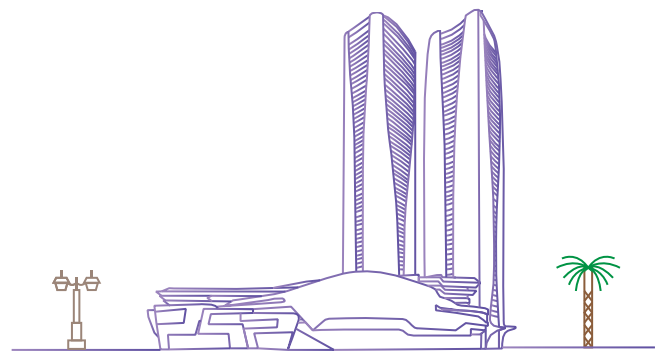
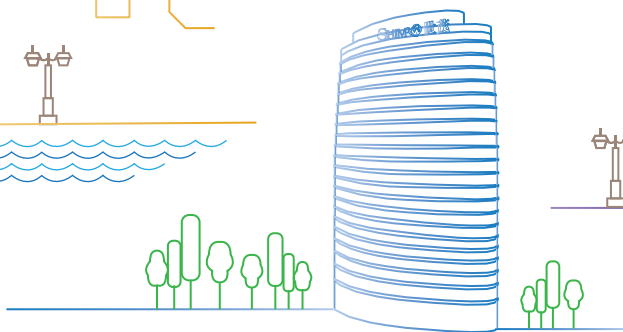


INTERIM REPORT

2018 中期報告



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

(Incorporated in the Cayman Islands with limited liability)

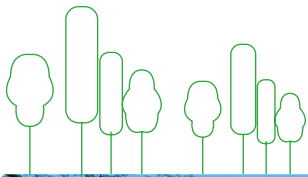
Stock Code: 813



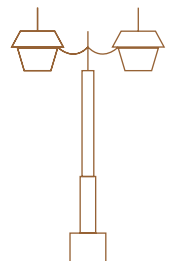
Shanghai Shimao International Plaza



Qingdao Shimao Enjoy Your Sea



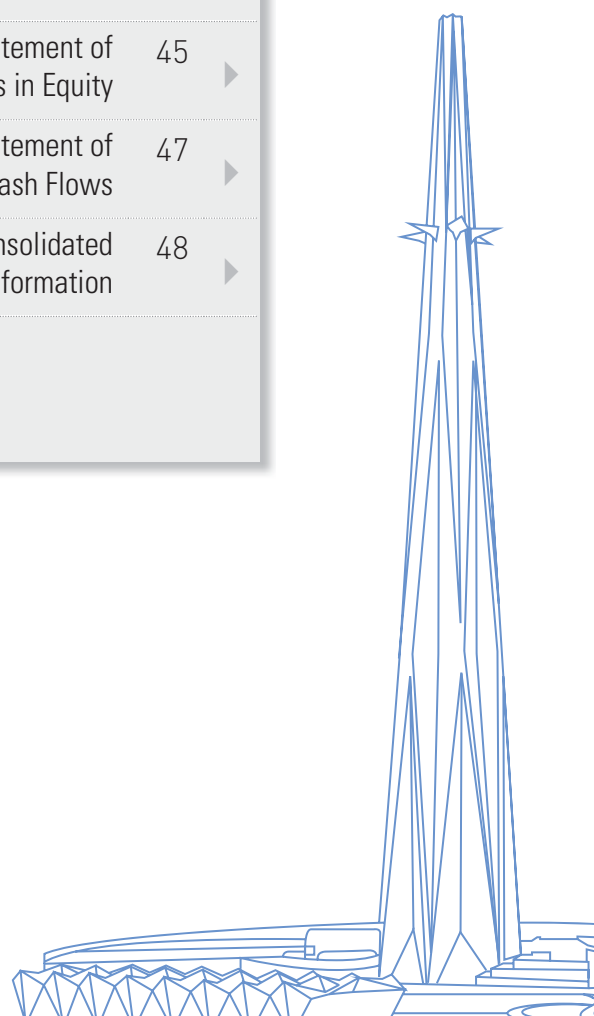
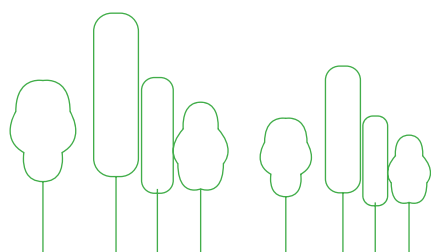
Yinchuan Maoyue Mansion



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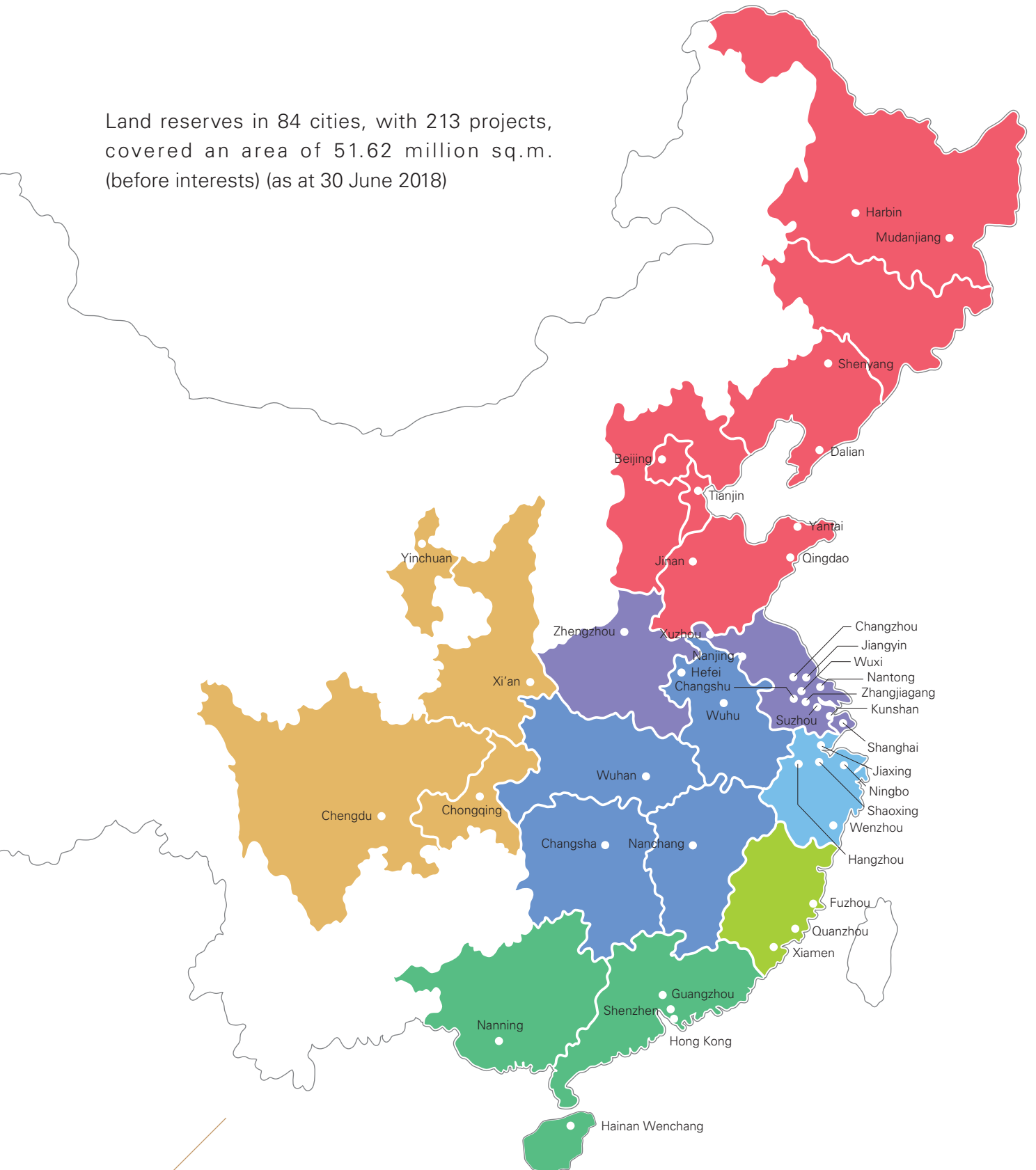


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NATIONWIDE QUALITY LAND RESERVES

Land reserves in 84 cities, with 213 projects, covered an area of 51.62 million sq.m. (before interests) (as at 30 June 2018)



Zhejiang District

Hangzhou Pengbu Project
 Hangzhou Shimao Born with Legend
 Jiaxing Science and Technology City Parcel
 Ningbo Sunjia
 Shaoxing Didang Lake No. 1 Parcel
 Shaoxing Renmin Road
 Shaoxing Yuecheng District Qingdian Lake Project
 Taizhou Jiaojiang District Zhang'an Project
 Wenzhou Pingyang Binjiang Centre Parcel

Central China District

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

Western District

Chengdu Shimao City
 Chongqing Runyijiang Zhishang Lianbang Project
 Chongqing Shimao Luxury Mansion
 Sichuan Deyang 60 Acres
 Yinchuan Gongyong Garden East Parcel
 Yinchuan Yuehai Project

Shandong District

Jinan Huaiyin District Meili Road Parcel
 Jinan Jiyang Chengbo Lake
 Jinan Shimao Skyscraper City
 Jinan Shimao The Capital of Yuanshan
 Jinan Xiaoya Parcel
 Jinan Zhangqiu District Nangaobu Parcel
 Jinan Zhangqiu District New No. 4 Middle School Parcel
 Qingdao Shimao Noble Town
 Zibo Honglian Lake

Northern China District

Beijing Fengtai District Xitieying Project
 Beijing Fengtai Xiaowayao Parcel
 Beijing Shangzhuang Project
 Beijing Tongzhou Xincheng Yangzhuang No. 12 Project
 Beijing Yinghai Project
 Gu'an Project
 Tianjin Jinnan Project
 Tianjin Wuqing Shimao Luxury Mansion

Central and South District

Nanjing Jianye Jiangdong No. 5 Project
 Nanjing Pukou G24 Parcel
 Nanjing Shimao Bund New City
 Nanjing Straits City
 Xuzhou Shimao Dongdu
 Zhengzhou Guancheng District Jinluowan Project

Jiangsu and Shanghai District

Huzhou Lianshi Central Primary School South Parcel
 Nantong mixed-use Project
 Shanghai Baoshan Luodian Parcel
 Shanghai Baoshan Luojing Parcel
 Shanghai Songjiang Project
 Suzhou Shimao Bronze Swallow Terrace
 Suzhou Shimao Shihu Bay
 Yixing Economic Development Zone Project
 Zhangjiagang Shimao Lake Palace

Fujian District

Fuzhou Changle Jinfeng Town No. 3-4 Parcels
 Fuzhou City 108 Building Project
 Fuzhou Fuqing 2017 Pai-01 and Pai-03 Parcels
 Fuzhou Guihu Longtou Yuan Parcel II
 Fuzhou Jin'an 2017-57 & 58
 Fuzhou Jin'an District Houlong Community Parcel II
 Fuzhou Jinrong Street Project
 Fuzhou Lianpan Shimao Shine City
 Fuzhou Licuoshan Parcel
 Fuzhou Pingtan Straits Future City
 Fuzhou Yongtai Project
 Quanzhou Jinjiang Dongshi Parcel
 Quanzhou Jinjiang Project
 Quanzhou Luojiang No. 1-2 Parcels
 Quanzhou Luoyang River Project
 Quanzhou Nan'an Downtown Fanhua Project
 Quanzhou Nan'an Guanqiao Aileyufu Project
 Quanzhou Quangang Project
 Quanzhou Shishi Shimao Skyscraper City
 Quanzhou Taishang S2017-06 (Baiqi Lake)
 Xiamen Shimao Shine City
 Xiamen Tong'an T2017P01 and T2017P04 Parcels
 Xiamen Xiang'an XP13 and XP14 Parcels
 Zhangzhou Changtai Longrenguqin Cultural Village Parcel

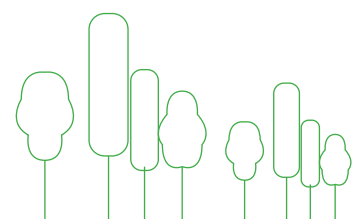
Southern China District

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

HKSAR

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

Remarks: Only the key projects are listed above



CORPORATE INFORMATION

Board of Directors

Executive Directors

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

Non-executive Director

Liu Sai Fei

Independent Non-executive Directors

Kan Lai Kuen, Alice
Lu Hong Bing
Lam Ching Kam

Audit Committee

Kan Lai Kuen, Alice (*Committee Chairman*)
Lu Hong Bing
Lam Ching Kam

Remuneration Committee

Lu Hong Bing (*Committee Chairman*)
Hui Wing Mau
Kan Lai Kuen, Alice
Lam Ching Kam

Nomination Committee

Hui Wing Mau (*Committee Chairman*)
Kan Lai Kuen, Alice
Lu Hong Bing
Lam Ching Kam

Company Secretary

Lam Yee Mei, Katherine

Auditor

PricewaterhouseCoopers

Principal Place of Business in Hong Kong

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



Registered Office

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

Hong Kong Branch Share Registrar and Transfer Office

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

Principal Share Registrar and Transfer Office

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

Place of Listing

The Stock Exchange of Hong Kong Limited
Stock code: 813

Investor and Media Relations

Investor Relations Department
Email: ir@shimaogroup.com.hk
Telephone: (852) 2511 9968
Facsimile: (852) 2511 0287

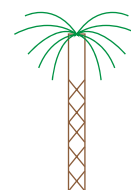
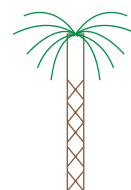
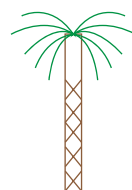
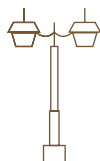
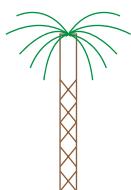
Interim Dividend

Interim dividend amount:	HK50 cents per ordinary share
Book closure period:	Wednesday, 12 September 2018 and Thursday, 13 September 2018
Record date:	Thursday, 13 September 2018
Payment date:	Friday, 28 September 2018
Latest time for lodging transfer documents:	4:30 p.m. on Tuesday, 11 September 2018

Nanchang Shimao The Grand View



Hangzhou Shimao Center



CHAIRMAN'S STATEMENT

Dear shareholders,

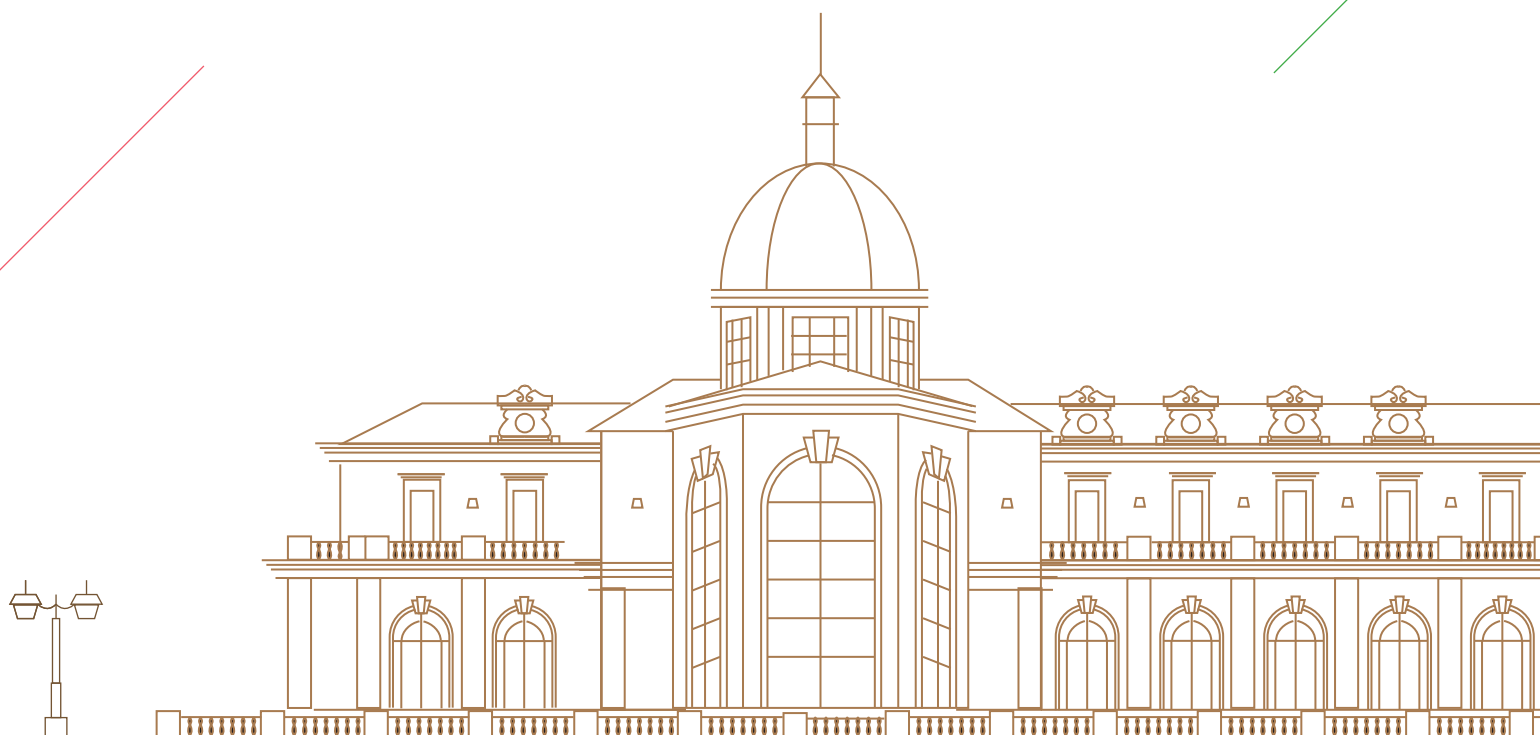
I am pleased to present the interim results of Shimao Property Holdings Limited ("Shimao Property", "Shimao" or the "Company", together with its subsidiaries, the "Group") for the six months ended 30 June 2018.

