gain (Note 28)</b>	<b>16,048</b>
Total consideration	190,460
Less: Cash and cash equivalents in the entities disposed	(170,523)
<b>Net cash inflow arising from disposal</b>	<b>19,937</b>

## 40 Significant acquisition or disposal of subsidiaries and transactions with NCI (CONTINUED)

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

## (ii) Disposal of subsidiaries without retained equity interests

For the year ended 31 December 2017, the Group disposed of the entire equity interests in two wholly owned subsidiaries, namely Nanjing Yingrui Corporate Management & Consulting Co., Ltd. and Harbin Jinjiyuan Property Co., Ltd., with total consideration of RMB92,520,000 and a net gain of RMB43,403,000.

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

	RMB'000
Cash and cash equivalents	9
Trade and other receivables and prepayments	54,990
Properties under development	49,098
Trade and other payables	(54,981)
Deferred tax assets	1
<b>Net assets</b>	<b>49,117</b>
Total consideration	92,520
Net assets disposed	(49,117)
<b>Disposal gain (Note 28)</b>	<b>43,403</b>
Total consideration	92,520
Less: Cash and cash equivalents in the entities disposed	(9)
<b>Net cash inflow arising from disposal</b>	<b>92,511</b>

## (c) Deemed disposal of subsidiaries

For the year ended 31 December 2017, the Group lost control of seven subsidiaries pursuant to capital injection by seven new investors into these companies. The remaining interests of the Group in these joint ventures has a total fair value of RMB1,350,000,000. After such capital injections, these companies became joint ventures of the Group.

These companies are respectively, Nanning Shimao Investment Co., Ltd., Fujian Ruiying, Gu'an Maoyue, Nantong New Miles and so on.

#### 40 Significant acquisition or disposal of subsidiaries and transactions with NCI (CONTINUED)

##### (c) Deemed disposal of subsidiaries (continued)

The following table summarises the net assets of these companies at the date of disposal. The disposal resulted in a net cash outflow of RMB238,427,000 and a net gain of RMB60,496,000 was recognised from these capital injections.

	The date of disposal RMB'000
Trade receivables, other receivables and prepayment	2,143,297
Cash and cash equivalents	238,427
Deferred tax assets	3,830
Property and equipment	231
Other assets	4,309,558
Borrowings	(2,314,000)
Other liabilities	(3,083,730)
<b>Total identifiable net assets</b>	<b>1,297,613</b>
Non-controlling interests	(8,109)
<b>Net assets attributable to the equity holders of the company</b>	<b>1,289,504</b>
Gain on deemed disposal of subsidiaries:	
Fair value of interests retained in joint ventures (Note 11)	1,350,000
Net assets attributable to the equity holders of the company disposed	(1,289,504)
<b>Gain on deemed disposal (Note 28)</b>	<b>60,496</b>
<b>Net cash outflow arising from deemed disposal</b>	<b>(238,427)</b>

##### (d) Transaction with non-controlling interests

###### (i) Capital contribution from non-controlling interests

For the year ended 31 December 2017, non-controlling interests made several capital injections into the Group with total amount of RMB2,973,971,000, which was equal to the carrying amount of non-controlling interests acquired on the date of acquisition.

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

For the year ended 31 December 2017, the Group acquired additional interests in the subsidiaries for a total consideration of RMB2,736,678,000. The Group recognised a decrease in non-controlling interests of RMB2,499,695,000 and a decrease in equity attributable to the equity holders of the Company of RMB236,983,000. The effect of changes in the ownership interest of the Group on the equity attributable to the equity holders of the Company during the year is summarised as follows:

	The date of acquisition RMB'000
Carrying amount of non-controlling interests acquired	2,499,695
Consideration paid to non-controlling interests	(2,736,678)
Excess of consideration paid recognised in equity	(236,983)

#### 41 Related party transactions

The Group is controlled by Gemfair Investments Limited (Incorporated in the British Virgin Islands), which owns 57.513% of the Company's shares. The ultimate controlling party of the Group is Mr. Hui Wing Mau.

- (a) Other than those disclosed elsewhere in the consolidated financial statements, the Group entered into the following major related party transactions during the year ended 31 December 2017.

	Year ended 31 December	
	2017 RMB'000	2016 RMB'000
Construction material sold to related companies	68,629	57,047

#### (b) Key management compensation

	Year ended 31 December	
	2017 RMB'000	2016 RMB'000
Emoluments		
– Salaries and other short-term employee benefits	22,507	24,718
– Retirement scheme contributions	287	298
	22,794	25,016

- (c) On 29 May 2017, the Group acquired interests in a certain company established in British Virgin Islands which was wholly owned by Shimao International Holdings Limited, the ultimate controlling person is Mr. Hui Wing Mau. The total consideration is RMB138,730,000, which has been paid in June 2017. The principal activities of this company and subsidiaries are property development and hotel operation. As at the acquisition date, land owned by this company is reserved without ground-breaking.

#### 42 Events after the reporting period

On 30 January 2018, the Company issued senior notes with total principal of US\$500,000,000 at a fixed interest rate of 5.20% due on 30 January 2025.

