SHIMAO 世茂房地產

SHIMAO PROPERTY HOLDINGS LIMITED
世 茂 房 地 產 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 813)

ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2016

RESULTS HIGHLIGHTS

1. Revenue increased by 2.7% to RMB59.286 billion (2015: RMB57.733 billion). Revenue from hotels, rentals and other revenues were RMB3.089 billion, representing a year-on-year increase of 11.1%, excluding the impact of the disposal of cinema business and Beijing Fortune Times.

2. Gross profit and gross profit margin were RMB16.349 billion and 27.6% respectively.

3. Net profit from core business attributable to shareholders for the year amounted to approximately RMB6.251 billion and net profit margin from core business attributable to shareholders was 12.8%.

4. Contracted sales in 2016 reached RMB68.12 billion with contracted sales area of 4.918 million sq.m.. Average selling price increased from RMB12,100 per sq.m. in 2015 to RMB13,850 per sq.m. in 2016.

5. As at 31 December 2016, funds at the Group's disposal amounted to approximately RMB44.235 billion, including cash of approximately RMB22.235 billion and the balance of available banking facilities of approximately RMB22.000 billion.

6. As at 31 December 2016, net gearing ratio was 53.4%, decreased by 4.7% compared with that as at 31 December 2015.

7. The Board proposed the payment of a final dividend of HK44 cents per share. Together with an interim dividend of HK26 cents per share and a special dividend of HK6 cents per share, the total dividend for the year will amount to HK76 cents per share.

CHAIRMAN'S STATEMENT

Dear shareholders,

I am pleased to present the annual results of Shimao Property Holdings Limited ("Shimao Property", "Shimao" or the "Company", together with its subsidiaries, the "Group") for the year ended 31 December 2016.

Market and Outlook

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

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

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

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

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

Shimao's Strategies

The Group has experienced adjustments in the past two years, mainly included:

1. to adjust the timing and structure of supply by strictly adhering to the principle of "sales-based production" in third- and fourth-tier cities and focus the supply on first- and second-tier cities with relatively high gross profit margin and lower risk of inventory clearance;

2. to adjust the direction of investment in land acquisition and reinforcing investment risk control by focusing over 90% of its investment on first- and second-tier cities and implementing decisive measures to clear inventories in third- and fourth-tier cities in order to optimise the quality and structure of the land reserves of the Group;

3. to strengthen the operation and management of investment properties to gradually increase its contribution to operating profit of the Group, and improve the Group's risk tolerance during market fluctuations;

4. to reduce financing cost, restructuring debts, manage foreign exchange risk, and explore and make innovative property financing arrangement; and

5. to implement various operational, products and financial innovations to sustain and enhance the existing advantages.

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

Product Advancement

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

Sales Performance

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

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

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

Prudent replenishment of quality land reserves

In 2016, there was a trend of developers re-steering their focus on first- and second-tier cities, causing fierce competition for land resources, soaring land prices and in turn many cases of “land king lots” transacted at exceptionally high prices, and thus continually squeezing future gross profit of the industry. The Group upheld its prudent strategy and adopted a more cautious approach in replenishing land reserves. In 2016, the Group acquired land reserves of 3.96 million sq.m. (before interests) in cities including Fuzhou, Beijing, Nanjing, Hangzhou, Xiamen, Hefei, Jinan and Wuhan. Currently, Shimao Property has 132 projects with a total area of 30.79 million sq.m. (attributable interests) of quality land in 43 cities in China. In view of intensifying competition in land acquisition in major investment cities, we will build resource advantage by enhancing human resources and budget for land acquisition, seeking cooperation opportunities, strictly following latest policies and urban development planning in various cities, and developing numerous land acquisition methods and channels in addition to public tender, auction and listing to pave the way for future success.

Promoting Light Asset Operation

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

Determination to uphold Prudent Financial Policy

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

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

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

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

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

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

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

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

Final Dividend

To demonstrate our appreciation for our shareholders' unstinting support, the board of directors of the Company (the "Board") has proposed the payment of a final dividend of HK44 cents per share (2015: HK40 cents per share). Together with an interim dividend of HK26 cents per share and a special dividend of HK6 cents per share paid in respect of the gain from the disposal of Beijing Fortune Times and Beijing Baiding New Century, the total distribution for the year will amount to HK76 cents per share (throughout 2015: HK70 cents per share).

