



SHIMAO  世茂房地產

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

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立之有限公司)

Stock Code 股份代號: 813

**ANNUAL REPORT 2018 年報**





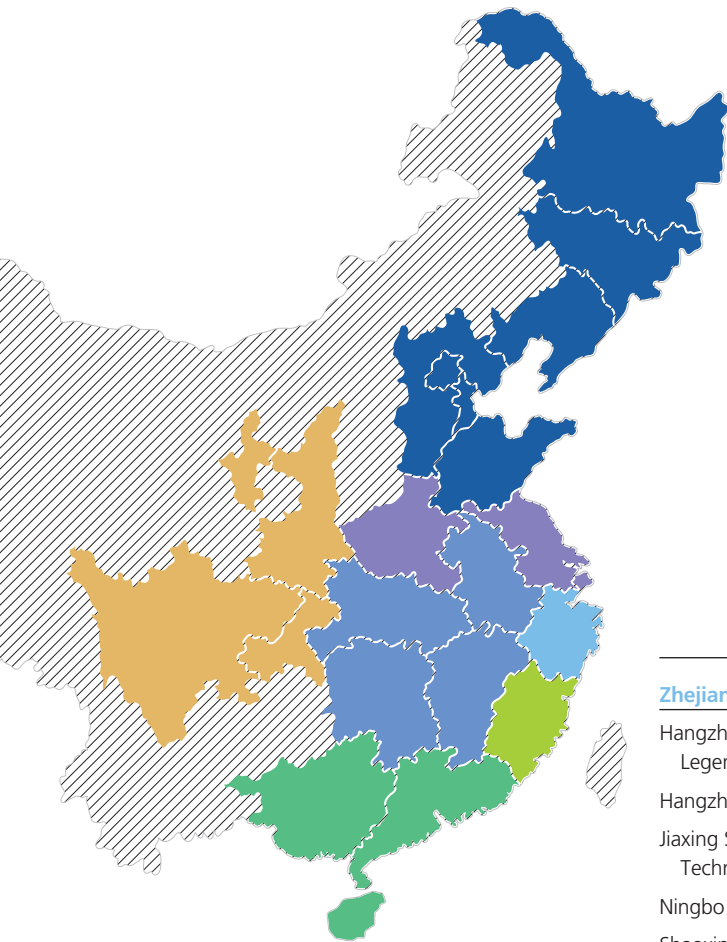


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# NATIONWIDE QUALITY LAND RESERVES



## Zhejiang District

Hangzhou Born with Legend  
Hangzhou Pengbu Project  
Jiaxing Science and Technology City Parcel  
Ningbo Sunjia  
Shaoxing Yuecheng District Qingdian Lake Project  
Wenzhou Ouhai Centre Project

## Central China District

Changsha Zhengyuan  
Hefei Gaoxin Project  
Hefei Shimao Jade Mansion  
Nanchang Chaoyangzhou  
Wuhan Shimao Carnival

## Western District

Chengdu Longquanyi  
Chongqing Runyijiang Zhishang Lianbang Project  
Chongqing Shimao Luxury Mansion  
Xi'an Fengcheng Road Project  
Yinchuan Gongyong Garden East Parcel  
Yinchuan Shiyue Mansion

## Shandong District

Jinan Baimashan  
Jinan Jiyang Chengbo Lake  
Jinan Shimao Skyscraper City  
Jinan Xiaoya Parcel  
Qingdao Shimao Noble Town

## Northern China District

Beijing Fengtai District Xitieying Project  
Beijing Fengtai Xiaowayao Parcel  
Beijing Shangzhuang Project  
Gu'an Project  
Tianjin Jinnan Project  
Tianjin Wuqing Shimao Luxury Mansion

## NATIONWIDE QUALITY LAND RESERVES

Land reserves in **87** cities, **264** projects,  
covered an area of **55.38** million sq.m.  
(equity attributable) *(as at 31 December 2018)*



#### Jiangsu and Shanghai District

Nanjing Pukou G24 Parcel  
Nanjing Shimao Bund New City  
Shanghai Baoshan Luodian Parcel  
Shanghai Songjiang Project  
Suzhou Shimao Bronze Swallow Terrace  
Zhangjiagang Jiyang Lake Palace

#### Fujian District

Fuqing 19, 20, 21 Parcels  
Fuzhou Changle Jinfeng Town No. 3-4 Parcels  
Fuzhou City 108 Building Project  
Fuzhou Fuqing 2017 Pai-01 and Pai-03 Parcels  
Fuzhou Jinrong Street Project  
Fuzhou Lianpan Shimao Shine City  
Fuzhou Licuoshan Parcel  
Fuzhou Pingtan Straits Future City  
Fuzhou Yongtai Project  
Quanzhou Jinjiang Project  
Quanzhou Luojiang No. 1-2 Parcels  
Quanzhou Luoyang Bridge Parcel  
Quanzhou Quangang Project  
Quanzhou Shishi Shimao Skyscraper City  
Xiamen Jimei

#### Southern China District

Guangzhou Finance City  
Guangzhou Zengcheng Zhangpo Village  
Shenzhen Longgang Project  
Shenzhen Pingshan Centre  
Shenzhen Qianhai Shimao Financial Centre

#### HKSAR

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

Remarks: Only the key projects are listed above

# CORPORATE INFORMATION

## Board of Directors

### Executive Directors

Hui Wing Mau (*Chairman*)  
Hui Sai Tan, Jason (*Vice Chairman and President*)  
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@shimaogroup.com.hk](mailto:ir@shimaogroup.com.hk)  
Telephone: (852) 2511 9968  
Facsimile: (852) 2511 0287



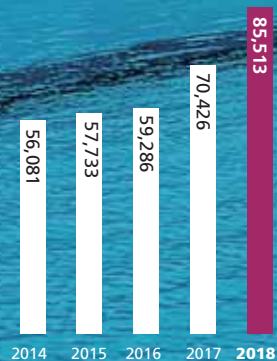
Chengdu Shimao City

# FIVE YEARS FINANCIAL SUMMARY



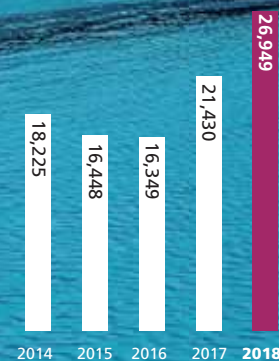
## REVENUE

(RMB million)



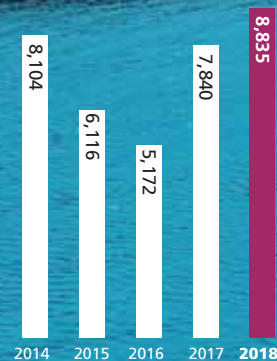
## GROSS PROFIT

(RMB million)



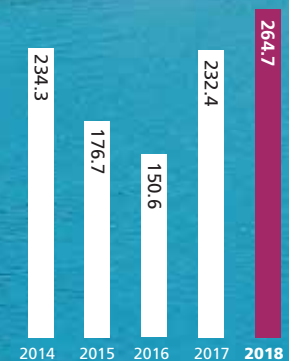
## PROFIT ATTRIBUTABLE TO SHAREHOLDERS

(RMB million)



## BASIC EARNINGS PER SHARE

(RMB cents)





## FIVE YEARS FINANCIAL SUMMARY

## Wuhan Shimao Dragon Bay

	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000
<b>Revenue</b>	<b>85,512,704</b>	70,425,874	59,286,161	57,732,974	56,080,546
Cost of sales	<b>(58,563,625)</b>	(48,996,361)	(42,937,532)	(41,284,575)	(37,855,393)
<b>Gross profit</b>	<b>26,949,079</b>	21,429,513	16,348,629	16,448,399	18,225,153
Fair value gains on investment properties – net	<b>1,910,251</b>	679,484	1,996,673	2,776,694	1,510,622
Other income/other gains – net	<b>297,280</b>	545,095	838,785	1,570,998	502,184
Selling and marketing costs	<b>(2,023,438)</b>	(1,461,804)	(1,352,643)	(1,615,275)	(1,495,887)
Administrative expenses	<b>(3,429,512)</b>	(2,989,871)	(2,742,720)	(3,278,396)	(2,807,693)
Reversal of impairment losses on financial assets	<b>25,529</b>	–	–	–	–
Other operating expenses	<b>(520,488)</b>	(523,702)	(268,509)	(288,194)	(262,921)
<b>Operating profit</b>	<b>23,208,701</b>	17,678,715	14,820,215	15,614,226	15,671,458
Finance (costs)/income – net	<b>(337,027)</b>	1,328,414	(1,175,946)	(1,408,648)	(240,522)
Share of results	<b>(233,469)</b>	(315,376)	(448,391)	(483,169)	(174,503)
<b>Profit before income tax</b>	<b>22,638,205</b>	18,691,753	13,195,878	13,722,409	15,256,433
Income tax expenses	<b>(10,327,273)</b>	(8,121,060)	(5,685,493)	(5,563,671)	(5,768,686)
<b>Profit for the year</b>	<b>12,310,932</b>	10,570,693	7,510,385	8,158,738	9,487,747
<b>Profit for the year attributable to equity holders of the Company</b>	<b>8,834,790</b>	7,840,494	5,171,855	6,115,784	8,103,833
Non-current assets	<b>88,748,017</b>	85,027,201	72,712,665	69,317,652	63,647,567
Current assets	<b>288,848,834</b>	222,531,472	189,190,340	174,937,039	156,885,890
<b>Total assets</b>	<b>377,596,851</b>	307,558,673	261,903,005	244,254,691	220,533,457
Non-current liabilities	<b>84,421,747</b>	75,334,749	55,077,089	58,725,582	47,608,745
Current liabilities	<b>187,894,927</b>	135,477,127	118,608,923	110,779,789	107,941,628
<b>Total liabilities</b>	<b>272,316,674</b>	210,811,876	173,686,012	169,505,371	155,550,373
<b>Net assets</b>	<b>105,280,177</b>	96,746,797	88,216,993	74,749,320	64,983,084
Equity attributable to equity holders of the Company	<b>59,234,206</b>	57,634,683	52,456,051	50,161,660	46,863,379
Non-controlling interests	<b>46,045,971</b>	39,112,114	35,760,942	24,587,660	18,119,705
<b>Total equity</b>	<b>105,280,177</b>	96,746,797	88,216,993	74,749,320	64,983,084

# 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 2018.

## Market and Outlook

In 2018, regulation in China on the real estate market was subject to an increasingly complex macro-economic environment. Despite directionally relaxed monetary policy, the real estate market remained strictly regulated. According to the National Bureau of Statistics, the gross floor area and value of commodity properties sold in China recorded their historical highs. Approximately 1,716.54 million sq.m. of gross floor area of commodity properties were sold for approximately RMB14,997.3 billion, representing year-on-year increases of 1.3% and 12.2%, respectively. The market momentum picked up in the first half of the year but slowed down significantly in the second half of the year with gradual reduction in sales volume.

Looking forward to 2019, it is expected that the market downturn in the second half of 2018 will continue. Prices and sales volume of the real estate markets in third-tier and fourth-tier cities will remain dampened. On the other hand, the real estate markets in first-tier and second-tier cities will have stable prices and higher sales volume. In response to the stable development of the real estate market, emphasis of regulation will be placed on maintaining the mild growth while introducing city-based adjustments, rational policies and restructuring.

## Sales Performance

The Group set its annual contracted sales target at RMB140.0 billion at the beginning of 2018. With high-quality saleable resources, product structure and the number of saleable projects nationwide, the Group realized total contracted sales of RMB176.15 billion, representing a year-on-year increase of 75% and accounting for 126% of the annual target. The total contracted sales area amounted to 10.687 million sq.m., with an average selling price of RMB16,482 per sq.m.. The improvement in sales performance has allowed the Group to outperform its peers in terms of growth.

In 2018, the Group's overall sell-through rate of saleable resources remained steady at 65% as compared with 2017. In respect of the structure of aged inventory, at the end of 2018, the percentage of inventory of more than one year was reduced by 24% to 29% as compared with the end of 2017. With the structure of inventory further improved, a strong business foundation was laid for increasing the cash collection ratio and enhancing the competitive industry position.



## CHAIRMAN'S STATEMENT

## Tianjin Wuqing Shimao Luxury Mansion



Hangzhou Shimao  
Wisdom Tower

### Shimao's Strategies and Organizational Efficiency

Shimao's insightful strategies and continuous efforts in regional development have propelled its quality growth. With 15 years of development efforts, Shimao has turned Fujian into one of its most lucrative regions with exponential growth. Shimao's Fujian regional company ranked first in Fujian in terms of sales with its market share substantially greater than its peers. The achievements of deep-cultivation in Fujian are precisely the epitome of the strong development momentum of Shimao. This kind of driving force will also drive Shimao to better seize opportunities in the future related to sustainable development, growth and competitive advantages.

Shimao has long followed the national strategic direction for regional deep cultivation, focusing on lucrative regions with national macro-strategic policy support, quality economic development and strong demand. It participated in the development of core city clusters such as the Jingjinji Metropolitan Region, the Yangtze River Delta, the middle and lower reaches of the Yangtze River, the Economic Zone on the coastal cities along the West Coast of the Taiwan Strait, the Pear-River Delta, the Cheng-Yu Economic Zone and Shandong Peninsula. Based on its development portfolio, Shimao has sufficient resources reserves of over RMB900.0 billion in popular regions across China for sustaining its future development. Currently, Shimao is committed to the establishment of the "Guangdong-Hong Kong-Macao Greater Bay Area" and the "Hangzhou Bay Region". The value of the land reserves of the Group in the "Guangdong-Hong Kong-Macao Greater Bay Area" reached RMB200.0 billion. Three skyscrapers in Qianhai, Longgang and Pingshan of Shenzhen features new landmarks in one city. Zhejiang regional company continued its business development in the "Hangzhou Bay Region" by setting foot in Wenzhou and Taizhou following its deployment in Hangzhou, Ningbo, Shaoxing and Jiaxing. These sufficient land resources reserves will provide continuous and solid support for Shimao's sales growth in the future.

Since 2017, Shimao has optimized its corporate management structure and implemented "corporatization". On the basis of clarifying rights and responsibilities, employees are empowered to further develop a sense of ownership. This initiative was proven successful in 2018 as regional companies were able to fully capitalize on their operational capabilities, innovative capabilities and resilience.

**Xiamen Shimao Straits Mansion****Prudent Replenishment of Premium Land Reserves**

The Group upheld its prudent strategy and was both prudent and proactive in replenishing land reserves. It continued to acquire premium land reserves in first-tier and second-tier cities as well as third-tier and fourth-tier cities where supply and demand were satisfactory. In 2018, the Group acquired land reserves of 16.15 million sq.m. (before interests) in cities including Shenzhen, Tianjin, Zhengzhou, Fuzhou, Longyan, Taizhou (in Zhejiang Province), Zhangzhou, Beijing, Ningbo, Shijiazhuang, Quanzhou, Jinan, Changchun, Huizhou, Putian, Nanping, Xiamen, Deyang, Jiaxing, Wenzhou, Zibo, Fu'an, Sanming, Huzhou, Yixing, Yinchuan, Changsha, Ji'an, Chengdu, Luzhou, Yueqing, Changshu, Xuzhou, Hangzhou, Neijiang, Hengyang, Lanzhou, Qingdao, Wuxi, Taizhou (in Jiangsu Province), Yancheng, Nanning and Jingmen. Approximately 48% of the land was acquired through base price auction, acquisition and cooperation. Currently, the Group has 264 projects with a total area of 55.38 million sq.m. (before interests) of quality land in 87 cities in China. The premium land resources reserves and relatively low land cost provide continuous and solid support for Shimao Property's development in the years to come.

In view of intensifying competition in land acquisition in major investment cities, the Group will enhance human resources and budget for land acquisition, seek cooperation opportunities and strictly follow the latest policies and urban development planning in various cities. In addition to public auction, the Group will also develop diversified methods such as cooperation, acquisition and strategic purchase to further expand its land acquisition.

**Determination to Uphold Prudent Financial Policy**

Under the regulatory policies of "houses are for inhabiting, not for speculation", the financing environment of the real estate industry tightened continuously and faced various challenges in 2018. However, prudent financial policies of the Group firmly safeguarded its operation and its outstanding results reflect the achievements and accomplishments of high-quality development. Financial management further advanced prudently with innovative development and key financial indicators performed remarkably well during the year.



CHAIRMAN'S STATEMENT

Shenzhen Qianhai  
Shimao Financial Centre



## CHAIRMAN'S STATEMENT

## Zhangzhou Town of Poetic Life Shimao



The Group took serious measures in cash collection to strictly control risks and fully played its strength in capital management and enhanced cash flow assessment. Cash collection of the year amounted to approximately RMB137.4 billion, representing an increase of 70.4% as compared with the previous year. Book cash as at the end of the year amounted to RMB49.58 billion, representing an increase of 50.2% as compared with the end of 2017. The net gearing ratio of the Company has remained at a reasonable level of below 60% for 7 consecutive years.

The Group has maintained its leading position in the real estate industry by having access to various financing channels in 2018. As at the date of this announcement, the Group issued the first House Leasing Shelf Rental ABS in China and successfully rolled over public and private offering bonds with a total amount of RMB12.86 billion. The Group issued offshore "dim sum bond" of RMB2,150 million and senior notes of US\$2,320 million. In addition, the offshore syndicated loan facility of US\$570 million and HK\$3,550 million for a term of four years were signed. The above achievements enhanced the market confidence. Meanwhile, through various measures including innovative financing, the Group's financing costs were controlled at 5.8%. Particularly, the advantage of interest rate of USD bonds was obvious and was well recognized by the market. The Group has significantly minimized its foreign exchange losses by means including dim sum bonds. In December, Moody's upgraded the credit rating outlook of the Shimao whose rating was "Ba2", from stable to positive. Standard & Poor's and Fitch maintained credit ratings of "BB+" and "BBB-" for Shimao respectively while major domestic rating institutes maintained the highest corporate credit rating of "AAA".

Looking forward to 2019, the Group will further implement its prudent financial policies, being vigilant with the market and prevent financial risks prudently. The Group will also enhance its assessment, tighten cash collection and cash flow management. The Group will continue to explore innovative financing, vitalize capitals, and improve cost effectiveness in order to safeguard the operation of the Group and create value for investors.

### Diversified Business Layout

The Group is committed to helping the developments and empowerments of cities, which also injects sustainable genes and strong internal driving force for achieving overall quality growth.

In terms of hotel business line, the Group cooperated with Starwood Capital to start up a Chinese hotel brand with extensive experience and strong capital. Shimao Star Hotel Group ("Shimao Star") already has 6 unique hotel brands, namely, Yu Resort, Yuluxe, Yu Hotels, Yu Residence, MiniMax and Mini, providing a full spectrum of services. As of now, there are 10 hotels under Shimao Star that have been operating smoothly, and 51 more are ready to be introduced to the market, including 6 overseas hotels.

After more than 10 years of hard work and overcoming many obstacles, InterContinental Shanghai Wonderland was unveiled in November 2018, creating a new landmark while creating unique value for the city. On the road of persistence and the pursuit of sustainable and green development, the people of Shimao will never stop and continue to contribute to the construction of beautiful China.

## CHAIRMAN'S STATEMENT

After more than a decade of development, Shimao's commercial and entertainment sector has now entered 26 cities and has more than 48 commercial projects. In September 2018, Shanghai Shimao Festival City, located on Nanjing East Road, the "First Commercial Pedestrian Street in China", has undergone 18 months of drastic transformation and upgrading, and has been re-launched. This is a new starting point for the Group to create a uniquely influential commercial brand. Relying on the advantages of international industrial clusters and cultural resources, the themed pavilion of China's first "Hello Kitty – the Bund Tour", which is customized by the Group and Japan's very own Sanrio, was opened at Shanghai Shimao Festival City in January 2019, and is the new cultural highlight on Nanjing East Road Pedestrian Street. In December 2018, Changchun Lianhuashan Ski Field was officially opened, marking the first tourism project of Shimao in Changchun.

Under the background of urban transformation and upgrade, the Group has established a comprehensive strategic partnership with SenseTime, the world's leading artificial intelligence platform, to meet the needs of the city and contribute to the urban intelligent upgrade. Shanghai Shimao Tower is the first building within the Group to boast artificial intelligence features. Through jointly developing AI technology with SenseTime, its smart frontline services were made more efficient and convenient with the introduction of Face ID contact-free access.

### Social Responsibility

The responsibility is integrated in the blood, while the originality is inherited by hard work. When it comes to another side of the durable growth, the Group also pays close attention to the implementation of corporate social responsibility with its capital advantages, fulfilling its responsibilities to the fullest.

"The vitality of Chinese culture cannot be separated from its inheritance and the testimony of historical relics". The Group actively participates in the protection and preservation of Chinese culture. The Group donated "Landscape Map of the Silk Road" to The Palace Museum to introduce a new stream of national confidence among Chinese culture.

"Flourishing youths lead to a flourishing nation". The Group promoted the glory of Chinese civilization and broad opportunities for development by the activities such as "We are family" annually to enhance the youth exchange experiences between Hong Kong and the Mainland, which helps to establish a profound national pride, and enable the youths to be more aware of and connected with their Chinese heritage.

"Continuously promote the harmonious development among people with love". The Group is also actively involved in medical and poverty alleviation. It participates in both "The Belt and Road Eradication of Cataract Blindness" and "Special Prevention and Control of Tibetan Hydatid Disease" programs in the form of designated donation. The Group also cooperates with relevant organizations to treat patients suffering from many other diseases, which brings hope for the patients and promotes social co-prosperity.



Hello Kitty Shanghai Times



## CHAIRMAN'S STATEMENT

Shanghai Shimao Festival City



Dalian Shimao Dragon Bay



Wuhan Shimao Dragon Bay



Fuzhou Guihu Shimao Classic Chinese Chic Jin'an



## 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 HK70 cents per share (2017: HK60 cents per share). Together with an interim dividend of HK50 cents per share, the total distribution for the year will amount to HK\$1.20 per share (2017: HK\$1.00 per share).

## Acknowledgement

"The era is ever developing, happiness depends on hard work". On behalf of the Board, I would like to extend my heartfelt gratitude and my deepest respect to all the shareholders, partners and customers who have given us great support, as well as all the employees, management and directors who work together with the Company.

With sustainable development genes and strong internal drive, the Group has shaped a century-old corporate culture and has become a new era practitioner with corporate social responsibility and philosophy to deliver better life. "With persistence as the rule, and innovation as the path", we are delighted and honored to create joy among the citizens and grow together with the city. Together, we progress and evolve with the motherland!

### Hui Wing Mau

*Chairman*

Hong Kong, 26 March 2019



# MANAGEMENT DISCUSSION AND ANALYSIS



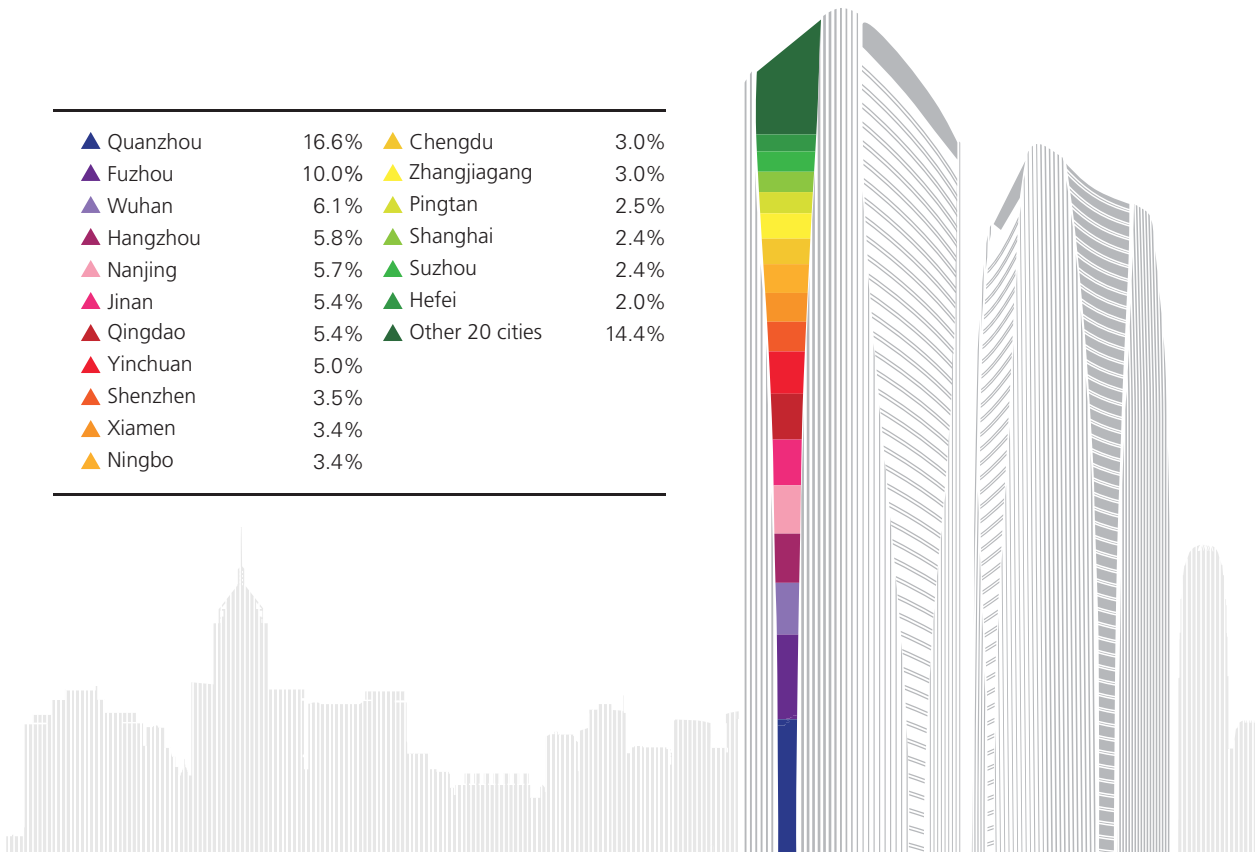
**BUSINESS REVIEW****Property Development****1) Recognized Sales Revenue**

The Group generates its revenue primarily from property development, property investment and hotel operations. For the year ended 31 December 2018, revenue of the Group reached RMB85.51 billion, representing an increase of 21.4% as compared to RMB70.43 billion in 2017. During the year, revenue from property sales amounted to RMB80.91 billion, accounting for 94.6% of the total revenue and representing an increase of 21.1% as compared to that in 2017. The average recognized selling price increased by 1.6% from RMB13,585 per sq.m. in 2017 to RMB13,807 per sq.m. in 2018. In 2018, the Group had 84 projects, as compared with the 78 projects recognized in 2017, among which, Qingdao Shimao Noble Town achieved great results with recognized sales revenue of RMB3.833 billion; Hangzhou Sunac Yihe Park, the first runner-up, achieved a recognized sales revenue of RMB3.584 billion; and Quanzhou Shishi Shimao Skyscraper City, the second runner-up, recorded a recognized sales revenue of RMB3.471 billion.

**Chongqing Shimao Luxury Mansion**

The breakdown of recognized sales for 2018 by cities is set out as follows:

▲ Quanzhou	16.6%	▲ Chengdu	3.0%
▲ Fuzhou	10.0%	▲ Zhangjiagang	3.0%
▲ Wuhan	6.1%	▲ Pingtan	2.5%
▲ Hangzhou	5.8%	▲ Shanghai	2.4%
▲ Nanjing	5.7%	▲ Suzhou	2.4%
▲ Jinan	5.4%	▲ Hefei	2.0%
▲ Qingdao	5.4%	▲ Other 20 cities	14.4%
▲ Yinchuan	5.0%		
▲ Shenzhen	3.5%		
▲ Xiamen	3.4%		
▲ Ningbo	3.4%		



## MANAGEMENT DISCUSSION AND ANALYSIS

**2) Steady Sales Growth**

With respect to property sales, the Group's contracted sales amounted to RMB176.15 billion in 2018, representing 125.8% of its annual target. The aggregate sales area reached 10.687 million sq.m., with an average selling price of RMB16,482 per sq.m..