Market Review

In the first half of 2018, China's overall economic situation remained stable, and supply-side reform continued to advance. At the same time, the superimposed effects of both rapid changes in the international environment and domestic policy regulation have increased the market uncertainty. Facing the complex market environment, the Group has responded positively, with focus on careful management and sound operation, not only maintaining a high amount of collection of sales proceeds and increasing profitability, but also making new breakthroughs in financial capital innovation. We have also achieved new breakthroughs in our vision of "Becoming a Pioneer of the Industry, Building a Time-honored Shimao Brand". Regardless of the changing market environment and difficulties in the development process, the Group will firmly adhere to the strategic goal, keep abreast with the market rhythm and maintain its leading position in the industry.

Performance

With regard to the property development, the Group set a whole year contracted sales target of RMB140 billion at the start of 2018. Depending on the high-quality sales resources, product structure and the volume of the national projects, the Group met the target as: contracted sales of June refreshed one-month highs; the contracted sales in the first half of the year were RMB72.32 billion; the annual sales target has been achieved about 51.7%; the total sales area reached 4.509 million sq.m. The amounts collected were RMB55 billion, representing a significant increase of 52.8% compared with that for the first half of 2017. The gross profit margin increased from 29.6% in the corresponding period of 2017 to 31.0%, and the net profit margin from core business attributable to shareholders increased from 13.4% in the corresponding period of 2017 to 14.3%. In terms of property investment, rental income in the first half of the year increased by 2.4% year-on-year to RMB390 million.





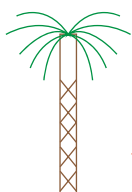
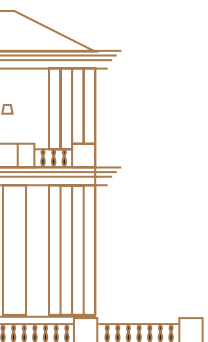
Beijing Shimao Xishan Royal



Nanjing Shimao Bund New City

In return for shareholders' support, the board of directors of the Company (the "Board") has declared the payment of an interim dividend of HK50 cents per share for the six months ended 30 June 2018 (2017 Interim Dividend: HK40 cents per share).

In 2018, in terms of real estate development, the Group has long followed the national strategic direction for regional deep cultivation, focusing on urban regions with national macro-strategic policy support and high economic development vitality. In the fast-paced and competitive industry environment, the Group continues to research and improve product strength. The "Royal" (龍胤系) top-class villas and the "Glory" (天譽系) high-end apartments have been successively launched to the market, with the coverage rate of the standard product lines reaching 81%, laying a solid foundation for Shimao to achieve eruptive sales. While enhancing the brand awareness of the market, it further strengthens the product premium and marketing ability, and boosts sales growth again in the second half of the year. The Group is confident and determined to exceed its sales target of RMB140 billion by the end of the year.





Xiamen Xiang'an Xinwei Project

Quanzhou Baiqi Lake Project



Land Reserves

Land reserves of the Group were significantly enhanced in tandem with overall improvements in the key performance indicators. During the first half of 2018, the Group acquired land reserves of 7.73 million sq.m. (before interests). Currently, the Group has 213 projects with a total area of 51.62 million sq.m. (before interests) of quality land in 84 cities across the country, the value of which exceeded RMB880 billion. 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. The Group has sufficient resources reserves in popular regions across China for its development portfolio. The premium land resources reserves and relatively low land cost provide continuous and solid support for the Group's development in the years to come. Meanwhile, in response to nationwide development strategies, the Group has more actively participated in the construction of the "Guangdong, Hong Kong and Macau Bay Region" and the "Hangzhou Bay Region". Currently, the value of the land reserves in the "Guangdong, Hong Kong and Macau Bay Region" reached RMB200.0 billion. In March, a foundation stone-laying ceremony was officially convened for Shimao Shenzhen-Hong Kong International Centre (世茂深港國際中心) project, which not only marked a new chapter for the new landmark in the "Guangdong, Hong Kong and Macau Bay Region" but also indicated further enlargement in the scope of cooperation between Shenzhen and Hong Kong.

Financial Strategy

In an environment with tightened financial regulation on the real estate market this year, the Group unwaveringly adheres to its prudent financial strategies while actively exploring newer and more innovative financing methods.

In order to actively respond to the changes in the financial environment, the Group has completed a number of domestic and oversea financing activities. In January, the Group issued senior notes of US\$500 million with a coupon rate of 5.2%; later in March, the Group issued dim sum bond of RMB950 million for the first time and issued additional dim sum bond of RMB1.2 billion in June, with an interest rate of 5.75%. In July, the Group issued the country's first House Leasing Shelf Rental ABS, with a shelf size of RMB1 billion for a term of 20 years. The initial issue was RMB500 million, with a coupon rate of 5.6%. In addition, Shanghai Shimao Co., Ltd. ("Shanghai Shimao"), a subsidiary of the Group, issued 3-year medium-term notes of RMB800 million and RMB700 million in February and March respectively, as well as short-term financing bonds of RMB1 billion in April. Through multi-channel financing, the Group's 2018 mid-term financing costs were maintained at a positive level of 5.6%.

The Group has received positive ratings from domestic and international rating agencies based on the robust operating and financial performances. Standard & Poor's, Moody's and Fitch maintained credit ratings of "BB+", "Ba2" and "BBB-" respectively. Institutions such as CCXI and United Ratings maintained the highest corporate credit rating of "AAA". In addition, Shanghai Shimao Jianshe Co., Ltd. ("Shimao Jianshe"), a subsidiary of the Group, has obtained the highest corporate credit rating of "AAA" by United Ratings and Golden Credit Rating. United Ratings maintained the highest corporate credit rating of "AAA" for Shanghai Shimao, a subsidiary of the Group.

Organizational Efficiency

Since 2017, the Group has proposed a new policy of "decentralization" and implemented "corporatization" in various business lines within the Group. On the basis of clarifying rights and responsibilities, we will fully empower the front line to further develop a sense of ownership and enhance productivity, so that the various business lines of the Group can grow into a team with strong operational capabilities, innovative capabilities and resilience, and fully realize organizational efficiency.

In the first half of 2018, the deep and fundamental positive impact of this organizational changes has begun to be realized. The Group's Fujian regional company ranked first in Fujian province with a sales value of RMB26.2 billion, and won the city's sales in Xiamen, Quanzhou, Pingtan, Jinjiang and Shishi, with its market share far ahead. The achievements of deep-cultivation in Fujian are precisely the epitome of the strong development momentum brought about by the organizational changes mentioned before. This kind of driving force will also drive Shimao to better seize opportunities in the future related to sustainable development, growth and competitive advantages.

Hefei Shimao Jade Mansion



Diversification

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. As of July, on the first anniversary of its establishment, Shimao Star Hotel Group ("Shimao Star") already has 6 unique hotel brands, namely, Yu Resort, Yuluxe, Yu Hotels, Yu Residence, MiniMax and Mini, provide high-end full services and middle-end selected services. As of now, there are 8 hotels under Shimao Star that have been operating smoothly, and 47 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 will finally be unveiled in the fourth quarter, 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 sector has now entered 25 cities and has more than 45 commercial projects. In the second half of 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 will soon to be re-launched. This is a new starting point for the Group to create a uniquely influential commercial brand.

In addition, 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, will be located at Shanghai Shimao Festival City, becoming the new cultural highlight on Nanjing East Road Pedestrian Street.

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.

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 beauty of Ancient Capital Chang'an and Silk Road by the activities of "We are family • Silk Road Chang'an" 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 better search and connect 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.

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 lives. "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, 28 August 2018

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Property Development

1) Recognized Sales Revenue

The Group generates its revenue primarily from property development, property investment and hotel operations. As at 30 June 2018, revenue of the Group reached RMB42.57 billion, representing an increase of 18.8% compared to RMB35.82 billion for the corresponding period in 2017. During the period, revenue from property sales amounted to RMB40.67 billion, accounting for 95.5% of the total revenue and representing an increase of 19.0% over the corresponding period in 2017. The average recognized selling price was RMB12,740 per sq.m. for the first half of 2018. In the first half of 2018, the Group had 76 projects, as compared with the 70 projects recognized in the corresponding period in 2017, among which, Quanzhou Shimao Shine City achieved great results with recognized sales revenue of RMB3.028 billion; Quanzhou Shishi Shimao Skyscraper City, the first runner-up, achieved a recognized sales revenue of RMB2.250 billion; and Qingdao Shimao Noble Town, the second runner-up, recorded a recognized sales revenue of RMB1.975 billion.



Shenzhen Longgang Project



Zhangzhou Town of Poetic Life Shimao

The delivered gross floor area (“GFA”) recognized for each project in the first half of 2018 and the relevant particulars are set out as follows:

Project	Recognized Area (sq.m.)	Recognized Sales (RMB million)	Average Selling Price (Excluding Tax) (RMB per sq.m.)
(a) Shimao Property			
Qingdao Shimao Noble Town	160,306	1,975	12,320
Shanghai Zhoupu Shimao Cloud Atlas	36,190	1,932	53,385
Quanzhou Jinjiang Shimao Dragon Bay	225,527	1,804	7,999
Xiamen Shimao Royal Villa	79,177	1,344	16,975
Fuzhou Pingtan Straits Future City	105,676	1,326	12,548
Wuhan Baishazhou Shimao Cloud Value	109,934	1,300	11,825
Fuzhou Shimao Shine City	103,550	1,214	11,724
Zhangjiagang Shimao Lake Palace	76,858	1,200	15,613
Yinchuan Shiyue Mansion	195,328	1,135	5,811
Yinchuan Yuehai No.1	172,887	1,098	6,351
Quangang Shimao Shine City	189,259	1,084	5,728
Suzhou Shimao Shihu Bay	42,006	1,024	24,377
Fuqing Shimao Shine City	83,426	993	11,903
Tianjin Shimao Wetland Century	64,573	978	15,146
Chengdu Shimao City	95,846	935	9,755
Chongqing Shimao Luxury Mansion	56,639	924	16,314
Shaoxing Shimao Works of Time	37,518	763	20,337
Wuhan Shimao Splendid River	34,883	667	19,121
Jinan Shimao The Capital of Yuanshan	54,251	640	11,797
Hefei Shimao Classic Chinese Chic	36,387	618	16,984
Quanzhou Shimao Hi Dream	60,838	585	9,616
Jiaxing Shimao Shine City	31,866	533	16,726
Quanzhou Shimao Zimao Mansion	28,066	459	16,354
Hangzhou Shimao Born with Legend	8,349	431	51,623
Beijing Yidu Qingqing Town	28,145	429	15,242
Fuzhou Shimao Cloud Guling	14,715	386	26,232

Project	Recognized Area (sq.m.)	Recognized Sales (RMB million)	Average Selling Price (Excluding Tax) (RMB per sq.m.)
(a) Shimao Property <i>(continued)</i>			
Shenyang Shimao Wulihe	25,817	295	11,427
Mudanjiang Shimao Holiday Landscape	56,709	276	4,867
Hainan Wenchang Shimao Blooming Sea	31,351	266	8,485
Putian Shimao Cloud	33,224	242	7,284
Xuzhou Shimao Dongdu	20,787	234	11,257
Yinchuan Maoyue Mansion	25,646	201	7,837
Nanjing Straits City	4,264	196	45,966
Fuzhou Lianpan Shimao Shine City	2,953	191	64,680
Suzhou Shimao Canal Scene	6,455	176	27,266
Ningbo Yaojiang Jinmao Mansion	7,169	175	24,411
Dalian Shimao Dragon Bay	25,275	172	6,805
Hefei Shimao Jade Mansion	9,600	146	15,208
Nanjing Jiangning Higher Education Mega Centre Project	6,490	128	19,723
Hangzhou Shimao Riviera Garden	4,968	107	21,538
Yantai Shimao No.1 The Harbour	6,136	69	11,245
Xi'an Shimao City	7,519	53	7,049
Beijing Tongzhou World Chamber of Commerce Centre	1,605	51	31,776
Dalian Shimao Glory City	8,899	51	5,731
Changzhou Shimao Champagne Lake	2,020	47	23,267
Wuhan Shimao Lake Island	4,531	44	9,711
Jiangyin Shimao Dragon Bay	3,676	44	11,970
Ningbo Shimao Dragon Bay	4,142	42	10,140
Nanning Shimao Luxury Mansion	3,478	41	11,788
Fuzhou Minhou Shimao Dragon Bay	2,759	39	14,136
Wuhu Shimao Riviera Garden	2,659	28	10,530
Xiamen Shimao Classic Chinese Chic	553	28	50,633
Chengdu Shimao Royal Bay	1,720	22	12,791
Hangzhou Shimao Above the Lake	720	20	27,778
Hangzhou Shimao East No.1	798	19	23,810
Yinchuan Flourishing Mansion	2,629	12	4,564
Nanjing Shimao Glory Villa	519	11	21,195
Sub-total (a)	2,447,271	29,203	11,933

Project	Recognized Area (sq.m.)	Recognized Sales (RMB million)	Average Selling Price (Excluding Tax) (RMB per sq.m.)
(b) Shanghai Shimao			
Quanzhou Shimao Shine City	189,967	3,028	15,940
Quanzhou Shishi Shimao Skyscraper City	248,547	2,250	9,053
Xiamen Shimao Shine City	32,484	1,249	38,450
Wuhan Shimao Carnival	48,413	867	17,908
Shenzhen Qianhai Shimao Financial Centre	8,575	801	93,411
Jinan Shimao Skyscraper City	51,822	772	14,897
Nanjing Yuhuatai Project	10,663	458	42,952
Nanchang Shimao APM	42,004	453	10,785
Qingdao Shimao International Plaza	35,971	422	11,732
Nanjing Shimao Bund New City	11,141	299	26,838
Jinan Shimao International Plaza	13,492	276	20,457
Tianjin Wuqing Shimao Luxury Mansion	19,589	219	11,180
Ningbo Shimao Riviera Garden	5,329	115	21,580
Changshu Shimao The Centre (Commercial)	13,003	110	8,460
Qingdao Shimao Noosa Bay	2,333	54	23,146
Ningbo Shimao Sunlake Centre	5,110	51	9,980
Changzhou Shimao Champagne Lake (Commercial)	3,914	25	6,387
Xuzhou Shimao Dongdu (Commercial)	2,299	14	6,090
Suzhou Shimao Canal Scene (Commercial)	728	7	9,615
Sub-total (b)	745,384	11,470	15,388
Total (a) + (b)	3,192,655	40,673	12,740

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



▲ Quanzhou	22.6%	▲ Tianjin	2.9%
▲ Wuhan	7.1%	▲ Nanjing	2.7%
▲ Fuzhou	6.9%	▲ Chengdu	2.4%
▲ Xiamen	6.4%	▲ Chongqing	2.3%
▲ Qingdao	6.0%	▲ Other 21 cities	16.4%
▲ Yinchuan	6.0%		
▲ Shanghai	4.8%		
▲ Jinan	4.2%		
▲ Pingtan	3.3%		
▲ Suzhou	3.0%		
▲ Zhangjiagang	3.0%		

2) Steady Sales Growth

With respect to property sales, the Group's contracted sales amounted to RMB72.32 billion in the first half of 2018, representing approximately 51.7% of its annual target. The aggregate sales area reached 4.509 million sq.m., with an average selling price of RMB16,039 per sq.m.

During the first half of 2018, the property market in the first- and second-tier hotspot cities witnessed a trend of rebound from the bottom, as the strong demand for properties in the first- and second-tier cities continued to radiate to the low-tier cities. Accordingly, the Group rolled out well-balanced product offering in each city in line with a prudent strategy. Looking forward to the second half of 2018, the Group will launch saleable areas of approximately 7.89 million sq.m. Together with the existing saleable areas of approximately 2.99 million sq.m. as at 30 June 2018, the Group's total saleable areas in the second half of 2018 will be approximately 10.88 million sq.m.

Key projects available for sale in the second half of 2018 are set out as follows:

District	Project	Saleable Area (sq.m.)
Shimao Property		
Fujian District	Fuzhou Lianpan	108,053
	Fuzhou Cangshan Sanjiangkou Project	187,924
	Xiamen Xiang'an Xinwei	44,600
	Quanzhou Nan'an Fanhua Project	127,391
Northern China District	Beijing Shangzhuang	91,438
	Beijing Xitieying	108,235
	Tianjin Jinnan Project	98,880
Jiangsu and Shanghai District	Shanghai Songjiang Project	42,751
	Zhangjiagang Jiyang Lake Palace	145,073
	Wuxi Railway Station	140,805
Zhejiang District	Hangzhou Qinglong Project	27,924
	Jiaxing Economic Development Zone Project	69,503
	Shaoxing Didang Lake No.1	57,000
Southern China District	Foshan Green Island Lake	43,265
Central China District	Wuhan Dragon Bay New City	178,708
Shandong District	Jinan Shimao Skyscraper City	124,419
	Jinan Xisha Project	60,677
	Qingdao Shimao Noble Town	78,140
Western District	Chengdu Longquanyi	197,983
	Xi'an Beichen Project	248,258
	Chongqing Runyijiang	142,631
Central and South District	Nanjing G24 Project	29,281
	Nanjing G11 Project	98,650
	Zhengzhou Jinluowan Project	147,742
	Nanjing Shimao Bund New City	36,054
Shanghai Shimao	Quanzhou Taishang Baiqi Lake Project	96,000
Sub-total (Key projects above)		3,331,387
Projects available for sale in the second half of 2018 worth below RMB1 billion		4,561,792
Completed inventory		1,297,271
Uncompleted projects available for sale as of 30 June 2018		1,688,993
Total		10,879,443

3) Completion of Development Projects and Plans as Scheduled

During the first half of 2018, the Group's new starts area reached 7.96 million sq.m. and floor area under construction reached 24.18 million sq.m. The aggregate gross floor area ("GFA") completed was approximately 4.00 million sq.m., 18.0% higher than the 3.39 million sq.m. completed in the corresponding period of last year. Looking forward to the second half of 2018, the new starts area, the GFA under construction and the GFA completed will be approximately 11.00 million sq.m., 30.00 million sq.m. and 5.00 million sq.m., respectively.

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

During the reporting period, the Group acquired land reserves of 7.73 million sq.m. (before interests) in Shenzhen, Tianjin, Zhengzhou, Fuzhou, Longyan, Taizhou, Zhangzhou, Beijing, Ningbo, Shijiazhuang, Quanzhou, Jinan, Changchun, Huizhou, Putian, Nanping, Xiamen, Deyang, Jiaying, Wenzhou, Zibo, Fu'an, Sanming, Huzhou, Yixing, Yinchuan, Changsha and Ji'an, with approximately 40% of the land acquired through base price auction, acquisition and cooperation. Currently, the Group has 213 projects with a total area of 51.62 million sq.m. (before interests) of quality land in 84 cities across the country. The premium land resources and relatively low land cost provide continued support to the Group's results in the major markets nationwide in the next few years.

