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 2018

RESULTS HIGHLIGHTS

1. Contracted sales in 2018 reached RMB176.15 billion, representing a significant year-on-year increase of 74.8%. Contracted gross floor area increased from 6.062 million sq.m. in 2017 to 10.687 million sq.m. in 2018, representing a significant year-on-year increase of 76.3%.

2. As at 31 December 2018, the Group's land bank was approximately 55.38 million sq.m. (before interests). During the year of 2018, the Group acquired land reserves of 16.15 million sq.m. (before interests).

3. Revenue increased by 21.4% to RMB85.513 billion (2017: RMB70.426 billion). Revenue from hotels, commercial properties operation, property management and others increased by 26.9% to RMB4.606 billion.

4. Gross profit margin increased to 31.5% in 2018 from 30.4% in 2017. Gross profit increased significantly by 25.8% to RMB26.949 billion (2017: RMB21.430 billion).

5. Net profit from core business for the year increased by 25.3% to approximately RMB11.732 billion (2017: RMB9.366 billion). Net profit from core business attributable to shareholders for the year increased by 23.4% to approximately RMB8.551 billion (2017: RMB6.930 billion). Net profit margin from core business attributable to shareholders increased by 0.6 pct. to 14.6% from 14.0% in 2017.

6. As at 31 December 2018, net gearing ratio was 59.4%, increased by 0.5 pct. compared with that as at 31 December 2017. As at 31 December 2018, the Group had sufficient capital funds, with book cash in the amount of approximately RMB49.577 billion, the balance of available facilities from bank and other financial institutions of approximately RMB40.000 billion. Moody's upgraded the Group's outlook from stable to positive.

7. The Board proposed the payment of a final dividend of HK70 cents per share. Together with an interim dividend of HK50 cents per share, the total dividend for the year will amount to HK$1.20 per share, representing a year-on-year increase of 20%.

CHAIRMAN'S STATEMENT

Dear shareholders,

I am pleased to present the annual results of Shimao Property Holdings Limited ("Shimao Property", "Shimao" or the "Company", together with its subsidiaries, the "Group") for the year ended 31 December 2018.

Market and Outlook

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

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

Sales Performance

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

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

Shimao's Strategies and Organizational Efficiency

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

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

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

Prudent Replenishment of Premium Land Reserves

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

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

Determination to Uphold Prudent Financial Policy

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

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

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

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

Diversified Business Layout

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

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

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

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

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

Social Responsibility

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

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

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

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

Final Dividend

To demonstrate our appreciation for our shareholders' support, the board of directors of the Company (the "Board") has proposed the payment of a final dividend of HK70 cents per share (2017: HK60 cents per share). Together with an interim dividend of HK50 cents per share, the total distribution for the year will amount to HK$1.20 per share (2017: HK$1.00 per share).

Acknowledgement

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

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

Hui Wing Mau
Chairman

Hong Kong, 26 March 2019

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Property Development

1) *Recognized Sales Revenue*

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

2) *Steady Sales Growth*

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

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

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

2018 was a year of high quality development for the Group. The gross floor area ("GFA") of projects under construction was 29.02 million sq.m.. The GFA completed was approximately 8.92 million sq.m., representing an increase of 17%, when compared with the corresponding period of the previous year of 7.65 million sq.m.. Looking forward to 2019, the Group will maintain its quality growth with the completion of planned GFA of approximately 10.50 million sq.m. and the GFA of projects under construction of approximately 35.00 million sq.m..

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

To support its sustainable development, the Group adopts an active but prudent policy toward land acquisition. In 2018, the Group acquired land reserves of 16.15 million sq.m. (before interests) in Shenzhen, Tianjin, Zhengzhou, Fuzhou, Longyan, Taizhou (in Zhejiang Province), Zhangzhou, Beijing, Ningbo, Shijiazhuang, Quanzhou, Jinan, Changchun, Huizhou, Putian, Nanping, Xiamen, Deyang, Jiaxing, Wenzhou, Zibo, Fu'an, Sanming, Huzhou, Yixing, Yinchuan, Changsha, Ji'an, Chengdu, Luzhou, Yueqing, Changshu, Xuzhou, Hangzhou, Neijiang, Hengyang, Lanzhou, Qingdao, Wuxi, Taizhou (in Jiangsu Province), Yancheng, Nanning and Jingmen, with approximately 48% of the land acquired through base price auction, acquisition and cooperation. Currently, the Group has 264 projects with a total area of 55.38 million sq.m. (before interests) of quality land in 87 cities across the country. The premium land resources and relatively low land cost provide continued support to the results of Shimao Property in the major markets nationwide in the next few years.