During the first half of 2018, the property market in the first-tier and second-tier hotspot cities witnessed a trend of rebound from the bottom, as the strong demand for properties in the first-tier and second-tier cities continued to spill over to the low-tier cities. However, the property market had cooled down since the third quarter of 2018 and the market prices and sales volume of certain cities dropped significantly. The Group rolled out well-balanced product offering in each city in line with the strategy. Looking forward to 2019, the Group will launch saleable areas of approximately 14.20 million sq.m.. Together with the existing saleable areas of approximately 5.25 million sq.m. as at 31 December 2018, the Group's total saleable areas in 2019 will be approximately 19.45 million sq.m..

Key projects available for sale in 2019 are set out as follows:

<b>District</b>	<b>Project</b>	<b>Saleable Area (sq.m.)</b>
Fujian District	Xiamen Haicang Project	112,151
	Pingtang Straits Future City	169,632
	Fuzhou Xindian Quantou Project	97,228
	Fuzhou Helin Project	123,765
Northern China District	Beijing Tongzhou North	33,350
	Haidian Shangzhuang	35,979
Jiangsu and Shanghai District	Shanghai Songjiang Xincheng Project	56,089
	Nanjing Hexi G11 Project	81,069
	Zhangjiagang Jiyang Lake Palace	154,903
	Taizhou City East	126,906
Zhejiang District	Hangzhou Pengbu	81,371
	Hangzhou Puyan	49,137
Central China District	Hefei Gaoxin Project	98,837
	Zhengzhou Changxi Lake Project	106,137
Shandong District	Qingdao Gaoxin Huoju Road Project	75,308
	Qingdao Shimao Noble Town	89,900
Western District	Xi'an Beichen	217,202
	Chongqing Runyijiang Project	243,459
Shanghai Shimao	Shenzhen Longgang Project	131,050
	Changsha Zhengyuan	207,035
	Nanjing Shimao Bund New City	126,395
	Suzhou Riviera	67,970
Projects available for sale in 2019 worth below RMB2 billion		11,264,736
Completed inventory		1,351,154
Uncompleted projects available for sale as of 31 December 2018		3,896,259
<b>Total</b>		<b>19,447,023</b>

## MANAGEMENT DISCUSSION AND ANALYSIS



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

2018 was a year of high quality development for the Group. The gross floor area ("GFA") of projects under construction was 29.02 million sq.m.. The GFA completed was approximately 8.92 million sq.m., representing an increase of 17%, when compared with the corresponding period of the previous year of 7.65 million sq.m.. Looking forward to 2019, the Group will maintain its quality growth with the completion of planned GFA of approximately 10.50 million sq.m. and the GFA of projects under construction of approximately 35.00 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 2018, the Group acquired land reserves of 16.15 million sq.m. (before interests) in Shenzhen, Tianjin, Zhengzhou, Fuzhou, Longyan, Taizhou (in Zhejiang Province), Zhangzhou, Beijing, Ningbo, Shijiazhuang, Quanzhou, Jinan, Changchun, Huizhou, Putian, Nanping, Xiamen, Deyang, Jiaying, Wenzhou, Zibo, Fu'an, Sanming, Huzhou, Yixing, Yinchuan, Changsha, Ji'an, Chengdu, Luzhou, Yueqing, Changshu, Xuzhou, Hangzhou, Neijiang, Hengyang, Lanzhou, Qingdao, Wuxi, Taizhou (in Jiangsu Province), Yancheng, Nanning and Jingmen, with approximately 48% of the land acquired through base price auction, acquisition and cooperation. Currently, the Group has 264 projects with a total area of 55.38 million sq.m. (before interests) of quality land in 87 cities across the country. The premium land resources and relatively low land cost provide continued support to the results of Shimao Property in the major markets nationwide in the next few years.

Geographically, the Group adjusted its strategy in anticipation of the continuation of the government's differentiated policy for specific cities. In addition to the first-tier and second-tier cities, the Group acquired land in the nearby third-tier and fourth-tier cities which may benefit from the spilt-over demand from the first-tier and second-tier cities. In respect of land cost, the average floor price of the new land reserves was approximately RMB5,099 per sq.m.. The Group has been prudent in increasing its land reserves by following its longstanding prudent policy and strives to maintain a balance between development opportunity and risk control. As at 31 December 2018, the Group's average land cost was RMB5,386 per sq.m.. The relatively low land cost provides effective assurance for the Group's endeavor for a higher profit margin in the future.

The land parcels acquired by the Group in 2018 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. Block 3, Unit 19 of Qianhai Shenzhen-Hong Kong Cooperation Zone in Shenzhen	January 2018	Commercial office	2,250	73,500	30,612	100%
2. Tianjin Wuqing No. 2016-70 Parcel	January 2018	Residential, commercial service and educational	3,199	266,485	12,004	100%
3. Zhengzhou Guancheng District Jinluowan Project	January 2018	Commercial and residential	863	451,113	3,750	51%

## MANAGEMENT DISCUSSION AND ANALYSIS

## Fuzhou Shimao Shine City

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
4. Shenzhen Pingshan Centre	January 2018	Commercial and service	1,124	182,000	10,291	60%
5. Fuzhou 2017-49 (Sanjiangkou)	January 2018	Residential	560	187,910	8,760	34%
6. Longyan Shanghang Honor Project	January 2018	Residential	125	60,750	4,031	51%
7. Fuzhou Jin'an 2017-57 & 58	January 2018	Residential	1,405	151,397	9,280	100%
8. Taizhou Jiaojiang District Zhang'an Project	January 2018	Residential and commercial	341	222,292	4,517	34%
9. Zhangzhou 2017P08 (Longwen District Minnan Watertown 05 Parcel)	January 2018	Residential, commercial service and retirement	1,836	333,826	10,784	51%
10. Zhangzhou 2017P11 (Longwen District An'dequang Parcel)	January 2018	Residential and commercial service	148	72,957	2,029	100%
11. Beijing Fengtai Xiaowayao Parcel	January 2018	Residential	1,531	76,160	41,032	49%
12. Ningbo Zhenhai District Luotuo Project	February 2018	Residential and commercial	354	81,200	8,706	50%
13. Zhangzhou Danxia Parcel	February 2018	Integrated commercial and residential	157	95,347	5,500	30%
14. Shijiazhuang Luquan Parcel	February 2018	Residential	145	38,297	4,725	80%
15. Phase II of Quanzhou Yuexin	March 2018	Commercial service	167	108,381	2,530	61%
16. Jinan Jiyang Chengbo Lake	March 2018	Residential and commercial	421	419,711	1,432	70%
17. Changchun Lianhua Mountain 92, 94, 98, 99, 102	March 2018	Residential	256	496,289	819	63%
18. Guangdong Huidong Qingyun	March 2018	Residential and commercial	456	152,545	2,993	100%
19. Quanzhou Taishang S2017-06 (Baiqi Lake)	March 2018	Commercial and residential	502	482,412	3,060	34%
20. Longyan S2018 Pai-1(Dongshan B08)	March 2018	Residential	82	63,085	2,156	60%
21. Putian Compound	March 2018	Retail commercial and residential	413	152,258	4,762	57%
22. Quanzhou Jinjiang P2017-22 (Xintang)	April 2018	Commercial and residential	857	268,632	3,190	100%
23. Fuzhou 2018-01 Parcel	April 2018	Ordinary commodity housing, shopping mall and restaurant	662	231,902	14,282	20%
24. Fuzhou 2018-03 Parcel	April 2018	Ordinary commodity housing	590	51,009	11,567	100%
25. Nanping High-speed Railway New District B6-1 (2018-Pai J03)	April 2018	Commercial and residential	102	125,629	811	100%
26. Phase II of Nanping 2011-J-07 Parcel B (13-1-50-2) (Yongsen)	April 2018	Other ordinary commodity housing	64	170,414	1,250	30%
27. Xiamen X2017P07 (Xiang'an Xinwei)	April 2018	Residential	903	45,880	19,682	100%
28. Nanping Yanping District 2018-J-1	April 2018	Other ordinary commodity housing	40	67,680	1,404	42%
29. Deyang 60 Acres	April 2018	R21 (Residential, excluding commercial)	651	132,441	4,918	100%
30. Fuzhou Fuqing 2018 Pai-15	May 2018	Commercial service and residential	1,202	299,976	4,007	100%

## MANAGEMENT DISCUSSION AND ANALYSIS

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
31. Jiaying Pinghu 2018 Ping-No. 29 Project	May 2018	Urban residential	1,322	146,971	8,996	100%
32. Fuzhou Mingqing New City	May 2018	Commercial and residential	85	120,934	3,498	20%
33. Quanzhou Julong Town	May 2018	Commercial and residential	494	255,737	3,785	51%
34. Wenzhou Pingyang Ao'jiang Binjiang Centre F-01-01 Parcel	May 2018	Urban residential, wholesale & retail	804	120,016	6,703	100%
35. Wenzhou Pingyang Ao'jiang Binjiang Centre F-02-01 Parcel	May 2018	Urban residential, wholesale & retail	270	116,716	6,794	34%
36. Jinjiang 2017-38 (Neikeng)	May 2018	Commercial and residential	36	137,104	1,058	25%
37. Jinan Zhangqiu Fukang	May 2018	Residential	349	75,623	4,610	100%
38. Quanzhou 2018-2 (Licheng)	May 2018	Commercial and residential	556	110,762	5,020	100%
39. Xiamen 2018HP01 (Haicang Maluan Bay)	June 2018	Residential and commercial service	728	116,000	25,086	25%
40. Zibo Honglian Lake	June 2018	Residential	190	108,000	3,921	45%
41. Fu'an Wanyu Jinlan Bay	June 2018	Residential	60	132,898	895	50%
42. Sanming Changxing Road D-2	June 2018	Other ordinary commodity housing	217	68,341	3,171	100%
43. Huzhou Lianshi Central Primary School South Parcel	June 2018	Urban residential	415	127,692	3,250	100%
44. North of Qingyuan Avenue and East of Xuefu Road, Yixing Economic Development Zone	June 2018	Urban residential	546	87,838	6,216	100%
45. Yinchuan Gongyong Garden East Parcel	June 2018	Residential	178	42,150	4,220	100%
46. Changsha Zhengyuan	June 2018	Commercial and residential	881	259,994	6,162	55%
47. Jiangxi Ji'an Guhou River Project	June 2018	Type II residential	405	85,943	4,708	100%
48. Shijiazhuang East 2nd Ring Road Yuhua Parcel	July 2018	Commercial and residential	20	54,829	1,865	20%
49. Longyan Dongxiao Project	July 2018	Residential	123	103,832	3,390	35%
50. Longyan Xiaoyang Wenjing Project	July 2018	Residential	172	78,128	6,477	34%
51. Baoji Taibai	July 2018	Residential	98	126,979	1,284	60%
52. Fuqing Minhou Gaoxin No. 2018-02	July 2018	Type II residential and commercial	527	106,195	7,628	65%
53. Zhangzhou Datang Project	July 2018	Residential	265	149,347	9,349	19%
54. Jinjiang P2017-23 (Datang Xintang)	July 2018	Commercial and residential	153	92,319	3,672	45%
55. Longyan Dongxiao No. 10 Parcel	July 2018	Residential	97	52,944	3,608	51%
56. Longyan Dongxiao No. 11 Parcel	July 2018	Commercial and residential	255	89,799	2,840	100%
57. Chengdu Jinying Road West (Parcel B west to Hengda) (39.6 acres)	July 2018	Type II residential (including commercial≤10%)	198	66,001	3,000	100%
58. Luzhou Yunfeng Road West (91.5 acres)/ Hengsi Route North (91.4 acres)	July 2018	R2 Residential	936	274,264	3,411	100%
59. Yueqing Town Centre H-b3-2 Parcel	July 2018	Residential	184	84,034	8,416	26%
60. Changshu Shenzhen Road South, Nansha Road West	July 2018	Residential	1,085	113,872	9,528	100%
61. Changshu Xinzhuan Town Xinzhuan Avenue East, Xinyang Avenue South	July 2018	Residential	191	30,752	6,221	100%
62. Changshu Xinzhuan Town Fanrong Road East, Zhanggangjing River South	July 2018	Residential	772	138,294	5,584	100%
63. Xuzhou Na Village 09G, 10G	July 2018	Residential	227	222,145	1,020	100%
64. E-10, Ouhai Centre South, Wenzhou	July 2018	Residential	901	105,078	8,577	100%
65. Hangzhou Puyan	July 2018	Residential and commercial	2,111	96,860	21,797	100%



## MANAGEMENT DISCUSSION AND ANALYSIS

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
66. Neijiang Hong Pai Road South (104.4 acres)	July 2018	Type II residential (including commercial≤15%)	758	173,923	4,356	100%
67. Hengyang Daiyingling Project	July 2018	Residential	370	411,297	1,500	60%
68. Lanzhou Galaxy International Project (179.71 acres)	July 2018	R1 (Type I residential) and R2 (Type 2 residential)	899	309,261	5,811	50%
69. Hangzhou Yuhang 25, 26	July 2018	Residential	2,112	119,363	17,692	100%
70. Fuzhou 2018-17 Parcel (Jin'an Helinpian District E-05 East Parcel)	July 2018	Commercial and residential	1,904	131,332	21,731	67%
71. Jingzhou New Port	July 2018	Residential	159	249,619	1,062	60%
72. Qingdao Gaoxin District G-2018-023 Parcel	July 2018	Urban residential and retail commercial	761	131,123	5,800	100%
73. Quanzhou 2018 Pai-04, 06 Parcel	July 2018	Commercial and residential	59	127,717	2,302	20%
74. Phase I of Longyan Lianjiang Culu Island Project	July 2018	Commercial and residential	270	183,204	1,638	90%
75. Tianjin Eco-City No.26 Parcel	August 2018	Residential	835	79,500	10,504	100%
76. Sanming Sha County Chang Xing Road East Parcel A	August 2018	Commercial and residential	144	118,806	2,210	55%
77. Fuzhou Fuqing No.19 Parcel	August 2018	Commercial and residential	81	158,413	4,665	11%
78. Fuzhou Fuqing No.20 Parcel	August 2018	Commercial and residential	562	121,298	4,633	100%
79. Fuzhou Fuqing No.21 Parcel	August 2018	Commercial and residential	197	86,239	4,476	51%
80. Wuxi Luoshe New Town	August 2018	Residential	224	67,598	6,509	51%
81. Taizhou Hailing District Yucai Road North, Chunhui Road West	August 2018	Urban residential and commercial finance (5%)	990	145,828	6,789	100%
82. Quanzhou Jinjiang No. P2018-26 Parcel	August 2018	Commercial and residential	29	97,589	1,178	25%
83. Yancheng Bazonggou South, Baying Road West Parcel	August 2018	Commercial and residential (commercial 5%)	982	290,904	5,625	60%
84. Nanning Datang Tianyue (Educational Parcel)	August 2018	Residential	91	156,119	1,352	43%
85. Nanning An'ji Datang Shijia (water pump factory)	August 2018	Residential	56	141,036	2,648	15%
86. Nanning Datang Shengshi	August 2018	Residential	78	346,189	1,500	15%
87. Nanning Xingning Datanguo (used goods market)	August 2018	Residential	38	86,750	2,957	15%
88. Nanning Datang Zhenguan	August 2018	Residential	234	137,577	11,331	15%
89. Jingmen Zhanghe New District Project	September 2018	Commercial and residential	587	785,433	1,465	51%
90. Xuzhou Suining Town West Qingnian Road	September 2018	Commercial and residential	46	128,421	709	51%
91. Zhangzhou Datang An'deguang	September 2018	Commercial and residential	36	136,754	1,389	19%
92. Nan'an Guangqiao 2018P14	October 2018	Commercial and residential	164	211,224	1,941	40%
93. Zhengzhou Changxi Lake A04	October 2018	Residential and commercial	1,047	566,900	3,621	51%
94. Wuxi Liangxi District Former North Vehicle Terminal West Parcel	November 2018	Residential and commercial	154	30,949	9,952	50%
95. Zhangzhou Zhongliang An'deguang	November 2018	Residential / commercial services	24	117,568	1,999	10%
96. Nanning Wuxiang Tanze No. 4, 5, 8 Parcels	December 2018	Commercial and residential	739	639,964	3,499	33%
<b>Total</b>			<b>51,884</b>	<b>16,147,767</b>	<b>5,099</b>	

## MANAGEMENT DISCUSSION AND ANALYSIS

**Property Investment**

In respect of commercial properties, Shimao Property is engaged in the development of commercial properties through Shanghai Shimao Co., Ltd. (“Shanghai Shimao”), a subsidiary in which Shimao Property has 58.92% equity interest. Shanghai Shimao has established an operational structure of “commercial properties as focus with diversified business as auxiliary”. Leveraging on the business model of “combination of lease and sales and synergies of diversified business” and an experienced and outstanding management team in commercial complex properties, the scale of its assets has been effectively enlarged and the operating results have improved steadily. The development objective of enhancing properties’ value has been achieved.

In 2018, Shanghai Shimao focused on four main areas, namely the integration of culture and commerce, development of both new and existing commercial properties, establishment of intelligent ecosystem and improvement of services, in order to bring more vivid contents and scenarios to its commercial projects and stimulate the vitality and prospect of the cities. Taking advantage of the strategic relationship between Shimao and The Palace Museum, Shimao commercial made a multi-dimensional crossover with The Palace Museum, infusing consumers with multi-cultural experience and transforming a commercial complex into an integrated cultural venue. Moreover, Shanghai Shimao Festival City was grandly launched in September while Kunshan Shimao Plaza continued to make adjustment and further underwent its re-branding and upgrading. In 2018, Shimao commercial was highly recognized by the industry and received several prizes awarded by professional institutions, such as “Outstanding Enterprise of the eighth session of China Commercial Property Annual Meeting by China Commercial Property Annual Meeting in 2018 (2018中國商業地產年會第八屆中國商業地產年會卓越企業)” and “Outstanding Commercial Property Enterprise of the thirteenth session of China Commercial Property Festival (第十三屆中國商業地產節商業地產卓越企業)”, proving the increasing brand awareness and recognition of Shimao commercial over the year.



Beijing Shimao Xishan Royal

## MANAGEMENT DISCUSSION AND ANALYSIS

Particulars of investment property projects of the Group in 2018 are set out as follows:

Commercial and Office Premises	Total GFA (sq.m.)	Date of Commencement	Revenue (RMB million)	
			2018	2017
Shanghai Shimao Festival City	71,239	December 2004	44	37
Changshu Shimao The Centre	43,357	January 2009	23	23
Beijing Shimao Tower	70,175	July 2009	157	154
Wuhu Shimao Riviera Garden	19,963	September 2009	6	8
Shaoxing Shimao Dear Town	181,605	May 2010	83	83
Suzhou Shimao Canal Scene	49,993	June 2010	33	33
Shanghai Shimao Shangdu	9,584	November 2010	33	35
Xuzhou Shimao Dongdu	59,471	January 2012	14	14
Kunshan Shimao Plaza	88,249	April 2012	52	44
Jinan Shimao International Plaza	280,641	May 2014	164	115
Nanjing Straits City	65,719	December 2014	30	29
Quanzhou Shishi Shimao Skyscraper City	156,335	January 2017	33	37
Xiamen Shimao Straits Mansion	37,261	January 2017	47	25
Shanghai Shimao Tower	66,313	December 2018	4	–
Miscellaneous rental Income	–	–	48	43
Commercial properties related service income	–	–	320	312
<b>Total</b>			<b>1,091</b>	<b>992</b>

### Hotel Operations

As of 31 December 2018, the Group had a total of 22 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, Hilton Shenyang, Le Méridien Hangzhou Binjiang, InterContinental Shanghai Wonderland and four hotels entrusted to Shimao Star for management. Currently, the Group has around 7,000 hotel guest rooms, with Hilton Shenyang, Shimao Yuluxe Hotel Chengdu, Le Méridien Hangzhou Binjiang and InterContinental Shanghai Wonderland commencing operation in 2018. In 2018, the Group's hotels achieved a total revenue of RMB1.91 billion, representing a year-on-year increase of 11.7%, with an EBITDA of RMB590 million, representing a year-on-year increase of 5.4%.

2018 was the first complete operating year of Shimao Star Hotel Group ("Shimao Star") since its establishment, during which, Shimao Star successfully signed 38 self-owned brand hotel projects, 2.38 times of that signed in the whole year of 2017. Specifically, following the opening of Yuluxe Hotel and Yu Residence in Bali in 2017, Shimao Star once again went overseas by signing 4 new projects in Indonesia and Malaysia, namely Yuluxe Hotel Lombok (龍目島茂御度假酒店), Yu Resort Lombok (龍目島御榕莊酒店), Mini Hotel Malacca (馬六甲動漫睿選酒店) and MiniMax Hotel Malacca (馬六甲動漫睿選尚品酒店). As of 31 December 2018, Shimao Star's hotels in operation and under development included 4 luxury resorts, "Yu Resort", 8 luxury five-star standard hotels, "Yuluxe", 9 high-end full-service hotels, "Yu Hotels", 3 luxury serviced apartments, "Yu Residence", 9 high-end inspirational selected hotels, "MiniMax", 25 inspirational selected hotels, "Mini", 2 Shimao Star new branded hotels and one hotel entrusted by a third party for management. Of the 61 hotels mentioned above, 10 have been put into operation and 51 were in preparation for opening. Shimao Star's hotels have established significant presence in the first-tier and second-tier cities such as Shanghai, Chengdu, Wuhan, Xiamen and Nanjing, as well as the emerging cities with great potential in economic development and tourist hotspots, such as Kunming, Nanchang, Jiaxing, Emeishan and Yangshuo. Looking forward, while maintaining its focus on the fast growing hotel market in China, Shimao Star will actively explore overseas markets and determinedly pursue its goal of developing 100 hotels in four years, and striving to be a Chinese hotel group with global presence.

## MANAGEMENT DISCUSSION AND ANALYSIS

In 2018, the Group cooperated with Ali Travel, Fliggy to establish Fliggy outlets in Shimao hotels to offer diversified products which became the best-sellers of Fliggy in Double 11 Shopping Festival. Taking the opportunity of InterContinental Shanghai Wonderland, the Group established BAT strategic cooperation. In 2018, the Group held strategic cooperation conferences with Tencent and Baidu and intelligent hotel resolutions were firstly implemented in InterContinental Shanghai Wonderland. In order to enhance the efficiency of direct sales, the hotel has been promoted through new marketing channels, such as WeChat Marketing. The Shimao "Little Racer (小小賽車手)" project was launched at DoubleTree by Hilton Ningbo Chunxiao, Holiday Inn Shaoxing (1 July) and DoubleTree by Hilton Wuhu (early 2019), becoming the first hotel brand with racing theme in China. In 2019, this project will be expanded to other hotels in Tianjin and Nanjing, and InterContinental Shanghai Wonderland.

In 2018, Shimao Star upgraded the brand image of the Mini series, aiming to create a comfortable and special experience for the new generation of travelers with a new image of "Inspirational Selected Hotel". Shimao Star's first luxury five-star standard full-service hotel in western China, Shimao Yuluxe Hotel Chengdu, was opened on 18 August 2018 with a grand ceremony. The hotel, being the flagship of Yuluxe brand and marking as an upgrade of Yuluxe brand with a natural combination of tradition with modernity, is to create a whole new exciting journey for travelers in China. In the second half of 2018, Shimao Star launched its new membership scheme, "Dream Club (夢享會)", with an aim of facilitating the growth of its own brand and the establishment of its own marketing channel. In addition, the medium and high end lifestyle brand planning contemplated by Shimao Star in cooperation with Starwood Capital which is specially tailored for the millennial generation will be officially launched in the first half of 2019 and will enter into Xiamen and Wuhan markets in the third quarter of 2019.

InterContinental Shanghai Wonderland, which is widely viewed as one of the world's architectural wonders, was officially opened in the fourth quarter of 2018. The hotel has been widely recognized upon its opening and become a tourist hotspot in Shanghai. With the opening of new hotels in 2018, the results of 2019 will increase significantly. Meanwhile, due to the renovation of Le Royal Méridien Shanghai and The Yuluxe Sheshan, A Tribute Portfolio Hotel, Shanghai, the results may be affected in short term. Upon the renovation, the results will have a greater improvement.

Particulars of hotel projects of the Group in 2018 are set out as follows:

Hotel	Number of Rooms	Date of Commencement	Revenue (RMB million)		EBITDA (RMB million)	
			2018	2017	2018	2017
The Yuluxe Sheshan, A Tribute Portfolio Hotel, Shanghai	325	November 2005	164	164	67	69
Le Royal Méridien Shanghai	770	September 2006	297	345	117	142
Hyatt on the Bund Shanghai	631	June 2007	400	388	159	154
Holiday Inn Mudanjiang	265	December 2010	33	33	13	10
Holiday Inn Shaoxing	284	September 2011	32	28	12	11
Hilton Nanjing Riverside	411	December 2011	100	98	29	27
DoubleTree by Hilton Hotel Wuhu	442	October 2013	67	63	15	13
InterContinental Fuzhou	318	January 2014	92	97	25	26
Crowne Plaza Shaoxing	453	March 2014	95	73	25	18
Yuluxe Hotel Taizhou	262	August 2014	32	31	2	3
Hilton Tianjin Eco-City	301	April 2015	59	46	2	2
DoubleTree by Hilton Ningbo Chunxiao	220	December 2015	27	25	(1)	1
Hilton Wuhan Riverside	338	July 2016	115	99	36	27
Conrad Xiamen	241	August 2016	155	133	52	39
DoubleTree by Hilton Ningbo Beilun	379	December 2016	55	39	10	16
Hilton Yantai	252	August 2017	62	18	9	(1)
Hilton Shenyang	329	January 2018	65	–	8	–
Le Méridien Hangzhou Binjiang	199	September 2018	8	–	(2)	–
InterContinental Shanghai Wonderland	336	November 2018	32	–	10	–
Others	174		18	28	–	1
<b>Total</b>	<b>6,930</b>		<b>1,908</b>	<b>1,708</b>	<b>588</b>	<b>558</b>

## MANAGEMENT DISCUSSION AND ANALYSIS



Gu'an Shimao Shine City

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 2018. Had the 29 hotels (31 December 2017: 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 Wenchang Hainan, Shimao Minimax Hotel Dalian, Le Méridien Hangzhou Binjiang, Yu Resort Quanzhou, MiniMax Hotel Shishi, Sheraton Hong Kong Tung Chung, Four Points by Sheraton Hong Kong Tung Chung, Yu Resort Wuyishan and MiniMax Hotel Wuhan been restated at fair value of RMB40.3 billion (31 December 2017: RMB37.2 billion), the net assets value of the Group would have been increased to RMB117.3 billion (31 December 2017: RMB107.8 billion).

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

	As at 31 December	
	2018 (RMB million)	2017 (RMB million)
Fair value of above-mentioned hotels	<b>40,312</b>	37,203
Less: Carrying amount	<b>(17,424)</b>	(16,845)
Amounts to adjust from carrying amount to fair value	<b>22,888</b>	20,358
Less: Deferred income taxes	<b>(5,722)</b>	(5,090)
Increase in net assets value if the above-mentioned hotels are stated at fair value	<b>17,166</b>	15,268
Net assets value per consolidated balance sheet (excluding perpetual capital instruments)	<b>100,180</b>	92,547
Adjusted net assets value (excluding perpetual capital instruments)	<b>117,346</b>	107,815
Net debt	<b>59,555</b>	54,498
Adjusted net gearing ratio	<b>50.8%</b>	50.5%

## MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL ANALYSIS

Key consolidated income statement figures are set out below:

	2018 RMB million	2017 RMB million
Revenue	<b>85,513</b>	70,426
Gross profit	<b>26,949</b>	21,430
Operating profit	<b>23,209</b>	17,679
Profit attributable to shareholders	<b>8,835</b>	7,840
Earnings per share – Basic (RMB cents)	<b>264.7</b>	232.4

## Revenue

For the year ended 31 December 2018, the revenue of the Group was approximately RMB85,513 million (2017: RMB70,426 million), representing an increase of 21.4% over 2017. 94.6% (2017: 94.8%) of the revenue was generated from the sales of properties and 5.4% (2017: 5.2%) from hotel operation, commercial properties operation, property management and others.