The land parcels acquired (including in progress) by the Group during the reporting period 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	353	81,200	8,706	50%
13.	Zhangzhou Danxia Parcel	February 2018	Integrated commercial and residential	157	95,347	5,500	30%
14.	Shijiazhuang Luquan Parcel	February 2018	Residential	145	38,297	4,725	80%
15.	Phase II of Quanzhou Yuexin	March 2018	Commercial service	167	108,381	2,530	61%
16.	Jinan Jiyang Chengbo Lake	March 2018	Residential and commercial	421	419,711	1,432	70%
17.	Changchun Lianhua Mountain 92, 94, 98, 99, 102	March 2018	Residential	254	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	870	482,412	3,060	59%
20.	Longyan S2018 Pai-1(Dongshan B08)	March 2018	Residential	136	63,085	2,156	100%
21.	Putian Compound	March 2018	Retail commercial and residential	410	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%

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
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	95	67,680	1,404	100%
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. Jiaying Pinghu 2018 Ping-No. 29 Project	May 2018	Urban residential	1,322	146,971	8,996	100%
32. Fuzhou Mingqing New City	May 2018	Commercial and residential	85	120,934	3,498	20%
33. Quanzhou Julong Town	May 2018	Commercial and residential	494	255,737	3,785	51%
34. Wenzhou Pingyang Ao'jiang Binjiang Centre F-01-01 Parcel	May 2018	Urban residential, wholesale & retail	804	120,016	6,703	100%
35. Wenzhou Pingyang Ao'jiang Binjiang Centre F-02-01 Parcel	May 2018	Urban residential, wholesale & retail	262	116,716	6,794	33%
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	727	116,000	25,086	25%
40. Zibo Honglian Lake	June 2018	Residential	191	108,000	3,921	45%
41. Fu'an Wanyu Jinlan Bay	June 2018	Residential	59	132,898	895	50%
42. Sanming Changxing Road D-2	June 2018	Other ordinary commodity housing	217	68,341	3,171	100%
43. Wenzhou Pingyang Ao'jiang Binjiang G-07-03 Parcel	June 2018	Urban residential	169	54,770	6,156	50%
44. Huzhou Lianshi Central Primary School South Parcel	June 2018	Urban residential	415	127,692	3,250	100%
45. North of Qingyuan Avenue and East of Xuefu Road, Yixing Economic Development Zone	June 2018	Urban residential	546	87,838	6,216	100%
46. Yinchuan Gongyong Garden East Parcel	June 2018	Residential	178	42,150	4,220	100%
47. Changsha Zhengyuan	June 2018	Commercial and residential	881	259,994	6,162	55%
48. Jiangxi Ji'an Guhou River Project	June 2018	Type II residential	405	85,943	4,708	100%
Total			29,573	7,728,967	5,966	

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- 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 RMB5,966 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 30 June 2018, the Group's average land cost was RMB5,325 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

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

During the reporting period, Shanghai Shimao continued to strengthen its operation and management capabilities. It strived to maintain the growth momentum of commercial property development and investment as well as other investments to accomplish continuous enhancement in operation level. During the reporting period, upon the launches of four major segments of commercial properties and two product lines of high-rise office buildings in 2017 under the brand concept of "Metropolitan Living", Shimao once again introduced a brand new series of "Culture+, Energy+, Experience+, Technology+" in 2018 for a term of three years in an attempt to empower lives in cities to a greater extent through project planning, business deployment and resources integration. This not only served as a strategic upgrade for Shimao to restructure its commercial brands, but also enabled Shimao to realise the vision of reshaping new life styles in cities. In response to consumption upgrade and challenges in the market, Shanghai Shimao continued to commence modification on brand positions and brand upgrade of respective commercial and office projects. As of the end of June, with a view to creating star shops and achieving best-selling project, Jinan Shimao International Plaza completed modification for nearly 40 brands, which contributed to a year-on-year increase of 24% in sales. The launch of the 1st floor of Kunshan Shimao Plaza with the modification area of nearly 2,500 sq.m. resulted in an improvement in both brand images and performance, the sales of which increased over 120% year-on-year. Xiamen Shimao Emall has adjusted its position as an "Exquisite Life Style Center" that integrated precise adjustments in lease space and business upgrade, which contributed to a year-on-year growth of over 60% in sales. Beijing Shimao Tower, achieved an occupancy rate of nearly 100%, continued to optimise its tenant mix, which realised a double-digit growth in rental level. The projects in Suzhou explored opportunities for business growth on an ongoing basis through eliminating tenants in order to increase rental level, thereby accomplishing a year-on-year growth of over 30% in income. In the future, Shanghai Shimao will be committed to enhancing brand tenant levels of its commercial and office projects with an aim to creating an influential commercial brand of Shimao in the market.

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

Commercial and Office Premises	Total GFA (sq.m.)	Date of Commencement	Revenue (RMB million)	
			1H 2018	1H 2017
Shanghai Shimao International Plaza	71,239	Phase I – December 2004 Phase II – May 2007	5	36
Changshu Shimao The Centre	43,357	Commercial – 1st quarter of 2009	12	13
Beijing Shimao Tower	70,175	July 2009	82	77
Wuhu Shimao Riviera Garden (Commercial)	19,963	September 2009	2	3
Shanghai Shimao Shangdu Tower	9,584	November 2010	19	19
Shaoxing Shimao Dear Town	181,605	May 2010	50	55
Suzhou Shimao Canal Scene	49,993	June 2010	21	17
Kunshan Shimao Plaza	88,249	April 2012	26	22
Xuzhou Shimao Dongdu (Commercial)	59,471	January 2012	6	6
Jinan Shimao International Plaza	280,641	May 2014	80	57
Nanjing Straits City (Commercial)	65,719	December 2014	16	16
Quanzhou Shishi Shimao Skyscraper City	156,335	January 2017	18	20
Xiamen Shimao Straits Mansion (Commercial)	37,261	January 2017	21	13
Other rental income			28	23
Total			386	377
Total (excluding Shanghai Shimao International Plaza)			381	341

Hotel Operations

As of 30 June 2018, the Group had a total of 19 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 and three hotels entrusted to Shimao Star for management. Currently, the Group has around 6,400 hotel guest rooms, with Hilton Shenyang commencing operation in the first half of 2018. In the first half of 2018, the Group's hotels achieved a total revenue of RMB0.88 billion, representing a year-on-year increase of 8.5%, with an EBITDA of RMB270 million, representing a year-on-year increase of 5.1%. Due to renovation of Shanghai Shimao International Plaza, the revenue of Le Royal Méridien Shanghai decreased by 14.9% in the first half of this year. Should it not be taken into account, the Group's revenue from hotel operations would have increased by 14.9%, and the EBITDA would have increased by 15.3% compared with the same period of the previous year.

The first half of 2018 was the first complete half-year operating period of Shimao Star since its establishment, during which, Shimao Star successfully signed 21 self-owned brand hotel projects, 1.31 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 30 June 2018, Shimao Star's hotels in operation and under development included 5 luxury resorts, "Yu Resort", 10 luxury five-star standard hotels, "Yuluxe", 3 high-end full-service hotels, "Yu Hotels", 3 luxury serviced apartments, "Yu Residence", 12 high-end inspirational selected hotels, "MiniMax", 21 inspirational selected hotels, "Mini", and one hotel entrusted to a third party for management. Of the 55 hotels mentioned above, 8 have been put into operation and 47 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, Jiaying, 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 the second half of 2018, Shimao Star will actively explore for new projects, and constantly enhance its brand image and operation of its hotels, as an effort to maintain revenue growth. Its membership scheme "Shimao Star Dream Club (世茂喜達夢享會)" will be officially opened soon with the aim of enhancing customer loyalty as well as providing a stronger customer source for its opened and upcoming hotels. The Mini series will also officially introduce its upgraded brand image in the near future, aiming to create a comfortable and special experience for the new generation of travelers with a new image of "Inspirational Selected Hotel". The whole-new brand planning contemplated by Shimao Star in cooperation with Starwood Capital which is specially tailored for the millennial generation will also be officially launched soon. In addition, Shimao Star's first luxury five-star standard hotel in western China, Yuluxe Hotel Chengdu, was opened on 18 August 2018 with a grand ceremony. The hotel, boasting a unique design of traditional Sichuan culture engraved with a natural combination of tradition with modernity, is to create a whole new exciting journey for business travelers. InterContinental Shanghai Wonderland, which is widely viewed as one of the world's architectural wonders, will also be officially opened in the fourth quarter of 2018. With an offering of stunning underwater rooms and restaurants as well as a variety of entertainment facilities for cliff-climbing and water sports, it is bound to become a tourist hotspot in Shanghai. In addition, Le Méridien Hangzhou is scheduled to be opened in the fourth quarter of 2018. The total number of hotel guest rooms in the three hotels exceed 800. In the second half of 2018, Shimao will strive to realize the full potential of its hotels to cater for the diversified needs of its customers and actively explore new income sources.



InterContinental Shanghai Wonderland

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

Hotel	Number of Rooms	Date of Commencement	Revenue (RMB million)		EBITDA (RMB million)	
			1H 2018	1H 2017	1H 2018	1H 2017
The Yuluxe Sheshan, A Tribute Portfolio Hotel, Shanghai	325	November 2005	78	76	30	31
Le Royal Méridien Shanghai	770	September 2006	149	175	59	74
Hyatt on the Bund Shanghai	631	June 2007	194	188	79	76
Holiday Inn Mudanjiang	265	December 2010	15	14	3	2
Holiday Inn Shaoxing	284	September 2011	15	13	6	5
Hilton Nanjing Riverside	411	December 2011	47	45	14	12
DoubleTree by Hilton Wuhu	442	October 2013	32	29	7	6
InterContinental Fuzhou	318	January 2014	46	47	14	15
Crowne Plaza Shaoxing	453	March 2014	46	34	13	8
Yuluxe Hotel Taizhou	262	August 2014	16	13	2	0
Hilton Tianjin Eco-City	301	April 2015	27	20	0	(4)
DoubleTree by Hilton Ningbo Chunxiao	220	December 2015	10	10	(2)	1
Hilton Wuhan Riverside	338	July 2016	54	44	16	10
Conrad Xiamen	241	August 2016	74	62	25	17
DoubleTree by Hilton Ningbo Beilun	379	December 2016	25	16	4	0
Hilton Yantai	252	August 2017	25	–	1	–
Hilton Shenyang	329	January 2018	24	–	1	–
Others	174		3	25	(2)	4
Total	6,395		880	811	270	257
Total (excluding Le Royal Méridien Shanghai)			731	636		

Hotel properties are stated at carrying amount, i.e. cost less accumulated depreciation and impairment losses, if any, rather than at fair value. In order to provide shareholders with additional non-GAAP information on the net assets value of the Group, the Board has appointed Vigers Appraisal and Consulting Limited, an independent valuer, to perform a valuation of the Group's hotel properties as at 30 June 2018. Had the 27 hotels (31 December 2017: 29 hotels), namely, The Yuluxe Sheshan, A Tribute Portfolio Hotel, Shanghai, Le Royal Méridien Shanghai, Hyatt on the Bund Shanghai, Hilton Nanjing Riverside, Holiday Inn Mudanjiang, Crowne Plaza Shaoxing, Conrad Xiamen, Holiday Inn Shaoxing, Hilton Shenyang, Hilton Tianjin Eco-City, InterContinental Fuzhou, DoubleTree by Hilton Wuhu, Yuluxe Hotel Taizhou, DoubleTree by Hilton Ningbo Chunxiao, Hilton Yantai, Hilton Wuhan Riverside, DoubleTree by Hilton Ningbo Beilun, Yuluxe Hotel Xuzhou, InterContinental Shanghai Wonderland, Yuluxe Hotel Jinjiang, Yuluxe Hotel Wenchang Hainan, Shimao Minimax Hotel Dalian, Le Méridien Hangzhou Binjiang, Yu Resort Quanzhou, MiniMax Hotel Shishi, Sheraton Hong Kong Tung Chung and Four Points by Sheraton Hong Kong Tung Chung been restated at fair value of RMB37.5 billion (31 December 2017: RMB37.2 billion), the net assets value of the Group would have been increased to RMB115.3 billion (31 December 2017: RMB107.8 billion).

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

	As at 30 June 2018 (RMB million)	As at 31 December 2017 (RMB million)
Fair value of above-mentioned hotels	37,519	37,203
Less: Carrying amount	(16,643)	(16,845)
Amounts to adjust from carrying amount to fair value	20,876	20,358
Less: Deferred income taxes	(5,219)	(5,090)
Increase in net assets value if the above-mentioned hotels are stated at fair value	15,657	15,268
Net assets value per consolidated balance sheet (excluding perpetual capital instruments)	99,612	92,547
Adjusted net assets value (excluding perpetual capital instruments)	115,269	107,815
Net debt	62,449	54,498
Adjusted net gearing ratio	54.2%	50.5%



Fuzhou Guling Zhuli Hotel

Financial Analysis

Key interim condensed consolidated income statement figures are set out below:

	1H 2018 RMB million	1H 2017 RMB million
Revenue	42,571	35,822
Gross profit	13,207	10,591
Operating profit	11,936	8,760
Profit attributable to shareholders	4,271	3,879
Earnings per share – Basic (<i>RMB cents</i>)	126.64	114.95

Revenue

For the six months ended 30 June 2018, the revenue of the Group was approximately RMB42,571 million (1H 2017: RMB35,822 million), representing an increase of 18.8% over the corresponding period in 2017. 95.5% (1H 2017: 95.4%) of the revenue was generated from the sales of properties and 4.5% (1H 2017: 4.6%) from hotel operations, leasing of commercial properties, property management and others.

The components of the revenue are analysed as follows:

	1H 2018 RMB million	1H 2017 RMB million
Sales of properties	40,673	34,167
Hotel operation income	880	811
Rental income from investment properties	386	377
Property management and other income	632	467
Total	42,571	35,822

(i) Sales of Properties

Sales of properties for the six months ended 30 June 2018 and 2017 are set out below:

	1H 2018		1H 2017	
	Area (sq.m.)	RMB million	Area (sq.m.)	RMB million
(a) Shimao Property				
Qingdao Shimao Noble Town	160,306	1,975	15,217	176
Shanghai Zhoupu Shimao Cloud Atlas	36,190	1,932	–	–
Quanzhou Jinjiang Shimao Dragon Bay	225,527	1,804	63,271	318
Xiamen Shimao Royal Villa	79,177	1,344	23,885	680
Fuzhou Pingtan Straits Future City	105,676	1,326	68,145	800
Wuhan Baishazhou Shimao Cloud Value	109,934	1,300	120,757	1,115
Fuzhou Shimao Shine City	103,550	1,214	–	–
Zhangjiagang Shimao Lake Palace	76,858	1,200	87,736	1,465
Yinchuan Shiyue Mansion	195,328	1,135	–	–
Yinchuan Yuehai No. 1	172,887	1,098	–	–
Quangang Shimao Shine City	189,259	1,084	–	–
Suzhou Shimao Shihu Bay	42,006	1,024	30,577	743
Fuqing Shimao Shine City	83,426	993	–	–
Tianjin Shimao Wetland Century	64,573	978	45,164	710
Chengdu Shimao City	95,846	935	142,838	900
Chongqing Shimao Luxury Mansion	56,639	924	248,511	1,825
Shaoxing Shimao Works of Time	37,518	763	65,041	857
Wuhan Shimao Splendid River	34,883	667	50,108	942
Jinan Shimao The Capital of Yuanshan	54,251	640	60,841	498
Hefei Shimao Classic Chinese Chic	36,387	618	–	–
Quanzhou Shimao Hi Dream	60,838	585	40,972	389
Jiaxing Shimao Shine City	31,866	533	–	–
Quanzhou Shimao Zimao Mansion	28,066	459	5,358	113
Hangzhou Shimao Born with Legend	8,349	431	3,919	179
Beijing Yidu Qingqing Town	28,145	429	20,307	308
Fuzhou Shimao Cloud Guling	14,715	386	29,282	614
Shenyang Shimao Wulihe	25,817	295	26,822	240
Mudanjiang Shimao Holiday Landscape	56,709	276	63,150	251
Hainan Wenchang Shimao Blooming Sea	31,351	266	21,389	149
Putian Shimao Cloud	33,224	242	–	–
Xuzhou Shimao Dongdu	20,787	234	23,475	223
Yinchuan Maoyue Mansion	25,646	201	–	–
Nanjing Straits City	4,264	196	47,885	1,208
Fuzhou Lianpan Shimao Shine City	2,953	191	–	–
Suzhou Shimao Canal Scene	6,455	176	8,737	193
Ningbo Yaojiang Jinmao Mansion	7,169	175	–	–
Dalian Shimao Dragon Bay	25,275	172	28,167	221
Hefei Shimao Jade Mansion	9,600	146	116,883	1,514

	1H 2018		1H 2017	
	Area (sq.m.)	RMB million	Area (sq.m.)	RMB million
(a) Shimao Property <i>(continued)</i>				
Nanjing Jiangning Higher Education Mega Centre Project	6,490	128	–	–
Hangzhou Shimao Riviera Garden	4,968	107	225	7
Yantai Shimao No.1 The Harbour	6,136	69	–	–
Xi'an Shimao City	7,519	53	113,568	984
Beijing Tongzhou World Chamber of Commerce Centre	1,605	51	78,608	3,497
Dalian Shimao Glory City	8,899	51	14,515	86
Changzhou Shimao Champagne Lake	2,020	47	41,443	395
Wuhan Shimao Lake Island	4,531	44	101,698	795
Jiangyin Shimao Dragon Bay	3,676	44	–	–
Ningbo Shimao Dragon Bay	4,142	42	–	–
Nanning Shimao Luxury Mansion	3,478	41	22,517	166
Fuzhou Minhou Shimao Dragon Bay	2,759	39	23,920	211
Wuhu Shimao Riviera Garden	2,659	28	1,550	14
Xiamen Shimao Classic Chinese Chic	553	28	–	–
Chengdu Shimao Royal Bay	1,720	22	5,075	76
Hangzhou Shimao Above the Lake	720	20	16,910	364
Hangzhou Shimao East No.1	798	19	329	8
Yinchuan Flourishing Mansion	2,629	12	18,600	110
Nanjing Shimao Glory Villa	519	11	3,166	60
Nanjing Shimao Merchants Mountain	–	–	21,471	596
Chengdu Jianyang Shimao Misty Lakeside	–	–	19,736	217
Beijing Shimao Salamanca	–	–	18,800	163
Nanchang Shimao The Grand View	–	–	11,065	142
Beijing Shimao Lá Villa	–	–	3,271	56
Shanghai Shimao Riviera Garden	–	–	539	41
Wuhan Shimao Dragon Bay	–	–	2,517	32
Harbin Shimao Riviera New City	–	–	3,038	16
Shenyang Shimao Notting Hill	–	–	1,064	9
Nantong Shimao In The Park	–	–	1,502	8
Fuzhou Shimao Skyscrapers	–	–	50	8
Sub-total (a)	2,447,271	29,203	1,983,614	24,692