The land parcels acquired by the Group in 2018 are as follows:

New Land Parcels		Date of Acquisition	Usage	Land Cost (Attributable Interests) *(RMB million)*	Total Planned GFA (Before Interests) *(sq.m.)*	Cost per sq.m. *(RMB)*	Group's Interest
1.	Block 3, Unit 19 of Qianhai Shenzhen-Hong Kong Cooperation Zone in Shenzhen	January 2018	Commercial office	2,250	73,500	30,612	100%
2.	Tianjin Wuqing No. 2016-70 Parcel	January 2018	Residential, commercial service and educational	3,199	266,485	12,004	100%
3.	Zhengzhou Guancheng District Jinluowan Project	January 2018	Commercial and residential	863	451,113	3,750	51%
4.	Shenzhen Pingshan Centre	January 2018	Commercial and service	1,124	182,000	10,291	60%
5.	Fuzhou 2017-49 (Sanjiangkou)	January 2018	Residential	560	187,910	8,760	34%
6.	Longyan Shanghang Honor Project	January 2018	Residential	125	60,750	4,031	51%
7.	Fuzhou Jin'an 2017-57 & 58	January 2018	Residential	1,405	151,397	9,280	100%
8.	Taizhou Jiaojiang District Zhang'an Project	January 2018	Residential and commercial	341	222,292	4,517	34%
9.	Zhangzhou 2017P08 (Longwen District Minnan Watertown 05 Parcel)	January 2018	Residential, commercial service and retirement	1,836	333,826	10,784	51%
10.	Zhangzhou 2017P11 (Longwen District An'deguang Parcel)	January 2018	Residential and commercial service	148	72,957	2,029	100%
11.	Beijing Fengtai Xiaowayao Parcel	January 2018	Residential	1,531	76,160	41,032	49%
12.	Ningbo Zhenhai District Luotuo Project	February 2018	Residential and commercial	354	81,200	8,706	50%
13.	Zhangzhou Danxia Parcel	February 2018	Integrated commercial and residential	157	95,347	5,500	30%
14.	Shijiazhuang Luquan Parcel	February 2018	Residential	145	38,297	4,725	80%
15.	Phase II of Quanzhou Yuexin	March 2018	Commercial service	167	108,381	2,530	61%
16.	Jinan Jiyang Chengbo Lake	March 2018	Residential and commercial	421	419,711	1,432	70%

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
17.	Changchun Lianhua Mountain 92, 94, 98, 99, 102	March 2018	Residential	256	496,289	819	63%
18.	Guangdong Huidong Qingyun	March 2018	Residential and commercial	456	152,545	2,993	100%
19.	Quanzhou Taishang S2017-06 (Baiqi Lake)	March 2018	Commercial and residential	502	482,412	3,060	34%
20.	Longyan S2018 Pai-1(Dongshan B08)	March 2018	Residential	82	63,085	2,156	60%
21.	Putian Compound	March 2018	Retail commercial and residential	413	152,258	4,762	57%
22.	Quanzhou Jinjiang P2017-22 (Xintang)	April 2018	Commercial and residential	857	268,632	3,190	100%
23.	Fuzhou 2018-01 Parcel	April 2018	Ordinary commodity housing, shopping mall and restaurant	662	231,902	14,282	20%
24.	Fuzhou 2018-03 Parcel	April 2018	Ordinary commodity housing	590	51,009	11,567	100%
25.	Nanping High-speed Railway New District B6-1 (2018-Pai J03)	April 2018	Commercial and residential	102	125,629	811	100%
26.	Phase II of Nanping 2011-J-07 Parcel B (13-1-50-2) (Yongsen)	April 2018	Other ordinary commodity housing	64	170,414	1,250	30%
27.	Xiamen X2017P07 (Xiang'an Xinwei)	April 2018	Residential	903	45,880	19,682	100%
28.	Nanping Yanping District 2018-J-1	April 2018	Other ordinary commodity housing	40	67,680	1,404	42%
29.	Deyang 60 Acres	April 2018	R21 (Residential, excluding commercial)	651	132,441	4,918	100%
30.	Fuzhou Fuqing 2018 Pai-15	May 2018	Commercial service and residential	1,202	299,976	4,007	100%
31.	Jiaxing Pinghu 2018 Ping-No. 29 Project	May 2018	Urban residential	1,322	146,971	8,996	100%
32.	Fuzhou Minqing New City	May 2018	Commercial and residential	85	120,934	3,498	20%
33.	Quanzhou Julong Town	May 2018	Commercial and residential	494	255,737	3,785	51%
34.	Wenzhou Pingyang Ao'jiang Binjiang Centre F-01-01 Parcel	May 2018	Urban residential, wholesale & retail	804	120,016	6,703	100%
35.	Wenzhou Pingyang Ao'jiang Binjiang Centre F-02-01 Parcel	May 2018	Urban residential, wholesale & retail	270	116,716	6,794	34%
36.	Jinjiang 2017-38 (Neikeng)	May 2018	Commercial and residential	36	137,104	1,058	25%
37.	Jinan Zhangqiu Fukang	May 2018	Residential	349	75,623	4,610	100%
38.	Quanzhou 2018-2 (Licheng)	May 2018	Commercial and residential	556	110,762	5,020	100%
39.	Xiamen 2018HP01 (Haicang Maluan Bay)	June 2018	Residential and commercial service	728	116,000	25,086	25%
40.	Zibo Honglian Lake	June 2018	Residential	190	108,000	3,921	45%
41.	Fu'an Wanyu Jinlan Bay	June 2018	Residential	60	132,898	895	50%
42.	Sanming Changxing Road D-2	June 2018	Other ordinary commodity housing	217	68,341	3,171	100%
43.	Huzhou Lianshi Central Primary School South Parcel	June 2018	Urban residential	415	127,692	3,250	100%