The components of the revenue are set out as follows:

	2018 RMB million	2017 RMB million
Sales of properties	<b>80,907</b>	66,796
Hotel operation income	<b>1,908</b>	1,708
Commercial properties operation income	<b>1,091</b>	992
Property management income	<b>895</b>	646
Others	<b>712</b>	284
<b>Total</b>	<b>85,513</b>	70,426

\* The components of revenue are reclassified this year, with figures of 2017 accordingly adjusted.

\*\* The income does not include revenue of related parties or that from the Group.

## (i) Sales of Properties

Sales of properties for the years ended 31 December 2018 and 2017 are set out below:

	2018		2017	
	Area (sq.m.)	RMB million	Area (sq.m.)	RMB million
Qingdao Shimao Noble Town	<b>311,616</b>	<b>3,833</b>	241,222	2,420
Hangzhou Sunac Yihe Park	<b>77,951</b>	<b>3,584</b>	–	–
Quanzhou Shishi Shimao Skyscraper City	<b>397,803</b>	<b>3,471</b>	132,743	1,095
Quanzhou Shimao Shine City	<b>211,635</b>	<b>3,410</b>	–	–
Shenzhen Qianhai Shimao Financial Centre	<b>29,220</b>	<b>2,807</b>	–	–
Fuzhou Lianpan Shimao Shine City	<b>84,006</b>	<b>2,764</b>	84,964	2,460
Nanjing Shimao Bund New City	<b>87,498</b>	<b>2,657</b>	130,376	3,503
Ningbo Yaojiang Jinmao Mansion	<b>110,009</b>	<b>2,521</b>	–	–
Quanzhou Jinjiang Shimao Dragon Bay	<b>313,488</b>	<b>2,457</b>	199,153	1,260
Chengdu Shimao City	<b>232,752</b>	<b>2,456</b>	262,824	2,004

## MANAGEMENT DISCUSSION AND ANALYSIS

	2018		2017	
	Area (sq.m.)	RMB million	Area (sq.m.)	RMB million
Zhangjiagang Shimao Lake Palace	166,994	2,407	164,248	2,497
Fuzhou Shimao Shine City	171,005	2,047	–	–
Wuhan Baishazhou Shimao Cloud Value	191,305	2,015	121,627	1,123
Fuzhou Pingtan Straits Future City	163,295	2,007	318,635	3,369
Shanghai Zhoupu Shimao Cloud Atlas	36,190	1,932	–	–
Yinchuan Shiyue Mansion	281,309	1,806	46,051	313
Quangang Shimao Shine City	290,222	1,685	–	–
Jinan Shimao Skyscraper City	101,216	1,558	83,788	1,115
Jinan Shimao The Capital of Yuanshan	119,153	1,550	160,036	1,650
Quanzhou Shimao Zimao Mansion	148,756	1,435	19,281	329
Hefei Shimao Classic Chinese Chic	81,764	1,419	–	–
Yinchuan Yuehai No. 1	219,346	1,410	–	–
Xiamen Shimao Royal Villa	87,388	1,390	35,665	1,089
Suzhou Shimao Shihu Bay	53,889	1,312	56,637	1,364
Xiamen Shimao Shine City	34,805	1,228	147,696	5,111
Fuqing Shimao Shine City	98,006	1,159	–	–
Wuhan Shimao Dragon Bay	144,279	1,075	2,517	26
Changle Shimao Shine City	84,138	1,042	–	–
Tianjin Shimao Wetland Century	67,100	1,035	176,264	2,528
Jinan Jiyang Shimao Skyscraper City	121,669	1,007	–	–
Wuhan Shimao Splendid River	46,770	963	–	–
Jiaxing Shimao Shine City	54,243	947	–	–
Wuhan Shimao Carnival	51,985	937	5,257	60
Quanzhou Shimao Hi Dream	104,655	934	98,027	910



Dalian Shimao Dragon Bay

## MANAGEMENT DISCUSSION AND ANALYSIS

	2018		2017	
	Area (sq.m.)	RMB million	Area (sq.m.)	RMB million
Chongqing Shimao Luxury Mansion	56,719	929	274,417	2,012
Shaoxing Shimao Works of Time	38,803	877	122,076	1,653
Xuzhou Shimao Dongdu	69,417	791	33,762	305
Fuzhou Shimao Cloud Guling	36,090	788	45,760	1,073
Nanjing Shimao Glory Villa	18,932	776	–	–
Beijing Yidu Qingqing Town	50,140	766	61,597	1,035
Yinchuan Maoyue Mansion	110,534	703	19,363	260
Hainan Wenchang Shimao Blooming Sea	46,998	694	105,565	872
Mudanjiang Shimao Holiday Landscape	140,734	684	65,928	266
Jiangyin Shimao Dragon Bay	69,626	604	8,195	89
Nanjing Yuhuatai Project	11,638	603	63,708	1,900
Nanchang Shimao APM	42,004	585	10,347	162
Hangzhou Shimao Born with Legend	9,548	545	19,580	958
Nanjing Straits City	4,719	405	68,455	1,931
Tianjin Wuqing Shimao Luxury Mansion	23,870	284	79,002	829
Beijing Tongzhou World Chamber of Commerce Centre	4,239	236	80,858	3,614
Hefei Shimao Jade Mansion	13,478	210	155,794	2,095
Xi'an Shimao City	26,507	186	169,009	1,400
Qingdao Shimao Noosa Bay	2,647	99	156,769	1,730
Changzhou Shimao Champagne Lake	3,384	59	72,936	748
Changshu Shimao Royal Bay	18	1	73,516	763
Hangzhou Shimao Above the Lake	–	–	45,907	1,029
Wuhan Shimao Lake Island	–	–	102,014	809
Nanjing Shimao Merchants Mountain	–	–	29,941	738
Others	304,392	5,822	565,244	6,299
<b>Total</b>	<b>5,859,897</b>	<b>80,907</b>	4,916,754	66,796

**(ii) Hotel Income**

Hotel operation income is set out as follows:

	Date of Commencement	2018 RMB million	2017 RMB million
The Yuluxe Sheshan, A Tribute Portfolio Hotel, Shanghai	November 2005	164	164
Le Royal Méridien Shanghai	September 2006	297	345
Hyatt on the Bund Shanghai	June 2007	400	388
Holiday Inn Mudanjiang	December 2010	33	33
Holiday Inn Shaoxing	September 2011	32	28
Hilton Nanjing Riverside	December 2011	100	98
DoubleTree by Hilton Wuhu	October 2013	67	63
InterContinental Fuzhou	January 2014	92	97
Crowne Plaza Shaoxing	March 2014	95	73
Yuluxe Hotel Taizhou	August 2014	32	31
Hilton Tianjin Eco-City	April 2015	59	46
DoubleTree by Hilton Ningbo Chunxiao	December 2015	27	25



## MANAGEMENT DISCUSSION AND ANALYSIS

	<b>Date of Commencement</b>	<b>2018 RMB million</b>	2017 RMB million
Hilton Wuhan Riverside	July 2016	<b>115</b>	99
Conrad Xiamen	August 2016	<b>155</b>	133
DoubleTree by Hilton Ningbo Beilun	December 2016	<b>55</b>	39
Hilton Yantai	August 2017	<b>62</b>	18
Hilton Shenyang	January 2018	<b>65</b>	–
Le Méridien Hangzhou Binjiang	September 2018	<b>8</b>	–
InterContinental Shanghai Wonderland	November 2018	<b>32</b>	–
Others		<b>18</b>	28
<b>Total</b>		<b>1,908</b>	1,708

Hotel operation income increased approximately 11.7% to RMB1,908 million in 2018 from RMB1,708 million in 2017. The increase was mainly derived from newly-opened hotels, including the InterContinental Shanghai Wonderland, which was grandly opened on November 15th.

**(iii) Commercial Properties Operation Income, Property Management Income and Others**

Commercial properties operation income was approximately RMB1,091 million for the year ended 31 December 2018. It increased by 10.0%, mainly due to brand reposition and upgrade of respective commercial and office projects such as Jinan Shimao International Plaza and Beijing Shimao Tower. Meanwhile, Shanghai Shimao Festival City reopened in September, with its rental income sharply improved than that before renovation.



Shanghai Shimao Tower

## MANAGEMENT DISCUSSION AND ANALYSIS



Hangzhou Shimao Above the Lake

Commercial properties operation income is analysed as follows:

	Date of Commencement	2018 RMB million	2017 RMB million
<b>Rental Income</b>			
Shanghai Shimao Festival City	December 2004	44	37
Changshu Shimao The Centre	January 2009	23	23
Beijing Shimao Tower	July 2009	157	154
Wuhu Shimao Riviera Garden (Commercial)	September 2009	6	8
Shaoxing Shimao Dear Town (Commercial)	May 2010	83	83
Suzhou Shimao Canal Scene (Commercial)	June 2010	33	33
Shanghai Shimao Shangdu	November 2010	33	35
Xuzhou Shimao Dongdu (Commercial)	January 2012	14	14
Kunshan Shimao Plaza	April 2012	52	44
Jinan Shimao International Plaza	May 2014	164	115
Nanjing Straits City (Commercial)	December 2014	30	29
Quanzhou Shishi Shimao Skyscraper City	January 2017	33	37
Xiamen Shimao Straits Mansion	January 2017	47	25
Shanghai Shimao Tower	December 2018	4	–
Miscellaneous rental income		48	43
<b>Rental income sub-total</b>		<b>771</b>	680
Commercial properties related service income		320	312
<b>Total</b>		<b>1,091</b>	992

Property management income increased by approximately 38.5% to RMB895 million in 2018 from RMB646 million in 2017. Other income amounted to RMB712 million, representing a significant increase of 150.7% over 2017, mainly comprised of revenues from project management and theme parks.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Cost of Sales

Cost of sales increased by 19.5% to approximately RMB58,564 million in 2018 from RMB48,996 million in 2017, which was in line with the growth in sales. The gross profit margin rose from 30.4% to 31.5%.

Cost of sales are analysed as follows:

	2018 RMB million	2017 RMB million
Land costs and construction costs	51,860	42,643
Capitalised borrowing costs	4,105	3,910
Direct operating costs for hotels, commercial properties operation and others	2,101	2,015
Sales taxes	498	428
Total	58,564	48,996

### Fair Value Gains on Investment Properties – Net

During the year, the Group recorded aggregate fair value gains of approximately RMB1,910 million, mainly contributed by the further increase in value of certain investment properties. Aggregate net fair value gains after deferred income tax of approximately RMB478 million recognized was RMB1,432 million (2017: RMB510 million).

### Other Income/Other Gains – Net

Other gains of approximately RMB297 million for the year ended 31 December 2018 (2017: RMB545 million), which mainly included gain on government grants of RMB100 million (2017: RMB161 million), penalty income of RMB71 million (2017: RMB97 million), and net gains on acquisition and disposal of subsidiaries of RMB55 million (2017: net gain of RMB154 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 been improved significantly. Selling and marketing costs and administrative expenses arising from property sales accounted for 2.2% of contracted sales in 2018 (2017: 3.1%), which was competitive in the market.

### Operating Profit

Operating profit amounted to RMB23.209 billion for the year ended 31 December 2018, increased by 31.3% from RMB17.679 billion for the year ended 31 December 2017, which was mainly attributable to the increase of revenue and gross profit.

### Finance (Costs)/Income – Net

Net finance costs was approximately RMB337 million (2017: net finance income of RMB1,328 million), mainly due to net foreign exchange loss in 2018 instead of net foreign exchange gain as a result of RMB appreciation in 2017.

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

Share of losses of associated companies and joint ventures decreased by approximately RMB82 million to approximately RMB233 million in 2018 from approximately RMB315 million in 2017, mainly due to the recognition of profit from Nanjing Pukou Project and Guangzhou Asian Games City Project.

## MANAGEMENT DISCUSSION AND ANALYSIS

**Taxation**

The Group's tax provisions amounted to approximately RMB10,327 million for the year, in which PRC land appreciation tax ("LAT") was RMB4,538 million (2017: RMB8,121 million, in which LAT was RMB4,013 million). The increase in LAT was in line with the growth in gross margin.

**Profit Attributable to Shareholders**

Profit attributable to shareholders for the year increased by 12.7% from approximately RMB7.840 billion in 2017 to RMB8.835 billion in 2018. The increase was mainly due to the increase of core profit. Excluding the net impact of major after-tax non-cash items, net profit from core business for the year increased by 25.3% to approximately RMB11.732 billion (2017: RMB9.366 billion), and net profit from core business attributable to shareholders for the year increased by 23.4% over 2017 to approximately RMB8.551 billion. Net profit margin from core business attributable to shareholders was 14.6% in 2018.

**Liquidity and Financial Resources**

As of 31 December 2018, the total assets of the Group were approximately RMB377.597 billion, of which current assets were approximately RMB288.849 billion. Total liabilities were approximately RMB272.317 billion, whereas non-current liabilities were approximately RMB84.422 billion. Total equity was approximately RMB105.280 billion, of which equity attributable to the shareholders of the Company amounted to approximately RMB59.234 billion.

As of 31 December 2018, the Group had aggregate cash and bank balances (including restricted cash) of approximately RMB49.577 billion (as at 31 December 2017: RMB33.007 billion). Total borrowings amounted to approximately RMB109.132 billion (as at 31 December 2017: RMB87.505 billion). Total net borrowings were RMB59.555 billion (as at 31 December 2017: RMB54.498 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 58.9% as at 31 December 2017 to 59.4% as at 31 December 2018, and decreased from 62.7% as at 30 June 2018 due to significant increase in contracted sales and cash collection during the second half of the year. Net gearing ratio has been maintained around 60% for seven consecutive years.

## MANAGEMENT DISCUSSION AND ANALYSIS



Wuhan Shimao Splendid River

The maturity of the borrowings of the Group as at 31 December 2018 is set out as follows:

	RMB million
<b>Bank borrowings and borrowings from other financial institutions and bonds</b>	
Within 1 year	27,554
Between 1 and 2 years	19,386
Between 2 and 5 years	27,531
Over 5 years	9,258
<b>Senior notes</b>	
Within 1 year	3,752
Between 2 and 5 years	18,244
Over 5 year	3,407
<b>Total</b>	<b>109,132</b>

### Financing Activities

The Group adheres to prudent financial policies and keeps its capital structure safe. The total amount of borrowings increased by 25% from approximately RMB87.505 billion as at 31 December 2017 to approximately RMB109.132 billion as at 31 December 2018 to support the Group's expansion, of which short-term borrowings was approximately 28.7% and long-term borrowings was approximately 71.3% as at 31 December 2018.

The financing environment of real estate and the policies on monetary regulation and liquidity in China has tightened during the year of 2018. Besides, high volatility of exchange rate increased the uncertainty of the financing environment, and brought challenges to strategy in the future. To respond to the financing risk more efficiently, the Group used various channels during the year of 2018 in both domestic and overseas financing market.

## MANAGEMENT DISCUSSION AND ANALYSIS

The domestic financing activities were mainly carried out as follows:

First of all, the Group successfully issued “Shimao-Huaneng-Kaiyuan housing lease trust beneficiary ABS” on the Shanghai Stock Exchange in July and December 2018. It was the first issuance of residential leasing ABS in China and showed the initiative of the Group in exploring the financing innovations. The term of ABS was 20 years and the interest rate was 5.6%. The total scale was RMB1 billion and the first drawdown amount was RMB0.9 billion.

Secondly, the public and private offering bonds amounting to RMB12.86 billion in total matured in 2018 and early 2019 and were then extended with the interest rate between 6.5% and 6.9%, which was the lowest at that time. The successful renewal indicated the confidence and favor from the market.

Thirdly, Shanghai Shimao issued several corporate bonds during 2018. In January 2019, Shanghai Shimao issued 3-year long term bonds of RMB2 billion at a fixed interest rate of 4.65%.

The overseas financing activities were mainly carried out as follows:

Firstly, the Group issued senior notes with the amount of US\$500 million, US\$250 million and US\$570 million with interest rate of 5.2%, 6.375% and 7.125% in January, October and December 2018, respectively. The Group also issued senior notes with the amount of US\$1,000 million at a fixed rate of 6.125% in February 2019, which shows the considerable advantage in interest rate. In January 2018, and from February to March 2019, the Group redeemed in advance the senior notes at a fixed rate of 8.125% and 8.375% originally due in the year of 2021 and 2022, respectively.

Secondly, in March and June 2018, the Group separately issued the dim sum bond amounting to RMB950 million and RMB1,200 million with the interest rate of 5.75% to mitigate foreign exchange risk. The active response from the market to the bonds reflected the great confidence of the market in the performance and outlook of the Group.

Last but not least, the Group obtained dual currency syndicated loan facilities of US\$570 million and HK\$3,550 million with a Libor/Hibor+2.5% interest rate from September 2018 to January 2019. It was available for the Group for a term of 48 months from the date of the facility agreement. Amounts of US\$30 million and HK\$158.3 million had been drawn down before 31 December 2018.



Yinchuan Shiyue Mansion

Hilton Yantai

## MANAGEMENT DISCUSSION AND ANALYSIS

In view of the steady operating and financial performance of the Group, Moody's maintained the Group's long-term corporate credit rating at "Ba2" and upgraded the outlook from stable to positive. Standard & Poor's maintained the Group's long-term corporate credit rating at "BB+", and the outlook at stable. Fitch Rating maintained the Group's long-term corporate credit rating at "BBB-" and the outlook at stable. As to the domestic credit rating agencies, CCXI and United Rating Co., Ltd. ("United Ratings"), both maintained the Group's long-term corporate credit rating at the highest rating of "AAA".

In addition, Shimao Jianshe, a subsidiary of the Group, was rated "AAA", the highest corporate credit rating, by United Ratings and Golden Credit Rating International Co., Ltd. Shanghai Shimao, a subsidiary of the Group, was maintained at the highest corporate credit rating "AAA" by United Ratings.

The Group explored various financing channels to maintain financing cost stable. As a result, the average financing cost was 5.8% during the year of 2018.

### Foreign Exchange Risks

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

The Group has been paying closely attention to the fluctuation of the foreign exchange rate and actively taking measures to mitigate the risk of exchange rate fluctuation.

Above all, the future exchange valuation of Group's property in Hong Kong can offset the exchange fluctuation of the Group's USD debt to some extent due to the linked exchange rate of HKD to USD.

Besides, the Group has adopted proper financial derivatives to hedge the risk. Furthermore, the dim sum bonds issued by the Group can reduce some of the exposure risk in foreign currency.



Zhengzhou Shimao Cloud Castle



MANAGEMENT DISCUSSION AND ANALYSIS



Shenzhen Pingshan Centre



## MANAGEMENT DISCUSSION AND ANALYSIS

### Pledge of Assets

As of 31 December 2018, 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 RMB58.536 billion to secure bank facilities granted to the Group. The corresponding bank and other loans amounted to approximately RMB17.296 billion.

### Contingencies

As of 31 December 2018, the Group had provided guarantees for approximately RMB18.175 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 RMB8.956 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 2018, the Group had contracted capital and property development expenditure but not provided for amounted to approximately RMB49.146 billion.

### Employees and Remuneration Policy

As of 31 December 2018, the Group employed a total of 9,814 employees, among whom 4,499 were engaged in property development. Total remuneration for the year amounted to approximately RMB2.080 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 Shimao Shine 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 2018.

## 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 38 to the consolidated financial statements.

## Results and Dividends

The results of the Group for the year ended 31 December 2018 are set out on pages 78 to 184 of this annual report.

The board of directors of the Company (the “Board”) has proposed a final dividend of HK70 cents (2017: HK60 cents) per ordinary share for the year ended 31 December 2018. The proposed final dividend, together with the interim dividend of HK50 cents per ordinary share paid on 28 September 2018, will amount to a total dividend of HK\$1.20 per ordinary share for the year ended 31 December 2018 (throughout 2017: HK\$1.00). The proposed final dividend, if approved at the forthcoming annual general meeting (the “AGM”) to be held on Tuesday, 18 June 2019, will be payable on Wednesday, 10 July 2019 to shareholders whose names appear on the register of members of the Company on Tuesday, 25 June 2019.



### Closure of Register of Members

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

- (i) from Wednesday, 12 June 2019 to Tuesday, 18 June 2019 (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, 11 June 2019; and
- (ii) on Monday, 24 June 2019 and Tuesday, 25 June 2019, 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, 21 June 2019.

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 2018 and a discussion of the Group's future business development and possible risks and uncertainties that the Group may encounter are provided in the Chairman's Statement on pages 8 to 15 and the Management Discussion and Analysis on pages 16 to 39 of this annual report. The financial risk management objectives and policies of the Group are shown in note 3 to the consolidated financial statements. An analysis of the Group's performance during the year using key financial performance indicators is set out in the Five Years Financial Summary on pages 6 to 7 of this annual report. Particulars of important events affecting the Group that have occurred after the reporting period are set out in note 43 to the consolidated financial statements on page 182. The above discussions form part of the Report of the Directors.

Dalian Shimao Dragon Bay



## REPORT OF THE DIRECTORS

**Tianjin Shimao Classic Chinese Chic**

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 the People's Republic of China, Law of the People's Republic of China on the Prevention and Control of Environmental Pollution Caused by Solid Waste, 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 notes 23 and 45 to the consolidated financial statements.

**Nanjing Shimao Glory Villa****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 2018 are set out in note 25 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 RMB64,500,000 (2017: RMB267,873,000).

**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 2018 are set out in note 22 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 7 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.

## REPORT OF THE DIRECTORS

**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 and President\**)  
Ms. Tang Fei  
Mr. Liao Lujiang (resigned on 31 January 2018)

**Non-executive Director**

Mr. Liu Sai Fei

**Independent Non-executive Directors**

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

\* Mr. Hui Sai Tan, Jason was appointed as the President of the Company with effect from 30 January 2019.

In accordance with Article 87 of the Articles of Association, three directors, namely, Mr. Hui Sai Tan, Jason, Ms. Tang Fei and Mr. Liu Sai Fei 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 Director who resigned as mentioned above has 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



Hangzhou Shimao Born with Legend

for further development of the Group. The maximum number of shares which can be awarded under the Share Award Scheme is 2% (i.e. 69,319,016 shares) of the issued share capital of the Company as at the Adoption Date.

During the year ended 31 December 2018, 7,378,348 shares were granted to certain executive directors and selected employees of the Group under the Share Award Scheme and 6,816,666 awarded shares have been vested during the year ended 31 December 2018.

### 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 2018, 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:



Quanzhou Shimao Zimao Mansion

## REPORT OF THE DIRECTORS

**(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>	69.643%
Hui Sai Tan, Jason	Beneficial owner	3,084,446 <sup>(Note 2)</sup>	0.093%
Tang Fei	Beneficial owner	823,009 <sup>(Note 3)</sup>	0.025%
Liu Sai Fei	Beneficial owner	833,942	0.025%

Notes:

1. These 2,299,242,942 shares represent the interest in the Company held by Gemfair Investments Limited and Shiyong Finance Limited, companies which are directly wholly-owned by Mr. Hui Wing Mau.
2. The interests disclosed include deemed interests in 347,044 shares granted under the Share Award Scheme.
3. The interests disclosed include deemed interests in 256,377 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 A-shares held	Approximate Percentage of issued share capital
Liu Sai Fei	Beneficial owner	297,574	0.008%

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.



Beijing Yidu Qingqing Town



## REPORT OF THE DIRECTORS

**Interests of Substantial Shareholders**

As at 31 December 2018, 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	59.003%
Overseas Investment Group International Limited ("Overseas Investment")	Note 2	1,947,984,000	59.003%
Shiyang Finance Limited ("Shiyang Finance")	Note 3	351,258,942	10.639%

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 Shiyang 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 2018, 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.

## REPORT OF THE DIRECTORS

**Purchase, Sale or Redemption of Listed Securities**

During the year ended 31 December 2018,

- (1) the Company had purchased in aggregate 85,529,000 shares on the HKEx at an aggregate consideration of approximately HK\$1,812,829,313 (before expenses). All the purchased shares were subsequently cancelled.

Particulars of the purchases are as follows:

Month of Purchased	Number of Shares Purchased	Purchase Price		Aggregate Purchase Price (before expenses) HK\$
		Highest HK\$	Lowest HK\$	
July 2018	56,761,000	23.20	19.14	1,197,111,551.78
August 2018	5,610,500	23.00	22.55	128,635,598.80
September 2018	21,000,000	23.00	20.80	455,151,723.00
October 2018	2,157,500	15.00	14.40	31,930,439.75
	<b>85,529,000</b>			<b>1,812,829,313.33</b>

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

- (2) the Company redeemed an aggregate principal amount of US\$600,000,000 of all outstanding 8.125% senior notes due 2021.



## REPORT OF THE DIRECTORS

- (3) Shanghai Shimao, a 58.92%-owned subsidiary of the Company, redeemed an aggregate principal amount of RMB1,500,000,000 of medium-term notes at a fixed interest rate of 6.08% due on 10 March 2018 and an aggregate principal amount of RMB1,500,000,000 of medium-term notes at a fixed interest rate of 5.35% due on 10 July 2018.
- (4) 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 5,849,500 shares of the Company at a total consideration of approximately HK\$121,246,000.

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 2018.

### Connected Transaction

Reference is made to the announcements of the Company dated 29 May 2017 and 28 May 2018 (collectively, the "Announcements") relating to the acquisition of the entire issued share capital of Perfect Run Group Limited by Shimao Property Investments Limited ("SPIL") (a wholly-owned subsidiary of the Company) as purchaser from Shimao International Holdings Limited ("SIHL") as vendor (the "Acquisition") at a cash consideration of RMB138,730,000, subject to adjustment for the additional consideration of RMB58,900,000 (if applicable) (the "Additional Consideration").

Pursuant to the conditional equity transfer agreement (the "Equity Transfer Agreement") made between SPIL and SIHL, if within 12 months from the effective date of the Equity Transfer Agreement (the "Approval LSD"), approval in writing in respect of the Change of Land Use (as defined in the Announcements) is obtained from the relevant governmental or regulatory authorities (the "Change of Land Use Approval") in respect of the Property A (as defined in the Announcements), SIHL will be entitled to the Additional Consideration. Completion of the Acquisition took place in June 2017.



Chengdu Shimao Festival City

## REPORT OF THE DIRECTORS

**Huizhou Huidong Shimao Mansions**

On 28 May 2018, the Company announced that the Change of Land Use Approval was yet to be obtained. Taking into account that the time required for the obtain of the Change of Land Use Approval was longer than expected in absence of default by the parties to the Equity Transfer Agreement, SPIL and SIHL entered into a supplemental agreement to the Equity Transfer Agreement on 28 May 2018 pursuant to which both parties agreed to extend the Approval LSD to “30 September 2018 (or such other date to be agreed by the Purchaser and the Vendor)”.

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 was a connected transaction of the Company under Chapter 14A of the Listing Rules. Details of the Acquisition were set out in the Announcements.

## 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 ("HSBC") 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.
- (3) A facility agreement on 31 July 2018 between, among others, the Company as borrower and Bank of Communications Co., Ltd. Hong Kong Branch as lender, a term loan facility in the amount of HK\$1,500,000,000 has been made available to the Company for a term of 48 months from the date of the facility agreement.
- (4) A facility agreement on 14 September 2018 between, among others, the Company as borrower, various banks as lenders and HSBC as facility agent, dual currency term loan facilities in the amount of US\$290,000,000 and HK\$2,614,500,000 has 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 2018 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 52 to 67 of this annual report.