On 6 February 2018, Shanghai Shimao issued medium-term notes with total principal of RMB800,000,000 at a fixed interest rate of 6.43% due on 7 February 2021. On 6 March 2018, Shanghai Shimao issued medium-term notes with total principal of RMB700,000,000 at a fixed interest rate of 6.33% due on 8 March 2021.

On 15 March 2018, the Company issued senior notes with total principal of RMB950,000,000 at a fixed interest rate of 5.75% due on 15 March 2021.

#### 43 Approval of the consolidated financial statements

The consolidated financial statements were approved by the Company's board of directors on 27 March 2018.

## 44 Balance sheet and reserve movement of the Company

## Balance sheet of the Company

Note	Audited 31 December 2017 RMB'000	Audited 31 December 2016 RMB'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Interests in subsidiaries	22,691,075	24,447,906
Other non-current assets	2,305,086	71,865
	<b>24,996,161</b>	24,519,771
<b>Current assets</b>		
Other receivables	–	1,406
Derivate financial instruments	1,190	90,199
Dividends receivable from subsidiaries	13,000,000	8,500,000
Cash and cash equivalents	318,218	143,660
	<b>13,319,408</b>	8,735,265
<b>Total assets</b>	<b>38,315,569</b>	33,255,036
<b>EQUITY</b>		
<b>Equity attributable to the equity holders of the Company</b>		
Share capital	348,864	348,864
Reserves		
– Proposed final dividend	a 1,638,371	1,318,310
– Others	a 1,203,029	1,794,846
<b>Total equity</b>	<b>3,190,264</b>	3,462,020
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Borrowings	28,708,753	21,746,426
<b>Current liabilities</b>		
Borrowings	5,421,488	7,025,735
Other payables and accrued expenses	772,081	795,560
Amounts due to subsidiaries	222,983	225,295
	<b>6,416,552</b>	8,046,590
<b>Total liabilities</b>	<b>35,125,305</b>	29,793,016
<b>Total equity and liabilities</b>	<b>38,315,569</b>	33,255,036
<b>Net current assets</b>	<b>6,902,856</b>	688,675
<b>Total assets less current liabilities</b>	<b>31,899,017</b>	25,208,446

The financial statements on pages 82 to 180 were approved by the Board of Directors on 27 March 2018 and were signed on its behalf.

Hui Wing Mau  
Director

Hui Sai Tan, Jason  
Director

## 44 Balance sheet and reserve movement of the Company (CONTINUED)

## Balance sheet of the Company (continued)

Note:

(a): Reserve movement of the Company

	Share premium RMB'000 (Note (i))	Share-based compensation reserve RMB'000 (Note (ii))	Capital redemption reserve RMB'000	Retained earnings/ (accumulated losses) RMB'000	Total RMB'000
Balance at 1 January 2016	2,601,905	163,337	4,949	17,240	2,787,431
Income for the year	–	–	–	3,183,516	3,183,516
Equity-settled share-based payment					
– Value of employee services	–	49,344	–	–	49,344
– Purchase of shares	(37,198)	–	–	–	(37,198)
– Dividend received	7,518	–	–	–	7,518
Buy-back of shares					
– Purchase of shares	(758,374)	–	–	–	(758,374)
– Dividend received	6,455	–	–	–	6,455
– Cancellation of shares	7,411	–	–	–	7,411
2015 final dividend paid	(1,187,203)	–	–	–	(1,187,203)
2016 interim dividend paid	–	–	–	(945,744)	(945,744)
Balance at 31 December 2016	640,514	212,681	4,949	2,255,012	3,113,156
Representing:					
Proposed final dividend				1,318,310	1,318,310
Others				936,702	1,794,846
				2,255,012	3,113,156
Balance at 1 January 2017	<b>640,514</b>	<b>212,681</b>	<b>4,949</b>	<b>2,255,012</b>	<b>3,113,156</b>
Income for the year	–	–	–	2,147,931	2,147,931
Equity-settled share-based payment					
– Value of employee services	–	75,470	–	–	75,470
– Purchase of shares	(65,328)	–	–	–	(65,328)
– Dividends received	6,510	–	–	–	6,510
2016 final dividend paid	–	–	–	(1,293,423)	(1,293,423)
2017 interim dividend paid	–	–	–	(1,142,916)	(1,142,916)
Balance at 31 December 2017	<b>581,696</b>	<b>288,151</b>	<b>4,949</b>	<b>1,966,604</b>	<b>2,841,400</b>
Representing:					
Proposed final dividend				1,638,371	1,638,371
Others				328,233	1,203,029
				1,966,604	2,841,400

Notes:

- (i) Pursuant to Section 34 of the Cayman Companies Law (2003 Revision) and the Articles of Association of the Company, share premium of the Company is available for distribution to shareholders subject to a solvency test on the Company and the provision of the Articles of Association of the Company.
- (ii) Share-based compensation reserve represents value of employee services in respect of share options granted under the share option schemes and shares granted under the Share Award Scheme (Note 21).