	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
44.	North of Qingyuan Avenue and East of Xuefu Road, Yixing Economic Development Zone	June 2018	Urban residential	546	87,838	6,216	100%
45.	Yinchuan Gongyong Garden East Parcel	June 2018	Residential	178	42,150	4,220	100%
46.	Changsha Zhengyuan	June 2018	Commercial and residential	881	259,994	6,162	55%
47.	Jiangxi Ji'an Guhou River Project	June 2018	Type II residential	405	85,943	4,708	100%
48.	Shijiazhuang East 2nd Ring Road Yuhua Parcel	July 2018	Commercial and residential	20	54,829	1,865	20%
49.	Longyan Dongxiao Project	July 2018	Residential	123	103,832	3,390	35%
50.	Longyan Xiaoyang Wenjing Project	July 2018	Residential	172	78,128	6,477	34%
51.	Baoji Taibai	July 2018	Residential	98	126,979	1,284	60%
52.	Fuqing Minhou Gaoxin No. 2018-02	July 2018	Type II residential and commercial	527	106,195	7,628	65%
53.	Zhangzhou Datang Project	July 2018	Residential	265	149,347	9,349	19%
54.	Jinjiang P2017-23 (Datang Xintang)	July 2018	Commercial and residential	153	92,319	3,672	45%
55.	Longyan Dongxiao No. 10 Parcel	July 2018	Residential	97	52,944	3,608	51%
56.	Longyan Dongxiao No. 11 Parcel	July 2018	Commercial and residential	255	89,799	2,840	100%
57.	Chengdu Jinying Road West (Parcel B west to Hengda) (39.6 acres)	July 2018	Type II residential (including commercial≤10%)	198	66,001	3,000	100%
58.	Luzhou Yunfeng Road West (91.5 acres)/ Hengsi Route North (91.4 acres)	July 2018	R2 Residential	936	274,264	3,411	100%
59.	Yueqing Town Centre H-b3-2 Parcel	July 2018	Residential	184	84,034	8,416	26%
60.	Changshu Shenzhen Road South, Nansha Road West	July 2018	Residential	1,085	113,872	9,528	100%
61.	Changshu Xinzhuang Town Xinzhuang Avenue East, Xinyang Avenue South	July 2018	Residential	191	30,752	6,221	100%
62.	Changshu Xinzhuang Town Fanrong Road East, Zhanggangjing River South	July 2018	Residential	772	138,294	5,584	100%
63.	Xuzhou Na Village 09G, 10G	July 2018	Residential	227	222,145	1,020	100%
64.	E-10, Ouhai Centre South, Wenzhou	July 2018	Residential	901	105,078	8,577	100%
65.	Hangzhou Puyan	July 2018	Residential and commercial	2,111	96,860	21,797	100%
66.	Neijiang Hong Pai Road South (104.4 acres)	July 2018	Type II residential (including commercial≤15%)	758	173,923	4,356	100%
67.	Hengyang Daiyingling Project	July 2018	Residential	370	411,297	1,500	60%
68.	Lanzhou Galaxy International Project (179.71 acres)	July 2018	R1 (Type I residential) and R2 (Type 2 residential)	899	309,261	5,811	50%
69.	Hangzhou Yuhang 25, 26	July 2018	Residential	2,112	119,363	17,692	100%
70.	Fuzhou 2018-17 Parcel (Jin'an Helinpian District E-05 East Parcel)	July 2018	Commercial and residential	1,904	131,332	21,731	67%