## Auditor

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

On behalf of the Board

**Hui Wing Mau**  
*Chairman*

Hong Kong, 26 March 2019

# 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 2018 with the exception of two deviations, namely, code provision A.2.1 providing for the roles of the chairman and chief executive to be performed by different individuals and code provision E.1.2 providing for the chairman of the board should attend the annual general meeting. The reason of the said deviations from the relevant code provision are set out under the paragraph on “C.2 Chairman and Chief Executive” and “G.1 Effective Communication” below respectively.

## 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 2018, 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 57. Apart from formal meetings, matters requiring the Board approval were dealt with by way of written resolutions.

## CORPORATE GOVERNANCE REPORT

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

### C.2 Chairman and Chief Executive

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

Mr. Hui Wing Mau is the Chairman of the Company and the founder of the Group. With Mr. Hui's extensive experience in property development and investment, he is responsible for the overall strategic planning and business management of the Group. The Board considers that vesting the roles of chairman and chief executive in the same person is beneficial to the business prospects and management of the Group. The balance of power and authority is ensured by the operation of the senior management and the Board, which comprise experienced and high calibre individuals. The Board currently comprises 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 2018 and up to the date of this report:

#### *Executive Directors*

Mr. Hui Wing Mau (*Chairman*)  
Mr. Hui Sai Tan, Jason (*Vice Chairman and President\**)  
Ms. Tang Fei  
Mr. Liao Lujiang (resigned on 31 January 2018)

#### *Non-executive Director*

Mr. Liu Sai Fei

#### *Independent Non-executive Directors*

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

\* Mr. Hui Sai Tan, Jason was appointed as the President of the Company with effect from 30 January 2019.



Beijing Tongzhou World Chamber of Commerce Centre



## CORPORATE GOVERNANCE REPORT

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 2018. Details of attendance of the Nomination Committee members are set out in the table on page 57.

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 2018 is the review of the structure, size and composition (including the skills, knowledge and experience) of the Board.

For the nomination of Mr. Lu Hong Bing and Mr. Lam Ching Kam to stand for re-election as an Independent Non-executive Director at the annual general meeting in 2018, explanatory statements were included in the circular accompanying the relevant notice of meeting to set out reasons why the Board considers them to be independent.

## CORPORATE GOVERNANCE REPORT

The Board adopted a nomination policy (the "Nomination Policy") which sets out procedure, process and criteria in evaluating and selecting candidates for directorships of the Company. Pursuant to the Nomination Policy, the Nomination Committee shall consider the following criteria in evaluating and selecting candidates for directorships:

- (a) character and integrity;
- (b) qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- (c) commitment of the candidate to devote sufficient time to effectively carry out his/her duties. In this regard, the number and nature of offices held by the candidate in public companies or organizations, and other executive appointments or significant commitments will be considered;
- (d) independence of the candidate;
- (e) board diversity policy and any measurable objectives adopted by the Nomination Committee for achieving diversity on the Board; and
- (f) other factors considered to be relevant by the Nomination Committee on a case by case basis.

The nomination procedure and process for appointment of new Director, re-appointment of Directors and nomination by shareholders of the Company have been adopted and included in the Nomination Policy. The Nomination Committee will review and monitor from time to time the implementation of the Nomination Policy to ensure its effectiveness. No candidate was selected and nominated for directorship in 2018.

The Company recognizes the benefits of having a Board that has a balance of skills, experience and diversity of perspective appropriate to the requirements of the Company's businesses. The Board adopted a board diversity policy for the Company (the "Board Diversity Policy") which stipulates that for identifying individuals suitably qualified to become Directors, the Nomination Committee should, while reviewing the Board's composition, consider from a wide range of aspects for Board diversity, including, but not limited to gender, age, cultural and educational background, ethnicity, professional experience, required expertise, skills, knowledge and length of service, and any other factors that the Board may consider relevant and applicable from time to time. All appointments of Directors should have taken into account the aforesaid factors as a whole for the benefits of the Company. Selection of candidates will be based on the Company's Nomination Policy and will take into account the Board Diversity Policy. The ultimate decision will be based on merit against objective criteria and contribution that the candidate will bring to the Board. 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.

## CORPORATE GOVERNANCE REPORT

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)	N/A

Individual attendance records of the Directors at board meetings, board committees' meetings and annual general meeting during the financial year ended 31 December 2018, 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	0/1
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)	N/A	N/A	N/A	N/A	N/A

All Independent Non-executive Directors attended the last annual general meeting held in 2018. 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 2018.

### 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.

## CORPORATE GOVERNANCE REPORT

**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 2018. Details of attendance of the Remuneration Committee members are set out in the table on page 57.

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 2018 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 33 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.

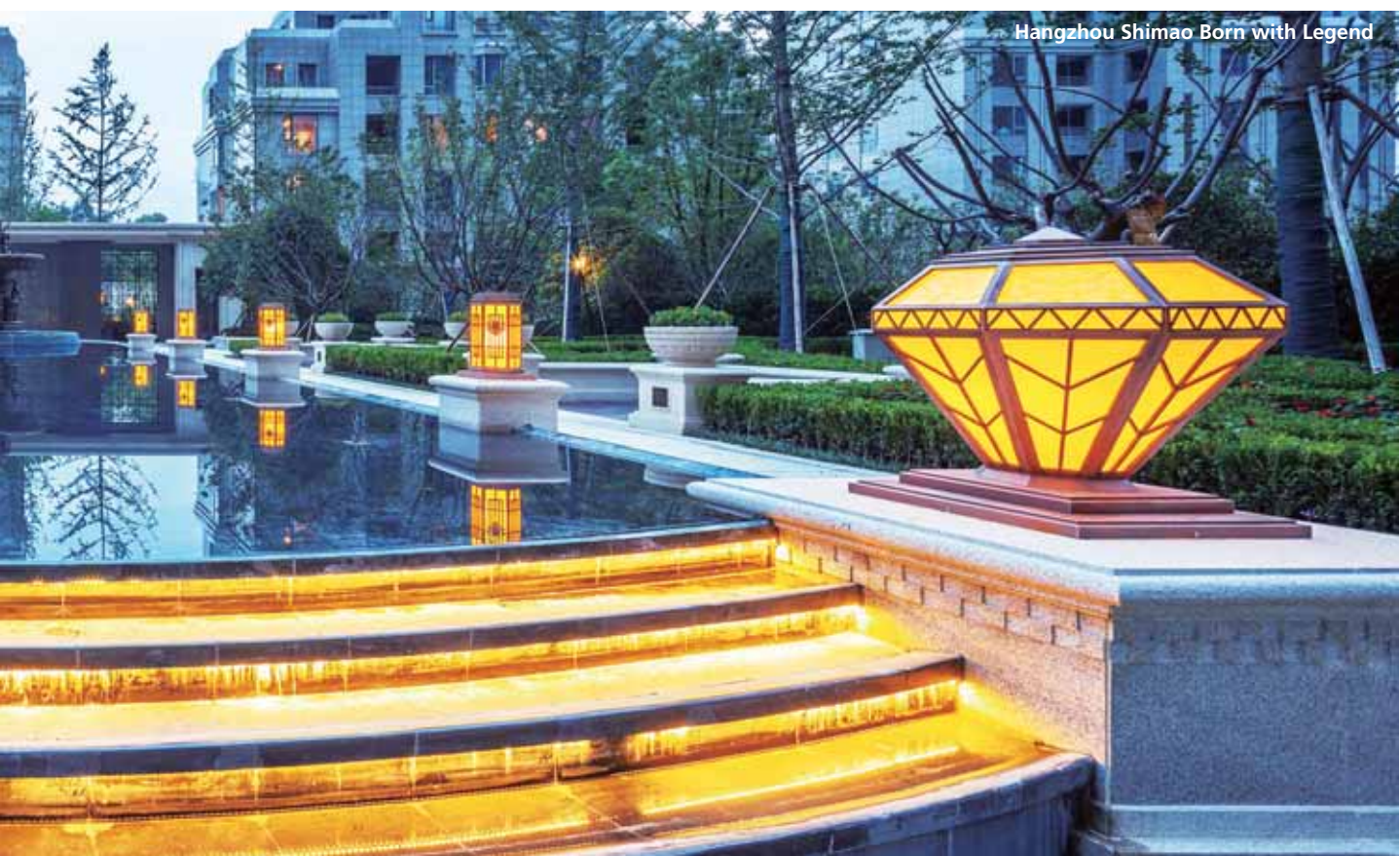
The Directors are responsible for overseeing the preparation of the financial statements for each financial period which gives a true and fair view of the Group's state of affairs, results and cash flows for relevant period.

In preparing the financial statements for the financial year ended 31 December 2018:

- (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.



## CORPORATE GOVERNANCE REPORT

**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.

## CORPORATE GOVERNANCE REPORT

**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.

	<b>Control (Finance, Legal, Compliance and Internal Control) Risks</b>	<ul style="list-style-type: none"> <li>• Exploring financing channel; strengthening exchange risks management</li> <li>• Strict control of contract templates</li> <li>• Enhancing protection and management system for trademarks and copyrights</li> <li>• Strengthening IT security measures</li> </ul>
	<b>Project Risk</b>	<ul style="list-style-type: none"> <li>• Revising "Project Risks Examining System"</li> <li>• Implementing risk control over the entire project cycle</li> </ul>
	<b>Procurement Risk</b>	<ul style="list-style-type: none"> <li>• Clearly defining responsibilities and authorities of each procurement department, and establishing a structure with separation of powers for check and balance</li> <li>• Strategic procurement from the manufacturers or brand owners</li> <li>• Formulating comprehensive strategic procedures for the procurement and tendering of materials and equipment</li> <li>• Organizing preparation meetings with strategic suppliers, and establishing mechanism for evaluation and feedback on contract performance feedback</li> </ul>
	<b>Environmental Risk</b>	<ul style="list-style-type: none"> <li>• Assessing impacts on the environment for each project</li> <li>• Strengthening controls of environmental impacts during construction</li> </ul>

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 2018. 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 two years 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 2018. Details of attendance of the Audit Committee members are set out in the table on page 57.

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 2018 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 2018 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 73 to 77 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.

## CORPORATE GOVERNANCE REPORT

The remuneration to the Company's auditor in respect of the services rendered for the year ended 31 December 2018 is set out as follows:

Services rendered	RMB'000
Audit services	9,800
Other services	
– Service in connection with the notes offering	3,900
– Others	9,390
<b>Total</b>	<b>23,090</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.

#### Beijing Shimao Xishan Royal



## 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.



## CORPORATE GOVERNANCE REPORT

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

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

The 2018 Annual General Meeting (the "2018 AGM") of the Company was held on 19 June 2018. Details of attendance of the Directors in the 2018 AGM are set out in the table on page 57. The Company's external auditor, PricewaterhouseCoopers, attended the 2018 AGM, during which its representative was available to answer questions raised by the Shareholders. The Chairman of the Board was unable to attend the 2018 AGM (as required by the code provision E.1.2 of the Code) due to the sudden change of the schedule.

### 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.

### G.3 Dividend Policy

Policy on payment of dividends of the Company is in place setting out the factors in determination of dividend payment which shall include but not limited to the Group's general financial condition, actual and future operations and liquidity position, and expected working capital requirements and future expansion plans. The policy will continue to be reviewed in light of the financial position of the Company, and submitted to the Board for approval if amendments are required.

## H. Company Secretary

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

## I. Shareholders' Rights

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

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

## CORPORATE GOVERNANCE REPORT

The EGM Requisitionists can deposit the written request at the Company's principal place of business in Hong Kong (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.

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

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

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

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

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

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

The Company welcomes 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 2018, there is no significant change in the constitutional documents of the Company.

# DIRECTORS AND SENIOR MANAGEMENT PROFILES

## Executive Directors

### Hui Wing Mau (Chairman)

Mr. Hui Wing Mau, aged 68, 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 29 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"), the president of China Federation of Overseas Chinese Entrepreneurs, 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, President and an Executive Director of the Company, and Ms. Hui Mei Mei, Carol, the vice chairman of Shanghai Shimao.

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

Mr. Hui Sai Tan, Jason, aged 42, joined the Group in March 2000 and has been an Executive Director, the Vice Chairman and President of the Company since 17 November 2004, 21 April 2008 and 30 January 2019 respectively. He is currently responsible for the operation and sales of all the Group's projects, and the administration and management of the Group. 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 has more than 20 years' experience in property development and management. He is a member of the Standing Committee of All-China Youth Federation and a member of Shanghai Committee of the CPPCC. Mr. Jason Hui 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 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.



Yinchuan Shiyue Mansion

## DIRECTORS AND SENIOR MANAGEMENT PROFILES

**Tang Fei**

Ms. Tang Fei, aged 48, 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 25 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. Ms. Tang is a Senior International Finance Manager and an associate member of The Association of International Accountants (the "AIA"). She was also awarded as one of the Top 10 Accountants of AIA in China in 2018.

**Non-Executive Director****Liu Sai Fei**

Mr. Liu Sai Fei, aged 57, 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 34 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.



## DIRECTORS AND SENIOR MANAGEMENT PROFILES

**Independent Non-Executive Directors****Kan Lai Kuen, Alice**

Ms. Kan Lai Kuen, Alice, aged 64, has been an Independent Non-executive Director of the Company since 16 March 2006 and has more than 27 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: 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 was formerly an independent non-executive director of Shougang Concord International Enterprises Company Limited, a company listed on the HKEx, from 2004 to 2018. 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 52, 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 26 years' experience in corporate and securities laws in China. Mr. Lu currently serves as an independent non-executive director of CEFC Hong Kong Financial Investment 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 was formerly an independent non-executive director of ZTE Corporation, a company publicly listed on the Shenzhen Stock Exchange and the HKEx, from 2015 to 2018. Mr. Lu is the chief executive partner of the Grandall Law Firm, a



Xiamen Longyan Xiaoyang Wenjing Project



## DIRECTORS AND SENIOR MANAGEMENT PROFILES



Shenyang Shimao New Wulihe

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 (Alias: Jacob Lam), aged 58, 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 17 years. Mr. Lam has been in the property development and construction industry for 35 years, and has worked for construction contractors such as Shui On Building Contractors Limited, China State Construction Engineering Corporation and Hopewell Construction Co., Ltd. Mr. Lam was employed as a quantity surveyor and worked in London from 1990 to 1991. He was employed

by certain consultant firms and the Architectural Services Department of the Hong Kong Government before he emigrated to Australia in 1996 and operated a project management firm in Sydney. Mr. Lam was the project controller of Sino Regal Ltd. (HK) for investment projects in China from 1994 to 1996. In 1998, Mr. Lam established a surveying and management consultant firm which has been participating in many large-scale projects in China and Macau, including a Beijing Olympic 2008 project involving the hotels, offices towers and commercial complex in Olympic Park, Beijing. In October 2016, Mr. Lam's company merged with ShineWing (Beijing) International Construction Consulting Co., Ltd. ("ShineWing") and he became a partner of ShineWing on 1 October 2016.

## Senior Management

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

## Change in Information of Directors

The change in the information of the Directors of the Company since the publication of the interim report of the Company for the six months ended 30 June 2018 required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules is set out below:

Name of Directors	Detail of Changes
Mr. Hui Sai Tan, Jason	Appointed as the President of the Company
Ms. Tang Fei	Become a Senior International Finance Manager and an associate member of The Association of International Accountants

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

# INFORMATION FOR SHAREHOLDERS

## ANNUAL REPORT

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

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

## ANNUAL GENERAL MEETING ("AGM")

The 2019 AGM will be held on Tuesday, 18 June 2019. The notice of the 2019 AGM, which constitutes part of the circular to shareholders, is sent together with this annual report. The notice of the 2019 AGM and the proxy form are also available on the Company's website.

## 2018 DIVIDENDS

Interim dividend	HK50 cents per ordinary share
Proposed final dividend	HK70 cents per ordinary share

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

For determining shareholders' eligibility to attend and vote at the 2019 AGM:

Latest time to lodge transfer documents for registration	4:30 p.m. on Tuesday, 11 June 2019
Closure of ROM	from Wednesday, 12 June 2019 to Tuesday, 18 June 2019 (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, 21 June 2019
Closure of ROM	Monday, 24 June 2019 and Tuesday, 25 June 2019
Record date	Tuesday, 25 June 2019
Dispatch of final dividend warrants	Wednesday, 10 July 2019

# INDEPENDENT AUDITOR'S REPORT

## To the Shareholders of Shimao Property Holdings Limited

*(incorporated in Cayman Islands with limited liability)*

## Opinion

### What we have audited

The consolidated financial statements of Shimao Property Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 78 to 184, which comprise:

- the consolidated balance sheet as at 31 December 2018;
- 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 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### Basis for Opinion

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

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

### Independence

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

### Key Audit Matters

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

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

- Valuation of investment properties
- Impairment of goodwill

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

## Key Audit Matters (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
<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 RMB36,891 million as at 31 December 2018 and a revaluation gain of RMB1,910 million was recorded in the consolidated statement of comprehensive income for the year ended 31 December 2018, which represented 9.8% of total assets as at 31 December 2018 and 8.4% of profit before income tax for the year ended 31 December 2018 respectively.</p> <p>We focused on this area because the investment property balance and the revaluation gain during the year based on the valuation of the investment properties are significant to the financial statements and the valuation of the investment properties, which was performed by independent and professionally qualified valuers ("the Valuers"), was highly dependent on the estimates on key assumptions, including market prices and estimated costs to be incurred.</p>	<p>We assessed the competence, independence and integrity of the Valuers.</p> <p>We assessed whether the valuation methodology used is acceptable with the assistance of our internal valuation experts.</p> <p>We tested the inputs used in the valuation, on a sample basis, to available supporting evidence including rental contracts, available third-party reports and market data of comparable properties. We also checked the mathematical accuracy of the underlying calculations in the valuation model.</p> <p>We challenged management's estimates on key assumptions adopted in the valuation by comparing market prices to the recent comparable transactions and comparing estimated costs to be incurred to the project budgets. We also evaluated past actual to budget variance to assess the reliability of the project budgets.</p> <p>In addition, we assessed the sensitivity analysis performed by management to consider the likelihood that the actual outcome differs from the estimates on key assumptions to an extent that results in significant change to the valuation of the investment properties.</p> <p>Based on the work conducted, we found that the methodology applied by management was acceptable and the estimates on key assumptions adopted were supported by the evidence we gathered.</p>

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

## 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 2018, 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 1.6% 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 2018, 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.

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### 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 HKSAAs 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 HKSAAs, 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.

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### **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, 26 March 2019

**CONSOLIDATED BALANCE SHEET**

As at 31 December 2018

	Note	As at 31 December	
		2018 RMB'000	2017 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	6	14,577,637	13,513,914
Investment properties	7	36,891,022	34,036,147
Land use rights	8	7,965,764	8,176,521
Intangible assets	9	1,840,658	1,840,658
Investments accounted for using the equity method	11	16,966,160	14,946,727
Amounts due from related parties	12	1,589,737	1,471,478
Financial assets at fair value through other comprehensive income	13	981,680	–
Financial assets at fair value through profit or loss	14	176,727	–
Available-for-sale financial assets	13	–	1,068,775
Deferred income tax assets	15	2,806,563	2,523,663
Other non-current assets	16	4,952,069	7,449,318
		<b>88,748,017</b>	85,027,201
<b>Current assets</b>			
Inventories	17	192,689,769	133,554,704
Trade and other receivables and prepayments	18	19,922,877	15,583,786
Prepayment for acquisition of land use rights	19	6,321,397	21,605,517
Prepaid income taxes		3,715,789	2,743,827
Amounts due from related parties	12	16,609,749	16,035,676
Derivative financial instruments	20	12,468	1,190
Restricted cash	21	5,888,489	4,469,331
Cash and cash equivalents	21	43,688,296	28,537,441
		<b>288,848,834</b>	222,531,472
<b>Total assets</b>		<b>377,596,851</b>	307,558,673
<b>EQUITY</b>			
<b>Equity attributable to the equity holders of the Company</b>			
Share capital	22	341,575	348,864
Reserves	23	58,892,631	57,285,819
		<b>59,234,206</b>	57,634,683
<b>Non-controlling interests</b>			
Perpetual capital instruments	24	5,100,000	4,200,000
Other non-controlling interests		40,945,971	34,912,114
		<b>46,045,971</b>	39,112,114
<b>Total equity</b>		<b>105,280,177</b>	96,746,797



## CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 31 December 2018

	Note	As at 31 December	
		2018 RMB'000	2017 RMB'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	25	77,825,292	69,309,472
Deferred income tax liabilities	15	6,596,455	6,025,277
		<b>84,421,747</b>	75,334,749
<b>Current liabilities</b>			
Trade and other payables	27	50,585,171	33,524,265
Advanced proceeds received		–	34,117,188
Contract liabilities		47,173,444	–
Income tax payable		20,595,196	15,641,375
Borrowings	25	31,306,474	18,195,220
Finance lease liabilities	26	–	130,560
Amounts due to related parties	28	38,234,642	33,868,519
		<b>187,894,927</b>	135,477,127
<b>Total liabilities</b>		<b>272,316,674</b>	210,811,876
<b>Total equity and liabilities</b>		<b>377,596,851</b>	307,558,673

The notes on pages 85 to 184 are an integral part of these consolidated financial statements.

The financial statements on pages 78 to 184 were approved by the Board of Directors on 26 March 2019 and were signed on its behalf.

**Hui Wing Mau**  
Director

**Hui Sai Tan, Jason**  
Director

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 31 December 2018

	Note	Year ended 31 December	
		2018 RMB'000	2017 RMB'000
<b>Revenue</b>	5	<b>85,512,704</b>	70,425,874
Cost of sales	30	<b>(58,563,625)</b>	(48,996,361)
<b>Gross profit</b>		<b>26,949,079</b>	21,429,513
Fair value gains on investment properties – net	7	<b>1,910,251</b>	679,484
Other income/other gains – net	29	<b>297,280</b>	545,095
Selling and marketing costs	30	<b>(2,023,438)</b>	(1,461,804)
Administrative expenses	30	<b>(3,429,512)</b>	(2,989,871)
Reversal of impairment losses on financial assets	30	<b>25,529</b>	–
Other operating expenses	30	<b>(520,488)</b>	(523,702)
<b>Operating profit</b>		<b>23,208,701</b>	17,678,715
Finance income		<b>786,116</b>	2,059,980
Finance costs		<b>(1,123,143)</b>	(731,566)
Finance (costs)/income – net	31	<b>(337,027)</b>	1,328,414
Share of results of associated companies and joint ventures accounted for using the equity method		<b>(233,469)</b>	(315,376)
<b>Profit before income tax</b>		<b>22,638,205</b>	18,691,753
Income tax expense	34	<b>(10,327,273)</b>	(8,121,060)
<b>Profit for the year</b>		<b>12,310,932</b>	10,570,693
<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		–	(8,641)
Translation reserves		<b>137</b>	(101)
<i>Item that will not be reclassified to profit or loss</i>			
Fair value losses on financial assets at fair value through other comprehensive income, net of tax		<b>(290,843)</b>	–
Other comprehensive income		<b>(290,706)</b>	(8,742)
<b>Total comprehensive income for the year</b>		<b>12,020,226</b>	10,561,951

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the year ended 31 December 2018

	Note	Year ended 31 December	
		2018 RMB'000	2017 RMB'000
<b>Profit for the year attributable to:</b>			
Equity holders of the Company		<b>8,834,790</b>	7,840,494
Non-controlling interests		<b>3,476,142</b>	2,730,199
		<b>12,310,932</b>	10,570,693
<b>Total comprehensive income for the year attributable to:</b>			
Equity holders of the Company		<b>8,663,562</b>	7,835,302
Non-controlling interests		<b>3,356,664</b>	2,726,649
		<b>12,020,226</b>	10,561,951
<b>Earnings per share for profit attributable to the equity holders of the Company</b>			
– Basic (RMB cents)	35	<b>264.7</b>	232.4
– Diluted (RMB cents)	35	<b>264.1</b>	231.9

The notes on pages 85 to 184 are an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the year ended 31 December 2018

	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 2018</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>
Adjustment on adoption of HKFRS 9, net of tax (Note 2.1)		-	(54,728)	-	-	(54,728)
Adjustment on adoption of HKFRS 15, net of tax (Note 2.1)		-	109,820	-	22,348	132,168
Restated total equity at 1 January 2018		<b>348,864</b>	<b>57,340,911</b>	<b>4,200,000</b>	<b>34,934,462</b>	<b>96,824,237</b>
<b>Comprehensive income</b>						
Profit for the year		-	8,834,790	262,247	3,213,895	12,310,932
<b>Other comprehensive income for the year</b>						
<i>Items that may be reclassified to profit or loss</i>						
Translation reserves		-	137	-	-	137
<i>Items that will not be reclassified to profit or loss</i>						
Fair value losses on financial assets at fair value through other comprehensive income, net of tax		-	(171,365)	-	(119,478)	(290,843)
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>8,663,562</b>	<b>262,247</b>	<b>3,094,417</b>	<b>12,020,226</b>
Acquisition of subsidiaries	41(a), 41(b)	-	-	-	807,615	807,615
Capital contribution from non-controlling interests	41(e(i))	-	-	-	6,228,072	6,228,072
Changes in ownership interests in subsidiaries without change of control	41(e(ii))	-	(2,448,538)	-	(3,863,261)	(6,311,799)
Disposal and deemed disposal of subsidiaries	41(c), 41(d)	-	-	-	(43,094)	(43,094)
Equity-settled share-based payment						
- Value of employee services	23	-	116,075	-	-	116,075
- Purchase of shares	23	-	(97,714)	-	-	(97,714)
- Dividends received	23	-	12,539	-	-	12,539
Perpetual capital instruments issued	24	-	-	1,700,000	-	1,700,000
Perpetual capital instruments redeemed	24	-	-	(800,000)	-	(800,000)
Perpetual capital instruments dividends		-	-	(262,247)	-	(262,247)
Buy-back of shares						
- Purchase of shares	23	-	(1,549,371)	-	-	(1,549,371)
- Dividends received	23	-	9,069	-	-	9,069
- Cancellation of shares	22,23	(7,289)	7,289	-	-	-
Dividends and distributions	23,36	-	(3,161,191)	-	(212,240)	(3,373,431)
<b>Total transactions with owners</b>		<b>(7,289)</b>	<b>(7,111,842)</b>	<b>637,753</b>	<b>2,917,092</b>	<b>(3,564,286)</b>
<b>Balance at 31 December 2018</b>		<b>341,575</b>	<b>58,892,631</b>	<b>5,100,000</b>	<b>40,945,971</b>	<b>105,280,177</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2018

	Note	Attributable to the equity holders of the Company			Non-controlling interests	Total
		Share capital	Reserves	Perpetual capital instruments		
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Balance at 1 January 2017</b>		348,864	52,107,187	4,500,000	31,260,942	88,216,993
<b>Comprehensive income</b>						
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, net of tax		–	(5,091)	–	(3,550)	(8,641)
Translation reserves		–	(101)	–	–	(101)
<b>Total comprehensive income for the year</b>		–	7,835,302	293,845	2,432,804	10,561,951
Acquisition of subsidiaries		–	–	–	857,447	857,447
Capital contribution from non-controlling interests		–	–	–	2,973,971	2,973,971
Changes in ownership interests in subsidiaries without change of control		–	(236,983)	–	(2,499,695)	(2,736,678)
Deemed disposal of a subsidiary		–	–	–	(8,109)	(8,109)
Equity-settled share-based payment						
– Value of employee services	23	–	75,470	–	–	75,470
– Purchase of shares	23	–	(65,328)	–	–	(65,328)
– Dividends received	23	–	6,510	–	–	6,510
Perpetual capital instruments issued	24	–	–	1,200,000	–	1,200,000
Perpetual capital instruments redeemed	24	–	–	(1,500,000)	–	(1,500,000)
Perpetual capital instruments dividends		–	–	(293,845)	–	(293,845)
Dividends and distributions	23,36	–	(2,436,339)	–	(105,246)	(2,541,585)
<b>Total transactions with owners</b>		–	(2,656,670)	(593,845)	1,218,368	(2,032,147)
<b>Balance at 31 December 2017</b>		348,864	57,285,819	4,200,000	34,912,114	96,746,797

