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 2017

RESULTS HIGHLIGHTS

1. Revenue increased by 18.8% to RMB70.426 billion (2016: RMB59.286 billion). Revenue from hotels, rentals and property management and other income increased by 17.5% to RMB3.630 billion.

2. Gross profit margin increased to 30.4% in 2017 from 27.6% of 2016. Gross profit increased significantly by 31.1% to RMB21.430 billion (2016: RMB16.349 billion).

3. Net profit from core business attributable to shareholders for the year increased by 10.9% to approximately RMB6.930 billion (2016: RMB6.251 billion). Net profit margin from core business attributable to shareholders increased by 1.2% to 14.0% from 12.8% of 2016. Excluding the net impact of profit attributable to shareholders from the disposal of Beijing Fortune Times Property Co., Ltd. and Beijing Baiding New Century Business Management Co., Ltd. of approximately RMB634 million in 2016, net profit from core business attributable to shareholders increased significantly by 23.4% compared to 2016.

4. Profit attributable to shareholders increased significantly by 51.6% to approximately RMB7.840 billion (2016: RMB5.172 billion).

5. Contracted sales in 2017 reached RMB100.770 billion with contracted sales area of 6.062 million sq.m.. Average selling price increased from RMB13,850 per sq.m. in 2016 to RMB16,623 per sq.m. in 2017.

6. As at 31 December 2017, the Group's land bank was approximately 47.90 million sq.m. (before interests). During the year of 2017, the Group acquired land reserves of 10.60 million sq.m. (before interests).

7. As at 31 December 2017, the Group had sufficient capital funds, with book cash in the amount of approximately RMB33.007 billion, the balance of available banking facilities of approximately RMB20.000 billion and quota for issuance of Panda medium-term notes of RMB8.000 billion.

8. As at 31 December 2017, net gearing ratio was 58.9%, increased by 5.5% compared with that as at 31 December 2016.

9. The Board proposed the payment of a final dividend of HK60 cents per share. Together with an interim dividend of HK40 cents per share, the total dividend for the year will amount to HK$1.00 per share, representing a year-on-year increase of 31.6%.

CHAIRMAN'S STATEMENT

Dear shareholders,

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

Market and Outlook

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

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

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

Shimao's Strategies and New Management Structure

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

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

Product Advancement and Integration of Cross-Disciplinary Resources

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

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

Sales Performance

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

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

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

Prudent Replenishment of Premium Land Reserves

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

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

Determination to Uphold Prudent Financial Policy

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

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

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

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

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

Final Dividend

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

Appreciation

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

Hui Wing Mau
Chairman

Hong Kong, 27 March 2018

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Property Development

1) *Recognized Sales Revenue*

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

2) *Steady Sales Growth*

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

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

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

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

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

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

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

The land parcels acquired by the Group in 2017 are as follows:

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

	New Land Parcels	Date of Acquisition	Usage	Land Cost (Attributable Interests) *(RMB million)*	Total Planned GFA (Before Interests) *(sq.m.)*	Cost per sq.m. *(RMB)*	Group's Interest
12.	Foshan Chan City Green Island Lake Parcel	May 2017	Residential, commercial and office	1,049	83,891	12,500	100.0%
13.	Jiaxing Science and Technology City Parcel	May 2017	Residential	540	148,041	9,125	40.0%
14.	Jiaxing Xiuzhou District No. 14 Parcel	May 2017	Commercial and residential	479	159,361	10,017	30.0%
15.	Kunshan Commercial and Residential Parcel	May 2017	Residential, commercial and office	1,275	360,000	6,944	51.0%
16.	Kunshan Commercial Parcel	May 2017	Commercial	84	66,000	2,500	51.0%
17.	Fuzhou Changle Jinfeng Town No. 3 Parcel	May 2017	Residential	180	52,705	3,415	100.0%
18.	Fuzhou Changle Jinfeng Town No. 4 Parcel	May 2017	Residential and commercial ancillary	390	115,500	3,377	100.0%
19.	Wuyishan Project	May 2017	Residential, integrated commercial and residential and golf course	139	27,795	4,991	100.0%
20.	Foshan Chan City Qicha 003 Parcel	June 2017	Residential and commercial ancillary	1,203	192,530	12,500	50.0%
21.	Fuzhou Fuqing 2017 Pai-01 Parcel	June 2017	Residential and commercial ancillary	540	102,073	5,290	100.0%
22.	Fuzhou Fuqing 2017 Pai-03 Parcel	June 2017	Residential	697	137,840	5,067	100.0%
23.	Chongqing Runyijiang Zhishang Lianbang Project	June 2017	Residential, commercial and office	2,928	516,700	5,667	100.0%
24.	Jinjiang Dongshi Parcel	June 2017	Residential	130	177,295	1,222	60.0%
25.	Jinan Zhangqiu District Nangaobu Parcel	June 2017	Residential	433	112,399	6,415	60.0%
26.	Jinan Zhangqiu District New No. 4 Middle School Parcel	June 2017	Residential	372	424,406	5,312	16.5%
27.	Suzhou Yuanhe Street Parcel	June 2017	Residential	1,783	280,298	19,280	33.0%
28.	Foshan Chan City Qicha 004 Parcel	June 2017	Residential and commercial ancillary	500	79,990	12,500	50.0%
29.	Xiamen Tong'an T2017P01 Parcel	June 2017	Commercial and residential	813	119,160	20,074	34.0%
30.	Xiamen Tong'an T2017P04 Parcel	June 2017	Residential and commercial ancillary	885	88,100	20,091	50.0%
31.	Zhangzhou Changtai Longrenguqin Cultural Village Parcel	June 2017	Residential	330	97,382	5,213	65.0%
32.	Nanjing Pukou G24 Parcel	July 2017	Residential	2,490	251,206	19,824	50.0%
33.	Beijing Fengtai District Xitieying Village Parcel	July 2017	Commercial and residential	4,722	193,846	40,599	60.0%

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
34.	Shaoxing Yuecheng District YC-04 Unit (Xiguo District) A-09 Parcel	July 2017	Commercial and residential	1,410	294,411	4,789	100.0%
35.	Beijing Daxing District Yinghai Town Parcel	July 2017	Residential and educational	1,437	133,506	35,879	30.0%
36.	Fuzhou Jin'an District Houlong Community Parcel II	July 2017	Residential	148	19,186	7,714	100.0%
37.	Beijing Laishui Parcel I	August 2017	Residential	81	104,403	775	100.0%
38.	Beijing Laishui Parcel II	August 2017	Residential	3	3,633	763	100.0%
39.	Shaoxing Didang Lake No. 1 Parcel	September 2017	Residential	595	222,694	10,598	25.2%
40.	Fuzhou Yongtai County Scenery Legend Project	September 2017	Residential, commercial and hotel	1,399	768,220	2,276	80.0%
41.	Jiaxing Jingkai No. 2017-14 Parcel	September 2017	Residential	386	96,049	8,030	50.0%
42.	Quanzhou Nan'an downtown Fanhua Project	October 2017	Commercial and residential	646	403,132	2,912	55.0%
43.	Fuzhou City 108 Building Project	October 2017	Commercial and residential	1,530	313,698	4,877	100.0%
44.	Quanzhou Nan'an Guanqiao Aileyufu Project	October 2017	Residential and commercial	307	151,329	3,980	51.0%
45.	Hong Kong New Kowloon Inland Lot No. 6549 Parcel	November 2017	Residential	3,296	91,770	159,638	22.5%
46.	Shanghai Jinshan Development Park Parcel	November 2017	Residential	275	87,219	9,569	33.0%
47.	Shanghai Songjiang District Zhongshan Street Parcel	November 2017	Residential	618	69,289	27,046	33.0%
48.	Jinan Huaiyin District Meili Road Parcel	December 2017	Residential	630	131,625	9,573	50.0%
49.	Shenzhen Longgang Project	December 2017	Commercial and residential	23,943	1,364,500	17,547	100.0%
50.	Fuzhou No. 2017-41 Taijiang District Jinrong Street Parcel	December 2017	Commercial service (commercial and office)	86	37,267	11,538	20.0%
51.	Changchun Lianhuashan Project Nos. 82-87 Parcels	December 2017	Residential	264	539,269	784	62.5%
Total				67,949	10,602,153	10,861	

