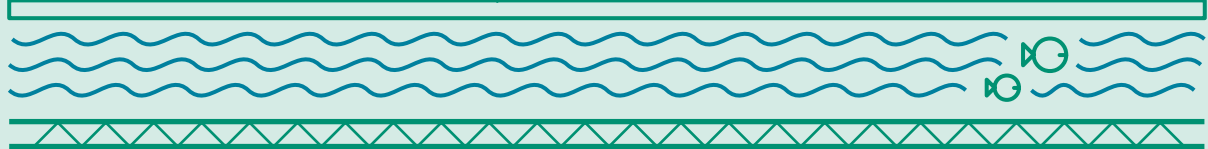


SHIMAO 世茂房地產

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



◆ INTERIM REPORT ◆

2019

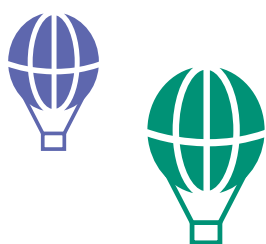
(Incorporated in the Cayman Islands with limited liability)
Stock Code: 813



Beijing Yidu Qingqing Town



Hangzhou Shimao Wisdom Tower

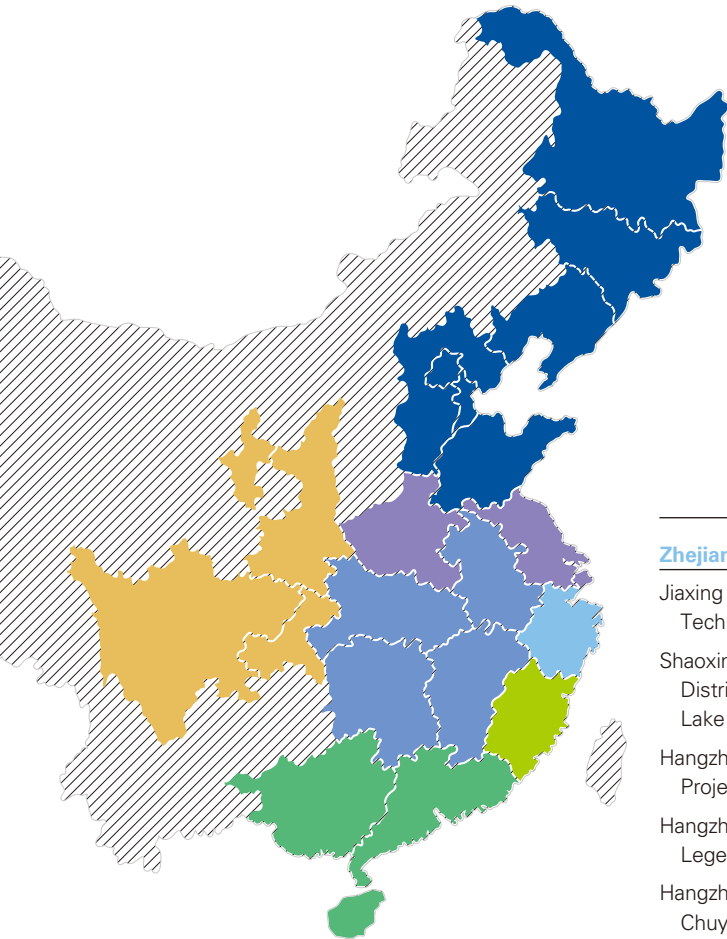


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NATIONWIDE QUALITY LAND RESERVES



Zhejiang District

- Jiaxing Science and Technology City
- Shaoxing Yuecheng District Qingdian Lake Project
- Hangzhou Pengbu Project
- Hangzhou Born with Legend
- Hangzhou Haoyun Chuyun Project
- Wenzhou Ou Hai Centre Project

Central China District

- Wuhan Dragon Bay Carnival
- Hefei Gaoxin Project
- Wuhan Splendid River
- Hefei Shimao Jade Mansion
- Changsha Zhengyuan

Western District

- Chengdu Longquanyi
- Yinchuan Shiyue Mansion
- Chongqing Runyijiang Project
- Chongqing Shimao Luxury Mansion
- Yinchuan Gongyong Garden
- Lanzhou Galaxy International Project

Shandong District

- Qingdao Shimao Noble Town
- Jinan Baimashan
- Jinan Shimao Metropolis
- Jinan Xiaoya Parcel
- Jinan Jiyang Chengbo Lake

Northern China District

- Beijing Shangzhuang Project
- Beijing Fengtai District Xitheyng Project
- Beijing Fengtai Xiaowayao
- Beijing Chaoyang Jiangtai Project
- Zhangjiakou Huailai Project

Land reserves in **101** cities, **301** projects,
covered an area of **64.07** million sq.m.
(before interests) *(as at 30 June 2019)*

Jiangsu and Shanghai District

Shanghai Baoshan Luodian Project
Shanghai Songjiang Project
Suzhou Shimao Bronze Swallow Terrace
Nanjing Shimao Bund New City
Nanjing Jiangpu G24 Project
Nanjing Jiangwan New Town Project

Strait Development District

Fuzhou Pingtan Straits Future City
Fuzhou Lianpan
Quanzhou Luojiang
Fuzhou Licuoshan Project
Quanzhou Quangan Project
Fuzhou Changle Jinfeng No. 3-4 Parcels
Fuqing 01,03 Parcels
Fuzhou Yongtai Project
Fuzhou Jinrong Street Project
Fuqing 19, 20, 21 Parcels
Fuzhou City 108 Building Project
Quanzhou Luoyang Bridge Project
Hangzhou Jiangcun Project

Guangzhou Foshan Courtyard
Guangzhou Swan Lake
Guangzhou Jiasheng Project
Guangzhou Zengcheng Project
Cathay Nanchang Courtyard
Nanchang Yinmeng Lake Project
Suzhou Dianshan Lake Project

Southern China District

Shenzhen Qianhai Shimao Financial Centre
Shenzhen Longgang Project
Shenzhen Pingshan Centre
Guangzhou Finance City

HKSAR

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

Remarks: Only the key projects are listed above



CORPORATE INFORMATION

Board of Directors

Executive Directors

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

Non-executive Director

Liu Sai Fei

Independent Non-executive Directors

Kan Lai Kuen, Alice
Lu Hong Bing
Lam Ching Kam

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Company Secretary

Lam Yee Mei, Katherine

Auditor

PricewaterhouseCoopers

Principal Place of Business in Hong Kong

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Lippo Centre
89 Queensway
Hong Kong
Telephone: (852) 2511 9968
Facsimile: (852) 2511 0287
Website: www.shimaoproperty.com



Nanping Yanping Project

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P.O. Box 2681
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Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
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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:	HK60 cents per ordinary share
Book closure period:	Wednesday, 11 September 2019 and Thursday, 12 September 2019
Record date:	Thursday, 12 September 2019
Payment date:	Friday, 27 September 2019
Latest time for lodging transfer documents:	4:30 p.m. on Tuesday, 10 September 2019



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 2019.

Market and Outlook

In the first half of the year, urban regulation in China was moderate and differentiated. Regulations in heated cities such as Suzhou and Xi'an have been tightened. The regulation policies of popular cities remained strict, and some cities have introduced loose policies, for example, restrictions on purchases were eased in parts of Nanjing, more second-tier and third-tier cities lowered the threshold for talents to settle down, and Shijiazhuang implemented the "zero threshold" and gave preferential treatment such as purchase subsidies and tax breaks for highly-competent talents. According to the National Bureau of Statistics, a total of approximately 757.86 million sq.m. of gross floor area of commodity properties were sold for approximately RMB7,069.8 billion, representing year-on-year decrease of 1.8% and increase of 5.6% respectively.

Looking forward to the second half of 2019, the policy is expected to be stable. It is expected that the sales of commodity properties in China will hit a record high again. Urban differentiation and urban internal differentiation have intensified, and cities of different tiers further differentiated. It is expected the saleable resources of the Group in the second half of the year will reach 16.73 million sq.m.; the annual total saleable value will exceed RMB400.0 billion; and the sell-through rate is expected to be above 53%. Shimao is confident to exceed the annual sales target of RMB210.0 billion.