The notes on pages 85 to 184 are an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS**

For the year ended 31 December 2018

	Note	Year ended 31 December	
		2018 RMB'000	2017 RMB'000
<b>Cash flow from operating activities</b>			
Net cash generated from operations	37	14,497,212	22,741,854
Interest received	31	786,116	581,511
Interest paid		(7,031,504)	(5,711,350)
PRC income tax paid		(6,041,922)	(6,132,804)
<b>Net cash generated from operating activities</b>		<b>2,209,902</b>	<b>11,479,211</b>
<b>Cash flow from investing activities</b>			
Additions of property and equipment and investment properties		(3,108,800)	(2,257,268)
Disposal of property and equipment		19,389	6,526
Disposal of investment properties		47,000	–
Additions of land use rights		(170,346)	(58,254)
Acquisition of derivative financial instruments		–	(47,304)
Settlement of derivative financial instruments		–	49,334
Decrease/(increase) in prepayments for acquisition of equity interests	16	305,985	(5,619,589)
Acquisition of subsidiaries	41(a), 41(b)	(4,840)	(250,079)
Disposal and deemed disposal of subsidiaries	41(c), 41(d)	143,923	(125,979)
Capital injections to associated companies	11(a)	(18,921)	(582,791)
Capital injections to joint ventures	11(b)	(2,378,769)	(3,892,079)
Disposal of shares of a joint venture	11(b)	27,750	5,000
Dividends received from joint ventures	11(b)	73,640	–
Advances to joint ventures and associated companies		(692,332)	(13,184,690)
Acquisition of available-for-sale financial assets		–	(1,080,000)
Disposal of available-for-sale financial assets		–	3,945,961
Increase of financial assets at fair value through other comprehensive income		(300,931)	–
Increase of financial assets at fair value through profit or loss	3(e)	(170,377)	–
Gain on investment in structured products issued by banks	29	19,558	85,847
<b>Net cash used in investing activities</b>		<b>(6,208,071)</b>	<b>(23,005,365)</b>
<b>Cash flow from financing activities</b>			
Proceeds from borrowings		73,043,880	65,975,338
Repayments of borrowings and finance lease liabilities		(55,047,635)	(43,385,558)
Purchase of shares		(97,714)	(65,328)
Buyback shares		(1,549,371)	–
Capital contribution from non-controlling interests of subsidiaries		6,228,072	2,973,971
Acquisition of additional interests in subsidiaries		(4,071,799)	(2,736,678)
Payment for acquisition of equity interests in prior year		–	(1,045,000)
Proceeds from issue of perpetual capital instruments		1,700,000	1,200,000
Redemption of perpetual capital instruments		(800,000)	(1,500,000)
Interest for the holders of perpetual capital instruments		(262,247)	(293,845)
Dividends paid to the equity holders of the Company		(3,161,191)	(2,436,339)
Dividends paid to non-controlling interests		(212,240)	(105,246)
Increase in amounts due to non-controlling interests	28	4,706,536	3,674,770
Dividends received		21,608	6,510
Increase in restricted cash pledged for borrowings		(1,386,888)	(1,534,226)
<b>Net cash generated from financing activities</b>		<b>19,111,011</b>	<b>20,728,369</b>
<b>Net increase in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of the year		15,112,842	9,202,215
Effect of foreign exchange rate changes		28,537,441	19,359,175
		38,013	(23,949)
Cash and cash equivalents at end of the year	21	43,688,296	28,537,441

The notes on pages 85 to 184 are an integral part of these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 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, financial assets at fair value through other comprehensive income ("FVOCI"), financial assets at fair value through profit or loss ("FVPL"), 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 their annual reporting period commencing 1 January 2018:

- HKFRS 9 Financial Instruments
- HKFRS 15 Revenue from Contracts with Customers
- Classification and Measurement of Share-based Payment Transactions – Amendments to HKFRS 2
- Transfers of Investment Property – Amendments to HKAS 40
- Interpretation 22 Foreign Currency Transactions and Advance Consideration

The following amendments of HKFRSs are effective for the first time for the financial year beginning on 1 January 2018 and not relevant to the Group's operations (although they may affect the accounting for future transactions and events):

- Amendments to HKFRS 4 Insurance contracts
- Annual Improvements 2014-2016 cycle

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

**2 Summary of significant accounting policies (CONTINUED)****2.1 Basis of preparation (continued)****(i) New and amended standards adopted by the Group (continued)**

The Group had to change its accounting policies and make certain adjustments following the adoption of HKFRS 9 and HKFRS 15. The other newly adopted standards or amendments listed above did not have material impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future period.

HKFRS 9 was generally adopted using modified retrospective approach while adopting HKFRS 9. The reclassification and adjustments arising from the new impairment rules are therefore not reflected in the balance sheet as at 31 December 2017, but are recognised in the opening balance sheet on 1 January 2018.

The Group adopted HKFRS 15 using the modified retrospective approach which means that the cumulative impact of the adoption are recognised in retained earnings as of 1 January 2018 and that comparatives have not been restated.

The following tables show the adjustment recognised for each individual line item. The adjustment are explained in more details below.

Consolidated Balance Sheet	31 December			1 January
	2017	HKFRS 9	HKFRS 15	2018
	As originally presented			Restated
	RMB'000	RMB'000	RMB'000	RMB'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property and equipment	13,513,914	–	–	13,513,914
Investment properties	34,036,147	–	–	34,036,147
Land use rights	8,176,521	–	–	8,176,521
Intangible assets	1,840,658	–	–	1,840,658
Investments accounted for using the equity method	14,946,727	–	(15,865)	14,930,862
Amounts due from related parties	1,471,478	(22,072)	–	1,449,406
Financial assets at FVOCI	–	1,068,775	–	1,068,775
Available-for-sale financial assets ("AFS")	1,068,775	(1,068,775)	–	–
Deferred income tax assets	2,523,663	18,243	–	2,541,906
Other non-current assets	7,449,318	–	–	7,449,318
	85,027,201	(3,829)	(15,865)	85,007,507
<b>Current assets</b>				
Inventories	133,554,704	–	(491,868)	133,062,836
Trade and other receivables and prepayments	15,583,786	(29,214)	–	15,554,572
Prepayments for acquisition of land use rights	21,605,517	–	–	21,605,517
Prepaid income taxes	2,743,827	–	–	2,743,827
Amounts due from related parties	16,035,676	(21,685)	–	16,013,991
Derivative financial instruments	1,190	–	–	1,190
Restricted cash	4,469,331	–	–	4,469,331
Cash and cash equivalents	28,537,441	–	–	28,537,441
	222,531,472	(50,899)	(491,868)	221,988,705
<b>Total assets</b>	<b>307,558,673</b>	<b>(54,728)</b>	<b>(507,733)</b>	<b>306,996,212</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

## 2 Summary of significant accounting policies (CONTINUED)

## 2.1 Basis of preparation (continued)

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

Consolidated Balance Sheet (continued)	31 December			1 January
	2017	HKFRS 9	HKFRS 15	2018
	As originally presented	RMB'000	RMB'000	Restated
	RMB'000	RMB'000	RMB'000	RMB'000
<b>EQUITY</b>				
<b>Equity attributable to equity holders of the Company</b>				
Share capital	348,864	–	–	348,864
Share premium	100,282	–	–	100,282
Reserves				
– Proposed dividend	1,638,371	–	–	1,638,371
– Retained earnings	52,956,128	(54,728)	109,820	53,011,220
– Others	2,591,038	–	–	2,591,038
	57,634,683	(54,728)	109,820	57,689,775
<b>Non-controlling interests</b>				
Perpetual capital instruments	4,200,000	–	–	4,200,000
Other non-controlling interests	34,912,114	–	22,348	34,934,462
	39,112,114	–	22,348	39,134,462
<b>Total equity</b>	<b>96,746,797</b>	<b>(54,728)</b>	<b>132,168</b>	<b>96,824,237</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Borrowings	69,309,472	–	–	69,309,472
Deferred income tax liabilities	6,025,277	–	52,026	6,077,303
	75,334,749	–	52,026	75,386,775
<b>Current liabilities</b>				
Trade and other payables	33,524,265	–	43,107	33,567,372
Advanced proceeds received	34,117,188	–	(34,117,188)	–
Contract liabilities	–	–	33,374,109	33,374,109
Income tax payable	15,641,375	–	8,045	15,649,420
Borrowings	18,195,220	–	–	18,195,220
Finance lease liabilities	130,560	–	–	130,560
Amounts due to related parties	33,868,519	–	–	33,868,519
	135,477,127	–	(691,927)	134,785,200
<b>Total liabilities</b>	<b>210,811,876</b>	<b>–</b>	<b>(639,901)</b>	<b>210,171,975</b>
<b>Total equity and liabilities</b>	<b>307,558,673</b>	<b>(54,728)</b>	<b>(507,733)</b>	<b>306,996,212</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

**2 Summary of significant accounting policies (CONTINUED)****2.1 Basis of preparation (continued)****(i) New and amended standards adopted by the Group (continued)****(a) HKFRS 9 Financial Instruments**

HKFRS 9 replaces the provisions of HKAS 39 that relates to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 *Financial Instruments* from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in Note 2.10 below. In accordance with the transitional provisions in HKFRS 9(7.2.15) and (7.2.26), comparative figures have not been restated as the Group does not have any hedge instrument. As a result, the adjustments arising from the new impairment rules are not reflected in the balance sheet as at 31 December 2017, but are recognised in the opening balance sheet as at 1 January 2018.

- *Classification and measurement*

On 1 January 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. The main effects resulting from this reclassification are as follows:

Financial assets – 1 January 2018	Financial assets	
	AFS RMB'000	at FVOCI RMB'000
Closing balance 31 December 2017 – HKAS 39	1,068,775	–
Reclassify investments from AFS to financial assets at FVOCI	(1,068,775)	1,068,775
Opening balance 1 January 2018 – HKFRS 9	–	1,068,775

The impact of these changes on the Group's equity is as follows:

	Effect on AFS reserves RMB'000	Effect on financial assets at FVOCI reserve RMB'000	Effect on retained earnings RMB'000
Opening balance 31 December 2017 – HKAS 39	(127,772)	–	(127,772)
Reclassify investments from AFS to financial assets at FVOCI	127,772	(127,772)	–
Opening balance 1 January 2018 – HKFRS 9	–	(127,772)	(127,772)

The Group elected to present in other comprehensive income ("OCI") changes in the fair value of all its investments in listed securities and structured products issued by financial institutions previously classified as AFS, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, assets with a fair value of RMB1,068,775,000 were reclassified from AFS to financial assets at FVOCI and RMB127,772,000 fair value losses were reclassified from the AFS reserve to the financial assets at FVOCI reserve on 1 January 2018.

There is 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 FVPL and the Group does not have any such liabilities which are subject to HKFRS 9.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

**2 Summary of significant accounting policies (CONTINUED)****2.1 Basis of preparation (continued)****(i) New and amended standards adopted by the Group (continued)****(a) HKFRS 9 Financial Instruments (continued)**

- *Impairment of financial assets*

The Group has two types of financial assets that are subject to HKFRS 9's new expected credit loss model:

- Trade and other receivables
- Amounts due from related parties

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade and other receivables and amounts due from related parties.

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. This resulted in an increase of the loss allowance on 1 January 2018 by RMB29,214,000 for trade and other receivables and RMB43,757,000 for amounts due from related parties. Note 3(b) provides for details about the calculation of the allowance.

**(b) HKFRS 15 Revenue from Contracts with Customers**

The Group has adopted HKFRS 15 *Revenue from Contracts with Customers* from 1 January 2018 which resulted in changes in accounting policies and adjustments to amounts recognised in the financial statements. The Group adopted HKFRS 15 using the modified retrospective approach which means that the cumulative impact of the adoption are recognised in retained earnings as of 1 January 2018 and that comparatives have not been restated.

The effects of the adoption of HKFRS 15 are as follows:

- *Presentation of contract assets and liabilities*

Reclassifications were made as at 1 January 2018 to be consistent with the terminology used under HKFRS 15:

Contract liabilities for progress billing recognised in relation to property development activities were previously presented as advanced proceeds received from customers.

- *Accounting for property development activities*

In prior reporting periods, the Group accounted for property development activities when significant risk and rewards of ownership has been transferred to the customers on delivery in its entirety at a single time upon vacant possession and not continuously as construction progresses.

Under HKFRS 15, 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 recognises revenue as the performance obligation is satisfied over time in accordance with the input method for measuring progress.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

**2 Summary of significant accounting policies (CONTINUED)****2.1 Basis of preparation (continued)****(i) New and amended standards adopted by the Group (continued)****(b) HKFRS 15 Revenue from Contracts with Customers (continued)**

Following adjustment were made to the amounts recognised in the balance sheet at the date of initial application (1 January 2018):

	HKAS 18		HKFRS 15	
	carrying amount 31 December 2017	Reclassification	Remeasurements	carrying amount 1 January 2018
	RMB'000	RMB'000	RMB'000	RMB'000
Investments accounted for using the equity method	14,946,727	–	(15,865)	14,930,862
Inventories	133,554,704	–	(491,868)	133,062,836
Advanced proceeds received	34,117,188	(32,994,584)	(1,122,604)	–
Contract liabilities	–	32,994,584	379,525	33,374,109
Trade and other payables	33,524,265	–	43,107	33,567,372
Income tax payable	15,641,375	–	8,045	15,649,420
Deferred income tax liabilities	6,025,277	–	52,026	6,077,303
Retained earnings attributable to the equity holders of the Company	52,956,128	–	109,820	53,065,948
Other non-controlling interests	34,912,114	–	22,348	34,934,462

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

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2018 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

		Effective for annual periods beginning on or after
HKFRS 16	Leases	1 January 2019
HKFRS 17	Insurance contracts	1 January 2021
HK (IFRIC) 23	Uncertainty over income tax treatments	1 January 2019
HKFRS 9 (Amendments)	Prepayment features with negative compensation	1 January 2019
HKAS 28 (Amendments)	Long-term interests in associates and joint venture	1 January 2019
HKAS 19 (Amendments)	Plan amendment, curtailment or settlement	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
Amendments to HKFRS 3	Definition of business	1 January 2020
Amendments to HKAS 1 and HKAS 8	Definition of material	1 January 2020

**HKFRS 16 Leases**

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The Group has set up a project team which has reviewed all of the Group's leasing arrangements over the last year in light of the new lease accounting rules in HKFRS 16. The standard will affect primarily the accounting for the Group's operating leases.

The Group does not expect any significant impact on the financial statements for the activity as a lessor. However, some additional disclosures will be required next year.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 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 (continued)

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

As at 31 December 2018, the Group has non-cancellable operating lease commitments of RMB514,292,000, of them, approximately RMB170,266,000 related to short-term and low value lease which will be recognised as a straight-line basis as expense in the profit and loss account. For the remaining lease commitments of RMB344,026,000, the Group expects to recognise lease liabilities of no greater than RMB301,802,000 and recognise right-of-use assets for a similar amount subject to final valuation.

Apart from HKFRS 16, there are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

### 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 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.

#### (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 OCI of the investee in OCI. 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

**2 Summary of significant accounting policies (CONTINUED)****2.2 Principles of consolidation and equity accounting (continued)****(iv) Equity accounting (continued)**

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 OCI 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 OCI 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 OCI are reclassified to profit or loss where appropriate.

**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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

## 2 Summary of significant accounting policies (CONTINUED)

### 2.3 Business combinations (continued)

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.

### 2.5 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 OCI.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

**2 Summary of significant accounting policies (CONTINUED)****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.

**2.7 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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

## 2 Summary of significant accounting policies (CONTINUED)

### 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.

### 2.10 Investments and financial assets

#### (i) Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

#### (ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

#### (iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

**2 Summary of significant accounting policies (CONTINUED)****2.10 Investments and financial assets (continued)****(iii) Measurement (continued)****Debt instruments**

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its debt instruments:

- Financial assets at FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- Financial assets at FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

**Equity instruments**

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in 'other income/other gains – net' in the income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

**(iv) Impairment**

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 18 for further details.

Impairment testing of trade and other receivables and amounts due from related parties is described in Note 3(b).

**2.11 Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the balance sheet where the Group currently has 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 Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

**2.12 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 income statement within 'other income/other gains – net'.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

**2 Summary of significant accounting policies (CONTINUED)****2.13 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.

**2.14 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.

**2.15 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.

**2.16 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.

**2.17 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.

**2.18 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 equity holders of the Company.

**2.19 Perpetual capital instruments**

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

For the year ended 31 December 2018

**2 Summary of significant accounting policies (CONTINUED)****2.20 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.

**2.21 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 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.

**2.22 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.

**2.23 Current and deferred income tax**

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

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

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

## 2 Summary of significant accounting policies (CONTINUED)

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

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

Deferred income tax 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.

### 2.24 Employee benefits

#### (i) Employee leave entitlements

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

#### (ii) Retirement benefits

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

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

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

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

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

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

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

**2 Summary of significant accounting policies (CONTINUED)****2.24 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.

**2.25 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.

**2.26 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**

For the year ended 31 December 2017, 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 balance sheet under current liabilities.

For the year ended 31 December 2018, revenues are recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may be transferred over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

**2 Summary of significant accounting policies (CONTINUED)****2.26 Revenue recognition (continued)****(i) Sales of properties (continued)**

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict the Group's performance in satisfying the performance obligation:

- direct measurements of the value transferred by the Group to the customer; or
- the Group's efforts or inputs to the satisfaction of the performance obligation.

For property development and sales contracts for which the control of the property is transferred at a point in time, revenue is recognised when the customer obtains the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable.

**(ii) Property management services**

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

**(iii) Interest income**

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

**(iv) Rental income**

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

**(v) Hotel operation income**

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

**(vi) Commission income**

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

**(vii) Dividend income**

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

**2.27 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

**2 Summary of significant accounting policies (CONTINUED)****2.28 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.

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 balance sheet.

**2.29 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 and directors.

**2.30 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 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.

**2.31 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 income statement within other operating expenses.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

### 3 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk, cash flow interest rate risk and fair value 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, 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 31 December 2018, 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 2018, if RMB had strengthened/weakened by 5%, against US dollar and HK dollar with all other variables held constant without capitalization of exchange gains and losses, post-tax profit for the year would have been RMB2,554,544,000 (2017: RMB1,641,127,000) 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.

As at 31 December 2018, borrowings with a total carrying amount of RMB46,520,029,000 (2017: RMB29,476,040,000) are denominated in US dollar, borrowings with a total carrying amount of RMB13,207,924,000 (2017: RMB7,403,543,000) are denominated in HK dollar and borrowings with a total carrying amount of RMB1,206,796,000 (2017: RMB503,559,000) are denominated in JPY Yen. No remaining borrowings are denominated in Australian dollar (2017: RMB381,960,000).

##### (ii) Price risk

The Group is exposed to equity securities price risk from the Group's financial assets at FVOCI (previously classified as AFS) 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 25. 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 2018, the Group converted no borrowings from fixed rate to floating rate through interest rate swap (2017: nil) (Note 25).

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 RMB27,810,000 (2017: RMB48,672,000) lower/higher mainly as a result of higher/lower interest expenses on borrowings with variable rates as at 31 December 2018. 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 RMB268,309,000 (2017: RMB145,070,000) lower/higher mainly as a result of higher/lower interest expenses on borrowings with variable rates as at 31 December 2018.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

**3 Financial risk management (CONTINUED)****(b) Credit risk**

The Group applies HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables and amounts due from related parties from initial recognition. To measure the expected credit losses, trade and other receivables and amounts due from related parties have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 3 years before 31 December 2018 or 1 January 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on factors affecting the ability of the customers to settle the receivables.

On that basis, the loss allowance as at 31 December 2018 and 1 January 2018 (on adoption of HKFRS 9) was determined as follows for trade and other receivables and amounts due from related parties.

<b>31 December 2018</b>	<b>Within 6 months RMB'000</b>	<b>7 months to 12 months RMB'000</b>	<b>Over 1 year RMB'000</b>	<b>Total RMB'000</b>
Gross carrying amount				
– trade and other receivables	<b>16,772,274</b>	<b>2,908,474</b>	<b>497,327</b>	<b>20,178,075</b>
Gross carrying amount				
– amounts due from related parties	<b>16,625,995</b>	<b>5,542</b>	<b>1,611,464</b>	<b>18,243,001</b>
Expected loss rate	<b>0.46%</b>	<b>2.38%</b>	<b>3.54%</b>	<b>0.78%</b>
Loss allowance	<b>154,885</b>	<b>69,249</b>	<b>74,579</b>	<b>298,713</b>
<hr/>				
1 January 2018	Within 6 months RMB'000	7 months to 12 months RMB'000	Over 1 year RMB'000	Total RMB'000
Gross carrying amount				
– trade and other receivables	10,266,846	4,400,562	1,167,649	15,835,057
Gross carrying amount				
– amounts due from related parties	16,035,676	–	1,471,478	17,507,154
Expected loss rate	0.29%	2.15%	5.80%	0.97%
Loss allowance	76,587	94,672	152,983	324,242

The closing loss allowances for trade and other receivables and amounts due from related parties as at 31 December 2018 reconcile to the opening loss allowances as follows:

	<b>Amounts due from related parties RMB'000</b>	<b>Trade and other receivables RMB'000</b>	<b>Total RMB'000</b>
At 31 December 2017 – calculated under HKAS 39	–	251,271	251,271
Amounts restated through opening retained earnings	43,757	29,214	72,971
<b>Opening loss allowance as at 1 January 2018</b>			
– calculated under HKFRS 9	43,757	280,485	324,242
Recoveries	(242)	(25,287)	(25,529)
<b>Closing loss allowance as at 31 December 2018</b>			
– calculated under HKFRS 9	<b>43,515</b>	<b>255,198</b>	<b>298,713</b>

Trade and other receivables and amounts due from related parties are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period greater than 60-90 days past due.

Impairment losses on trade and other receivables and amounts due from related parties are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

**3 Financial risk management (CONTINUED)****(b) Credit risk (continued)**

In the prior year, the impairment of trade and other receivables and amounts due from related parties was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet been identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment.

The Group considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor
- probability that the debtor will enter bankruptcy or financial reorganisation, and
- default or late payments (more than 30 days overdue).

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

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 2018.

Counterparty	Rating (Note)	As at 31 December	
		2018 RMB'000	2017 RMB'000
Bank A	A	6,700,353	2,563,814
Bank B	BBB+	6,164,295	3,015,840
Bank C	A	4,624,053	3,418,239
Bank D	Baa2	3,727,271	401,817
Bank E	A	3,382,196	2,196,197

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

**3 Financial risk management (CONTINUED)****(c) Liquidity risk (continued)**

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

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
<b>As at 31 December 2018</b>					
Borrowings and interest payments	<b>34,929,938</b>	<b>22,101,107</b>	<b>49,127,646</b>	<b>17,932,296</b>	<b>124,090,987</b>
Trade and other payables (excluding other taxes payables)	<b>46,744,838</b>	<b>47,076</b>	<b>49,220</b>	<b>63,895</b>	<b>46,905,029</b>
Amounts due to related parties	<b>38,234,642</b>	–	–	–	<b>38,234,642</b>
	<b>119,909,418</b>	<b>22,148,183</b>	<b>49,176,866</b>	<b>17,996,191</b>	<b>209,230,658</b>
<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
	86,176,410	17,045,694	48,962,028	14,468,752	166,652,884

Note: The interest on borrowings is calculated based on borrowings outstanding as at 31 December 2018 and 2017 without taking into account of future issues. Floating-rate interest is estimated using the applicable interest rate as at 31 December 2018 and 2017 respectively.

The amount of derivative financial instruments is measured at fair value at 31 December 2018 and 2017.

**(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.

Consistent with others in the industry, the Group monitors capital on the basis of the net gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less restricted cash and cash and cash equivalents. Total capital is calculated as total equity as shown in the consolidated balance sheet less perpetual capital instruments.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

## 3 Financial risk management (CONTINUED)

## (d) Capital risk management (continued)

The net gearing ratios at 31 December 2018 and 2017 are as follows:

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Total borrowings (Note 25)	109,131,766	87,504,692
Less: Cash and cash equivalents (Note 21)	(43,688,296)	(28,537,441)
Restricted cash (Note 21)	(5,888,489)	(4,469,331)
Net debt	59,554,981	54,497,920
Total equity excluding perpetual capital instruments	100,180,177	92,546,797
Net gearing ratio	59.4%	58.9%

The Group has increased borrowings to finance new acquisitions and capital expenditures, which leads to the increase of net gearing ratio.

## (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 2018. See Note 7 for disclosures of the investment properties that are measured at fair value.

As at 31 December 2018	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>Assets</b>				
Derivative financial instruments	–	–	12,468	12,468
Financial assets at FVOCI				
– listed equity securities	622,068	–	–	622,068
– investment in structured products issued by other financial institution and unlisted entity	–	–	359,612	359,612
Financial assets at FVPL	–	–	176,727	176,727

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2017.

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
AFS				
– equity securities	812,258	–	–	812,258
– investment in structured products issued by other financial institution	–	–	256,517	256,517

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

**3 Financial risk management (CONTINUED)****(e) Fair value estimation (continued)**

Financial assets at FVOCI included in Level 1 as at 31 December 2018 are the equity securities traded in Shanghai Stock Exchange, Shenzhen Stock Exchange and NASDAQ, the fair value of which is based on quoted market prices at the balance sheet date.

AFS included in Level 1 as at 31 December 2017 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 2018 are three 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 2017 are eight currency option 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.

Financial assets at FVOCI as at 31 December 2018 and AFS as at 31 December 2017 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.

Financial assets at FVPL as at 31 December 2018 included in Level 3 is the investment in unlisted entity recognised as a debt investment with cash flows not solely payments of principal and interest, the fair value of which is determined using valuation model for which not all inputs are market observable rates.

As at 31 December 2016, AFS 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.

**Financial assets at FVOCI/AFS at fair value**

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Opening balances of assets	1,068,775	3,941,256
Additions	1,972,931	1,080,000
Disposals	(1,672,000)	(3,945,961)
Fair value losses recognised in OCI	(388,026)	(6,520)
Closing balances of assets	981,680	1,068,775
Changes in unrealised losses, under 'Other comprehensive income' (Note 13(b))	(388,026)	(11,521)

**Financial assets at FVPL at fair value**

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Opening balances of assets	–	–
Additions	170,377	–
Fair value gains recognised in profit or loss	6,350	–
Closing balances of assets	176,727	–
Changes in unrealised gains, under 'Other income/other gains – net' (Note 14)	6,350	–

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

**3 Financial risk management (CONTINUED)****(e) Fair value estimation (continued)****Derivatives at fair value through profit or loss**

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Opening balances of assets	1,190	90,199
Acquisition of currency options and forwards	–	47,304
Gains/(losses) recognised in the income statement	11,278	(86,979)
Settlements	–	(49,334)
Closing balances of assets	12,468	1,190
Changes in realised losses, under 'Other operating expenses'	–	(12,151)
Changes in unrealised losses, under 'Other operating expenses'	–	(74,828)
Changes in unrealised gains, under 'Other income/other gains – net'	11,278	–

**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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

**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 and other receivables and amount due from related parties**

The Group's management determines the provision for impairment of trade and other receivables and amount due from related parties based on the expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The loss allowances for trade and other receivables and amount due from related parties are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Management reassesses the provision at each balance sheet date.

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

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

**(h) Judgements and estimates in revenue recognition for property development activities**

The Group develops and sells residential and commercial properties in different areas. Revenue is recognised over time when the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise, revenue is recognised at a point in time when the buyer obtains control of the completed property. The properties have generally no alternative use for the Group due to contractual restrictions. However, whether there is an enforceable right to payment and hence the related contract revenue is recognised over time, depends on the terms of each contract and the relevant laws that apply to that contract. To assess the enforceability of right to payment, the Group has reviewed the terms of its contracts, the relevant local laws, the local regulators' views and obtained legal advice, when necessary.