	1H 2018		1H 2017	
	Area (sq.m.)	RMB million	Area (sq.m.)	RMB million
(b) Shanghai Shimao				
Quanzhou Shimao Shine City	189,967	3,028	–	–
Quanzhou Shishi Shimao Skyscraper City	248,547	2,250	102,505	777
Xiamen Shimao Shine City	32,484	1,249	88,308	3,140
Wuhan Shimao Carnival	48,413	867	4,514	50
Shenzhen Qianhai Shimao Financial Centre	8,575	801	–	–
Jinan Shimao Skyscraper City	51,822	772	34,271	447
Nanjing Yuhuatai Project	10,663	458	43,247	1,338
Nanchang Shimao APM	42,004	453	6,430	69
Qingdao Shimao International Plaza	35,971	422	–	–
Nanjing Shimao Bund New City	11,141	299	64,355	1,617
Jinan Shimao International Plaza	13,492	276	15,212	355
Tianjin Wuqing Shimao Luxury Mansion	19,589	219	20,602	184
Ningbo Shimao Riviera Garden	5,329	115	5,205	107
Changshu Shimao The Centre (Commercial)	13,003	110	260	2
Qingdao Shimao Noosa Bay	2,333	54	117,012	1,150
Ningbo Shimao Sunlake Centre	5,110	51	8,204	98
Changzhou Shimao Champagne Lake (Commercial)	3,914	25	8,244	45
Xuzhou Shimao Dongdu (Commercial)	2,299	14	4,732	26
Suzhou Shimao Canal Scene (Commercial)	728	7	2,172	22
Hangzhou Shimao Wisdom Tower	–	–	1,016	26
Changshu Shimao Royal Bay	–	–	1,986	17
Suzhou Shimao Royal Villa	–	–	209	5
Sub-total (b)	745,384	11,470	528,484	9,475
Total (a)+(b)	3,192,655	40,673	2,512,098	34,167

(ii) Hotel Income

Hotel operation income is analysed as follows:

	1H 2018 RMB million	1H 2017 RMB million
Hyatt on the Bund Shanghai	194	188
Le Royal Méridien Shanghai	149	175
The Yuluxe Sheshan, A Tribute Portfolio Hotel, Shanghai	78	76
Conrad Xiamen	74	62
Hilton Wuhan Riverside	54	44
Hilton Nanjing Riverside	47	45
InterContinental Fuzhou	46	47
Crowne Plaza Shaoxing	46	34
DoubleTree by Hilton Wuhu	32	29
Hilton Tianjin Eco-City	27	20
DoubleTree by Hilton Ningbo Beilun	25	16
Hilton Yantai	25	–
Hilton Shenyang	24	–
Yuluxe Hotel Taizhou	16	13
Holiday Inn Mudanjiang	15	14
Holiday Inn Shaoxing	15	13
DoubleTree by Hilton Ningbo Chunxiao	10	10
Others	3	25
Total	880	811

Hotel operation income increased approximately 8.5% to RMB880 million from RMB811 million over the six months ended 30 June 2018. The increase was mainly derived from newly-opened hotels in the past two years.

The income of Le Royal Méridien Shanghai decreased by RMB26 million, due to renovation of Shanghai Shimao International Plaza in 2018. Excluding the impact from Le Royal Méridien Shanghai, hotel operation income would increase by 14.9%.

(iii) Rental income, Property Management and Others income

Rental income from investment properties slightly increased by 2.4% to RMB386 million, mainly due to renovation of Shanghai Shimao International Plaza in 2018, resulting in a temporary decline in rental income of RMB31 million. Excluding the impact of Shanghai Shimao International Plaza, rental income would increase by 11.7%.

Property management and other income amounted to RMB632 million for the six months ended 30 June 2018. It achieved a significant increase of 35.3% over corresponding period in 2017.

	1H 2018 RMB million	1H 2017 RMB million
Beijing Shimao Tower	82	77
Jinan Shimao International Plaza	80	57
Shaoxing Shimao Dear Town (Commercial)	50	55
Kunshan Shimao Plaza	26	22
Suzhou Shimao Canal Scene (Commercial)	21	17
Xiamen Shimao Straits Mansion	21	13
Shanghai Shimao Shangdu	19	19
Quanzhou Shishi Shimao Skyscraper City	18	20
Nanjing Straits City (Commercial)	16	16
Changshu Shimao The Centre	12	13
Xuzhou Shimao Dongdu (Commercial)	6	6
Shanghai Shimao International Plaza	5	36
Wuhu Shimao Riviera Garden (Commercial)	2	3
Miscellaneous rental income	28	23
Property management and other income	632	467
Total	1,018	844

Cost of Sales

Cost of sales increased by 16.4% to approximately RMB29,364 million for the six months ended 30 June 2018 from RMB25,231 million for the six months ended 30 June 2017, which was in line with the growth in sales. The gross profit margin increased from 29.6% to 31.0%.

Cost of sales are analysed as follows:

	1H 2018 RMB million	1H 2017 RMB million
Sales taxes	259	256
Land costs and construction costs	25,846	21,833
Capitalised borrowing costs	2,371	2,214
Direct operating costs for hotels, commercial properties and others	888	928
Total	29,364	25,231

Fair Value Gains on Investment Properties – Net

During the period under review, the Group recorded aggregate fair value gains of approximately RMB987 million (1H 2017: RMB359 million), mainly contributed by further increase in value of certain investment properties. Aggregate net fair value gains after deferred income tax of approximately RMB247 million recognized was RMB740 million (1H 2017: RMB269 million).

Other Income/Other Gains – Net

Other gains of approximately RMB179 million for the six months ended 30 June 2018 (1H 2017: RMB172 million), which mainly included net gains on acquisition and disposal of subsidiaries of RMB53 million (1H 2017: RMB12 million), gain on government grants of RMB19 million (1H 2017: RMB53 million) and gain on disposal of investment in structured products issued by banks of RMB20 million (1H 2017: RMB37 million).

Selling and Marketing Costs and Administrative Expenses

The Group strictly linked actual cost with performance ratio through overall budget management and dynamic tracking. Selling and marketing costs and administrative expenses arising from property sales accounted for 2.3% of contracted sales in the first half of 2018 (1H 2017: 3.3%), which was competitive in the market.

Operating Profit

Operating profit amounted to approximately RMB11,936 million for the six months ended 30 June 2018, representing an increase of RMB3,176 million or approximately 36.3% over the first half of 2017, which was mainly due to the increase of revenue and gross profit.

Finance Income/(Costs) – Net

Net finance costs was approximately RMB387 million (1H 2017: net finance income of RMB355 million), mainly due to net foreign exchange loss as a result of the depreciation of RMB exchange rate. The Group recorded the net exchange loss of approximately RMB363 million in the first half of 2018, compared to the net exchange gain of approximately RMB489 million in the first half of 2017.

Share of Results of Associated Companies and Joint Ventures

Share of losses of associated companies and joint ventures decreased slightly to approximately RMB134 million in the first half of 2018 from approximately RMB135 million of the corresponding period in 2017. It was mainly due to the recognition of profit from Nanjing Pukou Project and Hangzhou Shiyang Project.

Taxation

The Group's tax provisions amounted to approximately RMB5,233 million in which PRC land appreciation tax ("LAT") was RMB2,399 million (1H 2017: RMB3,614 million, in which LAT was RMB1,474 million) for the period. The increase in LAT was in line with the growth in gross margin.

Profit Attributable to Shareholders

Profit attributable to shareholders for the period increased by 10.1% from approximately RMB3.879 billion in first half of 2017 to RMB4.271 billion in the first half of 2018. Excluding the net impact of major after-tax non-cash items, net profit from core business attributable to shareholders increased approximately RMB740 million to approximately RMB4.401 billion in the first half of 2018 from approximately RMB3.661 billion of the corresponding period in 2017, mainly due to the increase of gross profit. Net profit margin from core business attributable to shareholders was 14.3% in the first half of 2018.

Liquidity and Financial Resources

As of 30 June 2018, total assets of the Group were RMB333.612 billion, of which current assets reached approximately RMB247.143 billion. Total liabilities were approximately RMB230.000 billion, whereas non-current liabilities were RMB75.876 billion. Total equity was approximately RMB103.612 billion, of which equity attributable to the shareholders of the Company amounted to approximately RMB58.168 billion.

As of 30 June 2018, the Group had aggregate cash and bank balances (including restricted cash balances) of approximately RMB36.036 billion (31 December 2017: RMB33.007 billion), total borrowings amounted to approximately RMB98.485 billion (31 December 2017: RMB87.505 billion). Total net borrowings were approximately RMB62.449 billion (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 approximately 58.9% as at 31 December 2017 to approximately 62.7% as at 30 June 2018. The increase of net gearing ratio is to support the Group's higher quality development and to obtain more premium land reserve. What's more, net gearing ratio still remained on a healthy level which was a solid foundation for the Group's sustained growth and the ability to handle the complicated economic environment.

The maturity of the borrowings of the Group as at 30 June 2018 is set out as follows:

	RMB million
Bank borrowings and borrowings from other financial institutions and bonds	
Within 1 year	29,163
Between 1 and 2 years	15,833
Between 2 and 5 years	25,599
Over 5 years	9,843
Senior notes	
Between 2 and 5 years	14,760
Over 5 years	3,287
Total	98,485

The borrowings were denominated in different currencies set out below:

	Original currency million	RMB equivalent million
USD	4,955	32,789
HKD	12,433	10,482
JPY	8,700	521
AUD	75	365
RMB	54,328	54,328

Financing Activities

The Group adheres to uphold prudent financial policy and keeps its capital structure at a healthy level. The total amount of borrowings increased by 12.5% from approximately RMB87.505 billion as at 31 December 2017 to approximately RMB98.485 billion as at 30 June 2018, of which short-term borrowings was approximately 30% and long-term borrowings was approximately 70% as at 30 June 2018.

The financing environment of the real estate, the property curbs and the monetary policy which infect the liquidity greatly, tightened up during the first half of 2018. Besides, high volatility of exchange rate increased the uncertainty of the financing environment and the difficulty to strategy the future. To fend off financial risks and actively handle the changing financial environment, the Group used variety of financing channels during the first half of 2018, mainly including:

First of all, the Group issued senior notes amounting to US\$500 million in January with interest rate of 5.2% and early redeemed the Senior Note with total principal amount of US\$600 million at a fixed rate of 8.125% originally due in the year of 2021.

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 defend the foreign exchange risk. The market reaction to the bond is intensively which reflected the great confidence of the market to the performance and the future of the Group.

Thirdly, the Group successfully issued "Shimao-Huaneng-Kaiyuan housing lease trust beneficiary ABS" on the Shanghai Stock Exchange in July 2018. It was the first issuance of housing lease shelf rental ABS in China and set up a new benchmark 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 RMB0.5 billion.

Last but not least, Shanghai Shimao separately issued 3-year medium term note of RMB800 million and RMB700 million at a fixed interest rate of 6.43% and 6.33% in February and March 2018. Shanghai Shimao also issued an aggregate principal amount of RMB1 billion of short-term note and the interest rate is 5.48%. In addition, Shanghai Shimao redeemed the due medium term note amounting to RMB1,500 million at the fixed interest rate of 6.08% in March 2018.

In view of the steady operating and financial performance of the Group, all the credit rating agencies maintained the rating of the Group and its subsidiaries. Standard & Poor's maintained the Group's long-term corporate credit rating at "BB+", the outlook at stable. Moody's maintained the Group's long-term corporate credit rating at "Ba2", 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, 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 Co., Ltd. ("United Ratings") and Golden Credit Rating International Co., Ltd. Shanghai Shimao, a subsidiary of the Group, was rated "AAA", the highest corporate credit rating maintained by United Ratings.

The Group explored various financing channels to maintain financing cost stable. As a result, the average financing cost is 5.6% during the first half of 2018.

Foreign Exchange Risks

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

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

Above all, the future exchange valuation of Group's property in HK can almost offset the exchange fluctuation of the Group's USD debt due to the linked exchange rate of HKD to USD. The next, the Group have adopted appropriate financial derivatives to hedge the risk. Lastly, the Group have the ability to control the exposure risk of foreign currency for issuing dim sum bonds in RMB.

Pledge of Assets

As of 30 June 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 RMB50.713 billion to secure bank facilities granted to the Group. The corresponding bank and other loans amounted to approximately RMB18.544 billion.

Contingencies

As of 30 June 2018, the Group had provided guarantees for approximately RMB15.712 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 RMB8.182 billion in its portion of equity interests in certain associated companies and joint ventures for their borrowings.

Capital and Property Development Expenditure Commitments

As of 30 June 2018, the Group had contracted capital and property development expenditure but not provided for amounted to RMB55.444 billion.

Employees and Remuneration Policy

As of 30 June 2018, the Group employed a total of 9,107 employees. Total remuneration for the period amounted to approximately RMB965 million. The Group has adopted a performance-based rewarding system to motivate its staff. 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 outstanding 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 regularly provided different types of programmes for its staff to improve their skills and develop their respective expertise.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Directors and Senior Management Profiles

Executive Directors

Hui Wing Mau (Chairman)

Mr. Hui Wing Mau, aged 68, the Chairman and Executive Director of Shimao Property Holdings Limited (the "Company", together with its subsidiaries, the "Group") and the founder of the Group. With over 28 years' experience in property development, property investment and hotel operation, he is primarily responsible for the Group's overall strategic planning and business management. Mr. Hui is currently a member of the Standing Committee of the Thirteenth National Committee of the Chinese People's Political Consultative Conference ("CPPCC"), the president of China Federation of Overseas Chinese Entrepreneurs, vice president of China Overseas Chinese Entrepreneurs Association, chairman of Shanghai Overseas Chinese Chamber of Commerce, executive president of China Red Ribbon Foundation and chairman of the board of directors of New Home Association Hong Kong. Mr. Hui obtained a Master's Degree in Business Administration from the University of South Australia. Mr. Hui is also the non-executive chairman of Shanghai Shimao Co., Ltd. ("Shanghai Shimao"), a 58.92%-owned subsidiary of the Company listed on the Shanghai Stock Exchange and the chairman and a director of Shimao International Holdings Limited. He is a director of Gemfair Investments Limited and Shiyang Finance Limited, substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"). He has been the Chairman and Executive Director of the Company since 8 November 2004. Mr. Hui is the father of Mr. Hui Sai Tan, Jason, the Vice Chairman and Executive Director of the Company, and Ms. Hui Mei Mei, Carol, the vice chairman of Shanghai Shimao.

Hui Sai Tan, Jason (Vice Chairman)

Mr. Hui Sai Tan, Jason, aged 41, the Vice Chairman and Executive Director of the Company. He has been the Group Sales Controller since he joined the Group in March 2000. Mr. Jason Hui is responsible for the sales, marketing, management and design of the Group's projects. He has more than 19 years' experience in the property development industry and has presided over the sales and marketing of Shanghai Shimao Riviera Garden which boasted top sales proceeds among residential projects in Shanghai for four consecutive years from 2001 to 2004. Mr. Jason Hui obtained a Master of Science Degree in Real Estate from the University of Greenwich, the United Kingdom in 2001 and a Master's Degree in Business Administration from the University of South Australia in 2004. He is a member of the Standing Committee of All-China Youth Federation and a member of Shanghai Committee of the CPPCC. He has been an Executive Director and the Vice Chairman of the Company since 17 November 2004 and 21 April 2008 respectively. He is also a director of Shanghai Shimao. Mr. Jason Hui is the son of Mr. Hui Wing Mau, the Chairman, an Executive Director and a controlling shareholder (as defined in the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "HKEx")) of the Company, and the brother of Ms. Hui Mei Mei, Carol, the vice chairman of Shanghai Shimao.

Tang Fei

Ms. Tang Fei, aged 47, has joined the Group since July 2004 and was appointed an Executive Director of the Company since 6 February 2013. Ms. Tang is currently a Vice President of the Group, responsible for the financial control of the Group. Ms. Tang holds a Master's Degree in Business Administration from the University of South Australia and has over 24 years' experience in financial management and internal audit. Prior to joining the Group, Ms. Tang worked in the internal audit department of Bank of China, Head office from 1992 to 1998. She also worked in the audit department and treasury department of Bank of China (Hong Kong) Limited from 1999 to 2004.

Directors and Senior Management Profiles *(continued)*

Non-Executive Director

Liu Sai Fei

Mr. Liu Sai Fei, aged 56, has joined the Group since 2003, was appointed an Executive Director of the Company on 1 February 2010 and has been re-designated as a Non-executive Director of the Company since 9 January 2015. He is also a director and the president of Shanghai Shimao. He obtained a Master's Degree in Project Management from the University of Western Sydney, Australia in 2000. Mr. Liu has over 33 years' experience in architectural design and project management. Prior to joining the Group, he worked for CRG Contractors Dte from 1998 to 2001. From 2001 to 2003, he worked for Shanghai Merry Land Co., Ltd. as project manager.

Independent Non-Executive Directors

Kan Lai Kuen, Alice

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

Lu Hong Bing

Mr. Lu Hong Bing, aged 51, has been an Independent Non-executive Director of the Company since 17 November 2004. Mr. Lu obtained a Master's Degree in law from East China University of Political Science and Law in 1991 and has more than 25 years' experience in corporate and securities laws in China. Mr. Lu currently serves as an independent non-executive director of CEFC Hong Kong Financial Investment Company Limited, a company publicly listed on the HKEx. He is also an independent director of Shanghai Shentong Metro Co., Ltd., a company publicly listed on the Shanghai Stock Exchange, and Shandong Airlines Co., Ltd., a company publicly listed on the Shenzhen Stock Exchange. Mr. Lu is the executive partner of the Grandall Law Firm, a vice-president of the All China Lawyers Association, an arbitrator and member of the Shanghai International Economic and Trade Arbitration Commission, an arbitrator and a member of the Shanghai Arbitration Commission, a concurrent professor of East China University of Political Science and Law and the Shanghai University of International Business and Economics, a member of the Review Board of the China Securities Regulatory Commission for Mergers, Acquisitions, and Restructurings of Listed Companies and a commissioner of the Listing Committee of the Shanghai Stock Exchange.