Taizhou Shimao Shine Center



Fuzhou Hengyu Project

Sales Performance

With respect to property sales, the Group's contracted sales amounted to RMB100.34 billion in the first half of 2019, representing approximately 47.8% of its annual target. The aggregate sales area reached 5.560 million sq.m., with an average selling price of RMB18,048 per sq.m., representing a steady growth. The Group maintained a sell-through rate of more than 50% in spite of significant increase in the saleable resources in the first half of 2019. Among these resources as at 30 June 2019, residential property accounted for 68%, and fresh inventory less than a year accounted for 70%. The healthy inventory structure provides sufficient reserves for the growth in the second half of the 2019.

Shimao's Strategies

Shimao's insightful strategies, continuous efforts in regional development and synergy of product influence have propelled its quality growth. Under the management mechanism fully authorized by "corporatization", the "ownership spirit" of regional companies has been further stimulated, which accelerated the overall operation efficiency. In particular, Shimao Strait's development company (formerly Shimao Fujian's regional company, "Shimao Straits") recorded the highest sales volume in Fujian Province and has won sales championship in cities like Fuzhou, Quanzhou and Longyan. In 2019, from seeking a foothold in Fujian and moving into the nation, Shimao Straits opened up the large-scale development of "deep cultivating core metropolitan areas and developing in-depth strategic city clusters". So far, it has set foot in 29 cities of 9 provinces. Shimao Straits will explore a new path for regional benchmark housing development with its highly focused product advantages and core resource integration capabilities in the future.



Shimao has long followed the national strategic direction for regional deep cultivation, focusing on lucrative regions with national macro-strategic policy support, quality economic development and strong demand. It participated in the development of core city clusters such as the Jingjinji Metropolitan Region, the Yangtze River Delta, the middle and lower reaches of the Yangtze River, the Economic Zone on the coastal cities along the West Coast of the Taiwan Strait, the Pearl-River Delta, the Cheng-Yu Economic Zone and Shandong Peninsula. Based on its development portfolio, Shimao has sufficient resources reserves of over RMB1,050.0 billion in popular regions across China for sustaining its future development. The value of the land reserves of the Group in the Guangdong-Hong Kong-Macao Greater Bay Area reached RMB260.0 billion. Three skyscrapers in Qianhai, Longgang and Pingshan Districts of Shenzhen feature new landmarks in one city. Unveiled in June 2019 in Shenzhen and developed in the spirit of Bay Area, "Shimao Shenzhen-Hong Kong International Centre" project integrated more than ten business forms and has become the first super-complex of the Guangdong-Hong Kong-Macao Greater Bay Area. Zhejiang regional company continued its business development in the Hangzhou Bay Region by setting foot in Zhoushan following its deployment in Hangzhou, Ningbo, Shaoxing, Jiaxing, Wenzhou and Taizhou. These sufficient land resources reserves will provide continuous and solid support for Shimao's sales growth in the future.

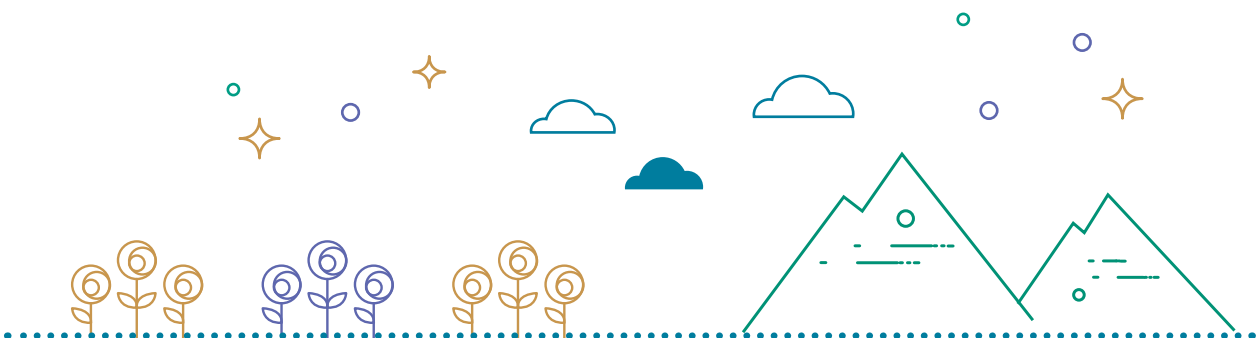
Project Quality

Behind the large-scale development, Shimao always maintains high requirements for "quality" and takes this as an indicator of action to continuously improve and optimize the internal management system. In terms of project management system, Shimao has been focusing on process behavior management and monitoring system implementation since 2016, and repeated calculations year by year, forming a whole-cycle project management system, which can standardize and fine-tune 172 key management actions in "6 major professional modules + 1 full-scale risk module". It has promoted the strengthening of the project management efficiency of Shimao, the strengthening of project quality, and the continuous increase of customer satisfaction, providing a solid foundation for scale acceleration of Shimao.

Flexible and Diverse Way of Land Acquisition

The Group upheld its prudent strategy and was both prudent and proactive in replenishing land reserves. The Group adjusted its strategy in anticipation of the continuation of the government's differentiated policy for specific cities. In addition to the first-tier and second-tier cities, the Group acquired land in the nearby third-tier and fourth-tier cities which may benefit from the spilt-over demand from the first-tier and second-tier cities. During the reporting period, the Group acquired land reserves of 14.12 million sq.m., with approximately 60% of the value of land acquired through acquisition. The way of land acquisition is flexible and diverse. Compared with obtaining land from open market, the acquisition cost can be controlled, which effectively reduces the operational risk. Currently, the Group has 301 projects with a total area of 64.07 million sq.m. of quality land in 101 cities across the country.

In view of intensifying competition in land acquisition in major investment cities, the Group will enhance human resources and budget for land acquisition, seek cooperation opportunities and strictly follow the latest policies and urban development planning in various cities. In addition to public auction, the Group will also develop diversified methods such as cooperation, acquisition and strategic purchase to further expand its land acquisition. The value of the newly-acquired land for the year is planned to exceed RMB400.0 billion. The Group's investment in quality land also ensures the sustainable and high-quality rapid growth in 2019 and 2020.





InterContinental Shanghai Wonderland

Uphold Prudent Financial Policy

In the first half year, the central government and local governments demonstrated profound policy synergy, and the regulatory authorities at various levels prominently strengthened property financial regulation, with extensive tightening signals and frequent introduction of regulatory policies, which further reflected the main keynote of “no speculation of residential properties” and “targeted policy for specific city”.

The Group deeply understood and implemented the policy of quality growth, limiting its net gearing ratio below 60% for the eighth consecutive year. Through sound control over cash flows, revenue increase and expenses reduction, and speeding up cash collection via multi-dimensional assessment and control, the amount from cash collection of the Group was RMB81.3 billion, representing an increase of 47.8% in the corresponding period of last year and the cash collection rate is 81%, representing an increase of 5 percentage points in the corresponding period of last year. Meanwhile, the Group further deepened the strategic cooperation with financial institutions, and promoted the cooperation with China CITIC Bank in ten billion mortgage in the first half of the year. The Group made rational investment in land within its resource capacity, and revered the market. By leveraging on its financial strength and seizing the opportunities arising from mergers and acquisitions during the adjustment period of the industry to replenish quality land bank and guarantee its profit margin, the Group achieved sustainable development and was recognized by the financial market and the regulatory authorities. Moreover, in May, the Company's wholly-owned domestic subsidiary was approved to issue the corporate bonds with a scarce quota of RMB13.2 billion, diversifying its financing channels.

Standard & Poor's, Moody's and Fitch maintained their credit ratings of the Group at “BB+”, “Ba2” and “BBB-”, respectively. The Group is maintained “AAA” rating, the highest corporate credit rating, by CCXI and United Ratings, etc.. During the reporting period, the Company was approved by the NDRC to issue 2.0 billion US dollar bonds, successfully issued at an interest rate of 6.125% and 5.6%, respectively, to replace the 1.1 billion US dollar bonds bearing a high interest rate of 8.375%. Shimao's ABS and ABN were not affected by the stringent financing environment in the property sector. The Group signed a four-year syndicated loan of US\$838 million and HK\$3.994 billion in August with an interest rate of Libor/Hibor+2.98%. By virtue of diversified channels, ongoing innovation and seizing right opportunities, the Group further lowered its financing costs to 5.6% in the first half of the year, which assured its high quality growth in respect of banking facilities and costs. In the second half of the year, the Group will continue to strengthen cash flow control and diversify financing for steady progress and high-quality and rapid development of the Group.