Property Investment

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

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

Hotel Operations

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

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

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

FINANCIAL ANALYSIS

Key consolidated income statement figures are set out below:

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

Revenue

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

The components of the revenue are analysed as follows:

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

(i) Sales of Properties

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

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

	2017		2016	
	Area (sq.m.)	***RMB million***	*Area (sq.m.)*	*RMB million*
(a) Shimao Property *(continued)*				
Yinchuan Maoyue Mansion	**19,363**	**260**	–	–
Nanning Shimao Luxury Mansion	**32,380**	**256**	198,642	1,042
Nanchang Shimao The Grand View	**19,430**	**250**	32,635	284
Suzhou Shimao Canal Scene	**9,541**	**222**	–	–
Dalian Shimao Glory City	**33,075**	**190**	62,228	374
Beijing Shimao Salamanca	**19,888**	**171**	167,986	1,410
Yinchuan Flourishing Mansion	**26,345**	**166**	223,133	977
Nanjing Shimao Glory Villa	**2,889**	**148**	17,535	389
Hangzhou Shimao Riviera Garden	**6,525**	**109**	4,687	43
Jiangyin Shimao Dragon Bay	**8,195**	**89**	405	5
Chengdu Shimao Royal Bay	**3,002**	**78**	53,113	534
Beijing Shimao Lá Villa	**3,271**	**56**	27,544	707
Shanghai Shimao Riviera Garden	**431**	**55**	–	–
Wuhu Shimao Riviera Garden	**3,258**	**42**	66,818	466
Harbin Shimao Riviera New City	**6,583**	**31**	30,927	168
Wuhan Shimao Dragon Bay	**2,517**	**26**	35,896	303
Hangzhou Shimao East No.1	**1,203**	**25**	4,705	86
Ningbo Shimao The Capital	**972**	**18**	1,329	32
Fuzhou Shimao Skyscrapers	**66**	**13**	–	–
Xiamen Shimao Lakeside Garden	**706**	**11**	2,707	37
Shenyang Shimao Notting Hill	**1,064**	**9**	5,283	45
Nantong Shimao In The Park	**1,381**	**8**	43,743	212
Shanghai Zhoupu Shimao Cloud Atlas	**–**	**–**	40,912	1,548
Nanjing Jiangning Higher Education Mega Centre Project	**–**	**–**	37,162	519
Kunshan Shimao The East Bund	**–**	**–**	14,285	159
Wuxi Shimao International City	**–**	**–**	5,314	44
Beijing Shimao Alhambra Palace	**–**	**–**	513	29
Ningbo Shimao Dragon Bay	**–**	**–**	2,450	23
Sub-total (a)	**3,960,559**	**49,414**	3,901,829	43,521

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

(ii) Hotel Income

Hotel operation income is analysed as follows:

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

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

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

(iii) Rental income, Property Management and Others Income

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

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

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

Cost of Sales

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

Cost of sales are analysed as follows:

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

Fair Value Gains on Investment Properties – Net

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

Other Income/Other Gains – Net

Other gains of approximately RMB545 million for the year ended 31 December 2017 (2016: RMB839 million), which mainly included net gains on acquisition and disposal of subsidiaries of RMB154 million (2016: RMB489 million), gain on government grants of RMB161 million (2016: RMB76 million) and gain on investment in structured products issued by banks and other financial institution of RMB91 million (2016: RMB94 million).