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

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

Property Investment

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

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

Hotel Operations

As of 31 December 2018, the Group had a total of 22 hotels in operation, including Le Royal Méridien Shanghai, Hyatt on the Bund Shanghai, The Yuluxe Sheshan, A Tribute Portfolio Hotel, Shanghai, Hilton Nanjing Riverside, Holiday Inn Mudanjiang, Holiday Inn Shaoxing, DoubleTree by Hilton Wuhu, Crowne Plaza Shaoxing, InterContinental Fuzhou, Hilton Tianjin Eco-City, DoubleTree by Hilton Ningbo Chunxiao, Hilton Wuhan Riverside, Conrad

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

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

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

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

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

FINANCIAL ANALYSIS

Key consolidated income statement figures are set out below:

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

Revenue

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

The components of the revenue are set out as follows:

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

* *The components of revenue are reclassified this year, with figures of 2017 accordingly adjusted.*
** *The income does not include revenue of related parties or that from the Group.*

(i) Sales of Properties

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

	2018		2017	
	Area (sq.m.)	***RMB million***	*Area (sq.m.)*	*RMB million*
Qingdao Shimao Noble Town	**311,616**	**3,833**	241,222	2,420
Hangzhou Sunac Yihe Park	**77,951**	**3,584**	–	–
Quanzhou Shishi Shimao Skyscraper City	**397,803**	**3,471**	132,743	1,095
Quanzhou Shimao Shine City	**211,635**	**3,410**	–	–
Shenzhen Qianhai Shimao Financial Centre	**29,220**	**2,807**	–	–
Fuzhou Lianpan Shimao Shine City	**84,006**	**2,764**	84,964	2,460
Nanjing Shimao Bund New City	**87,498**	**2,657**	130,376	3,503
Ningbo Yaojiang Jinmao Mansion	**110,009**	**2,521**	–	–
Quanzhou Jinjiang Shimao Dragon Bay	**313,488**	**2,457**	199,153	1,260
Chengdu Shimao City	**232,752**	**2,456**	262,824	2,004
Zhangjiagang Shimao Lake Palace	**166,994**	**2,407**	164,248	2,497
Fuzhou Shimao Shine City	**171,005**	**2,047**	–	–
Wuhan Baishazhou Shimao Cloud Value	**191,305**	**2,015**	121,627	1,123
Fuzhou Pingtan Straits Future City	**163,295**	**2,007**	318,635	3,369
Shanghai Zhoupu Shimao Cloud Atlas	**36,190**	**1,932**	–	–
Yinchuan Shiyue Mansion	**281,309**	**1,806**	46,051	313
Quangang Shimao Shine City	**290,222**	**1,685**	–	–
Jinan Shimao Skyscraper City	**101,216**	**1,558**	83,788	1,115
Jinan Shimao The Capital of Yuanshan	**119,153**	**1,550**	160,036	1,650
Quanzhou Shimao Zimao Mansion	**148,756**	**1,435**	19,281	329
Hefei Shimao Classic Chinese Chic	**81,764**	**1,419**	–	–
Yinchuan Yuehai No. 1	**219,346**	**1,410**	–	–
Xiamen Shimao Royal Villa	**87,388**	**1,390**	35,665	1,089
Suzhou Shimao Shihu Bay	**53,889**	**1,312**	56,637	1,364