Appreciation

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

Hui Wing Mau
Chairman

Hong Kong, 29 March 2017

MANAGEMENT DISCUSSION & ANALYSIS

BUSINESS REVIEW

Property Development

1) *Recognized Sales Revenue*

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

2) *Steady Sales Growth*

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

Benefited from adequate liquidity and easing of the regulatory policies, the Group achieved satisfactory sales and its inventory clearance work progressed well in 2016 as expected. In terms of overall sales results, the performance of first-tier cities maintained strong. Attributable to the meticulous regional marketing plans and customized sales strategies based on local characteristics, certain second- and third-tier cities also recorded improvement in sales. Looking forward to 2017, the Group will launch saleable areas of approximately 6.19 million sq.m.. Together with the existing saleable areas of approximately 3.33 million sq.m. as at 31 December 2016, the Group's total saleable areas in 2017 will be approximately 9.52 million sq.m..

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

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

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

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

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

The land parcels acquired by the Group in 2016 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
Shimao Property							
1.	Fuzhou Ebi Project I	January 2016	Commercial and tourism	119.49	84,987	1,406	100.00%
2.	Yinchuan Yuehai Land Parcel C	January 2016	Commercial and residential	216.14	134,635	1,605	100.00%
3.	Fuzhou Ebi Project II	June 2016	Commercial and tourism	103.23	86,521	1,193	100.00%
4.	Nanjing Jianye Jiangdong No. 5	June 2016	Commercial and residential	4,998.40	540,000	16,296	56.80%
5.	Wuhan Caidian Land Parcel 1	June 2016	Hotel and commercial ancillary	137.11	57,815	3,000	79.05%
6.	Wuhan Caidian Land Parcel 2	June 2016	Hotel and commercial ancillary	127.11	53,585	3,001	79.05%
7.	Wuhan Caidian Land Parcel 3	June 2016	Hotel and commercial ancillary	90.79	38,269	3,001	79.05%
8.	Beijing Shangzhuang	June 2016	Commercial and residential	2,400.00	106,314	22,575	100.00%
9.	Yinchuan Yuehai Land Parcel No. 57	July 2016	Commercial and residential	312.32	240,175	1,300	100.00%
10.	Yinchuan Yuehai Land Parcel No. 58	July 2016	Commercial and residential	230.65	177,361	1,300	100.00%
11.	Yinchuan Yuehai Land Parcel No. 59	July 2016	Commercial and residential	431.42	331,756	1,300	100.00%
12.	Hangzhou Qianjiang Shijicheng	July 2016	Residential	631.25	130,931	19,285	25.00%

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
Shimao Property *(continued)*							
13.	Hangzhou Qinglong Unit	August 2016	Residential	1,610.00	94,627	34,028	50.00%
14.	Xiamen Tong'an TP01	August 2016	Residential	1,364.16	92,500	30,097	49.00%
15.	Quanzhou Luojiang Land Parcel 1	September 2016	Commercial and residential	790.49	159,750	6,260	79.05%
16.	Quanzhou Luojiang Land Parcel 2	September 2016	Commercial and residential	458.48	76,345	7,597	79.05%
17.	Ningbo Yaojiangwan Land Parcel	November 2016	Residential	1,410.38	169,742	8,309	100.00%
18.	Fuzhou Licuoshan Land Parcel	November 2016	Residential	890.00	38,677	23,011	100.00%
19.	Gu'an Land Parcel	November 2016	Residential	2,185.00	582,706	4,687	80.00%
20.	Hefei Gaoxin Land Parcel	November 2016	Residential	3,330.96	205,931	16,175	100.00%
21.	Ji'nan Xiaoya Land Parcel	December 2016	Commercial and residential	1,820.57	212,479	8,568	100.00%
22.	Xiamen Xiaocuo Land Parcel	December 2016	Residential	1,100.00	37,900	29,024	100.00%
23.	Xiamen Xiang'an Xilu Land Parcel	December 2016	Commercial and residential	1,842.00	63,500	29,008	100.00%
24.	Hangzhou Pengbu Unit Land Parcel	December 2016	Residential	3,321.00	182,167	36,461	50.00%
25.	Lingang Fengxianyuan Land Parcel	December 2016	Commercial and residential	332.00	66,000	9,863	51.00%
Total				30,252.95	3,964,673	10,994	