Diversified Business Layout

The Group is committed to helping the developments and empowerments of cities, which not only reinforce Shimao's sustainable competitiveness in the market cycle, but also injects sustainable genes and strong internal driving force for achieving overall quality growth.

In terms of hotel business line, the Group cooperated with Starwood Capital to start up a Chinese hotel brand with extensive experience and strong capital. Shimao Star Hotel Group ("Shimao Star") already has 6 unique hotel brands, namely, Yu Resort, Yuluxe, Yu Hotels, Yu Residence, MiniMax and Mini, providing a full spectrum of services. As at 30 June 2019, there are 78 hotels under Shimao Star. Among them, there are a total of 72 hotels in 41 first tier and second-tier cities and popular tourist destinations in 22 provinces; meanwhile, Shimao Star successfully secured 6 major overseas projects, and the distribution will cover Bali and Lombok of Indonesia and Malacca and Bentong of Malaysia. In addition, it also released its latest brand, ETHOS (凡象), which became the exclusive hotel brand partner of China Li-Ning during Paris Fashion Week to jointly demonstrate the new trend of the Chinese younger generation.

In terms of commercial and entertainment sector, the Group introduced world-renowned cultural IP, which has blossomed in many places and created new international entertainment landmarks in many cities, demonstrating a sound and steady development trend of Shimao.

Under the background of urban transformation and upgrading, the Group has been steadily developing in the field of smart business. During the reporting period, it signed a strategic cooperation framework agreement with the artificial intelligence enterprise Unisound, which will conduct strategic cooperation with the Group in the development of intelligent hardware in commercial property, office and hotel, and the residential intelligence, to jointly promote the application of AI scenario of the entire industry chain.



Hello Kitty Shanghai Times

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. Facilitating the inheritance of Chinese culture, Shimao jointly works with the Palace Museum and its cultural derivatives, thus bringing new momentum for building confidence in Chinese culture. Shimao upholds the concept that "Flourishing youths lead to a flourishing nation". Through constantly holding activities like "We are Family" youth exchange programs of New Home Association, Shimao offers opportunities for the Hong Kong youth to experience the glory of Chinese civilization, thus enhancing the communication between the young people in mainland China and those in Hong Kong and further strengthening their national pride through cultural tours. Shimao actively participates in poverty alleviation by providing medical assistance. Through carrying out "The Belt and Road Eradication of Cataract Blindness", "Special Prevention and Control of Tibetan Hydatid Disease", "Spectacled Brother for Children with Serious Illnesses" and other public welfare projects, Shimao brings hopes to patients suffering from illness.

Interim Dividend

To demonstrate our appreciation for our shareholders' support, the board of directors of the Company (the "Board") declared an interim dividend of HK60 cents per share for the six months ended 30 June 2019 (2018 interim dividend: HK50 cents per share), representing year-on-year increase of 20%, reflecting the concept of the Company to share business results with shareholders.

Appreciation

On behalf of the Board, I would like to thank our shareholders, partners, local governments and customers for their tremendous support. I would also like to take this opportunity to express my heartfelt gratitude to our directors, management and staff for all their valuable contributions. The Group's success together with fulfillment of corporate goals are attributable to their support and engagement. Shimao will continue to provide high quality experience for people in residence, living, consumption, business, tourism, etc. and actively promote the process of urbanization in China.



Guangzhou Finance City

Hui Wing Mau

Chairman

Hong Kong, 27 August 2019

MANAGEMENT DISCUSSION AND ANALYSIS

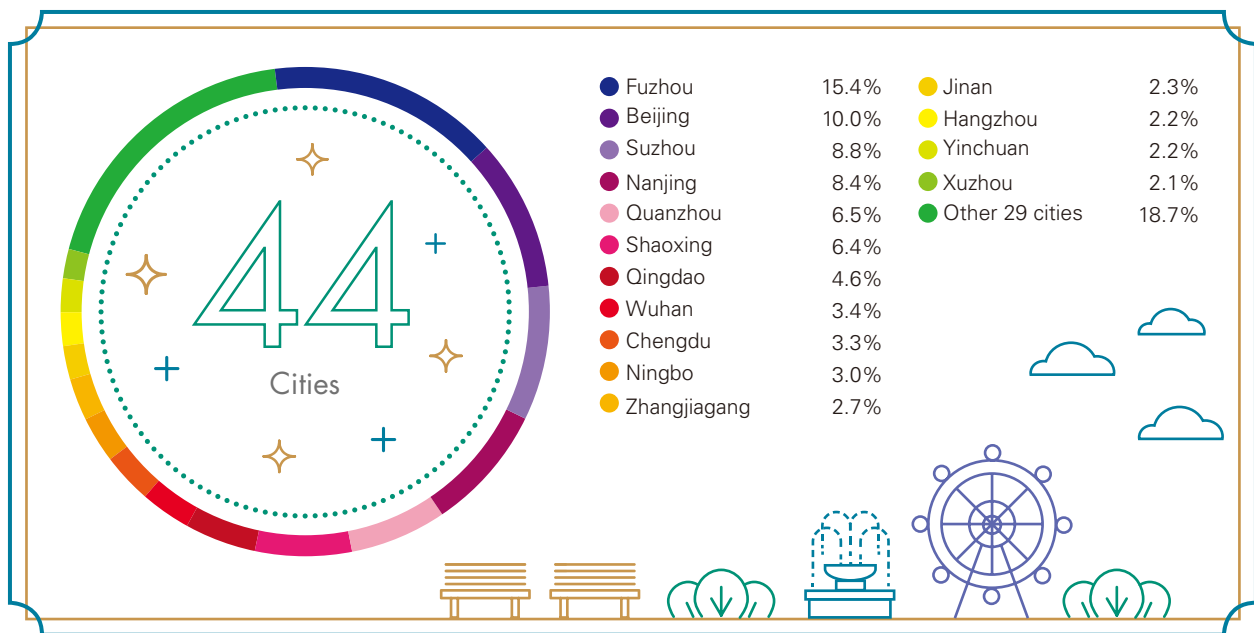
Business Review

Property Development

1) Recognized Sales Revenue

The Group generates its revenue primarily from property development, property investment and hotel operations. As at 30 June 2019, revenue of the Group reached RMB56.56 billion, representing an increase of 32.9% compared to RMB42.57 billion for the corresponding period in 2018. During the period, revenue from property sales amounted to RMB53.24 billion, accounting for 94.1% of the total revenue and representing an increase of 30.9% over the corresponding period in 2018. The average recognized selling price increased by 23.3% from RMB12,740 per sq.m. in the first half of 2018 to RMB15,713 per sq.m. in the first half of 2019.

The breakdown of recognized sales for the first half of 2019 by cities is set out as follows:



2) Steady Sales Growth

With respect to property sales, the Group's contracted sales amounted to RMB100.34 billion in the first half of 2019, representing approximately 47.8% of its annual target. The aggregate sales area reached 5.560 million sq.m., with a stable increase in average selling price of RMB18,048 per sq.m..

During the first half of 2019, the Group, under the premise of stable operation in market, and for one hand, based on various regulatory policies to tackle problems in a stable manner, strengthened the city-based and rational implementation for policies as well as the structural optimization, and promoted the performance growth with a forward-looking layout. Looking forward to the second half of 2019, the Group will launch saleable areas of approximately 10.07 million sq.m.. Together with the existing saleable areas of approximately 6.66 million sq.m. as at 30 June 2019, the Group's total saleable areas in the second half of 2019 will be approximately 16.73 million sq.m..