	2018		2017	
	Area (sq.m.)	***RMB million***	*Area (sq.m.)*	*RMB million*
Xiamen Shimao Shine City	**34,805**	**1,228**	147,696	5,111
Fuqing Shimao Shine City	**98,006**	**1,159**	–	–
Wuhan Shimao Dragon Bay	**144,279**	**1,075**	2,517	26
Changle Shimao Shine City	**84,138**	**1,042**	–	–
Tianjin Shimao Wetland Century	**67,100**	**1,035**	176,264	2,528
Jinan Jiyang Shimao Skyscraper City	**121,669**	**1,007**	–	–
Wuhan Shimao Splendid River	**46,770**	**963**	–	–
Jiaxing Shimao Shine City	**54,243**	**947**	–	–
Wuhan Shimao Carnival	**51,985**	**937**	5,257	60
Quanzhou Shimao Hi Dream	**104,655**	**934**	98,027	910
Chongqing Shimao Luxury Mansion	**56,719**	**929**	274,417	2,012
Shaoxing Shimao Works of Time	**38,803**	**877**	122,076	1,653
Xuzhou Shimao Dongdu	**69,417**	**791**	33,762	305
Fuzhou Shimao Cloud Guling	**36,090**	**788**	45,760	1,073
Nanjing Shimao Glory Villa	**18,932**	**776**	–	–
Beijing Yidu Qingqing Town	**50,140**	**766**	61,597	1,035
Yinchuan Maoyue Mansion	**110,534**	**703**	19,363	260
Hainan Wenchang Shimao Blooming Sea	**46,998**	**694**	105,565	872
Mudanjiang Shimao Holiday Landscape	**140,734**	**684**	65,928	266
Jiangyin Shimao Dragon Bay	**69,626**	**604**	8,195	89
Nanjing Yuhuatai Project	**11,638**	**603**	63,708	1,900
Nanchang Shimao APM	**42,004**	**585**	10,347	162
Hangzhou Shimao Born with Legend	**9,548**	**545**	19,580	958
Nanjing Straits City	**4,719**	**405**	68,455	1,931
Tianjin Wuqing Shimao Luxury Mansion	**23,870**	**284**	79,002	829
Beijing Tongzhou World Chamber of Commerce Centre	**4,239**	**236**	80,858	3,614
Hefei Shimao Jade Mansion	**13,478**	**210**	155,794	2,095
Xi'an Shimao City	**26,507**	**186**	169,009	1,400
Qingdao Shimao Noosa Bay	**2,647**	**99**	156,769	1,730
Changzhou Shimao Champagne Lake	**3,384**	**59**	72,936	748
Changshu Shimao Royal Bay	**18**	**1**	73,516	763
Hangzhou Shimao Above the Lake	**–**	**–**	45,907	1,029
Wuhan Shimao Lake Island	**–**	**–**	102,014	809
Nanjing Shimao Merchants Mountain	**–**	**–**	29,941	738
Others	**304,392**	**5,822**	565,244	6,299
Total	**5,859,897**	**80,907**	4,916,754	66,796

(ii) Hotel Income

Hotel operation income is set out as follows:

	Date of Commencement	**2018** *RMB million*	2017 *RMB million*
The Yuluxe Sheshan, A Tribute Portfolio Hotel, Shanghai	November 2005	**164**	164
Le Royal Méridien Shanghai	September 2006	**297**	345
Hyatt on the Bund Shanghai	June 2007	**400**	388
Holiday Inn Mudanjiang	December 2010	**33**	33
Holiday Inn Shaoxing	September 2011	**32**	28
Hilton Nanjing Riverside	December 2011	**100**	98
DoubleTree by Hilton Wuhu	October 2013	**67**	63
InterContinental Fuzhou	January 2014	**92**	97
Crowne Plaza Shaoxing	March 2014	**95**	73
Yuluxe Hotel Taizhou	August 2014	**32**	31
Hilton Tianjin Eco-City	April 2015	**59**	46
DoubleTree by Hilton Ningbo Chunxiao	December 2015	**27**	25
Hilton Wuhan Riverside	July 2016	**115**	99
Conrad Xiamen	August 2016	**155**	133
DoubleTree by Hilton Ningbo Beilun	December 2016	**55**	39
Hilton Yantai	August 2017	**62**	18
Hilton Shenyang	January 2018	**65**	–
Le Méridien Hangzhou Binjiang	September 2018	**8**	–
InterContinental Shanghai Wonderland	November 2018	**32**	–
Others		**18**	28
Total		**1,908**	1,708

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

(iii) Commercial properties operation income, Property Management income and Others

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

Commercial properties operation income is analysed as follows:

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

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

Cost of Sales

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

Cost of sales are analysed as follows:

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

Fair Value Gains on Investment Properties – Net

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

Other Income/Other Gains – Net

Other gains of approximately RMB297 million for the year ended 31 December 2018 (2017: RMB545 million), which mainly included gain on government grants of RMB100 million (2017: RMB161 million), penalty income of RMB71 million (2017: RMB97 million), and net gains on acquisition and disposal of subsidiaries of RMB55 million (2017: net gain of RMB154 million).

Selling and Marketing Costs and Administrative Expenses

The Group strictly linked actual cost with performance ratio through overall budget management and dynamic tracking. Cost efficiency has been improved significantly. Selling and marketing costs and administrative expenses arising from property sales accounted for 2.2% of contracted sales in 2018 (2017: 3.1%), which was competitive in the market.