Directors and Senior Management Profiles *(continued)*

Independent Non-Executive Directors *(continued)*

Lam Ching Kam

Mr. Lam Ching Kam, aged 57, has been an Independent Non-executive Director of the Company since 1 June 2006. He is currently a fellow member of The Hong Kong Institute of Surveyors. Mr. Lam obtained a Master's Degree in Business Administration from the Hong Kong Open University in 2004 and is a fellow member of the Chartered Institute of Civil Engineering Surveyors and the Royal Institution of Chartered Surveyors. Mr. Lam was the Vice Chairman of the Royal Institution of Chartered Surveyors China Group from 2003 to 2006. He is a member of the China Civil Engineering Society (中國土木工程師學會會員) and also a registered China Costing Engineer (中國造價工程師執業資格). Mr. Lam has been a consultant to the Beijing Construction Project Management Association (北京市建設監理協會) since 2003 and has engaged in professional training and vocational education in China for more than 16 years. Mr. Lam has been in the property development and construction industry for 34 years, and has worked for construction contractors such as Shui On Building Contractors Limited, China State Construction Engineering Corporation and Hopewell Construction Co., Ltd. Mr. Lam was employed as a quantity surveyor and worked in London from 1990 to 1991. He was employed by certain consultant firms and the Architectural Services Department of the Hong Kong Government before he emigrated to Australia in 1996 and operated a project management firm in Sydney. Mr. Lam was the project controller of Sino Regal Ltd. (HK) for investment projects in China from 1994 to 1996. In 1998, Mr. Lam established a surveying and management consultant firm which has been participating in many large-scale projects in China and Macau, including a Beijing Olympic 2008 project involving the hotels, offices towers and commercial complex in Olympic Park, Beijing. In October 2016, Mr. Lam's company merged with ShineWing (Beijing) International Construction Consulting Co., Ltd. ("ShineWing") and he became a partner of ShineWing on 1 October 2016.

Senior Management

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

Change in Information of Directors

The change in the information of the Directors of the Company since the publication of the 2017 annual report of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules is set out below:

Name of Directors	Details of Changes
Independent Non-executive Directors	
Ms. Kan Lai Kuen, Alice	Retired as an independent non-executive director of Shougang Concord International Enterprises Company Limited, a company publicly listed on the HKEx, on 18 May 2018.
Mr. Lu Hong Bing	Resigned as an independent non-executive director of ZTE Corporation, a company publicly listed on the Shenzhen Stock Exchange and the HKEx, on 29 June 2018.

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

Share Award Scheme

A Share Award Scheme of the Company (the "Share Award Scheme") was adopted by the board of directors of the Company (the "Board") on 30 December 2011 (the "Adoption Date"). The purpose of the Share Award Scheme is to recognize the contributions by certain selected employees of the Group and to provide them with incentives in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group. The maximum number of shares which can be awarded under the Share Award Scheme is 2% (i.e. 69,319,016 shares) of the issued share capital of the Company as at the Adoption Date.

During the six months ended 30 June 2018, 7,129,337 shares were granted to certain executive directors and selected employees of the Group under the Share Award Scheme and 6,816,666 awarded shares have been vested during the six months ended 30 June 2018.

Disclosure of Interests in Securities

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

As at 30 June 2018, the interests and short position of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise to be notified to the Company and the HKEx pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules were as follows:

(1) Long position in the shares of the Company

Name of Directors	Capacity/ Nature of interests	Number of ordinary shares held	Approximate percentage of issued share capital
Hui Wing Mau	Interest of controlled corporation	2,299,242,942 ^(Note 1)	67.884%
Hui Sai Tan, Jason	Beneficial owner	3,084,446 ^(Note 2)	0.091%
Tang Fei	Beneficial owner	823,009 ^(Note 3)	0.024%
Liu Sai Fei	Beneficial owner	833,942	0.025%

Notes:

- These 2,299,242,942 shares represent the interest in the Company held by Gemfair Investments Limited and Shiyang Finance Limited, companies which are directly wholly-owned by Mr. Hui Wing Mau.
- The interests disclosed include deemed interests in 347,044 shares granted under the Share Award Scheme.
- The interests disclosed include deemed interests in 256,377 shares granted under the Share Award Scheme.

(2) Long position in the shares of association corporation – Shanghai Shimao

Name of Director	Capacity/ Nature of interests	Number of A-shares held	Approximate percentage of issued share capital
Liu Sai Fei	Beneficial owner	297,574	0.008%

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

Disclosure of Interests in Securities *(continued)*

Directors' Right to Acquire Shares or Debentures

Save as disclosed above, at no time during the six months ended 30 June 2018 was the Company, any of its subsidiaries, or its holding company a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Interests of Substantial Shareholders

As at 30 June 2018, the interests and short position of substantial shareholders in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

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

Name	Nature of interests	Number of shares or underlying shares held	Approximate percentage of issued share capital
Long position			
Gemfair Investments Limited ("Gemfair")	Note 1	1,947,984,000	57.513%
Overseas Investment Group International Limited ("Overseas Investment")	Note 2	1,947,984,000	57.513%
Shiyang Finance Limited ("Shiyang Finance")	Note 3	351,258,942	10.371%

Notes:

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

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

Directors' Interests in Competing Business

Pursuant to Rule 8.10 of the Listing Rules, the Company disclosed below that during the six months ended 30 June 2018, the following Director was considered to have interests in the following businesses which competed or were likely to compete, either directly or indirectly, with the businesses of the Group.

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

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

Continuing Disclosure Pursuant to Rule 13.21 of the Listing Rules

The Company entered into the following agreements:

- (1) A facility agreement on 6 January 2017 between, among others, the Company as borrower, Shanghai Pudong Development Bank Baoshan Branch, Bank of Shanghai Xu Hui Sub-branch and Shanghai Rural Commercial Bank Baoshan Branch as original lenders, Shanghai Pudong Development Bank Baoshan Branch as the lead bank and Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch as agent, a syndicated loan facility in the amount of RMB3,000,000,000 has been made available to the Company for a term of 36 months from the date of drawdown of the loan facility.
- (2) A facility agreement on 30 October 2017 between, among others, the Company as borrower, various banks as lenders and The Hongkong and Shanghai Banking Corporation Limited as facility agent, dual currency term loan facilities in the amount of US\$680,000,000 and HK\$5,890,000,000 have been made available to the Company for a term of 48 months from the date of the facility agreement.
- (3) A facility agreement on 31 July 2018 between, among others, the Company as borrower and Bank of Communications Co., Ltd. Hong Kong Branch as lender, a term loan facility in the amount of HK\$1,500,000,000 has been made available to the Company for a term of 48 months from the date of the facility agreement.

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

Corporate Governance

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

The Board

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

Brief biographical particulars of all the Directors, together with information relating to the relationship among them, are set out in the "Directors and Senior Management Profiles" section under this interim report. Their diverse range of business and professional expertise ensures that the Board has the skills and experience necessary to both promote the Company's success and monitor its affairs.

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

The Board *(continued)*

The Board is responsible for performing the corporate governance duties set out in the code provision D.3.1 of the Corporate Governance Code (the “Code”) as set out in Appendix 14 of the Listing Rules. The principal role and function of the Board in relation to corporate governance is to develop and review the Company’s policies and practices on corporate governance, to review and monitor the training and continuous professional development of Directors and senior management of the Company, to review and monitor the Company’s policies and practices on compliance with legal and regulatory requirements, to develop, review and monitor the code of conduct applicable to employee and Directors, and to review the Company’s compliance with the Code and disclosure in the corporate governance report under the annual report.

Audit Committee

The audit committee of the Company (the “Audit Committee”) consists of three members, all of which being the Independent Non-executive Directors, namely, Ms. Kan Lai Kuen, Alice (as the chairman of the Audit Committee), Mr. Lu Hong Bing and Mr. Lam Ching Kam.

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

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

The Audit Committee meets the external auditor at least twice a year to discuss any significant items during the audits and considers any matters raised by the Company’s staff responsible for the accounting and financial reporting function, compliance officer or auditor. The Audit Committee reviews the interim and annual reports before submission to the Board. The Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Listing Rules and the legal requirements in the review of the Company’s interim and annual reports.

The unaudited interim condensed consolidated results of the Group for the six months ended 30 June 2018 have been reviewed by the Audit Committee and the auditor of the Company.

Remuneration Committee

The remuneration committee of the Company (the “Remuneration Committee”) consists of four members with a majority of which being Independent Non-executive Directors, comprising Mr. Hui Wing Mau and three Independent Non-executive Directors. The chairman of the Remuneration Committee is Mr. Lu Hong Bing.

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

Nomination Committee

The nomination committee of the Company (the "Nomination Committee") consists of four members with a majority of which being Independent Non-executive Directors, comprising Mr. Hui Wing Mau and three Independent Non-executive Directors. The chairman of the Nomination Committee is Mr. Hui Wing Mau.

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

Company Secretary

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

Directors' Securities Transactions

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the Directors of the Company. Before the Group's interim and annual results are announced, notifications are sent to the Directors to remind them not to deal in the securities of the Company during the blackout periods. The Company has made specific enquiry of all Directors and all the Directors confirmed that they had complied with the required standard set out in the Model Code throughout the six months ended 30 June 2018.

Corporate Governance Code

The Company complied with the code provisions set out in the Code throughout the six months ended 30 June 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 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 six months ended 30 June 2018,

- (1) the Company redeemed an aggregate principal amount of US\$600,000,000 of all outstanding 8.125% senior notes due 2021.
- (2) Shanghai Shimao, a 58.92%-owned subsidiary of the Company, redeemed an aggregate principal amount of RMB1,500,000,000 of medium-term notes at a fixed interest rate of 6.08% due on 10 March 2018.
- (3) 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 six months ended 30 June 2018.

Choice of Language or Means of Receipt of Corporate Communications

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

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

Interim Dividend and Closure of Register of Members

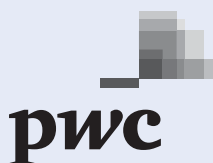
The Board has declared an interim dividend of HK50 cents per ordinary share for the six months ended 30 June 2018 (2017 Interim Dividend: HK40 cents). The dividend will be payable on Friday, 28 September 2018 to shareholders whose names appear on the register of members of the Company on Thursday, 13 September 2018.

The register of members of the Company will be closed on Wednesday, 12 September 2018 and Thursday, 13 September 2018. During these two days no transfer of shares will be registered. In order to qualify for the interim 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, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 11 September 2018.

On behalf of the Board

Hui Wing Mau
Chairman

Hong Kong, 28 August 2018



羅兵咸永道

TO THE BOARD OF DIRECTORS OF SHIMAO PROPERTY HOLDINGS LIMITED*(incorporated in the Cayman Islands with limited liability)***Introduction**

We have reviewed the interim financial information set out on pages 42 to 88, which comprises the interim condensed consolidated balance sheet of Shimao Property Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2018 and the interim condensed consolidated statements of comprehensive income, the interim condensed consolidated changes in equity and the interim condensed consolidated cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers*Certified Public Accountants*

Hong Kong, 28 August 2018

	Note	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000
ASSETS			
Non-current assets			
Property and equipment	7	13,282,460	13,513,914
Investment properties	7	35,375,300	34,036,147
Land use rights	7	8,110,234	8,176,521
Intangible assets	7	1,840,658	1,840,658
Investments accounted for using the equity method	8	17,387,426	14,946,727
Amounts due from related parties	9	1,454,009	1,471,478
Financial assets at fair value through other comprehensive income	10	971,471	–
Financial assets at fair value through profit or loss	11	170,377	–
Available-for-sale financial assets	3	–	1,068,775
Deferred income tax assets		2,818,866	2,523,663
Other non-current assets	12	5,058,187	7,449,318
		86,468,988	85,027,201
Current assets			
Inventories		138,744,301	133,554,704
Trade and other receivables and prepayments	13	22,783,411	15,583,786
Prepayment for acquisition of land use rights	12	21,343,083	21,605,517
Prepaid income taxes		2,953,560	2,743,827
Amounts due from related parties	9	25,279,169	16,035,676
Derivative financial instruments		3,178	1,190
Restricted cash	14	5,012,151	4,469,331
Cash and cash equivalents	14	31,024,239	28,537,441
		247,143,092	222,531,472
Total assets		333,612,080	307,558,673
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	15	348,864	348,864
Share premium		2,568	100,282
Reserves			
– Proposed dividend		1,457,489	1,638,371
– Retained earnings		53,713,634	52,956,128
– Others		2,645,618	2,591,038
		58,168,173	57,634,683

As at 30 June 2018

	Note	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000
Non-controlling interests			
Perpetual capital instruments		4,000,000	4,200,000
Other non-controlling interests		41,443,512	34,912,114
		45,443,512	39,112,114
Total equity		103,611,685	96,746,797
LIABILITIES			
Non-current liabilities			
Borrowings	16	69,322,645	69,309,472
Deferred income tax liabilities		6,553,107	6,025,277
		75,875,752	75,334,749
Current liabilities			
Trade and other payables	17	39,922,323	33,524,265
Dividend payable		1,713,359	–
Advanced proceeds received	3	–	34,117,188
Contract liabilities		35,772,693	–
Income tax payable		17,732,811	15,641,375
Borrowings	16	29,162,672	18,195,220
Finance lease liabilities		66,228	130,560
Amounts due to related parties	18	29,754,557	33,868,519
		154,124,643	135,477,127
Total liabilities		230,000,395	210,811,876
Total equity and liabilities		333,612,080	307,558,673

The notes on pages 48 to 88 form an integral part of this interim condensed consolidated financial information.

For the six months ended 30 June 2018

	Note	Unaudited Six months ended 30 June 2018 RMB'000	2017 RMB'000
Revenue	6	42,570,925	35,821,777
Cost of sales	19	(29,363,559)	(25,230,859)
Gross profit		13,207,366	10,590,918
Fair value gains on investment properties – net		986,744	358,536
Other income/other gains – net	20	178,519	172,316
Selling and marketing costs	19	(672,163)	(557,632)
Administrative expenses	19	(1,710,625)	(1,678,451)
Reversal of impairment losses on financial assets	19	10,287	–
Other operating expenses	19	(64,556)	(126,067)
Operating profit		11,935,572	8,759,620
Finance income		372,674	729,117
Finance costs		(760,057)	(373,632)
Finance (costs)/income – net	21	(387,383)	355,485
Share of results of associated companies and joint ventures accounted for using the equity method		(133,561)	(134,611)
Profit before income tax		11,414,628	8,980,494
Income tax expense	22	(5,232,576)	(3,614,371)
Profit for the period		6,182,052	5,366,123
Other comprehensive income:			
<i>Item that may be reclassified to profit or loss</i>			
Fair value losses on available-for-sale financial assets, net of tax		–	(37,059)
Translation reserves		854	(297)
<i>Item that will not be reclassified to profit or loss</i>			
Fair value losses on financial assets at fair value through other comprehensive income, net of tax		(72,978)	–
Other comprehensive income		(72,124)	(37,356)
Total comprehensive income for the period		6,109,928	5,328,767
Profit for the period attributable to:			
Equity holders of the Company		4,270,704	3,879,244
Non-controlling interests		1,911,348	1,486,879
		6,182,052	5,366,123
Total comprehensive income for the period attributable to:			
Equity holders of the Company		4,228,559	3,857,112
Non-controlling interests		1,881,369	1,471,655
		6,109,928	5,328,767
Earnings per share for profit attributable to the equity holders of the Company			
– Basic (RMB cents)	24	126.64	114.95
– Diluted (RMB cents)	24	126.37	114.77

The notes on pages 48 to 88 form an integral part of this interim condensed consolidated financial information.

Details of dividends of the Company are set out in Note 23 in this interim condensed consolidated financial information.

For the six months ended 30 June 2018

		Unaudited							
		Attributable to the equity holders of the Company					Perpetual capital instruments RMB'000	Non- controlling interests RMB'000	Total RMB'000
Note		Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained profits RMB'000	Total RMB'000			
	Balance at 31 December 2017	348,864	100,282	2,591,038	54,594,499	57,634,683	4,200,000	34,912,114	96,746,797
	Adjustment on adoption of HKFRS 9, net of tax (Note 3)	-	-	-	(54,728)	(54,728)	-	-	(54,728)
	Adjustment on adoption of HKFRS 15, net of tax (Note 3)	-	-	-	109,820	109,820	-	22,348	132,168
	Restated total equity at 1 January 2018	348,864	100,282	2,591,038	54,649,591	57,689,775	4,200,000	34,934,462	96,824,237
	Profit for the period	-	-	-	4,270,704	4,270,704	134,418	1,776,930	6,182,052
	Other comprehensive income								
	– Fair value losses on financial assets at fair value through other comprehensive income, net of tax	-	-	(42,999)	-	(42,999)	-	(29,979)	(72,978)
	– Translation reserves	-	-	854	-	854	-	-	854
	Total comprehensive income for the period	-	-	(42,145)	4,270,704	4,228,559	134,418	1,746,951	6,109,928
	Transactions with owners:								
	Transfer from a joint venture to a subsidiary	27(c)	-	-	-	-	-	59,461	59,461
	Acquisition of subsidiaries	27(d)	-	-	-	-	-	29,000	29,000
	Capital contribution from non-controlling interests	27(e)(i)	-	-	-	-	-	5,878,706	5,878,706
	Changes in ownership interests in subsidiaries without change of control	27(e)(ii)	-	-	-	(1,992,814)	(1,992,814)	(1,164,923)	(3,157,737)
	Disposal of subsidiaries	27(a)	-	-	-	-	-	(40,145)	(40,145)
	Equity-settled share-based payment								
	– Value of employee services		-	-	53,726	-	53,726	-	53,726
	– Purchase of shares	15(c)	-	(97,714)	-	-	(97,714)	-	(97,714)
	Profit appropriations		-	-	10,756	(10,756)	-	-	-
	Perpetual capital instruments redeemed		-	-	-	-	(200,000)	-	(200,000)
	Perpetual capital instruments dividends		-	-	-	-	(134,418)	-	(134,418)
	Dividends and distributions	23	-	-	-	(1,713,359)	(1,713,359)	-	(1,713,359)
	Total transactions with owners	-	(97,714)	64,482	(3,716,929)	(3,750,161)	(334,418)	4,762,099	677,520
	Balance at 30 June 2018	348,864	2,568	2,613,375	55,203,366	58,168,173	4,000,000	41,443,512	103,611,685

For the six months ended 30 June 2018

	Unaudited							
	Attributable to the equity holders of the Company					Perpetual capital instruments	Non- controlling interests	Total
	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained profits RMB'000	Total RMB'000			
Balance at 1 January 2017	348,864	396,083	1,802,935	49,908,169	52,456,051	4,500,000	31,260,942	88,216,993
Profit for the period	-	-	-	3,879,244	3,879,244	140,402	1,346,477	5,366,123
Other comprehensive income								
- Fair value losses on available-for-sale financial assets, net of tax	-	-	(21,835)	-	(21,835)	-	(15,224)	(37,059)
- Translation reserves	-	-	(297)	-	(297)	-	-	(297)
Total comprehensive income for the period	-	-	(22,132)	3,879,244	3,857,112	140,402	1,331,253	5,328,767
Transactions with owners:								
Acquisition of subsidiaries	-	-	-	-	-	-	852,519	852,519
Acquisition of additional interests in subsidiaries	-	(96,923)	-	-	(96,923)	-	(1,252,550)	(1,349,473)
Disposal of interests in subsidiaries without loss of control	-	-	-	-	-	-	1,633,238	1,633,238
Equity-settled share-based payment								
- Value of employee services	-	-	30,367	-	30,367	-	-	30,367
- Purchase of shares	-	(65,328)	-	-	(65,328)	-	-	(65,328)
Perpetual capital instruments dividends	-	-	-	-	-	(140,402)	-	(140,402)
Dividends and distributions	-	-	-	(1,293,423)	(1,293,423)	-	(105,246)	(1,398,669)
Total transactions with owners	-	(162,251)	30,367	(1,293,423)	(1,425,307)	(140,402)	1,127,961	(437,748)
Balance at 30 June 2017	348,864	233,832	1,811,170	52,493,990	54,887,856	4,500,000	33,720,156	93,108,012

The notes on pages 48 to 88 form an integral part of this interim condensed consolidated financial information.