Qingdao Shimao Enjoy Your Sea

Key projects available for sale in the second half of 2019 are set out as follows:

District Company	Project	Saleable Area (sq.m.)
Strait Development company	Foshan Shunde	117,607
	Fuzhou Jinpu	106,000
	Fuzhou Puxia	104,239
	Nanchang Yinmeng Lake	99,482
	Nanning Tanze	152,955
	Xiamen Haicang	51,700
	Suzhou Dianshan Lake	91,286
Northern China company	Beijing Shangzhuang	35,979
	Beijing Dachang	20,000
	Chaoyang Jiangtai	121,680
	Tongzhou North District	33,350
Central China company	Hefei Gaoxin	76,499
	Wuhan Splendid River	70,000
Jiangsu and Shanghai company	Nanjing G11 Project	81,069
	Nanjing G24 Project	56,486
	Nanjing Xishan Bridge Project	70,434
	Suzhou Yuanhe Project	41,577
	Zhangjiagang Project	105,801
Zhejiang company	Hangzhou Haoyun	38,647
	Hangzhou Pengbu	42,638
	Wenzhou Station South	51,359
Western company	Kunming Shuangfeng Project	103,288
Shanghai Shimao	Suzhou Shimao Bronze Swallow Terrace	47,998
	Shenzhen Longgang Project	131,050
	Wuhan Dragon Bay Carnival	79,435
	Changsha Zhengyuan	161,606
	Hangzhou Jiangcun Project	119,147
Sub-total (Key projects above)		2,211,311
Projects available for sale in the second half of 2019 worth below RMB1.5 billion		7,860,980
Completed inventory		1,513,351
Uncompleted projects available for sale as of 30 June 2019		5,148,694
Total		16,734,336

3) Completion of Development Projects and Plans as Scheduled

During the first half of 2019, the Group's new starts area reached 10.49 million sq.m. and floor area under construction reached 34.08 million sq.m.. The aggregate gross floor area ("GFA") completed was approximately 5.43 million sq.m., 35.75% higher than the 4.00 million sq.m. completed in the corresponding period of last year. Looking forward to the second half of 2019, the floor area under construction and the GFA completed will be approximately 35.00 million sq.m. and 6.00 million sq.m., respectively.

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

During the reporting period, the Group increased its land reserves by 14.12 million sq.m., and in terms of amount, accounting for approximately 60% of the land acquired through acquisition under flexible and diverse land acquisition method. Currently, the Group has 301 projects with a total area of 64.07 million sq.m. of quality land in 101 cities across the country. The premium land resources and relatively low land cost provide continued support to the results of Shimao Property in the major markets nationwide in the next few years.

Geographically, the Group adjusted its strategy in anticipation of the continuation of the government's differentiated policy for specific cities. In addition to the first-tier and second-tier cities, the Group acquired land in the nearby third-tier and fourth-tier cities which may benefit from the spilt-over demand from the first-tier and second-tier cities. In respect of land cost, the average floor price of the new land reserves was approximately RMB5,581 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 2019, the Group's average land cost was RMB5,446 per sq.m.. The relatively low land cost provides effective assurance for the Group's endeavor for a higher profit margin in the future.

The land parcels acquired by the Group 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. Beijing Chaoyang Jiangtai	February 2019	Mixed residential and public construction	1,704	160,145	21,281	50%
2. Qingdao Taihu Road Parcel	February 2019	Residential	110	84,716	2,550	51%
3. Putian Xiuyu District Nos. PS Pai-2019-2/ 2019-3	February 2019	Residential	180	243,974	1,476	49%/ 51%
4. Fuzhou Mazongdi No. 2019-02 Parcel	February 2019	Commercial and residential	242	67,877	7,131	50%
5. Hainan Huaya Asset Portfolio Project (Haikou Huaya Bund Centre/ Qionghai Huaya Baoli Mingzhu/ Wanning Huaya In the Garden/ Wanning Huaya Joy Town)	February 2019	Commercial and residential	314	190,413	5,534	20%/ 20%/ 40%/ 30%
6. Jinan Changqing Dongwang Parcel	March 2019	Residential	950	235,667	4,031	100%
7. Lin'an Project	March 2019	Commercial and residential	929	310,463	6,107	49%
8. Shishi 2018S-26/2018S-27	March 2019	Commercial and residential	884	291,222	3,035	100%
9. Nanning GC2019-017	March 2019	Commercial and residential	236	80,185	6,000	49%
10. Maoming WG2019-05	March 2019	Residential, science and educational	337	258,546	1,303	100%
11. Cathay Courtyard-Nanchang Courtyard Project	March 2019	Commercial and residential	82	141,341	1,698	34%
12. Hebei Xianghe Wantong	March 2019	Residential	2,360	775,000	4,350	70%
13. Nanjing Yuhuatai District Xishanqiao Street-Ningwu Railway South C2 and C3 Parcels	March 2019	Commercial and residential	1,428	168,798	16,588	51%
14. Fuzhou Jin'an District 2019-10/ Cangshan District 2019-12	March 2019	Commercial and residential	2,065	206,090	10,020	100%
15. Fuzhou Changle 2019-2/ Changle 2019-4	March 2019	Commercial and residential	438	49,449	8,847	100%
16. Hangzhou Jiangcun Project	March 2019	Commercial and residential	1,026	183,454	11,413	49%
17. Zhangzhou Hong Shu Wan Project	March 2019	Commercial and residential	1,834	370,629	12,371	40%

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
18.	Putian Zhongtan Resettlement Housing Project	March 2019	Residential	25	37,815	3,239	20%
19.	Lanzhou Qilihe Hongjian Project	March 2019	Residential	448	196,993	4,545	50%
20.	Nanchang Jiangnan Courtyard-Yinmeng Lake Project	March 2019	Commercial, residential, cultural and entertainment, and tourism	1,943	871,628	4,371	51%
21.	Anhui Ma'anshan Jiangwan New Town Project	March 2019	Commercial and residential	2,792	1,888,040	2,900	51%
22.	Shaoxing Binhai New Town J2 Parcel	April 2019	Commercial and residential	336	208,034	1,617	100%
23.	Xinyang Nanwan Lake Project	April 2019	Residential	100	92,084	1,357	80%
24.	Kunming Guandu District Shuangfeng Project (177 acres)	April 2019	Residential	1,257	380,439	6,476	51%
25.	Kunming Wujiaba Central Park Project	April 2019	Residential and commercial	816	163,031	5,003	100%
26.	Zhaoqing YS01008 and YS1009-2	April 2019	Commercial and residential	528	164,574	3,209	100%
27.	Wenzhou Tangxia Central District C-5-8 Parcel	April 2019	Residential	633	51,224	12,363	100%
28.	Parcel at the Northwest of the Intersection of Dongsan Road and Jinjishan Road in Zhuji	April 2019	Commercial and residential	178	83,376	6,479	33%
29.	Mianyang Puming Project	April 2019	Type II residential with commercial	666	190,800	3,491	100%
30.	Tianjin South Lake Project 2019-010	April 2019	Operational	219	221,828	5,099	19%
31.	Nanping Jianyang 2019-P-03	April 2019	Commercial and residential	154	127,872	3,644	33%
32.	Parcel at the North of the Vocational and Technical College in Lishui	April 2019	Urban residential, retail and commercial	1,017	85,163	11,942	100%
33.	Fuzhou Jin'an District 2019-13 Puxia Parcel	April 2019	Commercial and residential	371	128,769	14,390	20%
34.	Hefei Changfeng County CF201906/CF201909	April 2019	Residential	1,410	185,150	7,615	100%
35.	Weifang Ge'er Tao Yuan Li Parcel (123 acres)/Weifang Ge'er Zhuohe Parcel (185 acres)	April 2019	Commercial and residential	1,024	424,336	3,016	80%
36.	Wenzhou Tangxia Central District C-7-4/C-7-5 Parcels	April 2019	Residential, science and educational	380	34,369	11,062	100%
37.	Chongqing Pengshui Liangjiang City Phase II	April 2019	Commercial and residential	306	329,715	1,820	51%
38.	Nanning GC2019-016 Parcel	May 2019	Residential	117	57,423	5,100	40%
39.	Shandong Pingdu Parcel	May 2019	Residential, commercial and educational	29	91,777	764	41%
40.	Guangzhou Foshan Courtyard	May 2019	Commercial and residential	323	481,500	2,236	30%
41.	Guangzhou Zengcheng Project	May 2019	Commercial and residential	3,205	1,074,707	6,086	49%
42.	Suzhou Dianshan Lake Project	May 2019	Residential	444	398,058	5,576	20%
43.	Wenzhou Core District South Unit A-19 Parcel	May 2019	Residential, commercial, and food and beverage	2,236	124,266	17,994	100%
44.	Yueqing Hongqiao Town Xitang Village Parcel	May 2019	Commercial and residential	739	195,775	7,544	50%
45.	Zhaoxing Sihui Zhenshan Street Yaosha Village Committee Lot	May 2019	Commercial and residential	526	166,304	3,164	100%
46.	Fu'an Hukou District D02 Parcel	June 2019	Commercial and residential	369	171,950	2,681	80%
47.	Parcel at the Northeast of the Intersection of Lihu Road and Old Hubin Road in Wuxi	June 2019	Commercial and residential	728	55,341	13,155	100%
48.	Putian No. PS Pai 2019-14	June 2019	Residential	109	56,034	3,953	49%
49.	Fuzhou Yongtai No. 2019-09 Parcel	June 2019	Commercial and residential	485	151,255	3,207	100%
50.	Zhenjiang Runzhou District Guantang Area Yuanyang School North	June 2019	Commercial and residential	418	116,006	3,600	100%
51.	Zhoushan DH-47-04-02, 06 and 07 Parcels (Zhu Shan Men Residence Parcel)	June 2019	Commercial and residential	417	66,238	6,299	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
52. Guangzhou Swan Bay Phase II	June 2019	Residential	2,780	47,007	59,136	100%
53. Guangzhou Jiasheng Project	June 2019	Wholesale and retail, and urban residential	2,195	43,312	50,678	100%
54. Zhangjiakou Huailai Project	June 2019	Commercial	293	203,474	2,823	51%
55. Shenzhen Longgang District Henggang Street Silian Community Xianhe Residents Group Old Village Area	June 2019	Residential	279	270,149	5,164	20%
56. Taizhou Tiantai County TFX01-0203 Parcel	June 2019	Residential	476	80,835	5,889	100%
57. Changzhou Dingtang River Project	June 2019	Commercial and residential	2,620	283,448	9,243	100%
58. Xinyang Zhengxing No. (2019) 14-3	June 2019	Residential	98	116,726	2,533	33%
59. Parcel at the Northwest of the Intersection of Renmin South Road and Wenchang Road in Zhuji	June 2019	Commercial and residential	106	41,480	6,407	40%
60. Zhuji Chengxi Business District	June 2019	Residential	845	148,603	5,686	100%
Total			49,554	14,124,878	5,581	