Operating Profit

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

Finance (Costs)/Income – Net

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

Share of Results of Associated Companies and Joint Ventures

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

Taxation

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

Profit Attributable to Shareholders

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

Liquidity and Financial Resources

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

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

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

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

Financing Activities

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

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

The domestic financing activities were mainly carried out as follows:

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

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

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

The overseas financing activities were mainly carried out as follows:

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

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

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

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

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

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

Foreign Exchange Risks

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

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

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

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

Pledge of Assets

As of 31 December 2018, the Group had pledged property and equipment, investment properties, land use rights, properties under development, completed properties held for sale and restricted cash with a total carrying amount of RMB58.536 billion to secure bank facilities granted to the Group. The corresponding bank and other loans amounted to approximately RMB17.296 billion.

Contingencies

As of 31 December 2018, the Group had provided guarantees for approximately RMB18.175 billion in respect of the mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. In addition, the Group had provided guarantees for approximately RMB8.956 billion in its portion of equity interests in associated companies and joint ventures for their borrowings.

Capital and Property Development Expenditure Commitments

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

Employees and Remuneration Policy

As of 31 December 2018, the Group employed a total of 9,814 employees, among whom 4,499 were engaged in property development. Total remuneration for the year amounted to approximately RMB2.080 billion. The Group has adopted a performance-based rewarding system to motivate its staff. The board of directors of the Company (the "Board") adopted a share award scheme (the "Share Award Scheme") of the Company on 30 December 2011. The purpose of the Share Award Scheme is to recognize the contributions by certain selected employees of the Group and to provide them with incentives in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group. In relation to staff training, the Group also provides different types of programs for its staff to improve their skills and develop their respective expertise.

ANNUAL RESULTS

The Board is pleased to present the audited consolidated results of the Group for the year ended 31 December 2018 together with comparative figures for 2017. These annual results have been reviewed by the Company's Audit Committee.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

		Year ended 31 December	
		2018	2017
	Note	***RMB'000***	*RMB'000*
Revenue	*3*	**85,512,704**	70,425,874
Cost of sales	*6*	**(58,563,625)**	(48,996,361)
Gross profit		**26,949,079**	21,429,513
Fair value gains on investment properties – net		**1,910,251**	679,484
Other income/other gains – net		**297,280**	545,095
Selling and marketing costs	*6*	**(2,023,438)**	(1,461,804)
Administrative expenses	*6*	**(3,429,512)**	(2,989,871)
Reversal of impairment losses on financial assets	*6*	**25,529**	–
Other operating expenses	*6*	**(520,488)**	(523,702)
Operating profit		**23,208,701**	17,678,715
Finance income		**786,116**	2,059,980
Finance costs		**(1,123,143)**	(731,566)
Finance (costs)/income – net	*7*	**(337,027)**	1,328,414
Share of results of associated companies and joint ventures accounted for using the equity method		**(233,469)**	(315,376)
Profit before income tax		**22,638,205**	18,691,753
Income tax expense	*8*	**(10,327,273)**	(8,121,060)
Profit for the year		**12,310,932**	10,570,693

		Year ended 31 December	
		2018	2017
	Note	***RMB'000***	*RMB'000*
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)
Translation reserves		**137**	(101)
Item that will not be reclassified to profit or loss			
Fair value losses on financial assets at fair value through other comprehensive income, net of tax		**(290,843)**	–
Other comprehensive income		**(290,706)**	(8,742)
Total comprehensive income for the year		**12,020,226**	10,561,951
Profit for the year attributable to:			
Equity holders of the Company		**8,834,790**	7,840,494
Non-controlling interests		**3,476,142**	2,730,199
		12,310,932	10,570,693
Total comprehensive income for the year attributable to:			
Equity holders of the Company		**8,663,562**	7,835,302
Non-controlling interests		**3,356,664**	2,726,649
		12,020,226	10,561,951
Earnings per share for profit attributable to the equity holders of the Company			
– Basic (RMB cents)	*10*	**264.7**	232.4
– Diluted (RMB cents)	*10*	**264.1**	231.9

CONSOLIDATED BALANCE SHEET
As at 31 December 2018

		As at 31 December	
		2018	2017
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Property and equipment		**14,577,637**	13,513,914
Investment properties		**36,891,022**	34,036,147
Land use rights		**7,965,764**	8,176,521
Intangible assets		**1,840,658**	1,840,658
Investments accounted for using the equity method		**16,966,160**	14,946,727
Amount due from related parties		**1,589,737**	1,471,478
Financial assets at fair value through other comprehensive income		**981,680**	–
Financial assets at fair value through profit or loss		**176,727**	–
Available-for-sale financial assets		**–**	1,068,775
Deferred income tax assets		**2,806,563**	2,523,663
Other non-current assets		**4,952,069**	7,449,318
		88,748,017	85,027,201
Current assets			
Inventories		**192,689,769**	133,554,704
Trade and other receivables and prepayments	*4*	**19,922,877**	15,583,786
Prepayment for acquisition of land use rights		**6,321,397**	21,605,517
Prepaid income taxes		**3,715,789**	2,743,827
Amounts due from related parties		**16,609,749**	16,035,676
Derivative financial instruments		**12,468**	1,190
Restricted cash		**5,888,489**	4,469,331
Cash and cash equivalents		**43,688,296**	28,537,441
		288,848,834	222,531,472
Total assets		**377,596,851**	307,558,673