Property Investment

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

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

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

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

Hotel Operations

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

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

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

FINANCIAL ANALYSIS

Key consolidated income statement figures are set out below:

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

Revenue

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

The components of the revenue are analysed as follows:

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

(i) Sales of Properties

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

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

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

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

(ii) Hotel Income

Hotel operation income is analysed below:

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

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

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

(iii) Rental Income and Others

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

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

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

Cost of Sales

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

Cost of sales are analysed as follows:

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

Fair Value Gains on Investment Properties

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

Other Income/Other Gains – Net

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

Selling and Marketing Costs and Administrative Expenses

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

Operating Profit

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

Finance Costs – Net

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

Share of Results of Associated Companies and Joint Ventures

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

Taxation

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

Profit Attributable to Shareholders

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

Liquidity and Financial Resources

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

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

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

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

The borrowings were denominated in different currencies set out below:

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

Financing Activities

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

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

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

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

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

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

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

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

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

Foreign Exchange Risks

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

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

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

Pledge of Assets

As of 31 December 2016, the Group had pledged property and equipment, investment properties, land use rights, properties under development, completed properties held for sale and restricted cash with a total carrying amount of RMB52.302 billion to secure bank facilities granted to the Group. The corresponding bank and other loans amounted to approximately RMB14.213 billion.

Contingencies

As of 31 December 2016, the Group had provided guarantees for approximately RMB20.615 billion in respect of the mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. In addition, the Group had provided guarantees for approximately RMB6.298 billion in its portion of equity interests in associated companies and joint ventures for their bank borrowings.

Capital and Property Development Expenditure Commitments

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

Employees and Remuneration Policy

As of 31 December 2016, the Group employed a total of 7,880 employees. Total remuneration for the year amounted to approximately RMB1.603 billion. The Group has adopted a performance-based rewarding system to motivate its staff. The board of directors of the Company (the "Board") adopted a share award scheme (the "Share Award Scheme") of the Company on 30 December 2011. The purpose of the Share Award Scheme is to recognize the contributions by certain selected employees of the Group and to provide them with incentives in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group. In relation to staff training, the Group also provides different types of programs for its staff to improve their skills and develop their respective expertise.

ANNUAL RESULTS

The Board is pleased to present the audited consolidated results of the Group for the year ended 31 December 2016 together with comparative figures for 2015. These annual results have been reviewed by the Company's Audit Committee.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Note	Year ended 31 December 2016 RMB'000	2015 RMB'000
Revenue	3	**59,286,161**	57,732,974
Cost of sales	7	**(42,937,532)**	(41,284,575)
Gross profit		**16,348,629**	16,448,399
Fair value gains on investment properties		**1,996,673**	2,776,694
Other income/other gains – net		**838,785**	1,570,998
Selling and marketing costs	7	**(1,352,643)**	(1,615,275)
Administrative expenses	7	**(2,742,720)**	(3,278,396)
Other operating expenses	7	**(268,509)**	(288,194)
Operating profit		**14,820,215**	15,614,226
Finance income		**369,832**	341,262
Finance costs		**(1,545,778)**	(1,749,910)
Finance costs – net	8	**(1,175,946)**	(1,408,648)
Share of results of			
– Associated companies		**37,584**	108,684
– Joint ventures		**(485,975)**	(591,853)
		(448,391)	(483,169)
Profit before income tax		**13,195,878**	13,722,409
Income tax expense	9	**(5,685,493)**	(5,563,671)