Shanghai Shimao Festival City

Property Investment

In respect of commercial properties, Shimao Property is engaged in the development of commercial properties through Shanghai Shimao Co., Ltd. ("Shanghai Shimao"), a subsidiary in which Shimao Property has 58.92% equity interest. Shanghai Shimao 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.

In the increasingly fierce competition environment of commercial properties, the commercial operation management of Shanghai Shimao has always maintained steady progress, and explored and expanded in the industry field in a stable and orderly manner by exploring various forms of business and stock improvement. During the reporting period, Jinan Shimao International Plaza reached 10.67 million of passenger flow. Positioning as "Fashionable City of Springs • Hilarious Shimao" (潮領泉城•歡樂世茂), the project not only transforms the leading consumption pattern at home and abroad into a modern and beautiful experience in Jinan residents' leisure life, but also continuously introduces high-quality well-known brands to integrate more consumption highlights. In the first half of the year, the number of newly leased brands in the plaza were 82, covering an area of more than 5,600 sq.m., with the first store of 6 well-known chain brands in Shandong. In the first half of the year, there were 15 brands in the plaza won the sales champion in Shandong Province and 21 brands won the sales champion in Jinan City. In the first half of the year, Xiamen Shimao Straits Mansion reached passenger flow of 3.82 million, completed 26 investment adjustments with an area of over 3,000 sq.m. and attracted certain well-known brands that entered Fujian and Xiamen for the first time. The occupancy rate of Nanjing Yuhua Shimao Zhihuiyuan has been increasing continuously since its launching for half a year and it has signed with many well-known enterprises, such as Trend Micro, CITIC Bank, Zhilian Zhaopin, TI, China Business Network and Hangtai Kechuang. In addition, during the reporting period, the first Shimao independent joint office brand "Mao Space" was launched which partially broke the traditional office space and realized the "unlimited imagination" with "limited space", providing small and medium-sized enterprise customers with light luxury experience, flexible and efficient one-stop office service. During the reporting period, Shimao's business was highly appraised in the industry, and was awarded as "2019 China Commercial Real Estate Value Top 10" (2019年中國房企商業物業價值十強), "2019 The Innovation of China Commercial Real Estate Top 5" (2019年中國商業地產企業創新性五強) and "2019 Top 10 Asset Operation Capacity of China Commercial Real Estate" (2019年中國商業地產資產運營能力十強).

Hotel Operations

As of 30 June 2019, the Group had a total of 22 hotels in operation, including Le Royal Méridien Shanghai, Hyatt on the Bund Shanghai, The Yuluxe Sheshan, A Tribute Portfolio Hotel, Shanghai, Hilton Nanjing Riverside, Holiday Inn Mudanjiang, Holiday Inn Shaoxing, DoubleTree by Hilton Wuhu, Crowne Plaza Shaoxing, InterContinental Fuzhou, Hilton Tianjin Eco-City, DoubleTree by Hilton Ningbo Chunxiao, Hilton Wuhan Riverside, Conrad Xiamen, DoubleTree by Hilton Ningbo Beilun, Hilton Yantai, Hilton Shenyang, Le Méridien Hangzhou Binjiang, InterContinental Shanghai Wonderland and four hotels entrusted to Shimao Star for management. Currently, the Group has around 7,000 hotel guest rooms. Shimao's hotels have always been committed to creating Shimao's stylized tourism experience and lifestyle. At the same time, it has established a perfect and effective hotel asset management operation mode with new thinking and innovative business model and layout to maximize the value of assets and has become the leader in China's hotel industry asset management. In the first half of 2019, the Group's hotels achieved a total revenue of RMB1.00 billion, representing a year-on-year increase of 13.2%, with an EBITDA of RMB290 million, representing a year-on-year increase of 7.8%. Due to the partial renovation and reconstruction started from the first half of 2018, the revenue of Le Royal Méridien Shanghai decreased by 26%, and also due to partial renovation and reconstruction since the second quarter of the year, the revenue of The Yuluxe Sheshan, A Tribute Portfolio Hotel, Shanghai decreased by 28% compared with the same period of the previous year. Should these two not be taken into account, the Group's revenue from hotel operations would have increased by 27%, and the EBITDA would have increased by 32% compared with the same period of the previous year.

In the first half of 2019, Shimao Star officially released a new lifestyle brand designed specifically for the millennial generation in China, ETHOS (凡象), corresponding to their era recognition “distinguishing character, manifested sentiment” (生而不凡 不拘萬象), which becomes the exclusive hotel brand partner of China Li-Ning during 2020 Paris Fashion Week, to jointly appear on the international stage. The membership scheme “Shimao Star Dream Club (世茂喜達夢享會)”, through the update and active promotion of the system, has increased the number of members by nearly 300,000, which is an impressively rapid development. As of 30 June 2019, Shimao Star successfully signed 17 self-owned brand hotel projects, and hotels in operation and under development included 3 luxury resorts, “Yu Resort”, 11 luxury hotels, “Yuluxe”, 12 high-end hotels, “Yu Hotels”, 5 luxury serviced apartments, “Yu Residence”, 2 lifestyle boutique hotels, “ETHOS (凡象)”, 14 high-end inspirational selected hotels, “MiniMax”, 30 inspirational selected hotels, “Mini”, and one hotel entrusted by a third party for management. Of the 78 hotels, 11 have been put into operation and 67 were in preparation for opening. Shimao Star’s hotels have established significant presence in the first-tier and second-tier cities such as Beijing, Shanghai, Shenzhen, Chengdu, Wuhan and Xiamen, as well as the emerging cities with great potential in economic development and tourist hotspots, such as Kunming, Nanchang, Jiaxing and Wuxi. In terms of overseas markets, following the opening of Yuluxe Hotel and Yu Residence in Bali, 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), Shimao Star once again went overseas by signing 2 new projects in Malaysia, namely Eco-City Yu Hotel Bentong Malaysia (馬來西亞文冬生態城世御酒店) and Eco-City Yu Resort Hotel Bentong Malaysia (馬來西亞文冬生態城御榕莊酒店). Looking forward, while maintaining its focus on the fast-growing hotel market in China, Shimao Star will actively explore overseas markets, and striving to be a Chinese hotel group benchmark with global presence.