Selling and Marketing Costs and Administrative Expenses

The Group strictly linked actual cost with performance ratio through overall budget management and dynamic tracking. Cost efficiency has improved significantly. Selling and marketing costs and administrative expenses arising from property sales accounted for 3.1% of contracted sales in 2017 (2016: 4.2%), which was competitive in the market.

Operating Profit

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

Finance Income/(Costs) – Net

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

Share of Results of Associated Companies and Joint Ventures

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

Taxation

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

Profit Attributable to Shareholders

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

Liquidity and Financial Resources

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

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

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

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

The borrowings were denominated in different currencies set out below:

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

Financing Activities

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

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

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

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

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

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

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

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

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

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

Foreign Exchange Risks

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

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

Pledge of Assets

As of 31 December 2017, the Group had pledged property and equipment, investment properties, land use rights, properties under development, completed properties held for sale and restricted cash with a total carrying amount of RMB48.999 billion to secure bank facilities granted to the Group. The corresponding bank and other loans amounted to approximately RMB17.881 billion.

Contingencies

As of 31 December 2017, the Group had provided guarantees for approximately RMB11.799 billion in respect of the mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. In addition, the Group had provided guarantees for approximately RMB6.959 billion in its portion of equity interests in associated companies and joint ventures for their borrowings.

Capital and Property Development Expenditure Commitments

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

Employees and Remuneration Policy

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

ANNUAL RESULTS

The Board is pleased to present the audited consolidated results of the Group for the year ended 31 December 2017 together with comparative figures for 2016. These annual results have been reviewed by the Company's Audit Committee.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2017

		Year ended 31 December	
		2017	2016
	Note	***RMB'000***	*RMB'000*
Revenue	*3*	**70,425,874**	59,286,161
Cost of sales	*6*	**(48,996,361)**	(42,937,532)
Gross profit		**21,429,513**	16,348,629
Fair value gains on investment properties – net		**679,484**	1,996,673
Other income/other gains – net		**545,095**	838,785
Selling and marketing costs	*6*	**(1,461,804)**	(1,352,643)
Administrative expenses	*6*	**(2,989,871)**	(2,742,720)
Other operating expenses	*6*	**(523,702)**	(268,509)
Operating profit		**17,678,715**	14,820,215
Finance income		**2,059,980**	369,832
Finance costs		**(731,566)**	(1,545,778)
Finance income/(costs) – net	*7*	**1,328,414**	(1,175,946)
Share of results of associated companies and joint ventures		**(315,376)**	(448,391)
Profit before income tax		**18,691,753**	13,195,878
Income tax expense	*8*	**(8,121,060)**	(5,685,493)

	Note	Year ended 31 December **2017** ***RMB'000***	 2016 *RMB'000*
Profit for the year		**10,570,693**	7,510,385
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Fair value losses on available-for-sale financial assets, net of tax		**(8,641)**	(219,911)
Translation reserves		**(101)**	–
Total comprehensive income for the year		**10,561,951**	7,290,474
Profit for the year attributable to:			
Equity holders of the Company		**7,840,494**	5,171,855
Non-controlling interests		**2,730,199**	2,338,530
		10,570,693	7,510,385
Total comprehensive income for the year attributable to:			
Equity holders of the Company		**7,835,302**	5,042,283
Non-controlling interests		**2,726,649**	2,248,191
		10,561,951	7,290,474
Earnings per share for profit attributable to the equity holders of the Company			
– Basic (RMB cents)	*10*	**232.4**	150.6
– Diluted (RMB cents)	*10*	**231.9**	150.4

CONSOLIDATED BALANCE SHEET

As at 31 December 2017

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

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

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 ("HKFRSs") and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. They have been prepared under the historical cost convention, as modified by the revaluation of investment properties, biological assets, available-for-sale financial assets and derivative financial instruments which are carried at fair value.

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

(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 2017:

– HKAS 7 (Amendments) "Statement of cash flows" introduces an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

– HKAS 12 (Amendments) "Income taxes" on the recognition of deferred tax assets for unrealised losses clarifies how to account for deferred tax assets related to debt instruments measured at fair value.