	Note	Unaudited	
		Six months ended 30 June	
		2018	2017
		RMB'000	RMB'000
Cash flows (used in)/from operating activities			
Net cash generated from operations		5,160,438	9,703,969
Interest received	21	372,674	239,757
Interest paid		(3,332,705)	(2,740,790)
PRC Income tax paid		(3,217,491)	(4,730,788)
Net cash flows (used in)/from operating activities		(1,017,084)	2,472,148
Cash flows used in investing activities			
Additions of property and equipment and investment properties		(1,176,606)	(1,354,659)
Disposal of property and equipment and an investment property		92,697	1,426
(Addition)/deduction of land use rights and other non-current assets		(58,405)	548,798
Disposal of subsidiaries	27(a)	453,009	184,940
Deemed disposal of a subsidiary	27(b)	(3,714)	(185,413)
Acquisition of subsidiaries	27(d)	140,261	228,375
Transfer from a joint venture to a subsidiary	27(c)	81,166	–
Acquisition of currency options		–	(23,832)
Settlement for derivative financial instruments		–	49,334
Gain on investment in structured products issued by banks	20	19,558	37,061
Decrease of available-for-sale financial assets		–	2,119,996
Increase of financial assets at fair value through profit or loss	11	(170,377)	–
Capital injection to joint ventures	8(b)	(1,160,049)	(83,000)
Capital injection to associated companies	8(a)	(12,251)	(580,491)
Increase in prepayment for acquisition of equity interests	12, 27(e)(iii)	(21,005)	(1,569,054)
Payment of equity interests		–	(1,045,000)
Advance to joint ventures and associated companies		(9,202,875)	(2,619,313)
Net cash flows used in investing activities		(11,018,591)	(4,290,832)
Cash flows from financing activities			
Proceeds from borrowings	16	31,614,981	18,256,590
Repayments of borrowings and finance lease liabilities		(20,577,269)	(17,959,096)
Purchases of shares		(97,714)	(65,328)
Redemption of perpetual capital instruments		(200,000)	–
Dividends for the holders of perpetual capital instruments		(134,418)	(140,402)
Capital contribution from non-controlling interests of subsidiaries	27(e)(i)	5,878,706	1,633,238
Acquisition of additional interests in subsidiaries	27(e)(ii)	(917,737)	(1,349,473)
Dividends paid to non-controlling interests		–	(105,246)
(Decrease)/increase in amounts due to non-controlling interests of subsidiary	18	(484,149)	1,490,638
Increase in restricted cash pledged for borrowings	14	(567,698)	(336,903)
Net cash flows from financing activities		14,514,702	1,424,018
Net increase/(decrease) in cash and cash equivalents		2,479,027	(394,666)
Cash and cash equivalents at the beginning of the period	14	28,537,441	19,359,175
Effect of foreign exchange rate changes		7,771	(34,958)
Cash and cash equivalents at end of the period	14	31,024,239	18,929,551

The notes on pages 48 to 88 form an integral part of this interim condensed consolidated financial information.

1 General information and basis of preparation

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.

This interim condensed consolidated financial information is presented in thousands of Renminbi (“RMB’000”), unless otherwise stated, and was approved for issue on 28 August 2018.

This interim condensed consolidated financial information has been reviewed, not audited.

This interim condensed consolidated financial information for the six months ended 30 June 2018 has been prepared in accordance with HKAS 34, ‘Interim financial reporting’. The interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with HKFRSs.

2 Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2017, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

2.1 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 impact of the adoption of these standards and the new accounting policies are disclosed in Note 3 below.

2 Accounting policies (CONTINUED)

2.2 The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2018 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HKFRS 16 (i)	Leases	1 January 2019
HK (IFRIC) 23	Uncertainty over income tax treatments	1 January 2019
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
HKFRS 17	Insurance contracts	1 January 2021

(i) **HKFRS 16, Leases**

HKFRS 16 "Leases" will affect primarily the accounting for the Group's operating leases.

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

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

3 Changes in accounting policies

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

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

For the six months ended 30 June 2018

3 Changes in accounting policies (CONTINUED)

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

3 Changes in accounting policies (CONTINUED)

(a) HKFRS 9 Financial Instruments – Impact of adoption

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

The adoption of HKFRS 9 *Financial Instruments* from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in Note 3(c) below. In accordance with the transitional provisions in HKFRS 9 (7.2.15) and (7.2.26), comparative figures have not been restated as the Group does not have any hedge instrument. As a result, the adjustments arising from the new impairment rules are not reflected in the balance sheet as at 31 December 2017, but are recognised in the opening balance sheet as at 1 January 2018.

(i) Classification and measurement

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

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

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

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

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

There is no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities which are subject to HKFRS 9.

3 Changes in accounting policies (CONTINUED)

(a) HKFRS 9 Financial Instruments – Impact of adoption (continued)

(ii) Impairment of financial assets

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

- Trade and other receivables
- Amounts due from related parties

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

Depending on different credit risk, the expected loss rates of trade and other receivables range from 0.5% to 20% and amounts due from related parties range from 0.1% to 1.5%. As at 30 June 2018, the loss allowance provision for all trade and other receivables and amounts due from related parties reconciles to the opening loss allowance for that provision as follows:

	Amounts due from related parties RMB'000	Trade and other receivables RMB'000	Total RMB'000
At 31 December 2017 – calculated under HKAS 39	–	251,271	251,271
Amounts restated through opening retained earnings	43,757	29,214	72,971
Opening loss allowance as at 1 January 2018 – calculated under HKFRS 9	43,757	280,485	324,242
Recoveries	–	(11,440)	(11,440)
Additional loss allowance	1,153	–	1,153
Closing loss allowance as at 30 June 2018 – calculated under HKFRS 9	44,910	269,045	313,955

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

3 Changes in accounting policies (CONTINUED)

(b) HKFRS 15 Revenue from Contracts with Customers – Impact of adoption

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies. 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 effects of the adoption of HKFRS 15 are as follows:

- **Presentation of contract assets and liabilities**

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

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

- **Accounting for property development activities**

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

Under HKFRS 15, properties that have no alternative use to the Group due to contractual reasons and when the Group has an enforceable right to payment from the customers for performance completed to date, the Group recognises revenue as the performance obligation is satisfied over time in accordance with the input method for measuring progress.

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

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

3 Changes in accounting policies (CONTINUED)

(c) Accounting policies applied from 1 January 2018

(i) Financial assets

Investments and other financial assets

Classification

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

- Those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- Those to be measured at amortised cost.

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

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

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

Measurement

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

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

Debt instruments

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

- Financial assets at amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- Financial assets at FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

3 Changes in accounting policies (CONTINUED)

(c) Accounting policies applied from 1 January 2018 (continued)

(i) Financial assets (continued)

Equity instruments

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

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

Impairment

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

For trade and other receivables and amount due from related parties, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(ii) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument. There are no derivatives designated as a hedging instrument for the Group.

Derivatives of the Group are categorised as financial assets/liabilities at FVPL and the changes in fair value are recognised in the consolidated statement of profit or loss under "other income and other gains – net" in the year in which they arise.

(iii) Revenue Recognition

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

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

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

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

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

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

4 Estimates

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2017 with the exception of changes in estimates that are required in determining the provision for income taxes and the impairment of financial assets, and the changes in judgements and estimates in revenue recognition for property development activities.

Judgements and estimates in revenue recognition for property development activities

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

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

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

5 Financial risk management

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2017.

There have been no significant changes in any risk management policies since the year end.

5.2 Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash outflows for financial liabilities.

5.3 Fair value estimation

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

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

5 Financial risk management (CONTINUED)

5.3 Fair value estimation (continued)

The following table presents the Group's assets that are measured at fair value at 30 June 2018 and 31 December 2017.

As at 30 June 2018	Unaudited			Total RMB'000
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	
Assets				
Financial assets at FVOCI				
– listed equity securities	783,358	–	–	783,358
– investment in structured products issued by a non-bank financial institution	–	–	188,113	188,113
Financial assets at FVPL	–	–	170,377	170,377
Derivative financial instruments	–	–	3,178	3,178
Total	783,358	–	361,668	1,145,026
As at 31 December 2017	Audited			Total RMB'000
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	
Assets				
AFS				
– listed equity securities	812,258	–	–	812,258
– investment in structured products issued by a non-bank financial institution	–	–	256,517	256,517
Derivative financial instruments	–	–	1,190	1,190
Total	812,258	–	257,707	1,069,965

Financial assets at FVOCI as at 30 June 2018 and AFS as at 31 December 2017 included in Level 1 is the equity securities traded in Shanghai Stock Exchange and Shenzhen Stock Exchange, the fair value of which is based on quoted market prices at the balance sheet date.

Derivative financial instruments included in Level 3 as at 30 June 2018 are three currency option contracts with the Morgan Stanley & Co International PLC ("Morgan Stanley"), the fair value of which is determined using valuation models for which not all inputs are market observable prices or rates.

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

Financial assets at FVOCI as at 30 June 2018 and AFS as at 31 December 2017 included in Level 3 are the investment in structured products entered into with financial institutions, the fair value of which are determined using valuation model for which not all inputs are market observable rates.

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

There were no changes in valuation techniques during the period.

For the six months ended 30 June 2018

5 Financial risk management (CONTINUED)

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

Derivatives at fair value through profit or loss

	Six-months ended 30 June	
	2018 RMB'000	2017 RMB'000
Opening balances of assets	1,190	90,199
Acquisition of currency options	–	23,832
Gain/(loss) recognised in the income statement	1,988	(52,090)
Settlements	–	(49,334)
Closing balances of assets	3,178	12,607
Changes in unrealised gains, under 'Other income/other gains – net'	1,988	–
Changes in finance income	–	(52,090)

Financial assets at FVOCI/AFS at fair value issued by banks and other financial institutions

	Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Opening balances of assets	256,517	3,077,100
Addition	1,672,000	–
Deduction	(1,672,000)	(3,000,000)
Fair value (losses)/gains recognised in other comprehensive income	(68,404)	100
Closing balances of assets	188,113	77,200
Changes in unrealised (losses)/gains, under 'Other comprehensive income'	(68,404)	100

5.5 Fair value of financial assets and liabilities measured at amortised cost

The fair value of senior notes is as follows:

	30 June 2018 RMB'000	31 December 2017 RMB'000
Non-current	17,835,882	14,194,491

The fair values of senior notes were calculated using the market price of the traded senior notes on the balance sheet date. The fair values of senior notes are within level 1 of the fair value hierarchy.

6 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 operating profit. The information provided to the CODM is measured in a manner consistent with that in the annual financial statements.

6 Segment information (CONTINUED)

(a) Revenue

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

	Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Sales of properties	40,673,275	34,167,300
Hotel operation income	879,955	810,805
Rental income from investment properties	385,577	377,006
Property management and other income	632,118	466,666
	42,570,925	35,821,777

(b) Segment information

The segment results for the six months ended 30 June 2018 are as follows:

	Property development and investment				Total RMB'000
	Shanghai Shimao Co., Ltd. ("Shanghai Shimao")* RMB'000	Others RMB'000	Hotel operation RMB'000	Unallocated** RMB'000	
Revenue					
– Sales of properties	11,469,711	29,203,564	–	–	40,673,275
– Recognised at a point in time	11,358,296	28,140,289	–	–	39,498,585
– Recognised over time	111,415	1,063,275	–	–	1,174,690
– Hotel operation income	122,039	–	757,916	–	879,955
– Rental income from investment properties	344,704	40,873	–	–	385,577
– Property management and other income	220,794	411,324	–	–	632,118
Total revenue	12,157,248	29,655,761	757,916	–	42,570,925
Operating profit/(loss)	4,849,564	7,168,969	95,708	(178,669)	11,935,572
Finance income	63,876	296,454	418	11,926	372,674
Finance costs	(156,634)	(16,799)	(10,723)	(575,901)	(760,057)
Share of results of					
– Associated companies	9	57,716	–	–	57,725
– Joint ventures	(1,984)	(189,302)	–	–	(191,286)
Profit/(loss) before income tax	4,754,831	7,317,038	85,403	(742,644)	11,414,628
Income tax expense					(5,232,576)
Profit for the period					6,182,052
Other segment items are as follows:					
Capital and property development expenditure	7,259,050	27,113,592	440,630	–	34,813,272
Fair value gains on investment properties	683,654	303,090	–	–	986,744
Fair value gains on derivative financial instruments	–	–	–	1,988	1,988
Depreciation	39,073	64,394	161,682	30,497	295,646
Amortisation of land use rights	4,935	7,355	20,406	–	32,696
Provision for/(reversal of) impairment on financial assets	1,469	(11,965)	209	–	(10,287)

* The Group owns an effective equity interest of 58.92% in Shanghai Shimao.

** Unallocated mainly represent corporate level activities.

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6 Segment information (CONTINUED)**(b) Segment information (continued)**

The segment results for the six months ended 30 June 2017 are as follows:

	Property development and investment				
	Shanghai Shimao Co., Ltd. ("Shanghai Shimao")*	Others	Hotel operation	Unallocated**	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue					
– Sales of properties	9,475,608	24,691,692	–	–	34,167,300
– Hotel operation income	106,100	–	704,705	–	810,805
– Rental income from investment properties	290,860	86,146	–	–	377,006
– Property management and other income	220,768	245,898	–	–	466,666
Total revenue	10,093,336	25,023,736	704,705	–	35,821,777
Operating profit/(loss)	3,823,117	5,327,617	94,451	(485,565)	8,759,620
Finance income	35,887	195,408	582	497,240	729,117
Finance costs	(128,031)	(123,279)	(14,004)	(108,318)	(373,632)
Share of results of					
– Associated companies	(157)	141,321	–	–	141,164
– Joint ventures	(11,770)	(264,005)	–	–	(275,775)
Profit/(loss) before income tax	3,719,046	5,277,062	81,029	(96,643)	8,980,494
Income tax expense					(3,614,371)
Profit for the period					5,366,123
Other segment items are as follows:					
Capital and property development expenditure	7,089,663	23,298,234	417,646	–	30,805,543
Fair value gains/(losses) on investment properties	516,765	(158,229)	–	–	358,536
Fair value losses on derivative financial instruments	–	–	–	(52,090)	(52,090)
Depreciation	35,911	36,738	138,150	30,358	241,157
Amortisation of land use rights	4,806	325	28,873	–	34,004
(Reversal of)/provision for impairment of receivables	(16,736)	4,735	–	–	(12,001)

* The Group owns an effective equity interest of 58.92% in Shanghai Shimao.

** Unallocated mainly represent corporate level activities.

6 Segment information (CONTINUED)

(b) Segment information (continued)

The segment assets and liabilities as at 30 June 2018 are as follows:

	Property development and investment		Hotel operation RMB'000	Total RMB'000
	Shanghai Shimao RMB'000	Others RMB'000		
Associated companies	200,247	1,214,747	–	1,414,994
Joint ventures	2,128,313	13,844,119	–	15,972,432
Intangible assets	1,709,730	–	130,928	1,840,658
Other segment assets	88,817,083	199,959,549	19,576,819	308,353,451
Total segment assets	92,855,373	215,018,415	19,707,747	327,581,535
Deferred income tax assets				2,818,866
Financial assets at FVOCI				971,471
Financial assets at FVPL				170,377
Derivative financial instruments				3,178
Other assets				2,066,653
Total assets				333,612,080
Borrowings	18,471,263	39,606,929	813,500	58,891,692
Other segment liabilities	27,320,066	79,616,383	15,569,907	122,506,356
Total segment liabilities	45,791,329	119,223,312	16,383,407	181,398,048
Corporate borrowings				39,593,625
Deferred income tax liabilities				6,553,107
Other liabilities				2,455,615
Total liabilities				230,000,395

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6 Segment information (CONTINUED)**(b) Segment information (continued)**

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

	Property development and investment		Hotel operation RMB'000	Total RMB'000
	Shanghai Shimao RMB'000	Others RMB'000		
Associated companies	200,239	1,144,779	–	1,345,018
Joint ventures	2,107,174	11,494,535	–	13,601,709
Intangible assets	1,709,730	–	130,928	1,840,658
Other segment assets	86,327,419	180,773,033	18,048,407	285,148,859
Total segment assets	90,344,562	193,412,347	18,179,335	301,936,244
Deferred income tax assets				2,523,663
AFS				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

There are no differences from the last annual financial statements in the basis of segmentation or in the basis of measurement of segment profit or loss.