	Note	As at 31 December 2018 RMB'000	2017 RMB'000
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital		**341,575**	348,864
Reserves		**58,892,631**	57,285,819
		59,234,206	57,634,683
Non-controlling interests			
Perpetual capital instruments		**5,100,000**	4,200,000
Other non-controlling interests		**40,945,971**	34,912,114
		46,045,971	39,112,114
Total equity		**105,280,177**	96,746,797
LIABILITIES			
Non-current liabilities			
Borrowings		**77,825,292**	69,309,472
Deferred income tax liabilities		**6,596,455**	6,025,277
		84,421,747	75,334,749
Current liabilities			
Trade and other payables	5	**50,585,171**	33,524,265
Advanced proceeds received		**–**	34,117,188
Contract liabilities		**47,173,444**	–
Income tax payable		**20,595,196**	15,641,375
Borrowings		**31,306,474**	18,195,220
Finance lease liabilities		**–**	130,560
Amounts due to related parties		**38,234,642**	33,868,519
		187,894,927	135,477,127
Total liabilities		**272,316,674**	210,811,876
Total equity and liabilities		**377,596,851**	307,558,673

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") 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

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies accordingly. The impact of adopting the following standards are disclosed below:

– HKFRS 9 Financial Instruments, and

– HKFRS 15 Revenue from Contracts with Customers

The other newly adopted standards did not have material impact on the Group's accounting policies and did not require retrospective adjustments.

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

The Group adopted HKFRS 15 using the modified retrospective approach which means that the cumulative impact of the adoption (if any) will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

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*

(i) New standards and interpretations not yet adopted

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

		Effective for annual periods beginning on or after
HKFRS 16	Leases	1 January 2019
HKFRS 17	Insurance contracts	1 January 2021
HK (IFRIC) 23	Uncertainty over income tax treatments	1 January 2019
HKFRS 9 (Amendments)	Prepayment features with negative compensation	1 January 2019
HKAS 28 (Amendments)	Long-term interests in associates and joint venture	1 January 2019
HKAS 19 (Amendments)	Plan amendment, curtailment or settlement	1 January 2019
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Amendments to HKFRS 3	Definition of business	1 January 2020
Amendments to HKAS 1 and HKAS 8	Definition of material	1 January 2020

HKFRS 16 Leases

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

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

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

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

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

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

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:

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

(b) Segment information

Year ended 31 December 2018

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

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

** *Unallocated mainly represent corporate level activities*

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

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

Year ended 31 December 2017

	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	17,381,966	49,413,979	–	–	66,795,945
– Hotel operation income	230,166	–	1,477,736	–	1,707,902
– Commercial properties operation income	888,728	102,839	–	–	991,567
– Property management income	37,789	608,037	–	–	645,826
– Others	128,121	156,513	–	–	284,634
Total revenue	18,666,770	50,281,368	1,477,736	–	70,425,874
Operating profit/(loss)	7,504,996	10,451,213	155,089	(432,583)	17,678,715
Finance income	115,264	1,931,037	751	12,928	2,059,980
Finance costs	(240,618)	(193,878)	(11,340)	(285,730)	(731,566)
Share of results of associated companies and joint ventures accounted for using the equity method	66,811	(382,187)	–	–	(315,376)
Profit/(loss) before income tax	7,446,453	11,806,185	144,500	(705,385)	18,691,753
Income tax expense					(8,121,060)
Profit for the year					10,570,693
Other segment items are as follows:					
Capital and property development expenditure	23,991,044	42,072,845	653,397	–	66,717,286
Fair value gains/(losses) on investment properties	724,106	(44,622)	–	–	679,484
Fair value losses on derivative financial instruments	–	(86,979)	–	–	(86,979)
Depreciation	57,298	167,776	318,463	36,816	580,353
Amortisation of land use rights	9,611	5,795	69,585	–	84,991
Provision for impairment of receivables	41,706	13,681	782	–	56,169

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

** *Unallocated mainly represent corporate level activities*

Year ended 31 December 2017

	Property development and investment			
	Shanghai Shimao *RMB'000*	Others *RMB'000*	Hotel operation *RMB'000*	Total *RMB'000*
Investments accounted for using the equity method	2,307,413	12,639,314	–	14,946,727
Intangible assets	1,709,730	–	130,928	1,840,658
Other segment assets	86,327,419	180,773,033	18,048,407	285,148,859
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

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 and available-for-sale financial assets.