– HKFRS 12 (Amendments) "Disclosure of interest in other entities" is part of the annual improvements to HKFRSs 2014-2016 cycle and clarifies that the disclosure requirement of HKFRS 12 is applicable to interest in entities classified as held for sale except for summarised financial information.

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

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

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

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

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

– *HKFRS 9 Financial Instruments*

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

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

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

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

– *HKFRS 15 Revenue from Contracts with Customers*

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

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

(i) Presentation of contract assets and liabilities

Reclassification shall be made as at 1 January 2018 to be consistent with the terminology used under HKFRS 15.

(ii) Accounting for revenue from sales of properties

Currently, revenue from sales of properties is recognised when the risks and rewards of the properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers pursuant to the sales contracts and collectability of related receivables is reasonably assured. Under HKFRS 15, for those properties that have no alternative use to the Group due to contractual reasons and when the Group has an enforceable right to payment from the customers for performance completed to date, the Group would recognise revenue when the performance obligations are satisfied over time in accordance with the input method for measuring progress. In addition, the transaction price and amount of revenue from sales of properties will be adjusted when significant financing component relating to advance receipts exists in that contract.

(iii) Accounting for costs incurred to obtain a contract

Following the adoption of HKFRS 15, stamp duty, sales commissions and other costs directly attributable to obtaining a contract, if recoverable, will be capitalised as contract assets.

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

– *HKFRS 16 Leases*

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

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

3 SEGMENT INFORMATION

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

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

The CODM assesses the performance of the operating segments based on a measure of revenue and 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	
	2017	2016
	RMB'000	*RMB'000*
Sales of properties	**66,795,945**	56,196,877
Hotel operation income	**1,707,902**	1,466,201
Rental income from investment properties	**680,007**	710,357
Property management and other income	**1,242,020**	912,726
	70,425,874	59,286,161

(b) Segment information

Year ended 31 December 2017

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

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

** *Unallocated mainly represent corporate level activities*

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

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

Year ended 31 December 2016

	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	12,675,709	43,521,168	–	–	56,196,877
– Hotel operation income	125,671	–	1,340,530	–	1,466,201
– Rental income from investment properties	553,584	156,773	–	–	710,357
– Property management and other income	353,061	559,665	–	–	912,726
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 instruments	–	140,478	–	–	140,478
Write-off of intangible assets	–	26	–	–	26
Depreciation	45,710	96,111	254,436	33,892	430,149
Amortisation of land use rights	7,009	1,208	75,963	–	84,180
Provision for impairment of receivables	57,362	–	–	–	57,362

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

** *Unallocated mainly represent corporate level activities*

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

	Property development and investment			
	Shanghai Shimao *RMB'000*	Others *RMB'000*	Hotel operation *RMB'000*	Total *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
Derivates 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

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 derivate financial instruments.

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

4 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

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

Notes:

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

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

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

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

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

Trade receivables are analysed as follows:

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

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

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

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

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

As at 31 December 2017 and 2016, the fair value of trade receivables, bidding deposits for land use rights, and other receivables of the Group approximate their carrying amounts, as the impact of discounting is not significant.

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

5 TRADE AND OTHER PAYABLES

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

Notes:

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

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

(b) Other payables comprise:

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

6 EXPENSES BY NATURE

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

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

Note:

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

7 FINANCE COSTS – NET

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

8 INCOME TAX EXPENSE

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Current income tax		
– PRC enterprise income tax	**3,939,299**	3,232,300
– PRC withholding income tax	**73,648**	31,544
– PRC land appreciation tax	**4,012,632**	2,011,855
	8,025,579	5,275,699
Deferred income tax		
– PRC enterprise income tax	**(102,019)**	184,794
– PRC withholding income tax	**197,500**	225,000
	8,121,060	5,685,493

Hong Kong profits tax

No Hong Kong profits tax has been provided for as the Group has no assessable profit in Hong Kong for the year ended 31 December 2017(2016: Nil).