The Group recognises property development revenue over time by reference to the progress towards complete satisfaction of that performance obligation at the reporting date. This is measured based on the Group's efforts or budgeted inputs to the satisfaction of the performance obligation. Significant judgement and estimation are required in determining the completeness and accuracy of the budgets and the extent of the costs incurred and the allocation of cost to that property unit. Changes in cost estimates in future periods can have effect on the Group's revenue recognised. In making the above estimation, the Group relies on past experience and work of contractors and surveyors.

For property development and sales contracts for which the control of the property is transferred at a point in time, revenue is recognised when the buyer obtains the physical possession or legal title of the completed property and the consideration amount is collected. The Group seldom provides long credit or payment terms to its property buyer.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

**4 Critical accounting estimates and judgements (CONTINUED)****4.2 Critical judgements in applying the Group's accounting policy****(a) Classification between investment properties and owner-occupied properties**

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

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

**5 Segment information**

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

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

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

**(a) Revenue**

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

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Sales of properties	80,906,598	66,795,945
Hotel operation income	1,908,157	1,707,902
Commercial properties operation income	1,090,540	991,567
Property management income	895,201	645,826
Others	712,208	284,634
	<b>85,512,704</b>	70,425,874

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

## 5 Segment information (CONTINUED)

## (b) Segment information

Year ended 31 December 2018

	Property development and investment				Total RMB'000
	Shanghai Shimao Co., Ltd. ("Shanghai Shimao")* RMB'000	Others RMB'000	Hotel operation RMB'000	Unallocated** RMB'000	
Revenue					
– Sales of properties	18,809,411	62,097,187	–	–	80,906,598
– Hotel operation income	260,845	–	1,647,312	–	1,908,157
– Commercial properties operation income	924,875	165,665	–	–	1,090,540
– Property management income	105,047	790,154	–	–	895,201
– Others	100,998	611,210	–	–	712,208
<b>Total revenue</b>	<b>20,201,176</b>	<b>63,664,216</b>	<b>1,647,312</b>	<b>–</b>	<b>85,512,704</b>
Operating profit/(loss)	8,485,306	15,386,587	192,810	(856,002)	23,208,701
Finance income	125,000	585,849	860	74,407	786,116
Finance costs	(333,177)	(311,809)	(28,541)	(449,616)	(1,123,143)
Share of results of associated companies and joint ventures accounted for using the equity method	58,037	(291,506)	–	–	(233,469)
<b>Profit/(loss) before income tax</b>	<b>8,335,166</b>	<b>15,369,121</b>	<b>165,129</b>	<b>(1,231,211)</b>	<b>22,638,205</b>
Income tax expense					(10,327,273)
<b>Profit for the year</b>					<b>12,310,932</b>
Other segment items are as follows:					
Capital and property development expenditure	22,686,684	79,382,699	1,760,741	–	103,830,124
Fair value gains on investment properties	1,138,535	771,716	–	–	1,910,251
Fair value gains on derivative financial instruments	–	–	–	11,278	11,278
Depreciation	91,130	74,785	385,459	34,141	585,515
Amortisation of land use rights	10,032	22,228	46,108	–	78,368
Provision for/(reversal of) impairment on financial assets	14,910	(41,292)	853	–	(25,529)

\* The Group owns an effective equity interest of 58.92% in Shanghai Shimao as at 31 December 2018

\*\* Unallocated mainly represent corporate level activities

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

## 5 Segment information (CONTINUED)

## (b) Segment information (continued)

The segment assets and liabilities at 31 December 2018 are as follows:

	Property development and investment			Total RMB'000
	Shanghai Shimao RMB'000	Others RMB'000	Hotel operation RMB'000	
Investments accounted for using the equity method	956,471	16,009,689	–	16,966,160
Intangible assets	1,709,730	–	130,928	1,840,658
Other segment assets	103,900,502	217,203,058	22,432,350	343,535,910
<b>Total segment assets</b>	<b>106,566,703</b>	<b>233,212,747</b>	<b>22,563,278</b>	<b>362,342,728</b>
Deferred income tax assets				2,806,563
Financial assets at FVOCI				981,680
Financial assets at FVPL				176,727
Derivative financial instruments				12,468
Other assets				11,276,685
<b>Total assets</b>				<b>377,596,851</b>
Borrowings	19,719,549	41,347,363	25,000	61,091,912
Other segment liabilities	39,805,160	93,670,258	22,278,904	155,754,322
<b>Total segment liabilities</b>	<b>59,524,709</b>	<b>135,017,621</b>	<b>22,303,904</b>	<b>216,846,234</b>
Corporate borrowings				48,039,854
Deferred income tax liabilities				6,596,455
Other liabilities				834,131
<b>Total liabilities</b>				<b>272,316,674</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

## 5 Segment information (CONTINUED)

## (b) Segment information (continued)

Year ended 31 December 2017

	Property development and investment		Hotel operation	Unallocated**	Total
	Shanghai Shimao*	Others			
	RMB'000	RMB'000	RMB'000	RMB'000	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
– Commercial properties operation income	888,728	102,839	–	–	991,567
– Property management income	37,789	608,037	–	–	645,826
– others	128,121	156,513	–	–	284,634
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 and joint ventures accounted for using the equity method	66,811	(382,187)	–	–	(315,376)
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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

## 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		
Investments accounted for using the equity method	2,307,413	12,639,314	–	14,946,727
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>301,936,244</b>
Deferred income tax assets				2,523,663
AFS				1,068,775
Derivative financial instruments				1,190
Other assets				2,028,801
<b>Total assets</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>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>210,811,876</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, financial assets at FVOCI, financial assets at FVPL, AFS and derivative financial instruments.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

## 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 2018	2,046,271	12,497,440	525,194	733,988	1,256,428	17,059,321
Additions	1,843,246	94,150	194,320	4,313	33,123	2,169,152
Acquisition of subsidiaries	-	-	1,671	-	-	1,671
Disposal of subsidiaries	(290,469)	-	(76,171)	(10,990)	-	(377,630)
Disposals	-	(45,206)	(14,252)	(170,430)	(2,411)	(232,299)
Transfer to properties under development and completed properties held for sale	-	-	-	-	(277,888)	(277,888)
Transfer from properties under development and completed properties held for sale	92,886	-	-	-	-	92,886
Transfer upon completion	(1,348,998)	1,348,998	-	-	-	-
At 31 December 2018	2,342,936	13,895,382	630,762	556,881	1,009,252	18,435,213
<b>Accumulated depreciation</b>						
At 1 January 2018	-	2,763,285	272,525	292,960	216,637	3,545,407
Acquisition of subsidiaries	-	-	178	-	-	178
Charge for the year	-	381,407	101,383	45,835	56,890	585,515
Disposal of subsidiaries	-	-	(9,400)	(5,817)	-	(15,217)
Transfer to properties under development and completed properties held for sale	-	-	-	-	(45,397)	(45,397)
Disposals	-	(40,897)	(12,639)	(157,501)	(1,873)	(212,910)
At 31 December 2018	-	3,103,795	352,047	175,477	226,257	3,857,576
<b>Net book value</b>						
At 31 December 2018	2,342,936	10,791,587	278,715	381,404	782,995	14,577,637

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

## 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 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 from 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

Depreciation charge of RMB585,515,000 for the year ended 31 December 2018 (2017: RMB580,353,000) has been recorded in cost of sales and administrative expenses in the consolidated statement of comprehensive income (Note 30).

As at 31 December 2018, assets under construction and buildings of the Group with a total carrying amount of RMB923,568,000 (2017: RMB1,738,927,000) were pledged as collateral for certain borrowings of the Group (Note 25).

For the year ended 31 December 2018, the Group has capitalised borrowing costs amounting to RMB93,623,000 (2017: RMB66,976,000) in assets under construction. Borrowing costs were capitalised at the weighted average rate of 5.49% (2017: 5.36%).

Included in hotel buildings and improvements are assets under finance lease which has no remaining net book value at 31 December 2018 (2017: RMB130,560,000) (Note 26).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

## 7 Investment properties

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Opening balance at 1 January	34,036,147	32,270,913
Additions – Construction cost and others	991,624	1,085,750
Disposals	(47,000)	–
Fair value gains – net	1,910,251	679,484
Closing balance at 31 December	36,891,022	34,036,147

As at 31 December 2018, investment properties under construction of approximately RMB1,298,072,000 were measured at cost, because their constructions were at very early stage and related fair values were not reliably determinable (2017: approximately RMB2,418,147,000). 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 or loss for investment properties

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Commercial properties operation income	1,090,540	991,567
Direct operating expenses from properties that generated rental income (Note 30)	22,512	17,315
Direct operating expenses from properties that did not generate rental income (Note 30)	719	3,252



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

## 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 2018 and 2017.

Description	Fair value measurements at 31 December 2018 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	–	–	35,592,950

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

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

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

	Year ended 31 December 2018 Significant unobservable Inputs-Commercial buildings - China (Level 3)		
	Completed investment properties RMB'000	Investment properties under development RMB'000	Total RMB'000
Opening balance	16,192,000	15,426,000	31,618,000
Additions	–	872,323	872,323
Additions-transfer from investment properties at cost	–	1,239,376	1,239,376
Transfer from under development investment properties (Note)	12,339,586	(12,339,586)	–
Disposals	(47,000)	–	(47,000)
Net gains from fair value adjustment	1,579,364	330,887	1,910,251
Closing balance	30,063,950	5,529,000	35,592,950

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

## 7 Investment properties (CONTINUED)

## (b) Valuation (continued)

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

	Year ended 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)	(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

Note:

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. During the year ended 31 December 2018, Shanghai Shimao International Plaza transferred from under development investment property to completed investment property due to the completion of its redevelopment, which fair value balance is RMB6,440,000,000.

**Valuation processes of the Group**

The Group's investment properties were valued at 31 December 2018 and 2017 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

## 7 Investment properties (CONTINUED)

## (b) Valuation (continued)

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

Description	Fair value at 31 Dec 2018 (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	30,063,950	Term and reversionary method	Market prices	RMB6,500-RMB92,229 per square meter (RMB31,656 per square meter)	The higher the market prices, the higher the fair value
			Market rents	RMB5-RMB361 per square meter (RMB104 per square meter)	The higher the market rents, the higher the fair value
			Term yields	4.00%-7.63% (5.93%)	The higher the term yields, the lower the fair value
			Reversionary yields	4.00%-7.63% (5.93%)	The higher the reversionary yields, the lower the fair value
Commercial buildings – China (under development)	5,529,000	Discounted cash flows with estimated costs to complete	Market prices	RMB19,544-RMB39,260 per square meter (RMB29,140 per square meter)	The higher the market prices, the higher the fair value
			Estimated costs to be incurred	RMB619-RMB12,423 per square meter (RMB5,693 per square meter)	The higher the estimated costs to be incurred, the lower the fair value.
			Yields	4.35%-4.75% (4.59%)	The higher the capitalisation rate, the lower the fair value
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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

**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 2018, the Group's investment properties were held in the PRC on leases of between 10 and 50 years. Investment properties with a carrying amount of RMB15,257,000,000 (2017: RMB8,585,682,000) were pledged as collateral for the Group's borrowings (Note 25).

**(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	
	2018 RMB'000	2017 RMB'000
Within one year	882,195	503,460
Later than one year but no later than 5 years	2,790,489	1,247,307
Later than 5 years	1,254,044	729,322
	<b>4,926,728</b>	2,480,089

**8 Land use rights**

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Land use rights relating to property and equipment under non-current assets		
Opening balance	8,176,521	8,218,571
Additions	170,346	58,254
Amortisation (Note 30)	(78,368)	(84,991)
Disposal and deemed disposal of subsidiaries with loss of control (Note 41(c) and Note 41(d))	(283,508)	–
Transfer to properties under development and completed properties held for sale	(19,227)	(15,313)
	<b>7,965,764</b>	8,176,521

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 2018, land use rights of RMB1,748,067,000 (2017: RMB1,723,941,000) were pledged as collateral for the Group's borrowings (Note 25).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

## 9 Intangible assets

Intangible assets comprise goodwill arising from acquisitions:

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Opening and ending balance	<b>1,840,658</b>	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	
	2018 RMB'000	2017 RMB'000
Property development and investment – Shanghai Shimao	<b>1,709,730</b>	1,709,730
Hotel operation	<b>130,928</b>	130,928
	<b>1,840,658</b>	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 2018 and 2017, 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 2018 and 2017, 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 2018 and 2017 are as follows:

	Year ended 31 December	
	2018	2017
Gross margin excluding land appreciation tax	<b>37.1%</b>	35.5%
Long term growth rate of revenue	<b>3.0%</b>	3.0%
Pre-tax discount rate	<b>17.4%</b>	17.4%

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

## 10 Financial instruments by category

	As at 31 December	
	2018 RMB'000	2017 RMB'000
<b>Financial assets</b>		
Financial assets at amortised cost:		
– Trade and other receivables and prepayments	19,922,877	15,583,786
– Amounts due from related parties	18,199,486	17,507,154
– Restricted cash	5,888,489	4,469,331
– Cash and cash equivalents	43,688,296	28,537,441
Financial assets at FVOCI	981,680	–
Financial assets at FVPL	176,727	–
Derivative financial instruments	12,468	1,190
AFS	–	1,068,775
<b>Total</b>	<b>88,870,023</b>	<b>67,167,677</b>

	As at 31 December	
	2018 RMB'000	2017 RMB'000
<b>Financial liabilities</b>		
Other financial liabilities at amortised cost:		
– Borrowings	109,131,766	87,504,692
– Finance lease liabilities	–	130,560
– Trade and other payables (excluding other taxes payable)	46,905,029	31,146,350
– Amounts due to related parties	38,234,642	33,868,519
<b>Total</b>	<b>194,271,437</b>	<b>152,650,121</b>

The Group's exposure to various risks, associated with the financial instruments is discussed in Note 3.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of the financial assets mentioned above.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

## 11 Investments accounted for using the equity method

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Investments accounted for using the equity method comprise:		
Associated companies (Note (a))	1,594,487	1,345,018
Joint ventures (Note (b))	15,371,673	13,601,709
	<b>16,966,160</b>	14,946,727

## (a) Interests in associated companies

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Share of net assets:		
Opening balance	1,345,018	912,465
Capital injections (Note (i))	18,921	582,791
Transfer from a subsidiary	3,529	–
Transfer to a joint venture	–	(317,831)
Share of results	227,019	167,593
Ending balance	<b>1,594,487</b>	1,345,018

Notes:

(i) Capital injections include investment in new associates.

For the year ended 31 December 2018, the Group invested in two new associates with a total amount of RMB18,921,000.

Details of the principal associated companies of the Group as at 31 December 2018 are set out in Note 38.

There is no individually material associated company of the Group as at 31 December 2018 and 2017.

The Group provided guarantees to associated companies for their borrowings from banks and other financial institutions amounting to RMB474,804,000 as at 31 December 2018 (2017: RMB1,465,584,000) (Note 39).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

## 11 Investments accounted for using the equity method (CONTINUED)

## (b) Interests in joint ventures

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Share of net assets:		
Opening balance, as previously stated	13,601,709	9,183,425
Adjustment on adoption of HKFRS 15, net of tax	(15,865)	–
Opening balance	13,585,844	9,183,425
Capital injections (Note (i))	2,378,769	3,892,079
Transfer from an associate	–	317,831
Transfer from subsidiaries	1,457,465	1,540,460
Transfer to subsidiaries (Note 41(a))	(1,488,527)	(844,117)
Dividends received	(73,640)	–
Disposal (Note (ii))	(27,750)	(5,000)
Share of results	(460,488)	(482,969)
Ending balance	15,371,673	13,601,709

Notes:

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

In 2018, the Group set up eighteen joint ventures with total capital injections of RMB1,185,669,000. Pursuant to the articles of association, the Group has joint control over these entities.

The Group made additional capital injections into six existing joint ventures with amount of RMB897,000,000. The Group's equity interests in the joint ventures remained 50% after the capital injections.

The Group and certain third parties made capital injections into eight then wholly-owned subsidiaries, of which the Group's share amounted to RMB296,100,000 in total. Pursuant to the revised articles of association, the Group and the third parties would jointly control the operation of these entities.

- (ii) In December 2018, the Group disposed 6% out of 47% equity interests in Shenzhen Dejia Commercial Factoring Co., Ltd. at consideration of RMB27,750,000, the remaining interests of the Group retained as a joint venture. The disposal had resulted in no gain or loss.

Details of the principal joint ventures of the Group as at 31 December 2018 are set out in Note 38.

There is no individually material joint venture of the Group as at 31 December 2018 and 2017.

The Group provided guarantees to joint ventures for their borrowings from banks amounting to RMB8,481,690,000 as at 31 December 2018 (2017: RMB5,493,201,000) (Note 39).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

**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.

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Included in non-current assets		
– Joint ventures	987,112	786,712
– Associated companies	624,352	684,766
	<b>1,611,464</b>	1,471,478
Provision for impairment	<b>(21,727)</b>	–
	<b>1,589,737</b>	1,471,478

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

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Included in current assets		
– Company with common directors	160	160
– Associated companies	901,763	49,218
– Joint ventures	15,729,614	15,986,298
	<b>16,631,537</b>	16,035,676
Provision for impairment	<b>(21,788)</b>	–
	<b>16,609,749</b>	16,035,676

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.

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all amounts due from related parties. This resulted in an increase of the loss allowance on 1 January 2018 by RMB43,757,000 for amounts due from related parties. Note 3(b) provides for details about the calculation of the allowance.

The loss allowance decreased by RMB242,000 to RMB43,515,000 for amounts due from related parties during the current reporting period.

Information about the impairment of amounts due from related parties and the Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in Note 3.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

**13 Financial assets at fair value through other comprehensive income****(a) Equity investments assets at fair value through other comprehensive income**

Equity investments at FVOCI comprise the following individual investments:

	As at 31 December	
	2018 RMB'000	2017* RMB'000
Non-current assets		
Listed securities:		
Haitong Securities Company Limited	74,800	–
Wanda Cinema Line	442,261	–
New Frontier Corporation	105,007	–
	<b>622,068</b>	–
Unlisted securities		
Caitong Fund Management Company Limited	161,612	–
Tianjin Niufeng Investment Company Limited (“Tianjin Niufeng”)	198,000	–
	<b>359,612</b>	–
	<b>981,680</b>	–

\* These investments were classified as available-for-sale in 2017, see (c) below. All of these investments were also held in the previous period, but the Group increased its investment in the New Frontier Corporation in NASDAQ during the current year at a cost of US\$15,000,000 (equivalent to RMB102,931,000) and in the Tianjin Niufeng at a cost of RMB198,000,000.

Notes:

- (i) Listed securities represented investment in listed equity securities in the PRC and USA which were stated at market value based on the quoted price.
- (ii) Investment in structured products issued by Caitong Fund Management Company Limited 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(e)).

Investment in Tianjin Niufeng represented an investment measured at fair value, of which the fair value is determined using valuation model for which not all inputs are observable and is within Level 3 of the fair value hierarchy.

**(b) Amounts recognised in other comprehensive income**

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Losses recognised in OCI; 2017 relating to AFS	<b>(388,026)</b>	(11,521)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

## 13 Financial assets at fair value through other comprehensive income (CONTINUED)

## (c) Financial assets previously classified as AFS (2017)

AFS included the following classes of financial assets:

	As at 31 December	
	2018 RMB'000	2017 RMB'000
<b>Non-current assets</b>		
Listed securities		
Equity securities – without lock-up period	–	812,258
Unlisted securities		
Investment in structured products issued by other financial institution	–	256,517
	–	1,068,775

## 14 Financial assets at fair value through profit or loss

## (a) Equity investments at FVPL comprise the following individual investments:

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Non-current assets		
Investment in unlisted entity (Note)	176,727	–
	176,727	–

Note:

Investment in unlisted entity represented an investment measured at fair value, of which the fair value is determined using valuation model for which not all inputs are observable and is within Level 3 of the fair value hierarchy.

## (b) Amounts recognised in profit or loss is set out below:

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Gain recognised in profit or loss (Note 29)	6,350	–

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

## 15 Deferred income tax

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

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Deferred income tax assets		
– to be recovered after more than 12 months	1,793,818	1,617,501
– to be recovered within 12 months	1,012,745	906,162
	<b>2,806,563</b>	2,523,663
Deferred income tax liabilities		
– to be recovered after more than 12 months	6,053,901	5,530,880
– to be recovered within 12 months	542,554	494,397
	<b>6,596,455</b>	6,025,277
Net deferred income tax liabilities	<b>3,789,892</b>	3,501,614

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

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Opening balance	3,501,614	3,367,684
Disposal of subsidiaries (Note 41(c))	9,996	41,329
Deemed Disposal of subsidiaries (Note 41(d))	18,966	–
Acquisition of/transfer to subsidiaries (Note 41(a), Note 41(b))	(50,162)	–
Charged to the consolidated income statement (Note 34)	406,661	95,481
Credited to OCI	(97,183)	(2,880)
Ending balance	<b>3,789,892</b>	3,501,614

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

**15 Deferred income tax (CONTINUED)**

Movement in deferred income tax assets and liabilities for the year ended 31 December 2018, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

**Deferred income tax assets**

	Provision for land appreciation tax deductible for future income tax clearance RMB'000	Unrealized profit on intra-group transaction RMB'000	Tax loss and temporary difference on recognition of expenses RMB'000	Total RMB'000
At 1 January 2017	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	1,215,669	244,092	1,063,902	2,523,663
Credited to the consolidated income statement	87,064	8,204	166,432	261,700
Disposal of subsidiaries	(9,996)	–	–	(9,996)
Deemed disposal of subsidiaries	(18,966)	–	–	(18,966)
Acquisition of subsidiaries	50,162	–	–	50,162
At 31 December 2018	<b>1,323,933</b>	<b>252,296</b>	<b>1,230,334</b>	<b>2,806,563</b>

**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 2017	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 OCI	–	(2,880)	–	–	(2,880)
At 31 December 2017	4,141,732	887,441	916,231	79,873	6,025,277
Charged/(credited) to the consolidated income statement	477,563	180,071	54,227	(43,500)	668,361
Credited to OCI	–	(97,183)	–	–	(97,183)
At 31 December 2018	<b>4,619,295</b>	<b>970,329</b>	<b>970,458</b>	<b>36,373</b>	<b>6,596,455</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 RMB67,958,000 (2017: RMB55,206,000) in respect of accumulated losses amounting to RMB271,833,000(2017: RMB220,822,000) that can be carried forward against future taxable income. Losses amounting to RMB14,198,000, RMB26,381,000, RMB80,878,000, RMB84,299,000 and RMB66,077,000, will expire in 2019, 2020, 2021, 2022 and 2023 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

**16 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 2018, the Group has made prepayments of RMB366,173,000 (2017: RMB366,173,000) 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 2018, prepayments of RMB6,321,397,000 (2017: RMB21,605,517,000) were related to the lands for the purpose to develop properties for sale, and are included in current assets, 'prepayment for acquisition of land use rights'.

As at 31 December 2018, the Group made prepayments of RMB3,733,604,000 (2017: RMB6,279,589,000) for acquisition of certain equity interests.

**17 Inventories**

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Inventories comprise:		
Properties under development (Note (a))	<b>170,840,408</b>	114,888,153
Completed properties held for sale (Note (b))	<b>21,849,361</b>	18,347,894
Biological assets	–	318,657
	<b>192,689,769</b>	133,554,704

Notes:

(a) Properties under development

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Properties under development comprise:		
Land use rights and leasehold land	<b>108,712,100</b>	72,593,988
Construction costs and capitalised expenditures	<b>49,583,581</b>	33,169,578
Interests capitalised	<b>12,544,727</b>	9,124,587
	<b>170,840,408</b>	114,888,153

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Land use rights and leasehold land		
Held on leases of:		
Over 50 years	<b>77,172,753</b>	59,638,432
Between 10 and 50 years	<b>31,539,347</b>	12,955,556
	<b>108,712,100</b>	72,593,988

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

## 17 Inventories (CONTINUED)

Notes: (continued)

## (a) Properties under development (continued)

As at 31 December 2018, leasehold land of RMB6,873,590,000 (2017: 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 2018, properties under development of approximately RMB33,648,890,000 (2017: RMB17,112,567,000) were pledged as collateral for the Group's borrowings (Note 25).

The capitalisation rate of borrowings was 5.49% for the year ended 31 December 2018 (2017: 5.36%).

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Properties under development:		
Expected to be completed and available for sale after more than 12 months	46,356,002	30,008,606
Expected to be completed and available for sale within 12 months	124,484,406	84,879,547
	<b>170,840,408</b>	114,888,153

## (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:

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Outside Hong Kong, held on leases of:		
Over 50 years	6,813,149	5,908,123
Between 10 and 50 years	1,544,289	1,004,476
	<b>8,357,438</b>	6,912,599

As at 31 December 2018, completed properties held for sale of RMB1,070,066,000 (2017: RMB16,016,288,000) were pledged as collateral for the Group's borrowings (Note 25).

For the year ended 31 December 2018, the Group recognised impairment losses of RMB89,885,000 (2017: RMB116,619,000) on completed properties held for sale (Note 30).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

## 18 Trade and other receivables and prepayments

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Bidding deposits for land use rights (Note (a))	7,981,664	5,228,769
Trade receivables (Note (b))	4,241,516	4,705,330
Prepayments for construction costs	2,665,199	2,464,299
Loan receivables (Note (c))	1,885,048	528,788
Prepaid business tax on pre-sale proceeds	528,500	585,423
Other receivables	2,876,148	2,322,448
	<b>20,178,075</b>	15,835,057
Provision for impairment	<b>(255,198)</b>	(251,271)
	<b>19,922,877</b>	15,583,786

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

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Within 180 days	3,777,972	4,049,119
Over 180 days and within 365 days	235,345	332,141
Over 365 days	228,199	324,070
	<b>4,241,516</b>	4,705,330

As at 31 December 2018, receivables arising from sales of properties were approximately RMB4,109,723,000 (2017: RMB4,416,410,000).

- (c) As at 31 December 2018, loan receivables of RMB1,885,048,000 (31 December 2017: RMB528,788,000) were secured by the pledge of certain properties, notes receivable or credit guaranty of borrowers, bearing interest rate at a range from 4.2% to 14.4% per annum and repayable within one year.

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value. As at 31 December 2018, the fair value of trade receivables, bidding deposits for land use rights, loan receivables and other receivables of the Group approximate their carrying amounts, as the impact of discounting is not significant.

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables. This resulted in an increase of the loss allowance on 1 January 2018 by RMB29,214,000 for trade and other receivables. Note 3(b) provides for details about the calculation of the allowance.

The loss allowance decreased by RMB25,287,000 to RMB255,198,000 for trade and other receivables during the current reporting period.

Information about the impairment of trade and other receivables and the Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in Note 3.

As at 31 December 2018 and 31 December 2017, trade and other receivables of the Group were mainly denominated in RMB.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

**19 Prepayment for acquisition of land use rights**

Prepayments for acquisition of land use rights are related to acquisition of land for property development purposes, the ownership certificates of which have not been obtained as at 31 December 2018.

**20 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	
	2018 RMB'000	2017 RMB'000
Opening balances of assets	1,190	90,199
Acquisition of currency options and forwards (Note)	–	47,304
Fair value gain/(loss) – currency options and forwards (Note)	11,278	(86,979)
Settlement of currency forwards (Note)	–	(49,334)
Closing balances of assets	12,468	1,190

Note:

For the year ended 31 December 2018, the Group has decided not to exercise five currency option contracts. 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. 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 gain of RMB11,278,000 have been recognised in "Other income/other gains-net" (Note 29) (2017: fair value losses of RMB86,979,000 in "Other operating expenses").