7 Capital expenditure

	Property and equipment RMB'000	Investment properties RMB'000	Land use rights RMB'000	Intangible assets RMB'000	Total RMB'000
Opening net book amount as at 1 January 2018	13,513,914	34,036,147	8,176,521	1,840,658	57,567,240
Additions	422,048	399,409	58,461	–	879,918
Transfer from a joint venture to a subsidiary (Note 27(c))	356	–	–	–	356
Fair value gains	–	986,744	–	–	986,744
Depreciation/amortisation (Note 19)	(295,646)	–	(32,696)	–	(328,342)
Disposal of subsidiaries (Note 27(a))	(312,376)	–	(92,052)	–	(404,428)
Disposals	(45,697)	(47,000)	–	–	(92,697)
Translation reserves	(139)	–	–	–	(139)
Closing net book amount as at 30 June 2018	13,282,460	35,375,300	8,110,234	1,840,658	58,608,652
Opening net book amount as at 1 January 2017	13,493,658	32,270,913	8,218,571	1,840,658	55,823,800
Additions	701,598	412,637	54,668	–	1,168,903
Acquisition of a subsidiary	24	–	–	–	24
Fair value gains	–	358,536	–	–	358,536
Depreciation/amortisation	(241,157)	–	(34,004)	–	(275,161)
Disposal of subsidiaries	(56)	–	–	–	(56)
Disposals	(1,426)	–	–	–	(1,426)
Translation reserves	1,383	–	7,706	–	9,089
Closing net book amount as at 30 June 2017	13,954,024	33,042,086	8,246,941	1,840,658	57,083,709

Note:

(a) Intangible assets comprise goodwill from business combinations.

For the six months ended 30 June 2018

7 Capital expenditure (CONTINUED)**(b) Investment properties**

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Investment properties at fair value		
Opening balance	31,618,000	30,066,640
Additions – Transfer from investment properties at cost	1,239,376	–
Additions – Construction cost and others	279,980	370,864
Disposal	(47,000)	–
Fair value gains	986,744	358,536
Closing balance	34,077,100	30,796,040

The valuations of the investment properties at 30 June 2018 and 30 June 2017 were carried out by an independent firm, Vigers Appraisal and Consulting Limited, who is a fellow member of the Royal Institution of Chartered Surveyors.

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

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

7 Capital expenditure (CONTINUED)

(b) Investment properties (continued)

Fair value measurements using significant unobservable inputs (Level 3)**Investment properties at fair value**

	Six months ended 30 June 2018		
	Completed investment properties RMB'000	Investment properties under development RMB'000	Total RMB'000
Opening balance	16,192,000	15,426,000	31,618,000
Additions	–	279,980	279,980
Transfer from investment properties at cost	–	1,239,376	1,239,376
Net gains from fair value adjustment	274,100	712,644	986,744
Disposal	(47,000)	–	(47,000)
Closing balance	16,419,100	17,658,000	34,077,100

	Six months ended 30 June 2017		
	Completed investment properties RMB'000	Investment properties under development RMB'000	Total RMB'000
Opening balance	21,316,400	8,750,240	30,066,640
Additions	90,122	280,742	370,864
Transfer from completed investment properties	(5,830,000)	5,830,000	–
Net gains from fair value adjustment	309,878	48,658	358,536
Closing balance	15,886,400	14,909,640	30,796,040

Investment properties included in Level 3 are all completed investment properties and certain investment properties under development.

There were no transfers among Level 1, Level 2 and Level 3 during the period.

Investment properties under construction as at 30 June 2018 of RMB1,298,200,000 (31 December 2017: RMB2,418,147,000) were measured at cost, because their constructions were at very early stage and related fair values were not reliably determinable. These investment properties under development shall be measured at cost until either their fair values become reliably determinable or development is completed, whichever is earlier.

For the six months ended 30 June 2018

8 Investments accounted for using the equity method

(a) Interests in associated companies

	Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Opening balance, as previously stated	1,345,018	912,465
Adjustment on adoption of HKFRS 15, net of tax	–	–
Opening balance, after the adoption of HKFRS 15	1,345,018	912,465
Share of results	57,725	141,164
Capital injection (Note)	12,251	580,491
Transfer to a joint venture	–	(317,831)
Ending balance	1,414,994	1,316,289

Note:

For the six months ended 30 June 2018, the Group set up a new associate company with capital injection of RMB12,251,000.

(b) Interests in joint ventures

	Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Opening balance	13,601,709	9,183,425
Adjustment on adoption of HKFRS 15, net of tax	(15,865)	–
Opening balance, after the adoption of HKFRS 15	13,585,844	9,183,425
Capital injections (Note (a))	1,160,049	83,000
Transfer from subsidiaries (Note 27(a) and Note 27(b))	1,457,465	910,460
Transfer from an associated company	–	317,831
Transfer to a subsidiary (Note 27(c))	(39,640)	(844,117)
Share of results	(191,286)	(275,775)
Ending balance	15,972,432	9,374,824

Notes:

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

For the six months ended 30 June 2018, the Group set up four joint ventures with total capital injections of RMB101,749,000. Pursuant to the articles of association, the Group has joint control over these entities.

The Group invested in two new joint ventures with amount of RMB213,300,000. Pursuant to the revised articles of association, the Group and the third parties would jointly control the operation of these entities.

The Group made additional capital injection into four existing joint venture with amount of RMB845,000,000. After capital injection, the Group remained joint control in these entities.

9 Amounts due from related parties

	30 June 2018 RMB'000	31 December 2017 RMB'000
Included in non-current assets		
– Joint ventures	831,385	786,712
– Associated companies	622,624	684,766
	1,454,009	1,471,478

The Group made advances to several joint ventures and associated companies to finance their acquisition of land use rights. These advances are interest-free, unsecured and have no fixed repayment terms. The Group's intention is that the advances will only be recalled when the joint ventures and associated companies have surplus cash.

	30 June 2018 RMB'000	31 December 2017 RMB'000
Included in current assets		
– Companies with common directors	160	160
– Associated companies	59,849	49,218
– Joint ventures	25,219,160	15,986,298
	25,279,169	16,035,676

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

The carrying amounts of amounts due from related companies approximate their fair values.

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9. As at 30 June 2018, a provision of RMB44,910,000 was made against the gross amount of amounts due from related parties (Note 3).

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10 Financial assets at fair value through other comprehensive income

	30 June 2018 RMB'000	31 December 2017 RMB'000
Financial assets at FVOCI included in non-current assets		
Listed equity securities (Note (a))	783,358	–
Investment in structured products issued by a non-bank financial institution (Note (b))	188,113	–
	971,471	–

The Group applies the reclassification from AFS to financial assets at FVOCI prescribed by HKFRS 9.

Note:

- (a) Listed equity securities represented in listed equity securities in the PRC without lock-up period and were stated at market value based on the quoted price.
- (b) Investment in structured products issued by a non-bank financial institution represented a combination of financial products with a floating interest measured at fair value.

The fair value of these assets are determined using valuation model for which not all inputs are observable and is within Level 3 of the fair value hierarchy (Note 5).

11 Financial assets at fair value through profit or loss

	30 June 2018 RMB'000	31 December 2017 RMB'000
Financial assets at FVPL included in non-current assets		
Investment in unlisted entity (Note)	170,377	–

Note:

Investment in unlisted entity represented an investment measured at fair value, of which the fair value is determined using valuation model for which not all inputs are observable and is within Level 3 of the fair value hierarchy (Note 5).

12 Other non-current assets

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

The Group made prepayments for certain land use rights, the ownership certificates of which have not been obtained as at the balance sheet date. As at 30 June 2018, prepayments of RMB366,173,000 (31 December 2017: RMB366,173,000) were related to the lands for the purpose to develop hotel buildings, self-used buildings and investment properties, and are included in non-current assets. As at 30 June 2018, prepayments of RMB21,343,083,000 (31 December 2017: RMB21,605,517,000) were related to the lands for the purpose to develop properties for sale, and are included in current assets, 'prepayments for acquisition of land use rights'.

As at 30 June 2018, the Group made prepayments of RMB4,060,594,000 (31 December 2017: RMB6,279,589,000) for acquisition of certain equity interests.

13 Trade and other receivables and prepayments

	30 June 2018 RMB'000	31 December 2017 RMB'000
Bidding deposits for land use rights (Note (a))	9,917,700	5,228,769
Trade receivables (Note (c))	5,444,813	4,705,330
Prepayments for construction costs	3,867,904	2,464,299
Loan receivables (Note (b))	1,133,156	528,788
Prepaid business taxes on pre-sale proceeds	413,553	585,423
Other receivables	2,006,285	2,071,177
	22,783,411	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 various 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 amount will be fully refunded.
- (b) As at 30 June 2018, loan receivables of RMB1,133,156,000 (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 14.0% per annum and repayable within one year.
- (c) Trade receivables mainly arose 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 respective balance sheet dates is as follows:

	30 June 2018 RMB'000	31 December 2017 RMB'000
Within 90 days	4,364,544	3,924,761
Over 90 days and within 365 days	610,884	456,499
Over 365 days	469,385	324,070
	5,444,813	4,705,330

For the six months ended 30 June 2018

13 Trade and other receivables and prepayments (CONTINUED)

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9. As at 30 June 2018, a provision of RMB269,045,000 was made against the gross amount of trade receivables, other receivables and loan receivables (Note 3).

As at 30 June 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.

As at 30 June 2018 and 31 December 2017, trade and other receivables of the Group were mainly denominated in RMB.

14 Cash and cash equivalents and restricted cash

	30 June 2018 RMB'000	31 December 2017 RMB'000
Restricted cash	5,012,151	4,469,331
Cash and cash equivalents	31,024,239	28,537,441
	36,036,390	33,006,772

As at 30 June 2018, the Group's bank deposits of approximately RMB623,201,000 (31 December 2017: RMB648,079,000) was restricted and deposited in certain banks as guarantee deposits for mortgage loan facilities granted by the banks to the purchasers of the Group's properties. In addition, the Group's cash of approximately RMB4,388,950,000 (31 December 2017: RMB3,821,252,000) were pledged as collateral for the Group's borrowings.

The Group's cash and bank balances are mainly denominated in RMB. The conversion of RMB denominated balances into foreign currencies and the remittance of the foreign currencies out of the PRC are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

The effective interest rate on bank deposits as at 30 June 2018 was 0.34% (31 December 2017: 0.34%).

15 Share capital

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

	Par value	Number of Shares	Nominal value of ordinary shares	
	HK\$	'000	HK\$'000	Equivalent to RMB'000
Authorised:				
At 30 June 2018 and 31 December 2017	0.1	5,000,000	500,000	
Issued and fully paid:				
At 1 January 2018 and 30 June 2018		3,387,022	338,702	348,864
At 1 January 2017		3,399,381	339,938	348,864
Cancellation of shares (Note)		(12,359)	(1,236)	–
At 30 June 2017		3,387,022	338,702	348,864

Note:

The Company acquired 85,549,000 of its own shares through purchases on the Hong Kong Stock Exchange from 4 July 2016 till 30 December 2016, among which 12,359,000 shares have been cancelled during the six months ended 30 June 2017, 73,191,000 shares have been cancelled during the year ended 31 December 2016. The total amount paid to acquire the shares was HK\$874,917,561, equivalent to RMB758,374,125 and has been deducted from share premium within shareholders' equity during the year ended 31 December 2016.

(b) Employee Stock Ownership Plan

As at 30 June 2018, pursuant to the employee stock ownership plan ("Employee Stock Ownership Plan") that was approved by Shanghai Shimao's shareholders on 9 May 2017 and will expire at the end of the 60-month period from the date of grant, a total of 2,313,168 ordinary shares of Shanghai Shimao had been bought back from the secondary market at the total cost of RMB11,096,000. The purpose of the Employee Stock Ownership Plan is to provide the participants with an opportunity to hold a personal stake in Shanghai Shimao so as to motivate such participants and to enhance performance and efficiency. In May 2017, options for a total of 2,313,168 ordinary shares of Shanghai Shimao under this plan were granted to Shanghai Shimao's eligible employees with no exercise price or fulfilment of any condition. The exercise of the granted options is subject to a restriction of 12 months from the date of 3 July 2017. As at 30 June 2018, no shares were vested or lapsed.

(c) Share Award Scheme

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

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

A Trust was constituted to manage the Share Scheme, and a wholly owned subsidiary of the Company incorporated in the British Virgin Islands was designated as Trustee. Up to 30 June 2018, the Trust purchased 36,006,000 ordinary shares from market, totaling HK\$523,258,000 (equivalent to RMB426,551,000), of which 33,082,490 shares were granted to eligible employees according to the Share Scheme, 22,675,231 shares vested, and 3,277,922 shares lapsed.

The granted shares were subject to several vesting conditions, including the completion of specific period of service as stated in the letter of grant and non-market performance appraisal before vesting date. The shares granted are held by the Trust before being transferred to the employees when vesting conditions are fully met.

15 Share capital (CONTINUED)**(c) Share Award Scheme (continued)**

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

	Number of unvested shares granted	
	Six months ended 30 June	
	2018	2017
Unvested shares, beginning	7,899,586	3,517,115
Granted	7,129,337	7,899,586
Vested	(6,816,666)	(3,061,698)
Lapsed	(1,082,920)	(455,417)
Unvested shares, ending	7,129,337	7,899,586

The weighted average fair value of the unvested shares granted during the period ended 30 June 2018 is HK\$146,864,342, equivalent to RMB123,821,327 (2017: HK\$105,538,469, equivalent to RMB91,598,948).

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

	Number of shares issued	
	As at 30 June	
	2018	2017
	'000	'000
Shares issued	3,387,022	3,387,022
Treasury shares for Share Award Scheme	(13,331)	(14,298)
Shares outstanding	3,373,691	3,372,724

16 Borrowings

	30 June 2018 RMB'000	31 December 2017 RMB'000
Borrowings included in non-current liabilities		
Long-term bank borrowings		
– secured by assets (Note (i))	7,455,066	8,423,809
– secured by shares of subsidiary guarantors (Note (ii))	9,239,627	3,874,787
– unsecured	15,135,177	10,302,801
Long-term borrowings from other financial institutions		
– secured by assets (Note (i))	10,056,300	9,452,000
– secured by shares (Note (ii))	500,000	–
– unsecured	2,290,575	1,274,152
Senior notes – secured (Note (iii))	18,046,725	17,536,872
Medium-term notes – unsecured (Note (iv))	4,300,000	4,300,000
Long-term bonds – unsecured (Note (v))	14,878,757	14,864,781
Domestic corporate bonds – unsecured (Note (vi))	8,771,219	8,765,903
	90,673,446	78,795,105
Less: Portion of long-term bank borrowings due within one year	(4,162,125)	(2,072,967)
Portion of long-term borrowings from other financial institutions due within one year	(670,575)	(463,425)
Portion of senior notes due within one year	–	(3,899,387)
Portion of medium-term notes due within one year	(1,500,000)	(3,000,000)
Portion of long-term bonds due within one year	(7,982,776)	–
Portion of domestic corporate bonds due within one year	(7,035,325)	(49,854)
Amounts due within one year	(21,350,801)	(9,485,633)
	69,322,645	69,309,472
Borrowings included in current liabilities		
Short-term bank borrowings		
– secured by assets (Note (i))	284,000	5,000
– secured by shares (Note (ii))	500,000	–
– unsecured	3,727,871	7,153,587
Short term borrowings from other financial institutions		
– secured by assets (Note (i))	749,000	–
– secured by shares (Note (ii))	800,000	800,000
– unsecured	751,000	751,000
Short-term bonds – unsecured (Note (viii))	1,000,000	–
Current portion of non-current borrowings	21,350,801	9,485,633
	29,162,672	18,195,220

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16 Borrowings (CONTINUED)

Movement of borrowings is analysed as follows:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Opening balance at 1 January	87,504,692	66,943,512
Additions of borrowings	31,614,981	18,256,590
Acquisition of subsidiaries (Note 27(d))	81,000	–
Transfer from joint ventures to subsidiaries	–	1,937,000
Amortisation of issuance expenses	50,387	16,632
Reductions of borrowings	(20,510,240)	(17,891,424)
Disposal of subsidiaries (Note 27(a) and Note 27(b))	(877,981)	(209,540)
Foreign exchange losses/(gains)	622,478	(555,440)
Closing balance at 30 June	98,485,317	68,497,330

Notes:

- (i) As at 30 June 2018, the Group's total secured bank borrowings and borrowings from other financial institutions of RMB18,544,366,000 (31 December 2017: RMB17,880,809,000) were secured by its property and equipment, investment properties, land use rights, properties under development, completed properties held for sale and restricted cash. As at 30 June 2018, secured borrowings of RMB112,500,000 (31 December 2017: RMB132,500,000) were further guaranteed by Mr. Hui Wing Mau.

The pledged assets for the Group's borrowings are as follows:

	30 June	31 December
	2018	2017
	RMB'000	RMB'000
Investment properties	12,141,186	8,585,682
Land use rights	1,908,351	1,723,941
Property and equipment	1,683,578	1,738,927
Properties under development	24,058,264	17,112,567
Completed properties held for sale	5,909,559	16,016,288
Restricted cash	5,012,151	4,469,331
	50,713,089	49,646,736

- (ii) On 30 October 2017, the Company entered into a multi-currency loan facility agreement with a syndicate of 12 banks. Pursuant to the agreement, the Company obtained 4-year syndicated loan facilities, including a US\$680,000,000 facility and a HK\$5,890,000,000 facility at a floating rate of interest, 15% out of the loan principal will mature in 2019, 35% will mature in 2020 and 50% will mature in 2021. The loan facilities were guaranteed by certain subsidiaries of the Group, and secured by pledged of the shares of these subsidiary guarantors.

As at 30 June 2018, US\$680,000,000 and HK\$5,890,000,000 have been drawn down.

- (iii) As at 30 June 2018, 525,000,000 shares (31 December 2017: 330,000,000) of Shanghai Shimao have been pledged for total borrowings from other financial institutions of RMB1,300,000,000 (31 December 2017: RMB800,000,000) for the Group Companies.

As at 30 June 2018, 165,000,000 shares (31 December 2017: nil) of Shanghai Shimao have been pledged for total bank borrowings of RMB500,000,000 (31 December 2017: nil) for the Group companies.