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

Notes:

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

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

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

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

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

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

5 TRADE AND OTHER PAYABLES

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

Notes:

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

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

(b) Other payables comprise:

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

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

7 FINANCE COST/(INCOME) – NET

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

8 INCOME TAX EXPENSE

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

Hong Kong profits tax

No Hong Kong profits tax has been provided for as the Group has no assessable profit in Hong Kong for the year ended 31 December 2018 (2017: Nil).

PRC enterprise income tax

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

PRC land appreciation tax

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

PRC withholding income tax

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

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

9 DIVIDENDS

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Interim dividend paid of HK50 cents (2017: HK40 cents) per ordinary share *(Note(a))*	**1,457,489**	1,152,807
Proposed final dividend of HK70 cents (2017: HK60 cents) per ordinary share *(Note (b))*	**1,971,784**	1,638,371
Other dividend paid	**212,240**	105,246
	3,641,513	2,896,424

Notes:

(a) An interim dividend in respect of the six months ended 30 June 2018 of HK50 cents per ordinary share, amounting to HK$1,665,131,000 (equivalent to RMB1,457,489,000) was paid in September 2018 (2017: RMB1,152,807,000).

(b) At a meeting held on 26 March 2019, the directors proposed a final dividend of HK70 cents per ordinary share for the year ended 31 December 2018. This proposed dividend is not reflected as a dividend payable in these consolidated financial statements, but will be reflected as an appropriation for the year ending 31 December 2018 upon approval by the shareholders at the forthcoming annual general meeting of the Company.

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

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

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

	Year ended 31 December	
	2018	2017
Profit attributable to the equity holders of the Company *(RMB'000)*	**8,834,790**	7,840,494
Weighted average number of ordinary shares in issue *(thousands)*	**3,337,541**	3,373,739
Adjustment for shares granted under Share Award Scheme *(thousands)*	**7,214**	6,561
Weighted average number of ordinary shares for diluted earnings per share *(thousands)*	**3,344,755**	3,380,300
Diluted earnings per share *(RMB cents)*	**264.1**	231.9

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 2018.

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 2018 except for:

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

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

(2) The Chairman of the Board was unable to attend the Company's annual general meeting held on 19 June 2018 (as required by the code provision E.1.2 of the Code) due to the sudden change of the schedule.

Purchase, Sale or Redemption of Listed Securities

During the year ended 31 December 2018,

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

Particulars of the purchases are as follows:

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

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

(3) Shanghai Shimao Co., Ltd., a 58.92%-owned subsidiary of the Company, redeemed an aggregate principal amount of RMB1,500,000,000 of medium-term notes at a fixed interest rate of 6.08% due on 10 March 2018 and an aggregate principal amount of RMB1,500,000,000 of medium-term notes at a fixed interest rate of 5.35% due on 10 July 2018.

(4) the trustee of the Share Award Scheme, pursuant to the terms of the rules and trust deed of the Share Award Scheme, purchased from the market a total of 5,849,500 shares of the Company at a total consideration of approximately HK$121,246,000.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2018.

Annual General Meeting

The 2019 annual general meeting of the Company (the "AGM") will be held on Tuesday, 18 June 2019. 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 HK70 cents (2017: HK60 cents) per ordinary share for the year ended 31 December 2018. The proposed final dividend, together with the interim dividend of HK50 cents per ordinary share paid on 28 September 2018, will amount to a total dividend of HK$1.20 per ordinary share for the year ended 31 December 2018 (throughout 2017: HK1.00). The proposed final dividend, if approved at the forthcoming AGM to be held on Tuesday, 18 June 2019, will be payable on Wednesday, 10 July 2019 to shareholders whose names appear on the register of members of the Company on Tuesday, 25 June 2019.

Closure of Register of Members

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

(i) from Wednesday, 12 June 2019 to Tuesday, 18 June 2019 (both days inclusive), for the purpose of ascertaining shareholders' entitlement to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 11 June 2019; and

(ii) on Monday, 24 June 2019 and Tuesday, 25 June 2019, for the purpose of ascertaining shareholders' entitlement to the proposed final dividend. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at the address as set out in subparagraph (i) above no later than 4:30 p.m. on Friday, 21 June 2019.

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, 26 March 2019

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 President) 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.