	Note	Year ended 31 December 2016 RMB'000	2015 RMB'000
Profit for the year		**7,510,385**	8,158,738
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Fair value losses on available-for-sale financial assets, net of tax		**(219,911)**	(52,530)
Total comprehensive income for the year		**7,290,474**	8,106,208
Profit for the year attributable to:			
Equity holders of the Company		**5,171,855**	6,115,784
Non-controlling interests		**2,338,530**	2,042,954
		7,510,385	8,158,738
Total comprehensive income for the year attributable to:			
Equity holders of the Company		**5,042,283**	6,082,102
Non-controlling interests		**2,248,191**	2,024,106
		7,290,474	8,106,208
Earnings per share for profit attributable to the equity holders of the Company			
– Basic (RMB cents)	*11*	**150.6**	176.7
– Diluted (RMB cents)	*11*	**150.4**	176.4

CONSOLIDATED BALANCE SHEET
As at 31 December 2016

		As at 31 December	
		2016	2015
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Property and equipment		**13,493,658**	11,571,944
Investment properties		**32,270,913**	30,025,297
Land use rights		**8,218,571**	7,921,887
Intangible assets		**1,840,658**	1,840,684
Associated companies		**912,465**	898,275
Joint ventures		**9,183,425**	9,784,898
Amounts due from related parties		**1,923,231**	2,774,694
Available-for-sale financial assets		**941,256**	1,204,470
Deferred income tax assets		**2,298,849**	1,983,977
Other non-current assets		**1,629,639**	1,311,526
		72,712,665	69,317,652
Current assets			
Inventories	*4*	**120,342,997**	118,867,526
Trade and other receivables and prepayments	*5*	**20,256,536**	14,786,878
Prepayment for acquisition of land use rights		**17,950,915**	11,133,906
Prepaid income taxes		**2,691,546**	2,115,462
Available-for-sale financial assets		**3,000,000**	–
Amounts due from related parties		**2,623,314**	1,581,929
Derivative financial instruments		**90,199**	41,782
Restricted cash		**2,875,658**	3,817,713
Cash and cash equivalents		**19,359,175**	22,591,843
		189,190,340	174,937,039
Total assets		**261,903,005**	244,254,691
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital		**348,864**	356,275
Reserves		**52,107,187**	49,805,385
		52,456,051	50,161,660
Non-controlling interests			
Perpetual capital instruments		**4,500,000**	–
Other non-controlling interests		**31,260,942**	24,587,660
		35,760,942	24,587,660
Total equity		**88,216,993**	74,749,320

		As at 31 December	
		2016	2015
	Note	***RMB'000***	*RMB'000*
LIABILITIES			
Non-current liabilities			
Borrowings		**49,188,203**	52,867,396
Finance lease liabilities		**222,353**	386,365
Deferred income tax liabilities		**5,666,533**	5,471,821
		55,077,089	58,725,582
Current liabilities			
Trade and other payables	*6*	**27,307,614**	25,962,991
Advanced proceeds received		**31,903,265**	30,766,515
Income tax payable		**13,682,645**	12,460,061
Borrowings		**17,755,309**	16,953,596
Finance lease liabilities		**171,420**	186,620
Amounts due to related parties		**27,788,670**	24,447,996
Deferred income		**–**	2,010
		118,608,923	110,779,789
Total liabilities		**173,686,012**	169,505,371
Total equity and liabilities		**261,903,005**	244,254,691

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

(a) New and amended standards adopted by the Group

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

- Amendments from annual improvements to HKFRSs – 2012–2014 Cycle, on HKFRS 5, 'Non-current assets held for sale and discontinued operations', HKFRS 7, 'Financial instruments: Disclosures', HKAS 19, 'Employee benefits', HKAS 34, 'Interim financial reporting'

- Amendments to HKAS 16 and HKAS 38, 'Clarification of acceptable methods of depreciation and amortisation'

- Amendments to HKAS 1, 'Disclosure initiative'

- Amendments to HKAS 27, 'Equity method in separate financial statements'

- HKFRS 14, 'Regulatory Deferral Accounts'

- Amendments to HKFRS 11, 'Accounting for acquisitions of interests in joint operations'

- Amendments to HKAS 16 and HKAS 41, 'Agriculture: bearer plants'

- Amendments to HKFRS 10, HKFRS 12 and HKAS 28, 'Investment entities: applying the consolidation exceptions'

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

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

A number of new standards and amendments to standards and interpretations are issued but not effective for annual periods beginning 1 January 2016, and have not been early adopted.