**21 Cash and cash equivalents and restricted cash**

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Bank balances and cash		
– denominated in RMB	48,725,614	32,226,999
– denominated in US dollar	530,957	347,097
– denominated in HK dollar	319,836	408,853
– denominated in AUD dollar	7	23,823
– denominated in other foreign currencies	371	–
Less: Restricted cash	(5,888,489)	(4,469,331)
	43,688,296	28,537,441

As at 31 December 2018, the Group's restricted cash comprised approximately RMB680,349,000 (2017: RMB648,079,000) of guarantee deposits for the benefit of mortgage loan facilities granted by the banks to the purchasers of the Group's properties (Note 39) and approximately RMB5,208,140,000 (2017: RMB3,821,252,000) of deposits pledged as collateral for the Group's borrowings (Note 25).

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 2018 was 0.34% (2017: 0.34%).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

**22 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 2018 and 2017	<b>0.1</b>	<b>5,000,000</b>	<b>500,000</b>	
Issued and fully paid:				
At 31 December 2016		3,399,381	339,938	348,864
Cancellation of shares (Note)		(12,359)	(1,236)	–
At 31 December 2017		3,387,022	338,702	348,864
Cancellation of shares (Note)		(85,529)	(8,553)	(7,289)
At 31 December 2018		<b>3,301,493</b>	<b>330,149</b>	<b>341,575</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.

The Company acquired 85,529,000 of its own shares through purchases on the Hong Kong Stock Exchange from 5 July 2018 till 25 October 2018, among which 85,529,000 shares have been cancelled during the year ended 31 December 2018. The total amount paid to acquire the shares was HK\$1,817,500,988, equivalent to RMB1,549,371,295 and has been deducted from retained earnings within shareholders' equity during the year ended 31 December 2018 (Note 23).

**(b) Employee Stock Ownership Plan**

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 2018, no shares were vested or lapsed.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

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

The Company's board of directors (the "Board") approved and adopted the Share Award Scheme on 30 December 2011 (the "Share Scheme"). Unless terminated earlier by the Board, the Share Scheme is valid and effective for a term of 8 years commencing on 30 December 2011. The maximum number of shares to be awarded must not exceed 34,659,508 shares (i.e. 1% of issued shares of the Company as at 30 December 2011). The Board approved the maximum number of shares to be awarded change to 69,319,016 shares (i.e. 2% of issued shares of the Company as at 30 December 2011) on 13 April 2018.

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

A Trust was constituted to manage the Share Scheme, and a wholly owned subsidiary of the Company incorporated in the British Virgin Islands was designated as Trustee. Up to 31 December 2018, the Trust purchased 36,006,000 ordinary shares from market, totaling HK\$523,258,000 (equivalent to RMB426,551,000), of which 33,331,501 shares were granted to eligible employees according to the Share Scheme. Up to 31 December 2018, among the shares granted, 22,675,231 shares were vested, and 3,277,922 shares were lapsed.

The granted shares were subject to several vesting conditions, including the completion of specific period of service as stated in the letter of grant 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	
	2018	2017
Unvested shares, beginning	7,899,586	3,517,115
Granted	7,378,348	7,899,586
Vested	(6,816,666)	(3,061,698)
Lapsed	(1,082,920)	(455,417)
Unvested shares, ending	7,378,348	7,899,586

The weighted average fair value of the unvested shares granted during the year ended 31 December 2018 is HK\$152,068,672, equivalent to RMB133,242,570 (2017: HK\$134,292,962, equivalent to RMB112,256,830).

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

	Year ended 31 December	
	2018	2017
	'000	'000
Shares issued	3,301,493	3,387,022
Treasury shares for Share Scheme	(13,331)	(14,298)
Shares outstanding	3,288,162	3,372,724

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

There is no individual material non-controlling interests of the Group as at 31 December 2018 and 2017.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

## 23 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	Financial assets at FVOCI reserve RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2018	(185,787)	100,282	(137)	315,420	2,584,365	4,949	(127,772)	54,594,499	57,285,819
Adjustment on adoption of HKFRS 9, net of tax	-	-	-	-	-	-	-	(54,728)	(54,728)
Adjustment on adoption of HKFRS 15, net of tax	-	-	-	-	-	-	-	109,820	109,820
Balance at 1 January 2018	(185,787)	100,282	(137)	315,420	2,584,365	4,949	(127,772)	54,649,591	57,340,911
Profit for the year	-	-	-	-	-	-	-	8,834,790	8,834,790
Translation reserves	-	-	137	-	-	-	-	-	137
Fair value losses on financial assets at FVOCI, net of tax	-	-	-	-	-	-	(171,365)	-	(171,365)
Changes in ownership interests in subsidiaries without change of control	-	-	-	-	-	-	-	(2,448,538)	(2,448,538)
Equity-settled share-based payment	-	-	-	-	-	-	-	-	-
– Value of employee services	-	-	-	116,075	-	-	-	-	116,075
– Purchase of shares	-	(97,714)	-	-	-	-	-	-	(97,714)
– Dividends received	-	12,539	-	-	-	-	-	-	12,539
Profit appropriations	-	-	-	-	463,973	-	-	(463,973)	-
Buy-back of shares	-	-	-	-	-	-	-	-	-
– Purchase of shares	-	-	-	-	-	-	-	(1,549,371)	(1,549,371)
– Dividends received	-	9,069	-	-	-	-	-	-	9,069
– Cancellation of shares	-	7,289	-	-	-	-	-	-	7,289
2017 final dividend paid	-	-	-	-	-	-	-	(1,713,359)	(1,713,359)
2018 interim dividend paid	-	-	-	-	-	-	-	(1,447,832)	(1,447,832)
Balance at 31 December 2018	(185,787)	31,465	-	431,495	3,048,338	4,949	(299,137)	55,861,308	58,892,631
Representing:									
Proposed final dividend								1,971,784	1,971,784
Others								53,889,524	56,920,847
								55,861,308	58,892,631

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

## 23 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 reserve 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 AFS, 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.

## 24 Perpetual capital instruments

For 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.

For the year ended 31 December 2018, certain subsidiaries of the Group issued several subordinated unlisted perpetual capital instruments with the total aggregate net proceeds of RMB1,700,000,000 and in the same year, subordinated unlisted perpetual capital instruments totaling RMB800,000,000 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 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

## 25 Borrowings

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Borrowings included in non-current liabilities		
Long-term bank borrowings		
– secured by assets (Note (i))	6,963,734	8,423,809
– secured by shares of subsidiary guarantors (Note (ii))	9,835,604	3,874,787
– unsecured	19,106,984	10,302,801
Long-term borrowings from other financial institutions		
– secured by assets (Note (i))	10,291,900	9,452,000
– secured by shares (Note (iii))	1,000	–
– unsecured	545,384	1,274,152
Senior notes – secured (Note (iv))	25,402,767	17,536,872
Medium-term notes – unsecured (Note (v))	3,800,000	4,300,000
Long-term bonds (Note (vi))	14,785,557	14,864,781
Domestic corporate bonds (Note (vii))	8,686,463	8,765,903
	<b>99,419,393</b>	78,795,105
Less: Portion of long-term bank borrowings due within one year	(5,431,656)	(2,072,967)
Portion of long-term borrowings from other financial institutions due within one year	(224,384)	(463,425)
Portion of senior notes due within one year	(3,751,598)	(3,899,387)
Portion of medium-term notes due within one year	–	(3,000,000)
Portion of long-term bonds due within one year	(3,500,000)	–
Portion of domestic corporate bonds due within one year	(8,686,463)	(49,854)
Amounts due within one year	<b>(21,594,101)</b>	(9,485,633)
	<b>77,825,292</b>	69,309,472
Borrowings included in current liabilities		
Short-term bank borrowings		
– secured by assets (Notes (i))	14,000	5,000
– unsecured	8,303,373	7,153,587
Short-term borrowings from other financial institutions		
– secured by assets (Note (i))	26,000	–
– secured by shares of a listed subsidiary (Note (iii))	369,000	800,000
– unsecured	–	751,000
Short-term bonds – unsecured (Note (viii))	1,000,000	–
Current portion of non-current borrowings	21,594,101	9,485,633
	<b>31,306,474</b>	18,195,220

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

## 25 Borrowings (CONTINUED)

Notes:

(i) As at 31 December 2018, the Group's total secured bank borrowings and borrowings from other financial institutions of RMB17,295,634,000 (2017: RMB17,880,809,000) were secured by its assets under construction and buildings (Note 6), investment properties (Note 7), land use rights (Note 8), properties under development (Note 17(a)), completed properties held for sale (Note 17(b)) and restricted cash (Note 21), of which RMB147,897,000 (2017: RMB132,500,000) 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 2018, US\$680,000,000 and HK\$5,890,000,000 have been drawn down.

On 14 September 2018, the Company entered into a multi-currency loan facility agreement with a syndicate of 8 banks. Pursuant to the agreement, the Company obtained 4-year syndicated loan facilities, including a US\$540,000,000 facility and a HK\$2,849,500,000 facility at a floating rate of interest, 5% out of the loan principal will mature in 2020, 25% will mature in 2021 and 70% will mature in 2022. 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 2018, US\$30,000,000 and HK\$158,305,000 have been drawn down.

(iii) As at 31 December 2018, 195,000,000 shares of Shanghai Shimao (31 December 2017: nil) have been pledged for total borrowings from other financial institutions of RMB1,000,000 (31 December 2017: nil) for Group companies.

As at 31 December 2018, 179,000,000 shares of Shanghai Shimao (31 December 2017: nil) have been pledged for total bank borrowings of RMB369,000,000 (31 December 2017: nil) for the Group companies.

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

On 30 January 2018, the Company issued senior notes with total principal of US\$500,000,000 at a fixed interest rate of 5.200% due on 30 January 2025.

On 8 March 2018, the Company issued senior notes with total principal of RMB950,000,000 at a fixed interest rate of 5.750% due on 15 March 2021.

On 3 July 2018, the Company issued senior notes with total principal of RMB1,200,000,000 at a fixed interest rate of 5.750% due on 3 July 2021.

On 16 October 2018, the Company issued senior notes with total principal of US\$250,000,000 at a fixed interest rate 6.375% due on 16 October 2021.

On 17 December 2018, the Company issued senior notes with total principal of US\$570,000,000 at a fixed interest rate of 6.375% due on 17 December 2021.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

## 25 Borrowings (CONTINUED)

Notes: (continued)

- (v) 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, which was redeemed on 12 March 2018. The total redemption price paid was RMB1,591,200,000 including the principal amount of RMB1,500,000,000 plus accrued and unpaid interest of RMB91,200,000 to the redemption date.

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, which was redeemed on 10 July 2018. The total redemption price paid was RMB1,580,250,000 including the principal amount to RMB1,500,000,000 plus accrued and unpaid interest of RMB80,250,000 to the redemption date.

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.

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 17 December 2018, Shanghai Shimao issued medium-term notes with total principal of RMB1,000,000,000 at a fixed interest rate of 5.00% due on 17 December 2020.

- (vi) On 18 September 2015, Shanghai Shimao Jianshe Co., Ltd. ("Shimao Jianshe") issued long-term bonds in an aggregate principal amount of RMB6,000,000,000 at a fixed interest rate of 3.90% per annum, which will mature on 18 September 2020. On 18 September 2018, Shimao Jianshe early redeemed long-term bonds with total principal of RMB100,100,000 at a fixed interest rate of 3.9%, which was originally due 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.

- (vii) On 14 January 2016, 3 August 2016, 22 September 2016, 22 September 2016 and 22 September 2016, the Company 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.

On 22 September 2018, the Company redeemed domestic corporate bonds with total principal of RMB50,000,000 at a fixed interest rate of 3.7%. The total redemption price paid was RMB51,850,000 including the principal amount of RMB50,000,000 plus accrued and unpaid interest of RMB1,850,000 to the redemption date.

On 22 September 2018, the Company early redeemed domestic corporate bonds with total principal of RMB40,000,000 at a fixed interest rate of 3.9%, which was originally due on 22 September 2019. The total redemption price paid was RMB41,560,000 including the principal amount of RMB40,000,000 plus accrued and unpaid interest of RMB1,560,000 to the redemption date.

- (viii) As at 31 December 2017, Shanghai Shimao repaid all short-term financing bonds.

On 25 April 2018, Shanghai Shimao issued short-term financing bonds with total principal of RMB1,000,000,000 at a fixed interest rate of 5.480% due on 25 April 2019.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

**25 Borrowings (CONTINUED)**

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

	6 months or less RMB'000	6-12 months RMB'000	1-5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Borrowings included in non-current liabilities:					
At 31 December 2018	<b>23,103,690</b>	<b>365,000</b>	<b>4,178,964</b>	<b>50,177,638</b>	<b>77,825,292</b>
At 31 December 2017	14,009,777	385,000	2,621,880	52,292,815	69,309,472
Borrowings included in current liabilities:					
At 31 December 2018	<b>7,681,549</b>	<b>23,624,925</b>	-	-	<b>31,306,474</b>
At 31 December 2017	8,900,435	9,294,785	-	-	18,195,220

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

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Bank borrowings:		
Between 1 and 2 years	<b>5,364,504</b>	6,820,634
Between 2 and 5 years	<b>22,044,454</b>	10,513,188
Over 5 years	<b>3,065,708</b>	3,194,608
Borrowings from other financial institution:		
Between 1 and 2 years	<b>1,822,000</b>	1,250,727
Between 2 and 5 years	<b>2,600,000</b>	2,820,000
Over 5 years	<b>6,191,900</b>	6,192,000
Domestic corporate bonds:		
Between 1 and 2 years	-	2,991,214
Between 2 and 5 years	-	5,724,836
Senior notes:		
Between 2 and 5 years	<b>18,244,283</b>	13,637,484
Over 5 years	<b>3,406,886</b>	-
Medium-term notes:		
Between 1 and 2 years	<b>2,300,000</b>	-
Between 2 and 5 years	<b>1,500,000</b>	1,300,000
Long-term bonds:		
Between 1 and 2 years	<b>9,899,424</b>	3,500,000
Between 2 and 5 years	<b>1,386,133</b>	11,364,781
	<b>77,825,292</b>	69,309,472

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

**25 Borrowings (CONTINUED)**

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

	As at 31 December	
	2018	2017
Bank borrowings – RMB	4.91%	4.83%
Bank borrowings – US dollar	3.87%	3.58%
Bank borrowings – HK dollar	3.38%	2.64%
Bank borrowings – JPY yen	1.12%	1.06%
Bank borrowings – AUD dollar	–	3.26%
Senior notes – US dollar	6.65%	6.98%
Borrowings from other financial institutions – RMB	5.66%	5.77%

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

	Carrying amounts	Fair values
	RMB'000	RMB'000
Fixed rate portion – senior notes	21,651,169	21,030,489
Fixed rate portion – others	28,533,457	28,390,364
Floating rate portion	27,640,666	27,497,292
At 31 December 2018	77,825,292	76,918,145
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
At 31 December 2017	69,309,472	69,535,714

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 2018 amounting to RMB21,030,489,000 (2017: RMB14,194,491,000) 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

## 26 Finance lease liabilities

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Included in current liabilities	–	130,560

Finance lease liabilities for hotel facilities are repayable by installment in three to five years and have effective interest rates from 3.20% to 5.81% as at 31 December 2018 and 2017. During the year ended 31 December 2018, the Group had terminated eleven of the leases in advance and repaid all the installments and finance charges. 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 2018 and 2017, all finance lease liabilities of the Group were denominated in RMB.

## 27 Trade and other payables

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Trade payables (Note (a))	41,104,519	26,403,178
Other taxes payable	3,680,142	2,377,915
Accrued expenses	2,214,813	1,837,207
Other payables (Note (b))	3,585,697	2,905,965
	<b>50,585,171</b>	<b>33,524,265</b>

Notes:

(a) As at 31 December 2018, the aging analysis of the trade payables based on invoice date is as follows:

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Within 90 days	40,813,784	26,172,019
Over 90 days and within 1 year	290,735	231,159
	<b>41,104,519</b>	<b>26,403,178</b>

(b) Other payables comprise:

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Deposits received from customers	1,917,118	1,640,761
Deposits from constructors	574,190	421,689
Rental deposits from tenants and hotel customers	566,674	536,331
Fees collected from customers on behalf of government agencies	337,580	169,812
Others	190,135	137,372
	<b>3,585,697</b>	<b>2,905,965</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

## 28 Amounts due to related parties

	As at 31 December	
	2018 RMB'000	2017 RMB'000
– Associated companies	4,189,043	3,016,217
– Joint ventures	16,643,004	18,156,243
– Non-controlling interests	17,402,595	12,696,059
	<b>38,234,642</b>	33,868,519

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

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

## 29 Other income/other gains – net

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Other income		
Government grants received	100,193	161,417
Other gains – net		
Net gains on disposal and deemed disposal of subsidiaries with loss of control (Note 41(c) and 41(d))	53,388	119,947
Gains on derivative financial instruments (Note 20)	11,278	–
Gains on investment in structured products issued by banks	19,558	85,847
Gains on disposal of investment in structured products issued by other financial institution	–	5,001
Gains on acquisition of subsidiaries (Note 41(a))	1,814	34,183
Penalty income (Note)	70,586	96,662
Gains on financial assets at FVPL (Note 14)	6,350	–
Others	34,113	42,038
	<b>197,087</b>	383,678
	<b>297,280</b>	545,095

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

**30 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	
	2018 RMB'000	2017 RMB'000
Cost of properties sold and others	<b>56,999,178</b>	47,599,906
Including: interests capitalised	<b>4,104,972</b>	3,909,953
land and construction	<b>51,859,940</b>	42,643,381
Taxes and surcharges on sales of properties	<b>464,262</b>	403,492
Staff costs – including directors' emoluments (Note 32(a))	<b>2,080,237</b>	1,723,224
Advertising, promotion and commission costs	<b>1,653,779</b>	1,143,431
Direct expenses arising from hotel operation	<b>1,076,954</b>	972,396
Corporate and office expenses	<b>882,608</b>	698,376
Depreciation (Note 6)	<b>585,515</b>	580,353
Amortisation of land use rights (Note 8)	<b>78,368</b>	84,991
Operating lease rental expenses	<b>92,291</b>	82,771
Direct expenses arising from investment properties (Note 7(a))	<b>23,231</b>	20,567
Charitable donations	<b>64,500</b>	267,873
Auditor's remuneration	<b>23,090</b>	13,530
– Audit services	<b>9,800</b>	8,850
– Non-audit services	<b>13,290</b>	4,680
Reversal of impairment losses on financial assets	<b>(25,529)</b>	–
Provision for impairment of receivables	–	56,169
Provision of impairment losses on completed properties held for sale (Note 17(b))	<b>89,885</b>	116,619
Losses on derivative financial instruments	–	86,979
Other expenses	<b>423,165</b>	121,061
<b>Total cost of sales, selling and marketing costs, administrative expenses and other operating expenses</b>	<b>64,511,534</b>	53,971,738

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

## 31 Finance costs/(income) – net

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Finance income		
– interest income on short-term bank deposits	(786,116)	(581,511)
– net foreign exchange gain	–	(1,478,469)
Finance income	(786,116)	(2,059,980)
Interest on bank borrowings		
– wholly repayable within five years	4,621,860	3,645,507
– not wholly repayable within five years	147,225	147,218
Interest on senior notes		
– wholly repayable within five years	648,019	604,807
– not wholly repayable within five years	775,560	736,484
Interest on borrowings from other financial institutions		
– wholly repayable within five years	699,938	563,721
Interest on finance lease liabilities		
– wholly repayable within five years	6,461	36,256
	6,899,063	5,733,993
Net foreign exchange loss	2,178,379	–
Less: interest and foreign exchange losses capitalised	(7,954,299)	(5,002,427)
Finance costs	1,123,143	731,566
Net finance costs/(income)	337,027	(1,328,414)

## 32 Employee benefit expense

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

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Wages and salaries	1,585,045	1,302,725
Pension costs – statutory pension (Note (b))	165,284	141,598
Other allowances and benefits	329,908	278,901
	2,080,237	1,723,224

## (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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

**32 Employee benefit expense (CONTINUED)****(c) Five highest paid individuals**

The five individuals whose emoluments were the highest in the Group for the year include four (2017: five) directors whose emoluments are reflected in the analysis shown in Note 33. The emoluments payable to the remaining one (2017: Nil) individual during the year are as follows:

	2018 RMB'000
Basic salaries, housing allowances, share options, other allowances and benefits in kind	4,437
Contribution to pension scheme	112
Bonuses	390

The emoluments fell within the following bands:

	Number of individuals 2018
Emolument bands (in RMB) RMB4,500,001– RMB5,000,000	1

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

The remuneration of each of the directors of the Company for the year ended 31 December 2018 is set out as follows:

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

Name of directors	Fees RMB'000	Salary RMB'000	Bonuses RMB'000	Housing allowance RMB'000	Employer's contribution to a retirement benefit scheme	Employee share award schemes	Total RMB'000
					RMB'000	RMB'000	
Executive directors							
Mr. Hui Wing Mau	-	5,278	880	-	-	-	6,158
Mr. Hui Sai Tan, Jason	-	6,850	-	-	16	2,065	8,931
Ms. Tang Fei	-	2,550	765	60	108	1,758	5,241
Mr. Liao Lujiang (Note 1)	-	179	-	12	8	-	199
Non-executive directors							
Mr. Liu Sai Fei	-	2,911	289	-	-	-	3,200
Independent non-executive directors							
Ms. Kan Lai Kuen, Alice	317	-	-	-	-	-	317
Mr. Lu Hong Bing	317	-	-	-	-	-	317
Mr. Lam Ching Kam	317	-	-	-	-	-	317
	951	17,768	1,934	72	132	3,823	24,680

Note 1:

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

**33 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 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
<b>Executive directors</b>							
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
<b>Non-executive directors</b>							
Mr. Liu Sai Fei	-	2,646	525	-	-	-	3,171
<b>Independent non-executive directors</b>							
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.

**(b) Directors' retirement benefits**

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

**(c) Directors' termination benefits**

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

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

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

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

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

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

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

## 34 Income tax expense

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Current income tax		
– PRC enterprise and withholding income tax	5,382,757	4,012,947
– PRC land appreciation tax	4,537,855	4,012,632
	<b>9,920,612</b>	8,025,579
Deferred income tax		
– PRC enterprise and withholding income tax (Note 15)	406,661	95,481
	<b>10,327,273</b>	8,121,060

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	
	2018 RMB'000	2017 RMB'000
Profit before income tax	22,638,205	18,691,753
Add: Share of results of associated companies and joint ventures	233,469	315,376
Less: Land appreciation tax	(4,537,855)	(4,012,632)
	<b>18,333,819</b>	14,994,497
Calculated at PRC enterprise income tax rate of 25% (2017: 25%)	4,583,455	3,748,624
Effect of different tax rates in other countries or regions	(4,075)	(1,880)
Expenses not deductible for income tax purposes (Note (a))	478,033	315,208
Income not subject to tax (Note (b))	(280,552)	(379,225)
Tax losses not recognised	492,327	154,553
	<b>5,269,188</b>	3,837,280
PRC enterprise income tax charge		
PRC land appreciation tax charge	4,537,855	4,012,632
PRC withholding income tax	520,230	271,148
	<b>10,327,273</b>	8,121,060

Notes:

- 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.
- Income not subject to tax arose mainly from interest income and net exchange gains earned by companies incorporated in Cayman Islands, the British Virgin Islands and Hong Kong.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

**34 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 2018 (2017: 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%.

**35 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	
	2018	2017
Profit attributable to the equity holders of the Company (RMB'000)	<b>8,834,790</b>	7,840,494
Weighted average number of ordinary shares in issue (thousands)	<b>3,337,541</b>	3,373,739
Basic earnings per share (RMB cents)	<b>264.7</b>	232.4

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	
	2018	2017
Profit attributable to the equity holders of the Company (RMB'000)	<b>8,834,790</b>	7,840,494
Weighted average number of ordinary shares in issue (thousands)	<b>3,337,541</b>	3,373,739
Adjustment for shares granted under Share Scheme (thousands)	<b>7,214</b>	6,561
Weighted average number of ordinary shares for diluted earnings per share (thousands)	<b>3,344,755</b>	3,380,300
Diluted earnings per share (RMB cents)	<b>264.1</b>	231.9

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

## 36 Dividends

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Interim dividends paid of HK50 cents (2017: 40 cents) per ordinary share (Note (a))	<b>1,457,489</b>	1,152,807
Proposed final dividends of HK70 cents (2017: 60 cents) per ordinary share (Note (b))	<b>1,971,784</b>	1,638,371
Other dividends paid	<b>212,240</b>	105,246
	<b>3,641,513</b>	2,896,424

## Notes:

- (a) An interim dividend in respect of the six months ended 30 June 2018 of HK50 cents per ordinary share, amounting to HK\$1,665,131,000 (equivalent to RMB1,457,489,000) was paid in September 2018 (2017: RMB1,152,807,000).
- (b) At a meeting held on 26 March 2019, the directors proposed a final dividend of HK70 cents per ordinary share for the year ended 31 December 2018. 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 2018 upon approval by the shareholders at the forthcoming annual general meeting of the Company.