In the second half of 2019, the reconstruction for a part of the parlour and some guest rooms in Le Royal Méridien Shanghai, the banquet hall and some guest rooms in The Yuluxe Sheshan, A Tribute Portfolio Hotel, Shanghai, and the underground banquet hall in Hyatt on the Bund Shanghai will be completed. These hotels will serve the customers with a fresh condition, and the income is expected to rise substantially. Additionally, with the continuous improvement of the operation efficiency of InterContinental Shanghai Wonderland, the operating result is expected to have a better performance in the second half of this year. Facing the tough domestic and international economic situation, we will integrate various hotel resources of Shimao and use various sales platforms including e-commerce to strengthen the sales performance. At the same time, in response to the reduction of business customers, the personal consumption should be further increased and make it one of the main sources of income for hotels.

In the second half of 2019, Shimao Star will actively explore for new projects, expecting to achieve 100 opening and contracting 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 continuously promoted through diversified reward activities, with the aim of enhancing customer loyalty as well as providing a stronger customer source for its opened and upcoming hotels. The new lifestyle brand ETHOS’s first hotel, Shimao ETHOS Hotel Xiamen, will be grandly opened in September 2019. The hotel creatively combines China’s history and modern design with the local customs of Ludao and blends the Chinese manufacturing technology and wisdom with trendy arts to customize a journey for millennial generation customers, and make them feel a national pride. Shimao ETHOS Hotel Wuhan is also expected to be unveiled in the fourth quarter. In the second half of 2019, Shimao Star 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.



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 2019. Had the 31 hotels (31 December 2018: 29 hotels), namely, The Yuluxe Sheshan, A Tribute Portfolio Hotel, Shanghai, Le Royal Méridien Shanghai, Hyatt on the Bund Shanghai, Hilton Nanjing Riverside, Holiday Inn Mudanjiang, Crowne Plaza Shaoxing, Conrad Xiamen, Holiday Inn Shaoxing, Hilton Shenyang, Hilton Tianjin Eco-City, InterContinental Fuzhou, DoubleTree by Hilton Wuhu, Yuluxe Hotel Taizhou, DoubleTree by Hilton Ningbo Chunxiao, Hilton Yantai, Hilton Wuhan Riverside, DoubleTree by Hilton Ningbo Beilun, Yuluxe Hotel Xuzhou, InterContinental Shanghai Wonderland, Yuluxe Hotel Jinjiang, Yuluxe Hotel Wenchang Hainan, Shimao Minimax Hotel Dalian, Le Méridien Hangzhou Binjiang, Yu Resort Quanzhou, MiniMax Hotel Shishi, Sheraton Hong Kong Tung Chung, Four Points by Sheraton Hong Kong Tung Chung, Yu Resort Wuyishan, MiniMax Hotel Wuhan, Yuluxe Hotel Ningbo Xiangshan and MiniMax Hotel Chengdu Longquanyi been restated at fair value of RMB41.8 billion (31 December 2018: RMB40.3 billion), the net assets value of the Group would have been increased to RMB124.2 billion (31 December 2018: RMB117.3 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 2019 (RMB million)	As at 31 December 2018 (RMB million)
Fair value of above-mentioned hotels	41,756	40,312
Less: Carrying amount	(17,757)	(17,424)
Amounts to adjust from carrying amount to fair value	23,999	22,888
Less: Deferred income taxes	(6,000)	(5,722)
Increase in net assets value if the above-mentioned hotels are stated at fair value	17,999	17,166
Net assets value per consolidated balance sheet (excluding perpetual capital instruments)	106,177	100,180
Adjusted net assets value (excluding perpetual capital instruments)	124,176	117,346
Net debt	63,232	59,555
Adjusted net gearing ratio	50.9%	50.8%



Yantai Shimao No.1 The Harbour

Financial Analysis

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

	1H 2019 RMB million	1H 2018 RMB million
Revenue	56,564	42,571
Gross profit	17,020	13,207
Operating profit	14,177	11,936
Profit attributable to shareholders	5,105	4,271
Earnings per share - Basic (RMB cents)	155.17	126.64

Revenue

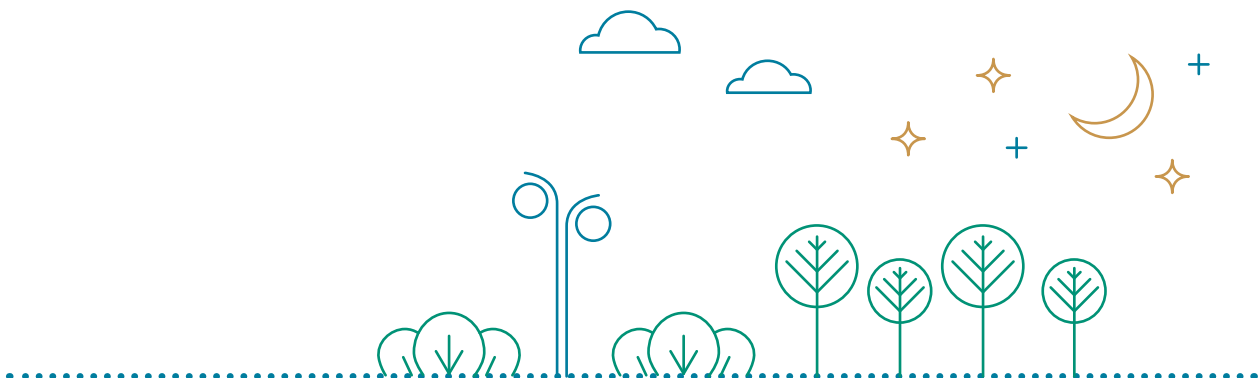
For the six months ended 30 June 2019, the revenue of the Group was approximately RMB56,564 million (1H 2018: RMB42,571 million), representing an increase of 32.9% over the corresponding period in 2018. 94.1% (1H 2018: 95.5%) of the revenue was generated from the sales of properties and 5.9% (1H 2018: 4.5%) from hotel operation, commercial properties operation, property management and others.

The components of the revenue are analysed as follows:

	1H 2019 RMB million	1H 2018 RMB million
Sales of properties	53,236	40,673
Hotel operation income	996	880
Commercial properties operation income	722	494
Property management and other income	1,610	524
Total	56,564	42,571

* The components of revenue are reclassified this period, with figures of 1H2018 accordingly adjusted.

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





Hangzhou Shimao Shine City

(i) Sales of Properties

Sales of properties for the six months ended 30 June 2019 and 2018 are set out below:

	1H 2019		1H 2018	
	Area (sq.m.)	RMB million	Area (sq.m.)	RMB million
Fuzhou	427,848	8,209	313,079	4,149
Beijing	149,511	5,328	29,750	480
Suzhou	157,065	4,669	49,189	1,207
Nanjing	194,563	4,492	33,077	1,092
Quanzhou	340,793	3,447	836,528	7,884
Shaoxing	156,462	3,412	37,518	763
Qingdao	233,592	2,467	198,610	2,451
Wuhan	156,565	1,816	197,761	2,878
Chengdu	150,202	1,762	97,566	957
Ningbo	58,718	1,607	21,750	383
Zhangjiagang	103,671	1,435	76,858	1,200
Jinan	136,422	1,237	119,565	1,688
Hangzhou	49,662	1,166	14,835	577
Yinchuan	129,518	1,156	396,490	2,446
Xuzhou	96,356	1,141	23,086	248
Tianjin	63,761	820	84,162	1,197
Jiaxing	49,574	788	31,866	533
Shanghai	37,137	716	36,190	1,932
Taizhou	49,056	689	–	–
Pingtian	58,519	624	105,676	1,326
Hefei	41,683	600	45,987	764
Xiamen	11,602	564	112,214	2,621
Changshu	36,977	514	13,003	110
Chongqing	39,234	474	56,639	924
Others	459,541	4,103	261,256	2,863
Total	3,388,032	53,236	3,192,655	40,673

(ii) Hotel Income

Hotel operation income is set out as follows:

	Date of Commencement	1H 2019 RMB million	1H 2018 RMB million
The Yuluxe Sheshan, A Tribute Portfolio Hotel, Shanghai	November 2005	56	78
Le Royal Méridien Shanghai	September 2006	110	149
Hyatt on the Bund Shanghai	June 2007	186	194
Holiday Inn Mudanjiang	December 2010	12	15
Holiday Inn Shaoxing	September 2011	15	15
Hilton Nanjing Riverside	December 2011	44	47
DoubleTree by Hilton Wuhu	October 2013	31	32
InterContinental Fuzhou	January 2014	50	46
Crowne Plaza Shaoxing	March 2014	43	46
Yuluxe Hotel Taizhou	August 2014	14	16
Hilton Tianjin Eco-City	April 2015	29	27
DoubleTree by Hilton Ningbo Chunxiao	December 2015	11	10
Hilton Wuhan Riverside	July 2016	61	54
Conrad Xiamen	August 2016	78	74
DoubleTree by Hilton Ningbo Beilun	December 2016	26	25
Hilton Yantai	August 2017	28	25
Hilton Shenyang	January 2018	41	24
Le Méridien Hangzhou Binjiang	September 2018	26	–
InterContinental Shanghai Wonderland	November 2018	132	–
Others		3	3
Total		996	880

Hotel operation income increased approximately 13.2% to RMB996 million from RMB880 million over the six months ended 30 June 2019. The increase was mainly derived from newly-opened hotels in 2018, including the InterContinental Shanghai Wonderland, which was grandly opened on 15 November 2018.



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

Commercial properties operation income was approximately RMB722 million over the six months ended 30 June 2019. It increased by 46.1%, mainly due to that Shanghai Shimao Festival City reopened in September 2018, with its rental income sharply improved than that before renovation. Meanwhile, Shanghai Shimao Tower and Nanjing Yuhua Shimao (Commercial) opened in December 2018, which contributed RMB37 million in rental revenue this period.

Commercial properties operation income is analysed as follows:

	Date of Commencement	1H 2019 RMB million	1H 2018 RMB million
Rental Income			
Shanghai Shimao Festival City	December 2004	116	5
Changshu Shimao The Centre	January 2009	11	12
Beijing Shimao Tower	July 2009	86	82
Wuhu Shimao Riviera Garden (Commercial)	September 2009	3	2
Shaoxing Shimao Dear Town (Commercial)	May 2010	48	50
Suzhou Shimao Canal Scene (Commercial)	June 2010	20	21
Shanghai Shimao Shangdu	November 2010	18	19
Xuzhou Shimao Dongdu (Commercial)	January 2012	6	6
Kunshan Shimao Plaza	April 2012	29	26
Jinan Shimao International Plaza	May 2014	80	80
Nanjing Straits City (Commercial)	December 2014	17	16
Quanzhou Shishi Shimao Skyscraper City	January 2017	17	18
Xiamen Shimao Straits Mansion	January 2017	29	21
Shanghai Shimao Tower	December 2018	16	–
Nanjing Yuhua Shimao (Commercial)	December 2018	21	–
Miscellaneous rental income		28	28
Rental income sub-total		545	386
Commercial properties related service income		177	108
Total		722	494

Property management income and other income increased by approximately 207.4% to RMB1,610 million for the six months ended 30 June 2019 from RMB524 million over the corresponding period in 2018 due to that property management business scale expanded gradually and revenues from project management increased significantly.

Cost of Sales

Cost of sales increased by 34.7% to approximately RMB39,544 million for the six months ended 30 June 2019 from RMB29,364 million for the six months ended 30 June 2018, which was in line with the growth in sales.

Cost of sales are analysed as follows:

	1H 2019 RMB million	1H 2018 RMB million
Land costs and construction costs	35,493	25,846
Capitalised borrowing costs	2,495	2,371
Direct operating costs for hotels, commercial properties operation and others	1,221	888
Sales taxes	335	259
Total	39,544	29,364

Fair Value Gains on Investment Properties – Net

During the period under review, the Group recorded aggregate fair value gains of approximately RMB632 million, mainly contributed by the further increase in value of certain investment properties. Aggregate net fair value gains after deferred income tax of approximately RMB158 million recognized was RMB474 million (1H 2018: RMB740 million).

Other Income/Other Gains – Net

Other gains of approximately RMB82 million for the six months ended 30 June 2019 (1H 2018: RMB179 million), which mainly included gain on government grants of RMB29 million (1H 2018: RMB19 million) and net gains on acquisition and disposal of subsidiaries of RMB20 million (1H 2018: RMB53 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 2019 (1H 2018: 2.3%), which was competitive in the market.

Operating Profit

Operating profit amounted to RMB14,177 million for the six months ended 30 June 2019, increased by 18.8% from RMB11,936 million over the first half of 2018, which was mainly attributable to the increase of revenue and gross profit.

Finance (Costs)/Income – Net

Net finance costs was approximately RMB170 million (1H 2018: net finance costs of RMB387 million), mainly due to less net foreign exchange loss in the first half of 2019 than that in the corresponding period in 2018.

Share of Results of Associated Companies and Joint Ventures

Share of results of associated companies and joint ventures increased to profits of approximately RMB16 million in the first half of 2019 from loss of approximately RMB134 million in the corresponding period in 2018, mainly due to the recognition of profit from Ningbo Sunjia Project and Guangzhou Asian Games City Project.

Taxation

The Group's tax provisions amounted to approximately RMB6,454 million for the period, in which PRC land appreciation tax ("LAT") was RMB3,046 million (1H 2018: RMB5,233 million, in which LAT was RMB2,399 million). 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 19.5% from approximately RMB4.271 billion in first half of 2018 to RMB5.105 billion in the first half of 2019. The increase was mainly due to the increase of core profit. Excluding the net impact of major after-tax non-cash items, net profit from core business for the period increased by 23.8% to approximately RMB7.576 billion (1H 2018: RMB6.121 billion), and net profit from core business attributable to shareholders for the period increased by 20.6% in the first half of 2018 to approximately RMB5.309 billion. Net profit margin from core business attributable to shareholders was 13.7% in the first half of 2019.

Liquidity and Financial Resources

As of 30 June 2019, the total assets of the Group were approximately RMB415.937 billion, of which current assets were approximately RMB320.699 billion. Total liabilities were approximately RMB304.660 billion, whereas non-current liabilities were approximately RMB90.388 billion. Total equity was approximately RMB111.277 billion, of which equity attributable to the shareholders of the Company amounted to approximately RMB62.197 billion.

As of 30 June 2019, the Group had aggregate cash and bank balances (including restricted cash) of approximately RMB52.234 billion (as at 31 December 2018: RMB49.577 billion). Total borrowings amounted to approximately RMB115.466 billion (as at 31 December 2018: RMB109.132 billion). Total net borrowings were RMB63.232 billion (as at 31 December 2018: RMB59.555 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 slightly from 59.4% as at 31 December 2018 to 59.6% as at 30 June 2019. Net gearing ratio has been maintained around 60% for eight consecutive years.

The maturity of the borrowings of the Group as at 30 June 2019 is set out as follows:

	RMB million
Bank borrowings and borrowings from other financial institutions and bonds	
Within 1 year	32,056
Between 1 and 2 years	15,053
Between 2 and 5 years	34,417
Over 5 years	9,178
Senior notes	
Between 1 and 2 years	941
Between 2 and 5 years	20,406
Over 5 year	3,415
Total	115,466

Financing Activities

The first half of 2019 witnessed intensified regulations on real estate financing, frequent enactments of supervision policies, concentrated indications of tightening-up environment. The Group had been adhering to prudent financial policies, following market trend, enhancing collaboration with financial institutions to explore financing channels, ensure ample financing facilities with favorable cost.

In May, the Banking Insurance Regulatory Commission executed “window guidance” on open market financing of real estate companies, which spared the Group thanks to its prudent financial style. This reflected the compliance of the Group’s financing structure with the regulation, and proved that the Group’s corporate strategy, brand equity and corporate culture were acknowledged by both regulators and investors.