Currently related to the Group:

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

The Group has not early adopted any new accounting and financial reporting standards, amendments and interpretations to existing standards which have been issued but are not yet effective for the year ended 31 December 2016. It is not practicable to provide a reasonable estimate of the effect of the application of HKFRS 15, until the Group performs a detailed review. Except for HKFRS 15, the Group does not anticipate that the adoption when they become effective will result in any material impact on the Group's results of operations and financial position.

3 SEGMENT INFORMATION

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

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

The CODM assesses the performance of the operating segments based on a measure of revenue and 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	
	2016	2015
	RMB'000	*RMB'000*
Sales of properties	**56,196,877**	54,594,513
Hotel operation income	**1,466,201**	1,301,986
Rental income from investment properties	**710,357**	739,249
Others	**912,726**	1,097,226
	59,286,161	57,732,974

(b) Segment information

Year ended 31 December 2016

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

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

** *Unallocated mainly represent corporate level activities*

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

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

Year ended 31 December 2015

	Property development and investment				
	Shanghai Shimao*	Others	Hotel operation	Unallocated**	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue					
– Sales of properties	13,783,760	40,810,753	–	–	54,594,513
– Hotel operation income	81,765	–	1,220,221	–	1,301,986
– Rental income from investment properties	536,236	203,013	–	–	739,249
– Others	687,196	410,030	–	–	1,097,226
Total revenue	15,088,957	41,423,796	1,220,221	–	57,732,974
Operating profit/(loss)	5,071,634	10,745,825	204,904	(408,137)	15,614,226
Finance income	52,431	286,115	760	1,956	341,262
Finance costs	(165,276)	(363,806)	(13,707)	(1,207,121)	(1,749,910)
Share of results of					
– Associated companies	(9,132)	117,816	–	–	108,684
– Joint ventures	(15,233)	(576,620)	–	–	(591,853)
Profit/(loss) before income tax	4,934,424	10,209,330	191,957	(1,613,302)	13,722,409
Income tax expense					(5,563,671)
Profit for the year					8,158,738
Other segment items are as follows:					
Capital and property development expenditure	15,377,886	37,171,311	856,457	–	53,405,654
Fair value gains on investment properties	962,248	1,814,446	–	–	2,776,694
Fair value gain on derivative financial instrument	–	43,393	–	–	43,393
Depreciation	73,913	77,342	243,895	34,916	430,066
Amortisation of land use rights	10,035	2,360	61,568	–	73,963
Provision for impairment of receivables	82,218	–	–	–	82,218

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

** *Unallocated mainly represent corporate level activities*

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

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

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

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

4 INVENTORIES

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Inventories comprise:		
Properties under development	**101,568,030**	100,727,237
Completed properties held for sale	**18,476,834**	18,140,289
Biological sssets	**298,133**	–
	120,342,997	118,867,526

5 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

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

Notes:

(a) Bidding deposits for land use rights mainly represented deposits of the Group placed with various municipal governments for the participation in land auctions. These deposits will be deducted against the total land costs to be paid if the Group wins the bid at the auction. If the Group does not win the bid, the amount 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	
	2016	2015
	RMB'000	*RMB'000*
Within 90 days	**3,714,529**	3,911,781
Over 90 days and within 365 days	**527,704**	651,316
Over 365 days	**381,053**	404,866
	4,623,286	4,967,963

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

Trade receivables are analysed as follows:

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

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

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

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

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

As at 31 December 2016 and 2015, the fair value of trade receivables, bidding deposits for land use rights, and other receivables of the Group approximate their carrying amounts, as the impact of discounting is not significant.

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

6 TRADE AND OTHER PAYABLES

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

Notes:

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

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

(b) Other payables comprise:

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

7 EXPENSES BY NATURE

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

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

Note:

(a) Business tax and other levies

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

8 FINANCE COSTS – NET

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

9 INCOME TAX EXPENSE

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

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the enacted tax rate of the home country of the companies within the Group as follows:

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

Notes:

(a) Expenses and losses not deductible for income tax purposes mainly resulted from net exchange losses and expenses incurred by the Company and its subsidiaries established in the British Virgin Islands which are not deductible for tax purpose.