A final dividend of RMB1,638,371,000 relating to the year ended 31 December 2017 was paid in 2018.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

## 37 Notes to the consolidated statements of cash flows

## (a) Net cash generated from operations

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Profit before income tax	22,638,205	18,691,753
Adjustments for:		
Interest income	(786,116)	(581,511)
Interest expense	906,457	731,566
Reversal of impairment losses on financial assets	(25,529)	–
Provision for impairment of receivables	–	56,169
Provision for impairment loss on completed properties held for sale	89,885	116,619
Depreciation	585,515	580,353
Share of results of associated companies and joint ventures accounted for using the equity method	233,469	315,376
Net gains on disposal and deemed disposal of subsidiaries with loss of control	(53,388)	(119,947)
Net gains on acquisition of subsidiaries	(1,814)	(34,183)
Amortisation of land use rights	78,368	84,991
Fair value (gain)/loss on derivative financial instruments	(11,278)	86,979
Fair value gain on financial assets at fair value through profit or loss	(6,350)	–
Interest received from investment in structured products issued by banks	(19,558)	(85,847)
Gain on disposal of investment in structured products issued by other financial institution	–	(5,001)
Fair value gains on investment properties	(1,910,251)	(679,484)
Value of employee services arising from equity-settled share based payment scheme	116,075	75,470
Net exchange losses/(gains)	216,686	(1,478,469)
	<b>22,050,376</b>	<b>17,754,834</b>
Changes in working capital:		
Properties under development, completed properties held for sale and prepayment for acquisition of land use rights	(27,622,215)	(12,692,428)
Other non-current assets	(482,524)	(803,556)
Biological assets	18,652	(15,831)
Restricted cash	(32,270)	(59,447)
Trade and other receivables and prepayments	(1,558,783)	9,963,939
Trade and other payables	12,996,060	5,101,794
Contract liabilities/advanced proceeds received from customers	9,468,329	1,087,470
Amounts due to related companies excluding non-controlling interests	(340,413)	2,405,079
Net cash generated from operations	<b>14,497,212</b>	<b>22,741,854</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

## 37 Notes to the consolidated statements of cash flows (CONTINUED)

## (b) Net debt reconciliation

Net debt	2018 RMB'000				
Borrowings – repayable within one year	31,306,474				
Borrowings – repayable after one year	77,825,292				
Cash and cash equivalents	(43,688,296)				
Net debt	65,443,470				
Gross debt – fixed interest rates	68,980,808				
Gross debt – variable interest rates	40,150,958				
Cash and cash equivalents	(43,688,296)				
Net debt	65,443,470				

	Other assets	Liabilities from financing activities			Total
	Cash and cash equivalents	Finance leases due within 1 year	Borrowings due within 1 year	Borrowings due after 1 year	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Net debt as at 31 December 2017</b>	(28,537,441)	130,560	18,195,220	69,309,472	59,097,811
Cash flows	(15,112,842)	(130,560)	(9,378,931)	27,346,749	2,724,416
Foreign exchange adjustments	(38,013)	–	332,271	1,849,747	2,144,005
Reclassification	–	–	21,594,101	(21,594,101)	–
Other non-cash movements	–	–	563,813	913,425	1,477,238
<b>Net debt as at 31 December 2018</b>	(43,688,296)	–	31,306,474	77,825,292	65,443,470

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

**38 Principal subsidiaries, associated companies and joint ventures**

Particulars of the principal subsidiaries, associated companies and joint ventures of the Group as at 31 December 2018 are as follows:

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2018	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 RMB3,751,168,261	58.92%	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
西藏世茂企業發展有限公司 (Xizang Shimao Enterprises Development Co., Ltd.)	22 June 2000	Domestic enterprise	Registered capital RMB101,723,586	50.85%	Investment holding
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
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
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
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
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
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
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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

## 38 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 2018	Principal activities
<b>Principal subsidiaries – established and operation conducted in the PRC (continued)</b>					
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
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
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
瀋陽世茂新發展置業有限公司 (Shenyang Shimao New Development Property Co., Ltd.)	5 December 2006	Foreign investment enterprise	Registered capital US\$108,900,000	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
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
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
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 RMB491,412,640	58.92%	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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

## 38 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 2018	Principal activities
<b>Principal subsidiaries – established and operation conducted in the PRC (continued)</b>					
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
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
瀋陽世茂新世紀房地產開發有限公司 (Shenyang Shimao New Century Real Estate Development Co., Ltd.)	24 May 2007	Domestic enterprise	Registered capital RMB581,512,000	58.92%	Property development
瀋陽世茂新紀元置業有限公司 (Shenyang Shimao New Era Property Co., Ltd.)	24 May 2007	Foreign investment enterprise	Registered capital HK\$257,000,000	100%	Property development
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
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
紹興世茂投資發展有限公司 (Shaoxing Shimao Investment Development Co., Ltd.)	13 July 2007	Domestic enterprise	Registered capital RMB483,457,740	58.92%	Property development
重慶浚亮房地產開發有限公司 (Chongqing Junliang Real Estate Development Co., Ltd.)	25 July 2007	Foreign investment enterprise	Registered capital US\$200,000,000	100%	Property development
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
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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

## 38 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 2018	Principal activities
<b>Principal subsidiaries – established and operation conducted in the PRC (continued)</b>					
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
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
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
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
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
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
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
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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

## 38 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 2018	Principal activities
<b>Principal subsidiaries – established and operation conducted in the PRC (continued)</b>					
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 RMB16,000,000,000	49.05%	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
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 RMB1,470,000,000	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
青島世茂新城房地產開發有限公司 (Qingdao Shimao New City enterprise Real Estate Development Co., Ltd.)	29 April 2010	Foreign Investment	Registered capital US\$159,980,000	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
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	58.92%	Property development
文昌世茂置業有限公司 (Wenchang Shimao Property Co., Ltd.)	19 April 2011	Domestic enterprise	Registered capital RMB550,000,000	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
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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

## 38 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 2018	Principal activities
<b>Principal subsidiaries – established and operation conducted in the PRC (continued)</b>					
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
大廠回族自治縣中基太業 房地產開發有限公司 (Dachang Hui Autonomous County Real Estate Development Co., Ltd.)	11 August 2011	Domestic enterprise	Registered capital RMB493,570,000	65%	Property development
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
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
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
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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

## 38 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 2018	Principal activities
<b>Principal subsidiaries – established and operation conducted in the PRC (continued)</b>					
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
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
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
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	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
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	100%	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	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
杭州世融匯置業有限公司 (Hangzhou Shirong Huiying Property Co., Ltd.)	29 May 2013	Foreign investment enterprise	Registered capital US\$150,000,000	51%	Property development

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

## 38 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 2018	Principal activities
<b>Principal subsidiaries – established and operation conducted in the PRC (continued)</b>					
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
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
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
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
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
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
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
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\$121,060,000	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\$75,940,000	100%	Property development

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

## 38 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 2018	Principal activities
<b>Principal subsidiaries – established and operation conducted in the PRC (continued)</b>					
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 RMB1,310,000,000	58.92%	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 RMB600,000,000	100%	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%	Property development
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%	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
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	100%	Property development
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%	Business management
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%	Business management
南京世招葦晟置業有限公司 (Nanjing Shizhao Quansheng Property Co., Ltd.)	27 January 2015	Domestic enterprise	Registered capital RMB250,000,000	51%	Property development

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

## 38 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 2018	Principal activities
<b>Principal subsidiaries – established and operation conducted in the PRC (continued)</b>					
南京世茂星空投資有限公司 (Nanjing Shimao Xingkong Investment Co., Ltd.)	17 April 2015	Domestic enterprise	Registered capital RMB500,000,000	80%	Investment holding
銀川海茂房地產有限公司 (Yinchuan Haimao Real Estate Co., Ltd.)	20 May 2015	Domestic enterprise	Registered capital RMB100,000,000	51%	Property development
銀川世海房地產有限公司 (Yinchuan Shihai Real Estate Co., Ltd.)	2 September 2015	Domestic enterprise	Registered capital RMB50,000,000	51%	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
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 RMB103,624,000	96.5%	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	55.04%	Property development
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
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
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
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%	Business management

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

## 38 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 2018	Principal activities
<b>Principal subsidiaries – established and operation conducted in the PRC (continued)</b>					
銀川世茂新體驗置業有限公司 (Yinchuan Shimao New Experience Property Co., Ltd)	12 August 2016	Domestic enterprise	Registered capital RMB50,000,000	96.5%	Property development
銀川世茂新領域置業有限公司 (Yinchuan Shimao New Domain Property Co., Ltd)	12 August 2016	Domestic enterprise	Registered capital RMB50,000,000	96.5%	Property development
銀川世茂新里程置業有限公司 (Yinchuan Shimao New Miles Property Co., Ltd)	12 August 2016	Domestic enterprise	Registered capital RMB50,000,000	100%	Property development
杭州融大齊雲置業有限公司 (Hangzhou Rongdaqiyun Property Co., Ltd)	8 September 2016	Domestic enterprise	Registered capital RMB100,000,000	51%	Property development
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
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
上海茂璟置業有限公司 (Shanghai Maojing Property Co., Ltd.)	6 February 2017	Domestic enterprise	Registered capital RMB100,000,000	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 RMB200,000,000	96.8%	Property development



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

## 38 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 2018	Principal activities
<b>Principal subsidiaries – established and operation conducted in the PRC (continued)</b>					
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	65%	Property development
廈門市毅駿置業有限公司 (Xiamen Yijun Property Co., Ltd.)	9 August 2017	Domestic enterprise	Registered capital RMB10,000,000	50%	Property development
福州世茂世盈置業有限公司 (Fuzhou Shimao Shiyong Property Co., Ltd.)	22 September 2017	Domestic enterprise	Registered capital RMB100,000,000	65%	Property development
深圳市坪山區城投宏源投資有限公司 (Shenzhen Pingshan City Investment Hongyuan Co., Ltd.)	15 December 2017	Domestic enterprise	Registered capital RMB100,000,000	35.35%	Property development
莆田世茂置業有限公司 (Putian Shimao Property Co., Ltd.)	27 December 2017	Domestic enterprise	Registered capital RMB60,000,000	95%	Property development
寧波世茂新領航置業有限公司 (Ningbo Shimao New Pioneer Property Co., Ltd.)	27 December 2017	Domestic enterprise	Registered capital RMB800,000,000	51%	Property development
漳州中世置業有限公司 (Zhangzhou Zhongshi Property Co., Ltd.)	5 March 2018	Domestic enterprise	Registered capital RMB10,000,000	51%	Property development
濟南世茂新陽置業有限公司 (Jinan Shimao Xinyang Property Co., Ltd.)	23 March 2018	Domestic enterprise	Registered capital RMB50,000,000	70%	Property development
平陽世盈房地產開發有限公司 (Pingyang Shiyong Real Estate Development Co., Ltd.)	4 June 2018	Domestic enterprise	Registered capital RMB20,000,000	51%	Property development

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

## 38 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 2018	Principal activities
<b>Principal subsidiaries – established and operation conducted in the PRC (continued)</b>					
湖州世茂房地產開發有限公司 (Huzhou Shimao Real Estate Development Co., Ltd.)	5 July 2018	Domestic enterprise	Registered capital RMB100,000,000	100%	Property development
銀川世茂嘉年華房地產開發有限公司 (Yinchuan Shimao Carnival Real Estate Development Co., Ltd.)	11 July 2018	Domestic enterprise	Registered capital RMB100,000,000	96.5%	Property development
徐州世茂新世紀置業有限公司 (Xuzhou Shimao New Century Property Co., Ltd.)	6 August 2018	Domestic enterprise	Registered capital RMB566,500,000	100%	Property development
青島世茂世悅置業有限公司 (Qingdao Shimao Shiyue Property Co., Ltd.)	7 August 2018	Domestic enterprise	Registered capital RMB100,000,000	100%	Property development
湖北長建茂房地產開發有限公司 (Hubei Changjianmao Real Estate Development Co., Ltd.)	27 August 2018	Domestic enterprise	Registered capital RMB10,000,000	40.32%	Property development
湖北長荊上河置業有限公司 (Hubei Changjingshanghe Property Co., Ltd.)	27 August 2018	Domestic enterprise	Registered capital RMB20,000,000	60%	Property development
<b>Principal subsidiaries – incorporated and operation conducted in the British Virgin Islands</b>					
Vicking International Ltd.	19 January 1994	Limited liability company	50,000 ordinary shares of US\$50,000	100%	Investment holding
Everactive Properties Limited	2 May 2001	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
Mega Universe Limited	10 July 2001	Limited liability company	1 ordinary share of US\$1	100%	Investment holding

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

## 38 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 2018	Principal activities
<b>Principal subsidiaries – incorporated and operation conducted in the British Virgin Islands</b> (continued)					
Year Grant Investments Limited	3 September 2001	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
Double Achieve Assets Limited	31 January 2002	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
Peak Castle Assets Limited	2 July 2002	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
Significant Asset Group Limited	2 July 2002	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Shimao Property Holdings (BVI) Limited	23 August 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
Wickfair Investments Limited	8 October 2004	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
East Lighter Group Limited	12 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
Ease Reach Group Limited	13 December 2006	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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

## 38 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 2018	Principal activities
<b>Principal subsidiaries – incorporated and operation conducted in the British Virgin Islands</b> (continued)					
Highsharp International Limited	23 February 2007	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Win Real Group Limited	29 May 2007	Limited liability company	1 ordinary share of US\$1	100%	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
Peak Dragon Limited	16 January 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
Advance Solution Holdings Limited	9 June 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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

## 38 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 2018	Principal activities
<b>Principal subsidiaries – incorporated and operation conducted in Hong Kong</b>					
Shimao Holdings Company Limited	3 February 1994	Limited liability company	395 million ordinary shares of HK\$395 million	100%	Investment holding
Topwise Limited	29 March 2005	Limited liability company	1 ordinary share of HK\$1	100%	Management services
Fine Tune Investments Limited	5 June 2006	Limited liability company	1 ordinary share of HK\$1	100%	Holding of trademarks
Brilliant Architectural and Construction Professional Consultancy Limited	28 July 2006	Limited liability company	100,000 ordinary shares of HK\$100,000	100%	Consultancy services
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
Daily Right Holdings Limited	7 May 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
Clear Rise Investments Limited	8 May 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
Grandday International Limited	11 May 2007	Limited liability company	1 ordinary share of HK\$1	100%	Investment holding

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

## 38 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 2018	Principal activities
<b>Principal subsidiaries – incorporated and operation conducted in Hong Kong (continued)</b>					
New Sincere Investments Limited	11 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
Excel Grand Group Limited	22 May 2007	Limited liability company	1 ordinary share of HK\$1	100%	Investment holding
Charm Field Group Limited	1 August 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
Bonus Boom Limited	13 November 2007	Limited liability company	1 ordinary share of HK\$1	100%	Investment holding
Excel Mode Investments Limited	27 November 2007	Limited liability company	1 ordinary share of HK\$1	100%	Investment holding
Future Right Limited	27 November 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
Power One Holdings Limited	27 November 2007	Limited liability company	1 ordinary share of HK\$1	100%	Investment holding
Swift Time Limited	18 March 2009	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 development
Adventure Success Limited	25 November 2014	Limited liability company	1 ordinary share of HK\$1	100%	Property development
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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

## 38 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 2018	Principal activities
<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 Hengyu Real Estate Development Co., Ltd.)	7 May 2010	Domestic enterprise	Registered capital RMB4,030,000,000	33.33%	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
北京創譽房地產開發有限公司 (Beijing Chuangyu Real Estate Development Co., Ltd.)	2 April 2013	Domestic enterprise	Registered capital RMB20,000,000	50%	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
杭州龍尚房地產開發有限公司 (Hangzhou Longshang Real Estate Development Co., Ltd.)	8 August 2016	Domestic enterprise	Registered capital RMB1,000,000,000	25%	Property development
蘇州孚元置業有限公司 (Suzhou Fuyuan Property Co., Ltd.)	12 July 2017	Domestic enterprise	Registered capital RMB50,000,000	24.5%	Property development
<b>Associated companies – established and operation conducted in the British Virgin Islands</b>					
Eagle Rights Limited	31 March 2010	Limited liability company	45,000,000 shares with no par value	33.33%	Investment holding
<b>Joint ventures – established and operation conducted in the PRC</b>					
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
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
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
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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

## 38 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 2018	Principal activities
<b>Joint ventures – established and operation conducted in the PRC (continued)</b>					
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
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
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
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
上海世茂佘山匯置業有限公司 (Shanghai Shimao Sheshan Huiying Property Co., Ltd.)	14 September 2012	Domestic enterprise	Registered capital RMB860,000,000	50%	Property development
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
寧波鼎峰房地產開發有限公司 (Ningbo Dingfeng Real Estate Development Co., Ltd.)	17 September 2013	Domestic enterprise	Registered capital RMB125,000,000	40%	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
南寧世茂投資有限公司 (Nanning Shimao Investment Co., Ltd.)	9 April 2014	Domestic enterprise	Registered capital RMB440,000,000	50%	Property development
杭州茂國悅盈置業有限公司 (Hangzhou Maoguoyueying Property Co., Ltd.)	16 February 2017	Domestic enterprise	Registered capital RMB1,500,000,000	50%	Property development



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

## 38 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 2018	Principal activities
<b>Joint ventures – established and operation conducted in the PRC (continued)</b>					
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
濟南碧世榮光房地產開發有限公司 (Jinan Bishirongguang Real Estate Development Co., Ltd.)	19 June 2017	Domestic enterprise	Registered capital RMB10,000,000	33%	Property development
佛山市新紀元置業有限公司 (Foshan New Era Property Co., Ltd.)	27 June 2017	Domestic enterprise	Registered capital RMB10,000,000	50%	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
福州世茂瑞盈置業有限公司 (Fuzhou Shimao Ruiying Property Co., Ltd.)	4 January 2018	Domestic enterprise	Registered capital RMB10,000,000	20%	Property development
南平世茂新紀元置業有限公司 (Nanping Shimao New Era Property Co., Ltd.)	15 May 2018	Domestic enterprise	Registered capital RMB100,000,000	42%	Property development
滄鑾(廈門)置業有限公司 (Cangluan (Xiamen) Property Co., Ltd.)	29 June 2018	Domestic enterprise	Registered capital RMB1,455,000,000	25%	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
Sky Asia Properties Limited	10 April 2017	Limited liability company	1 ordinary share of HK\$1	22.5%	Property development

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

**39 Contingencies and financial guarantee contracts****(a) The Group had the following contingent liabilities**

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Guarantees in respect of mortgage facilities for certain purchasers	<b>18,174,775</b>	11,799,064

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	
		2018 RMB'000	2017 RMB'000
Guarantee in respect of borrowings	2018-2022	<b>8,956,494</b>	6,958,785

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 RMB8,956,494,000 as at 31 December 2018 (2017: RMB6,958,785,000). The fair value of the financial guarantee contracts is 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 2018, 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 2018 and 2017. No more provision has been accrued or reversed during the year ended 31 December 2018.

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 2018.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

## 40 Commitments

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

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Contracted but not provided for		
– Property and equipment	1,541,416	1,365,178
– Land use rights (including those related to associated companies and joint ventures)	9,288,768	20,365,570
– Properties being developed by the Group for sale	38,315,818	28,696,742
	<b>49,146,002</b>	50,427,490

## (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	
	2018 RMB'000	2017 RMB'000
Within one year	253,454	138,997
Between two and five years	215,141	336,916
After five years	45,697	142,376
	<b>514,292</b>	618,289

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

**41 Significant acquisition or disposal of subsidiaries and transactions with NCI****(a) Certain joint ventures transferred to subsidiaries**

In 2018, the Group acquired the equity interests of several joint ventures of the Group, at a consideration of RMB1,966,819,000. After the acquisition, the Group gained control over these companies pursuant to the revised articles of association. The carrying value of the investment in the joint venture was RMB1,488,527,000 before the business combination. The purchase resulted in a net cash outflow of RMB312,145,000 and RMB1,814,000 gains was recognised from the acquisition.

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	1,654,674
Properties under development	10,279,491
Trade and other receivables and prepayments	2,691,095
Property and equipment	1,140
Deferred tax assets	44,626
Borrowings	(2,615,000)
Contract liabilities	(3,772,807)
Trade and other payables	(4,585,308)
<b>Total identifiable net assets</b>	<b>3,697,911</b>
<b>Non-controlling interests</b>	<b>(240,751)</b>
<b>Total acquired net assets</b>	<b>3,457,160</b>
Book value of previously held interests in the joint ventures (Note 11(b))	(1,488,527)
Cash consideration paid	(1,966,819)
<b>Gains on acquisition (Note 29)</b>	<b>1,814</b>
Cash consideration paid	(1,966,819)
Cash and cash equivalents in the entities acquired	1,654,674
<b>Net cash outflow due to acquisition</b>	<b>(312,145)</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

**41 Significant acquisition or disposal of subsidiaries and transactions with NCI (CONTINUED)****(b) Acquisition of subsidiaries**

In 2018, the Group acquired the equity interests of six companies, at a consideration of RMB139,547,000. After the acquisition, the Group gained control over these companies pursuant to the revised articles of association. The purchase resulted in a net cash inflow of RMB307,305,000 and no gain or loss was recognised from this acquisition.

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	446,852
Properties under development	2,105,045
Trade and other receivables and prepayments	820,466
Property and equipment	353
Deferred tax assets	5,536
Borrowings	(84,000)
Contract liabilities	(591,663)
Trade and other payables	(1,996,178)
<b>Total identifiable net assets</b>	<b>706,411</b>
<b>Non-controlling interests</b>	<b>(566,864)</b>
<b>Total acquired net assets</b>	<b>139,547</b>
<b>Cash consideration paid</b>	<b>(139,547)</b>
<b>Gain on acquisition</b>	<b>–</b>
<b>Cash consideration paid</b>	<b>(139,547)</b>
<b>Cash and cash equivalents in the entities acquired</b>	<b>446,852</b>
<b>Net cash inflow from acquisition</b>	<b>307,305</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

**41 Significant acquisition or disposal of subsidiaries and transactions with NCI** (CONTINUED)**(c) Disposal of subsidiaries (with loss of control)**

In 2018, the Group lost control of certain subsidiaries. The remaining interests of the Group in these joint ventures have a fair value of RMB877,465,000. The disposal resulted in a net cash inflow of RMB453,009,000 and a net gains of RMB15,207,000.

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

	RMB'000
Cash and cash equivalents	396,576
Completed properties held for sale	723,961
Properties under development	2,104,541
Property and equipment	312,376
Trade and other receivables and prepayments	746,092
Prepaid income taxes	103,169
Land use right (Note 8)	92,052
Other long term assets	598,819
Deferred tax assets (Note 15)	9,996
Borrowings	(519,181)
Contract liabilities	(776,543)
Trade and other payables	(2,039,870)
<b>Total identifiable net assets</b>	<b>1,751,988</b>
Non-controlling interests	(40,145)
<b>Net assets disposed</b>	<b>1,711,843</b>
Fair value of interests retained in joint ventures	877,465
Total consideration received	849,585
<b>Net assets disposed</b>	<b>(1,711,843)</b>
<b>Disposal gains (Note 29)</b>	<b>15,207</b>
Total consideration	849,585
Less: Cash and cash equivalents in the entities disposed	(396,576)
<b>Net cash inflow arising from disposal</b>	<b>453,009</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

**41 Significant acquisition or disposal of subsidiaries and transactions with NCI (CONTINUED)****(d) Deemed disposal of subsidiaries**

In 2018, the Group lost control of certain subsidiaries. The remaining interests of the Group in these company have a fair value of RMB748,560,000. The deemed disposal resulted in a net cash outflow of RMB309,086,000 and a net gains of RMB38,181,000.

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

	<b>The date of disposal</b> RMB'000
Cash and cash equivalents	309,086
Other assets	310,696
Properties under development	1,090,960
Property and equipment	50,037
Deferred tax assets (Note 15)	18,966
Land use right (Note 8)	191,456
Borrowings	(702,581)
Trade and other payables	(555,292)
<b>Total identifiable net assets</b>	<b>713,328</b>
Non-controlling interests	(2,949)
<b>Net assets disposed</b>	<b>710,379</b>
Gains on deemed disposal of subsidiaries:	
Fair value of interests retained	748,560
Net assets disposed	(710,379)
<b>Gains on deemed disposal (Note 29)</b>	<b>38,181</b>
<b>Net cash outflow arising from deemed disposal</b>	<b>(309,086)</b>

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

For the year ended 31 December 2018, non-controlling interests made several capital injections into the Group with total amount of RMB6,228,072,000, 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 2018, the Group acquired additional interests in the subsidiaries for a net consideration of RMB6,311,799,000. The Group recognised a decrease in non-controlling interests of RMB3,863,261,000 and a decrease in equity attributable to the equity holders of the Company of RMB2,448,538,000. The effect of changes in the ownership interest of the Group on the equity attributable to the equity holders of the Company during the year is summarised as follows:

	<b>The date of acquisition</b> RMB'000
Carrying amount of non-controlling interests acquired	3,863,261
Consideration paid in current period to non-controlling interests	(4,071,799)
Consideration prepaid in prior year and recorded in 'Other non-current assets'	(2,240,000)
<b>Excess of consideration paid recognised in equity</b>	<b>(2,448,538)</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

**42 Related party transactions**

The Group is controlled by Gemfair Investments Limited (Incorporated in the British Virgin Islands), which owns 59.003% 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 2018.

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Construction material sold to related companies	257,770	68,629

**(b) Key management compensation**

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Emoluments		
– Salaries and other short-term employee benefits	19,774	22,507
– Retirement scheme contributions	132	287
	19,906	22,794

**43 Events after the reporting period**

On 10 January 2019, the Company early redeemed senior notes with total principal of US\$550,000,000 at a fixed interest rate of 8.375%, which were originally due on 10 February 2022.

On 14 January 2019, Shanghai Shimao issued medium-term notes with total principal of RMB2,000,000,000 at a fixed interest rate of 4.65% due on 15 January 2022.

On 13 February 2019, the Company issued senior notes with total principal of US\$1,000,000,000 at a fixed interest rate of 6.125% due on 21 February 2024.

On 18 March 2019, the Company early redeemed senior notes with total principal of US\$550,000,000 at a fixed interest rate of 8.375%, which was originally due on 10 February 2022.

On 19 March 2019, Shanghai Shimao issued long-term bonds with total principal of RMB1,000,000,000 at a fixed interest rate of 4.64% due on 19 March 2022.

On 21 March 2016, Shanghai Shimao issued medium-term notes with total principal of RMB2,000,000,000 at a fixed interest rate of 3.29% due on 20 March 2019, which was redeemed on 21 March 2019. The total redemption price paid was RMB2,065,800,000 including the principal amount of RMB2,000,000,000 plus accrued and unpaid interest of RMB65,800,000 to the redemption date.

On 25 March 2019, Shanghai Shimao issued short-term financing bonds with total principal of RMB1,000,000,000 at a fixed interest rate of 3.67% due on 25 March 2020.

**44 Approval of the consolidated financial statements**

The consolidated financial statements were approved by the Company's board of directors on 26 March 2019.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

45 Balance sheet and reserve movement of the Company  
Balance sheet of the Company

	Audited 31 December 2018 RMB'000	Audited 31 December 2017 RMB'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Interests in subsidiaries	33,872,356	22,691,075
Other non-current assets	159,315	2,305,086
	<b>34,031,671</b>	<b>24,996,161</b>
<b>Current assets</b>		
Other receivables	7,171	–
Derivate financial instruments	12,468	1,190
Dividends receivable from subsidiaries	20,233,419	13,000,000
Cash and cash equivalents	694,209	318,218
	<b>20,947,267</b>	<b>13,319,408</b>
<b>Total assets</b>	<b>54,978,938</b>	<b>38,315,569</b>
<b>EQUITY</b>		
<b>Equity attributable to the equity holders of the Company</b>		
Share capital	341,575	348,864
Reserves		
– Proposed final dividend	1,971,784	1,638,371
– Others	3,567,419	1,203,029
<b>Total equity</b>	<b>5,880,778</b>	<b>3,190,264</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Borrowings	40,524,374	28,708,753
<b>Current liabilities</b>		
Borrowings	7,515,480	5,421,488
Other payables and accrued expenses	833,733	772,081
Amounts due to subsidiaries	224,573	222,983
	<b>8,573,786</b>	6,416,552
<b>Total liabilities</b>	<b>49,098,160</b>	35,125,305
<b>Total equity and liabilities</b>	<b>54,978,938</b>	38,315,569
<b>Net current assets</b>	<b>12,373,481</b>	6,902,856
<b>Total assets less current liabilities</b>	<b>46,405,152</b>	31,899,017

The financial statements on pages 78 to 184 were approved by the Board of Directors on 26 March 2019 and were signed on its behalf.

Hui Wing Mau  
Director

Hui Sai Tan, Jason  
Director

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

## 45 Balance sheet and reserve movement of the Company (CONTINUED)

## 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 RMB'000	Total RMB'000
Balance at 1 January 2017	640,514	212,681	4,949	2,255,012	3,113,156
Profit 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)
– Dividend 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	581,696	288,151	4,949	1,966,604	2,841,400
Representing:					
Proposed final dividend				1,638,371	1,638,371
Others				328,233	1,203,029
				1,966,604	2,841,400
Balance at 1 January 2018	<b>581,696</b>	<b>288,151</b>	<b>4,949</b>	<b>1,966,604</b>	<b>2,841,400</b>
Profit for the year	–	–	–	<b>7,361,107</b>	<b>7,361,107</b>
Equity-settled share-based payment					
– Value of employee services	–	<b>116,075</b>	–	–	<b>116,075</b>
– Purchase of shares	<b>(97,714)</b>	–	–	–	<b>(97,714)</b>
– Dividends received	<b>12,539</b>	–	–	–	<b>12,539</b>
Buyback of shares					
– Purchase of shares	–	–	–	<b>(1,549,371)</b>	<b>(1,549,371)</b>
– Dividend received	<b>9,069</b>	–	–	–	<b>9,069</b>
– Cancellation of shares	<b>7,289</b>	–	–	–	<b>7,289</b>
2017 final dividend paid	–	–	–	<b>(1,713,359)</b>	<b>(1,713,359)</b>
2018 interim dividend paid	–	–	–	<b>(1,447,832)</b>	<b>(1,447,832)</b>
Balance at 31 December 2018	<b>512,879</b>	<b>404,226</b>	<b>4,949</b>	<b>4,617,149</b>	<b>5,539,203</b>
Representing:					
Proposed final dividend				<b>1,971,784</b>	<b>1,971,784</b>
Others				<b>2,645,365</b>	<b>3,567,419</b>
				<b>4,617,149</b>	<b>5,539,203</b>

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 22).