PRC enterprise income tax

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

PRC land appreciation tax

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

PRC withholding income tax

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

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

9 DIVIDENDS

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Interim dividends paid of HK 40 cents (2016: HK32 cents) per ordinary share *(Note (a))*	**1,152,807**	954,318
Proposed final dividends of HK 60 cents (2016: HK44 cents) per ordinary share *(Note (b))*	**1,638,371**	1,318,310
Other dividends paid	**105,246**	192,475
	2,896,424	2,465,103

Notes:

(a) An interim dividend in respect of the six months ended 30 June 2017 of HK40 cents per ordinary share, amounting to HK$1,354,809,000 (equivalent to RMB1,152,807,000) was paid in September 2017 (2016: RMB954,318,000).

(b) At a meeting held on 27 March 2018, the directors proposed a final dividend of HK60 cents per ordinary share for the year ended 31 December 2017. This proposed dividend is not reflected as a dividend payable in these consolidated financial statements, but will be reflected as an appropriation for the year ending 31 December 2017 upon approval by the shareholders at the forthcoming annual general meeting of the Company.

A final dividend of RMB1,318,310,000 relating to the year ended 31 December 2016 was paid in 2017.

10 EARNINGS PER SHARE

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

	Year ended 31 December	
	2017	2016
Profit attributable to the equity holders of the Company *(RMB'000)*	**7,840,494**	5,171,855
Weighted average number of ordinary shares in issue *(thousands)*	**3,373,739**	3,433,844
Basic earnings per share *(RMB cents)*	**232.4**	150.6

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

	Year ended 31 December	
	2017	2016
Profit attributable to the equity holders of the Company *(RMB'000)*	**7,840,494**	5,171,855
Weighted average number of ordinary shares in issue *(thousands)*	**3,373,739**	3,433,844
Adjustment for shares granted under Share Award Scheme *(thousands)*	**6,561**	4,470
Weighted average number of ordinary shares for diluted earnings per share *(thousands)*	**3,380,300**	3,438,314
Diluted earnings per share *(RMB cents)*	**231.9**	150.4

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 (the "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 2017.

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 2017 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 three 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 2017,

(1) the Company redeemed an aggregate principal amount of US$800,000,000 of all outstanding 6.625% senior notes due 2020.

(2) the Company redeemed an aggregate principal amount of RMB950,000,000 of domestic corporate bonds at a fixed interest rate of 3.7% due on 22 September 2018.

(3) Shanghai Shimao Co., Ltd. ("Shanghai Shimao"), a 58.92%-owned subsidiary of the Company, repaid an aggregate principal amount of RMB2,000,000,000 of short-term financing bonds at a fixed interest rate of 3% due on 12 January 2017 and an aggregate principal amount of RMB2,000,000,000 of short-term financing bonds at a fixed interest rate of 2.98% due on 20 October 2017.

(4) Shanghai Shimao redeemed an aggregate principal amount of RMB1,000,000,000 of medium-term notes at a fixed interest rate of 8.37% due on 15 April 2017 and an aggregate principal amount of RMB1,000,000,000 of medium-term notes at a fixed interest rate of 7.60% due on 22 August 2017.

(5) the trustee of the Share Award Scheme, pursuant to the terms of the rules and trust deed of the Share Award Scheme, purchased from the market a total of 6,087,500 shares of the Company at a total consideration of approximately HK$73,498,000.

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

Annual General Meeting

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

Closure of Register of Members

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

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

(ii) on Monday, 25 June 2018 and Tuesday, 26 June 2018, for the purpose of ascertaining shareholders' entitlement to the proposed final dividend. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at the address as set out in sub-paragraph (i) above no later than 4:30 p.m. on Friday, 22 June 2018.

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, 27 March 2018

As at the date of this announcement, the Board comprises three Executive Directors, namely, Mr. Hui Wing Mau (Chairman), Mr. Hui Sai Tan, Jason (Vice Chairman) and Ms. Tang Fei; 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.