16 Borrowings (CONTINUED)

Notes (continued):

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

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

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

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

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

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

- (v) On 10 March 2015, Shanghai Shimao issued medium-term notes with total principal of RMB1,500,000,000 at a fixed interest rate of 6.08% due on 10 March 2018, which was redeemed on 12 March 2018. The total redemption price paid was RMB1,591,200,000 including the principal amount of RMB1,500,000,000 plus accrued and unpaid interest of RMB91,200,000 to the redemption date.

On 10 July 2015, Shanghai Shimao issued medium-term notes with total principal of RMB1,500,000,000 at a fixed interest rate of 5.35% due on 10 July 2018.

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

On 6 February 2018, Shanghai Shimao issued medium-term notes with total principal of RMB800,000,000 at a fixed interest rate of 6.43% due on 7 February 2021. On 6 March 2018, Shanghai Shimao issued medium-term notes with total principal of RMB700,000,000 at a fixed interest rate of 6.33% due on 8 March 2021.

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

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

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

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

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

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

For the six months ended 30 June 2018

16 Borrowings (CONTINUED)

Notes (continued):

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

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

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

	30 June 2018 RMB'000	31 December 2017 RMB'000
RMB	54,328,354	49,739,590
HK dollar	10,482,200	7,403,543
US dollar	32,788,763	29,476,040
AUD dollar	364,748	381,960
JPY yen	521,252	503,559
Closing balance	98,485,317	87,504,692

17 Trade and other payables

	30 June 2018 RMB'000	31 December 2017 RMB'000
Trade payables (Note (a))	30,766,839	26,403,178
Other taxes payable	3,439,687	2,377,915
Accrued expenses	2,302,011	1,837,207
Other payables (Note (b))	3,413,786	2,905,965
	39,922,323	33,524,265

Notes:

(a) The ageing analysis from the recorded date of trade payables is as follows:

	30 June 2018 RMB'000	31 December 2017 RMB'000
Within 90 days	30,709,129	26,172,019
Over 90 days and within 1 year	57,710	231,159
	30,766,839	26,403,178

(b) Other payables comprise:

	30 June 2018 RMB'000	31 December 2017 RMB'000
Deposits received from customers	1,943,497	1,640,761
Fees collected from customers on behalf of government agencies	178,454	169,812
Deposits from constructors	499,322	421,689
Rental deposits from tenants and hotel customers	537,476	536,331
Others	255,037	137,372
	3,413,786	2,905,965

18 Amounts due to related parties

	30 June 2018	31 December 2017
	RMB'000	RMB'000
Joint ventures	13,410,311	18,156,243
Associated companies	4,132,336	3,016,217
Non-controlling interests	12,211,910	12,696,059
Total	29,754,557	33,868,519

Amounts due to non-controlling interests represent funds injected by the non-controlling shareholders for the development of properties.

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

19 Expenses by nature

Expenses included in cost of sales, selling and marketing costs, administrative expenses, reversal of impairment losses on financial assets and other operating expenses are analysed as follows:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Cost of properties sold and others	28,606,358	24,770,886
<i>Including: interests capitalised</i>	2,370,650	2,213,516
<i>land and construction cost</i>	25,846,005	21,833,201
Staff costs – including directors' emoluments	965,317	841,327
Corporate and office expenses	519,611	476,127
Direct expenses arising from hotel operation	503,440	393,537
Advertising, promotion and commission costs	488,798	342,143
Depreciation (Note 7)	295,646	241,157
Taxes and surcharges on sales of properties	242,439	203,398
Operating lease rental expenses	90,003	82,543
Amortisation of land use rights (Note 7)	32,696	34,004
Charitable donations	28,080	11,352
Direct expenses arising from investment properties	11,322	10,193
Auditor's remuneration	4,900	4,425
Reversal of impairment losses on financial assets	(10,287)	–
(Reversal of)/provision of impairment losses on completed properties held for sale	(76,554)	132,788
Reversal of impairment losses of receivables	–	(12,001)
Others	98,847	61,130
Total	31,800,616	27,593,009

For the six months ended 30 June 2018

20 Other income/other gains – net

	Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Other income		
Government grants received	19,072	53,447
Other gains – net		
Gain on deemed disposal of a subsidiary (Note 27(b))	38,181	–
Gain on investment in structured products issued by banks	19,558	37,061
Gain/(Loss) on disposal of subsidiaries (Note 27(a))	15,207	(21,822)
Gain on derivative financial instruments	1,988	–
Gain on acquisition of equity interests and obtaining control	–	34,183
Others	84,513	69,447
	159,447	118,869
	178,519	172,316

21 Finance costs/(income) – net

	Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Finance income		
– interest income on short-term bank deposits	(372,674)	(239,757)
– net foreign exchange gains	–	(489,360)
Finance income	(372,674)	(729,117)
Interest on bank borrowings		
– wholly repayable within five years	1,630,392	1,236,827
– not wholly repayable within five years	421,275	422,522
Interest on senior notes		
– wholly repayable within five years	671,406	439,037
– not wholly repayable within five years	69,975	320,152
Interest on borrowings from other financial institutions		
– wholly repayable within five years	512,757	182,992
Interest on finance lease liabilities		
– wholly repayable within five years	2,697	–
	3,308,502	2,601,530
Net foreign exchange losses	607,447	–
Less: interest and foreign exchange losses capitalised	(3,155,892)	(2,227,898)
Finance costs	760,057	373,632
Finance costs/(income) – net	387,383	(355,485)

22 Income tax expense

	Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Current income tax		
– PRC enterprise income tax	2,596,179	1,933,082
– PRC withholding income tax	2,313	74,569
– PRC land appreciation tax	2,398,896	1,474,478
	4,997,388	3,482,129
Deferred income tax		
– PRC enterprise income tax	40,188	42,242
– PRC withholding income tax	195,000	90,000
	235,188	132,242
	5,232,576	3,614,371

(a) Hong Kong profits tax

No Hong Kong profits tax has been provided for as the Group has no estimated assessable profit in Hong Kong for the period.

(b) 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 PRC enterprise income tax purpose.

(c) 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.

(d) 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 arrangement between the PRC and Hong Kong.

Gain on disposal of an investment in the PRC by overseas holding companies may also be subject to withholding tax of 10%.

For the six months ended 30 June 2018

23 Dividends

	Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Final dividends paid of HK60 cents (2016: HK44 cents) per ordinary share (Note (a))	1,638,371	1,318,310
Proposed interim dividends of HK50 cents (2017: HK40 cents) per ordinary share (Note (b))	1,457,489	1,152,807
Other dividends paid	–	105,246
	3,095,860	2,576,363

Notes:

- (a) A final dividend in respect of the year ended 31 December 2017 of HK60 cents per ordinary share, amounting to approximately HK\$2,032,213,000 (equivalent to RMB1,638,371,000) was proposed at the Company's board meeting held on 27 March 2018, and was approved at the annual general meeting of the Company held on 19 June 2018.
- (b) An interim dividend in respect of the six months ended 30 June 2017 of HK40 cents per ordinary share, amounting to approximately HK\$1,354,809,000 (equivalent to RMB1,152,807,000) was paid in September 2017.

At a meeting held on 28 August 2018, the Board declared an interim dividend of HK50 cents per ordinary share for the six months ended 30 June 2018, amounting to approximately HK\$1,665,131,000 (equivalent to RMB1,457,489,000). This proposed dividend is not reflected as a dividend payable in this condensed consolidated financial information.

24 Earnings per share

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

	Six months ended 30 June	
	2018	2017
Profit attributable to the equity holders of the Company (RMB'000)	4,270,704	3,879,244
Weighted average number of ordinary shares in issue (thousands)	3,372,302	3,374,770
Basic earnings per share (RMB cents)	126.64	114.95

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

	Six months ended 30 June	
	2018	2017
Profit attributable to the equity holders of the Company (RMB'000)	4,270,704	3,879,244
Weighted average number of ordinary shares in issue (thousands)	3,372,302	3,374,770
Adjustments for shares granted under Share Scheme (thousands)	7,106	5,200
Weighted average number of ordinary shares for diluted earnings per share (thousands)	3,379,408	3,379,970
Diluted earnings per share (RMB cents)	126.37	114.77

25 Contingencies and financial guarantee contracts

(a) The Group had the following contingent liabilities:

	30 June 2018 RMB'000	31 December 2017 RMB'000
Guarantees in respect of mortgage facilities for certain purchasers	15,712,016	11,799,064

Note:

The Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to retain the legal title and take over possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends when the Group obtained the "property title certificate" for the mortgagees, or when the Group obtained the "master property title certificate" upon completion of construction. The directors consider that in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the financial statements for the guarantees.

(b) The Group had the following financial guarantee liabilities:

	Year of maturity	30 June 2018 RMB'000	31 December 2017 RMB'000
Guarantee in respect of borrowings	2018-2022	8,182,339	6,958,785

Note:

The Group and other shareholders provided guarantees in proportion of their respective equity interests in certain joint ventures and associated companies for their bank borrowings. The guarantees provided by the Group amounted to RMB8,182,339,000 as at 30 June 2018 (31 December 2017: RMB6,958,785,000). The fair value of the financial guarantee contracts are not significant. The Directors are of the view that such obligation will not cause an outflow of the Group's resources embodying economic benefits.

(c) Contingencies for litigation

A bank filed a litigation against Shanghai Shimao, a subsidiary of the Company, alleging that Shanghai Shimao should repay the principal and interest of the borrowings in a total amount of approximately RMB390,000,000 on behalf of Hangzhou Shimao Century Property Co., Ltd. ("Hangzhou Shimao"), an associated company of Shanghai Shimao, since Hangzhou Shimao was in financial difficulty and Shanghai Shimao once provided guarantee in respect to its borrowings. The provision charge amounting to approximately RMB53,210,000 has been recognised in profit or loss within 'other income/other gains – net' during the year ended 31 December 2016. As at 30 June 2018, the legal litigation is still in trial process. In the opinion of the Directors, after taking into consideration the appropriate legal advice, the outcome of this legal litigation will not give rise to any significant loss beyond the estimated amounts provided as at 30 June 2018, 31 December 2017 and 2016. No more provision has been accrued or reversed during the six months ended 30 June 2018.

For other litigation against the Group, the Directors are of the view that they would not cause an outflow of the Group's resources embodying economic benefits as at 30 June 2018.

For the six months ended 30 June 2018

26 Commitments

(a) Commitments for capital and property development expenditure

	30 June 2018 RMB'000	31 December 2017 RMB'000
Contracted but not provided for		
– Property and equipment and investment properties	1,451,095	1,365,178
– Land use rights (including those related to associated companies and joint ventures)	22,286,768	20,365,570
– Properties being developed for sale	31,706,058	28,696,742
	55,443,921	50,427,490

(b) Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings are as follows:

	30 June 2018 RMB'000	31 December 2017 RMB'000
Within 1 year	124,318	138,997
After 1 year but within 5 years	348,614	336,916
After 5 years	166,557	142,376
	639,489	618,289

27 Significant acquisition or disposal of subsidiaries and transactions with non-controlling interests**(a) Disposal of subsidiaries with loss of control and remaining interest retained as joint ventures**

For the six months ended 30 June 2018, the Group disposed 50% equity interest in Chengdu Shimao Property Development Co., Ltd. (“Chengdu Shimao”), 51% equity interest in Nuosi (Shanghai) Financial Leasing Co., Ltd. (“Nuosi Shanghai”) and 5% equity interest in Jinan Shimao New Century Property Co., Ltd. (“Jinan Shimao”). The remaining interests of the Group in these joint ventures have a fair value of RMB877,465,000. The disposal resulted in a net cash inflow of RMB453,009,000 and a net gain of RMB15,207,000.

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

	RMB'000
Cash and cash equivalents	396,576
Properties under development	2,104,541
Completed properties held for sale	723,961
Trade and other receivables and prepayments	746,092
Prepaid income taxes	103,169
Property and equipment (Note 7)	312,376
Land use rights (Note 7)	92,052
Deferred income tax assets	9,996
Other non-current assets	598,819
Borrowings (Note 16)	(519,181)
Contract liabilities	(776,543)
Trade and other payables	(2,039,870)
Total identifiable net assets	1,751,988
Non-controlling interests	(40,145)
Net assets attribute to the equity holders of the company	1,711,843
Total consideration	849,585
Fair value of interests retained in joint ventures (Note 8(b))	877,465
Net assets disposed	(1,711,843)
Disposal gains (Note 20)	15,207
Total consideration	849,585
Less: Cash and cash equivalents in the entities disposed	(396,576)
Net cash inflow arising from disposal	453,009

For the six months ended 30 June 2018

27 Significant acquisition or disposal of subsidiaries and transactions with non-controlling interests (CONTINUED)

(b) Deemed disposal of a subsidiary with loss of control and remaining interest retained as a joint venture

For the six months ended 30 June 2018, the Group lost control of a then wholly-owned subsidiary, namely, Shanghai Jianmu Investment and Management Co., Ltd. ("Shanghai Jianmu") pursuant to capital injection by a new investor and the Group. After the capital injection, the remaining interest of the Group in Shanghai Jianmu has a fair value of RMB580,000,000 respectively, which became a joint venture of the Group.

	RMB'000
Cash and cash equivalents	3,714
Properties under development	1,090,960
Trade and other receivables and prepayments	10,817
Deferred income tax assets	12,729
Borrowings (Note 16)	(358,800)
Trade and other payables	(217,601)
Total identifiable net assets	541,819
Fair value of interests retained in joint venture (Note 8(b))	580,000
Net assets attribute to the equity holders of the company disposed	(541,819)
Disposal gains (Note 20)	38,181
Net cash outflow arising from disposal	(3,714)

27 Significant acquisition or disposal of subsidiaries and transactions with non-controlling interests*(CONTINUED)***(c) Transfer from a joint venture to a subsidiary**

Jiaying Shimao New Pioneer Property Co., Ltd. ("Jiaying Shimao"), originally an 40% owned joint venture, became a subsidiary pursuant to the shareholders agreement in March 2018 that conferred, the Group 70% of voting rights. The carrying value of the investment in the joint venture was RMB39,640,000 before the business combination. The transaction resulted in a net cash inflow of RMB81,166,000 and no gain or loss.

The following table summarises the consideration paid, the fair value of assets acquired, liabilities assumed and the non-controlling interests at the acquisition date.

	RMB'000
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Cash and cash equivalents	81,166
Properties under development	1,461,970
Trade and other receivables and prepayments	60,065
Property and equipment (Note 7)	356
Deferred income tax assets	960
Contract liabilities	(47,923)
Trade and other payables	(1,457,493)
Total identifiable net assets	99,101
Non-controlling interests	(59,461)
Total acquired net assets	39,640
Book value of previously held interests in the joint venture (Note 8(b))	(39,640)
Cash consideration paid	–
Gain on acquisition	–
Cash consideration paid	–
Cash and cash equivalents in the entity acquired	81,166
Net cash inflow from acquisition	81,166

(d) Acquisition of subsidiaries

For the six months ended 30 June 2018, the Group acquired equity interest in three companies as follows:

	RMB'000
Consideration paid	
Fujian Zhongzhan Real Estate Co., Ltd.	28,300
Hebei Yilong Property Development Co., Ltd.	9,600
Longyan Shanghang Rongyu Property Development Co., Ltd.	5,100
	43,000

The acquisition had resulted in no gain or loss.

For the six months ended 30 June 2018

27 Significant acquisition or disposal of subsidiaries and transactions with non-controlling interests*(CONTINUED)***(d) Acquisition of subsidiaries (continued)**

The following table summarises the consideration paid, the fair value of assets acquired, liabilities assumed and the non-controlling interests at the acquisition date.

	RMB'000
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Cash and cash equivalents	183,261
Properties under development	412,960
Trade and other receivables and prepayments	385,171
Prepaid income taxes	1,363
Borrowings (Note 16)	(81,000)
Contract liabilities	(378,733)
Trade and other payables	(451,022)
Total identifiable net assets	72,000
Non-controlling interests	(29,000)
Total acquired net assets	43,000
Cash consideration paid	(43,000)
Gain on acquisition	–
Cash consideration paid	(43,000)
Cash and cash equivalents in the entity acquired	183,261
Net cash inflow from acquisition	140,261

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

For the six months ended 30 June 2018, non-controlling interests made several capital injections into the Group with total consideration of RMB5,878,706,000, which was equal to the carrying amount of non-controlling interests acquired on the date of acquisition.

(ii) Changes in ownership interests in subsidiaries without change of control

For the six months ended 30 June 2018, the Group acquired additional interests in the subsidiaries for a total consideration of RMB3,157,737,000. The Group recognised a decrease in non-controlling interests of RMB1,164,923,000 and a decrease in equity attributable to the equity holders of the Company of RMB1,992,814,000. The effect of changes in the ownership interest of the Group on the equity attributable to the equity holders of the Company during the period is summarised as follows:

	The date of acquisition RMB'000
Carrying amount of non-controlling interests acquired	1,164,923
Consideration paid in current period to non-controlling interests	(917,737)
Consideration prepaid in prior year and recorded in 'Other non-current assets'	(2,240,000)
Excess of consideration paid recognised in equity	(1,992,814)

28 Related party transactions

The Group is controlled by Gemfair Investments Limited (incorporated in the British Virgin Islands), which owns 57.513% of the Company's shares. The ultimate controlling person of the Group is Mr. Hui Wing Mau.

- (a) Other than those disclosed elsewhere in this interim condensed consolidated financial information, the Group had entered into the following major related party transactions during the period:

	Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Construction material sold to related companies	33,074	4,393

(b) Key management compensation

	Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Emoluments		
– Salaries and other short-term employee benefits	7,764	9,004
– Retirement scheme contributions	68	155
	7,832	9,159

29 Subsequent events

On 21 June 2018, the Company issued senior notes with total principal of RMB1,200,000,000 at a fixed rate of 5.75% due on 15 March 2021. In July 2018, RMB1,200,000,000 has been drawdown by the Company.

In July 2018, the Group issued "Shimao-Huaneng-Kaiyuan housing lease trust beneficiary ABS" on the Shanghai Stock Exchange with total scale of RMB1,000,000,000 at a fixed rate of 5.6% for a term of 20 years. The first batch amounted to RMB500,000,000 has been drawdown by the Group on 6 July 2018.

Pursuant to the facility agreement (the "Facility Agreement") dated 31 July 2018 and entered into between, among others, the Company as borrower and Bank of Communications Co., Ltd. Hong Kong Branch as lender, a term loan facility in an amount of HK\$1,500,000,000 will be made available to the Company for a term of 48 months from the date of the Facility Agreement. As at 2 August 2018, HK\$1,000,000,000 has been drawdown by the Company.