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

Hong Kong profits tax

No Hong Kong profits tax has been provided for as the Group has no assessable profit in Hong Kong for the year ended 31 December 2016 (2015: Nil).

PRC enterprise income tax

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

PRC land appreciation tax

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

PRC withholding income tax

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

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

10 DIVIDENDS

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

Notes:

(a) An interim dividend in respect of the six months ended 30 June 2016 of HK26 cents per ordinary share and a special dividend of HK6 cents per ordinary share, amounting to HK$1,111,222,000 (equivalent to RMB954,318,000) was paid in September 2016 (RMB821,541,000 relating to 2015 interim dividend paid in 2015).

(b) At a meeting held on 29 March 2017, the directors proposed a final dividend of HK44 cents per ordinary share for the year ended 31 December 2016. This proposed dividend is not reflected as a dividend payable in these consolidated financial statements, but will be reflected as an appropriation for the year ending 31 December 2016 upon approval by the shareholders at the forthcoming annual general meeting of the Company.

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

11 EARNINGS PER SHARE

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

	Year ended 31 December	
	2016	2015
Profit attributable to the equity holders of the Company *(RMB'000)*	**5,171,855**	6,115,784
Weighted average number of ordinary shares in issue *(thousands)*	**3,433,844**	3,460,330
Basic earnings per share *(RMB cents)*	**150.6**	176.7

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

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

Compliance with Model Code set out in Appendix 10 to the Listing Rules

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 Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "HKEx") as the code of conduct regarding securities transactions by the directors of the Company ("Directors"). The Company has made specific enquiry of all Directors and all Directors confirmed that they had complied with the required standard set out in the Model Code throughout the year ended 31 December 2016.

Compliance with the Corporate Governance Code

The Company had complied with the code provisions set out in the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2016 except for one deviation as set out below.

The roles of the chairman and chief executive of the Company have not been segregated as required by the code provision A.2.1 of the Code. Mr. Hui Wing Mau ("Mr. Hui") is the Chairman of the Company and founder of the Group. With Mr. Hui's extensive experience in property development and investment, he is responsible for the overall strategic planning and business management of the Group. The Board considers that vesting the roles of chairman and chief executive in the same person is beneficial to the business prospects and management of the Group. The balance of power and authority is ensured by the operation of the senior management and the Board, which comprise experienced and high calibre individuals. The Board currently comprises five executive directors, one non-executive director and three independent non-executive directors and therefore has a strong independent element in its composition.

Purchase, Sale or Redemption of Listed Securities

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

Particulars of the purchases are as follows:

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

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

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

Annual General Meeting

The 2017 annual general meeting of the Company (the "AGM") will be held on Monday, 19 June 2017. A notice convening the AGM will be published and dispatched to the shareholders of the Company in the manner as required by the Listing Rules in due course.

Final Dividend

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

Closure of Register of Members

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

(i) from Wednesday, 14 June 2017 to Monday, 19 June 2017 (both days inclusive), for the purpose of ascertaining shareholders' entitlement to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 13 June 2017; and

(ii) on Thursday, 13 July 2017 and Friday, 14 July 2017, for the purpose of ascertaining shareholders' entitlement to the proposed final dividend. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at the address as set out in sub-paragraph (i) above no later than 4:30 p.m. on Wednesday, 12 July 2017.

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

On behalf of the Board
Shimao Property Holdings Limited
Hui Wing Mau
Chairman

Hong Kong, 29 March 2017

As at the date of this announcement, the Board comprises five executive directors, namely, Mr. Hui Wing Mau (Chairman), Mr. Hui Sai Tan, Jason (Vice Chairman), Ms. Tang Fei, Mr. Liao Lujiang and Mr. Kan Naigui; one non-executive director, namely, Mr. Liu Sai Fei; and three independent non-executive directors, namely, Ms. Kan Lai Kuen, Alice, Mr. Lu Hong Bing and Mr. Lam Ching Kam.