Not only that, under the tightening environment of open market financing for real estate, Shanghai Shimao Jianshe Co., Ltd., a wholly-owned domestic subsidiary of the Company, obtained the corporate bonds with a scarce quota of RMB13.2 billion at the end of May from China Securities Regulatory Commission. The Group also had available facilities from banks and other financial institution of approximately RMB40.0 billion. Furthermore, the Group’s ABS and ABN derivatives were not affected by the severe financing situation.

In July, the Banking Insurance Regulatory Commission executed “window guidance” on several trust institutions, mainly marked by the “432” requirements. However, since most M&A projects of the Group were already under construction, which complied with the “432” requirements, the Group was barely affected by the “window guidance” on trust institutions.

Moreover, the Group achieved strategic cooperation with banks including ABC, BOCM, BOC, CITIC, etc.. After promoting a 5-billion strategic cooperation on mortgages with ABC last year, in May, the Group and CITIC Bank jointly promoted a 10-billion strategic cooperation on mortgages, which further enhanced the strategic cooperation between bank and enterprise.

In overseas financing market, the Group was granted with 2 billion US dollars bond quota from the NDRC, and successfully issued them at the interest rates of 6.125% and 5.6% respectively, which were among the lower cost issuances in the same period.

By multiple financing channels, multi-dimensional cooperation, and continuous innovation, the comprehensive financing cost of the Group in the first half of 2019 was maintained around 5.6%, which was 0.2 percentage point lower than 5.8% in 2018.

Foreign Exchange Risks

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

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

Above all, the future sales and operation of the properties in Hong Kong can partially hedge against the exchange rate risk.

Beside, the Group has also purchased a certain percentage of financial derivatives.

Pledge of Assets

As of 30 June 2019, 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 RMB57.078 billion to secure bank facilities granted to the Group. The corresponding bank and other loans amounted to approximately RMB17.614 billion.

Contingencies

As of 30 June 2019, the Group had provided guarantees for approximately RMB21.030 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 RMB9.276 billion in its portion of equity interests in associated companies and joint ventures for their borrowings.

Capital and Property Development Expenditure Commitments

As of 30 June 2019, the Group had contracted capital and property development expenditure but not provided for amounted to RMB68.837 billion.

Employees and Remuneration Policy

As of 30 June 2019, the Group employed a total of 10,640 employees, among whom 4,822 were engaged in property development. Total remuneration for the period amounted to approximately RMB1.244 billion. The Group has adopted a performance-based rewarding system to motivate its staff. The board of directors of the Company adopted a share award scheme (the "Share Award Scheme") of the Company on 30 December 2011. The purpose of the Share Award Scheme is to recognize the contributions by certain selected employees of the Group and to provide them with incentives in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group. In relation to staff training, the Group also provides different types of programs for its staff to improve their skills and develop their respective expertise.



Shenzhen Longgang Project

CORPORATE GOVERNANCE AND OTHER INFORMATION

Directors and Senior Management Profiles

Executive Directors

Hui Wing Mau (Chairman)

Mr. Hui Wing Mau, aged 69, the Chairman and Executive Director of Shimao Property Holdings Limited (the "Company", together with its subsidiaries, the "Group") and the founder of the Group. With over 29 years' experience in property development, property investment and hotel operation, he is primarily responsible for the Group's overall strategic planning and business management. Mr. Hui is currently a member of the Standing Committee of the Thirteenth National Committee of the Chinese People's Political Consultative Conference ("CPPCC"), the president of China Federation of Overseas Chinese Entrepreneurs, vice president of China Overseas Friendship Association, founding president and chairman of the board of directors of New Home Association, Hong Kong, chairman of Hong Kong Federation of Overseas Chinese Associations, vice president of Friends of Hong Kong Association, executive president of China Red Ribbon Foundation and chairman of Shanghai Overseas Chinese Chamber of Commerce etc.. 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, President and an Executive Director of the Company, and Ms. Hui Mei Mei, Carol, the vice chairman of Shanghai Shimao.

Hui Sai Tan, Jason (Vice Chairman and President)

Mr. Hui Sai Tan, Jason, aged 42, joined the Group in March 2000 and has been an Executive Director, the Vice Chairman and President of the Company since 17 November 2004, 21 April 2008 and 30 January 2019 respectively. Mr. Jason Hui obtained a Master of Science Degree in Real Estate from the University of Greenwich, the United Kingdom in 2001 and a Master's Degree in Business Administration from the University of South Australia in 2004. He has more than 20 years' experience in property development and management. He is a member of the Standing Committee of All-China Youth Federation, a member of Shanghai Committee of the CPPCC and a president of New Home Association, Hong Kong. Mr. Jason Hui is also a director of Shanghai Shimao. Mr. Jason Hui is the son of Mr. Hui Wing Mau, the Chairman, an Executive Director and a controlling shareholder (as defined in the Rules Governing the Listing of Securities (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 48, has joined the Group since July 2004 and was appointed an Executive Director of the Company since 6 February 2013. Ms. Tang is currently a Vice President of the Group, responsible for the financial control of the Group. Ms. Tang holds a Master's Degree in Business Administration from the University of South Australia and has over 25 years' experience in financial management and internal audit. Prior to joining the Group, Ms. Tang worked in the internal audit department of Bank of China, Head office from 1992 to 1998. She also worked in the audit department and treasury department of Bank of China (Hong Kong) Limited from 1999 to 2004. Ms. Tang is a Senior International Finance Manager and an associate member of The Association of International Accountants (the "AIA"). She was also awarded as one of the Top 10 Accountants of AIA in China in 2018.

Directors and Senior Management Profiles *(continued)*

Non-Executive Director

Liu Sai Fei

Mr. Liu Sai Fei, aged 57, has joined the Group since 2003, was appointed an Executive Director of the Company on 1 February 2010 and has been re-designated as a Non-executive Director of the Company since 9 January 2015. He is also a director and the president of Shanghai Shimao. He obtained a Master's Degree in Project Management from the University of Western Sydney, Australia in 2000. Mr. Liu has over 34 years' experience in architectural design and project management. Prior to joining the Group, he worked for CRG Contractors Dte from 1998 to 2001. From 2001 to 2003, he worked for Shanghai Merry Land Co., Ltd. as project manager.

Independent Non-Executive Directors

Kan Lai Kuen, Alice

Ms. Kan Lai Kuen, Alice, aged 64, has been an Independent Non-executive Director of the Company since 16 March 2006 and has more than 27 years' experience in corporate finance. She is the responsible officer, the managing director and the controlling shareholder of Asia Investment Management Limited, a licensed corporation accredited by the Securities and Futures Commission of Hong Kong. Ms. Kan currently serves as an independent non-executive director on the boards of the following companies which are listed on the HKEx: Regal Hotels International Holdings Limited, China Engin International (Holdings) Limited, Cosmopolitan International Holdings Limited, Mason Group Holdings Limited and Jolimark Holdings Limited. She is also an independent director of AVIC International Maritime Holdings Limited, a company listed on the Catalist Board of the Singapore Exchange Securities Trading Limited. She was formerly an independent non-executive director of Shougang Concord International Enterprises Company Limited, a company listed on the HKEx, from 2004 to 2018. She is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Hong Kong Institute of Directors, the Association of Chartered Certified Accountants and the Australian Society of Certified Practising Accountants. Ms. Kan held various senior positions in international and local banks and financial institutions.

Lu Hong Bing

Mr. Lu Hong Bing, aged 52, has been an Independent Non-executive Director of the Company since 17 November 2004. Mr. Lu obtained a Master's Degree in law from East China University of Political Science and Law in 1991 and has more than 26 years' experience in corporate and securities laws in China. Mr. Lu currently serves as an independent non-executive director of CEFC Hong Kong Financial Investment Company Limited, a company publicly listed on the HKEx. He is also an independent director of Shanghai Shentong Metro Co., Ltd., a company publicly listed on the Shanghai Stock Exchange, and Shandong Airlines Co., Ltd., a company publicly listed on the Shenzhen Stock Exchange. Mr. Lu was formerly an independent non-executive director of ZTE Corporation, a company publicly listed on the Shenzhen Stock Exchange and the HKEx, from 2015 to 2018. Mr. Lu is the chief executive partner of the Grandall Law Firm, a 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 (Alias: Jacob Lam), aged 58, has been an Independent Non-executive Director of the Company since 1 June 2006. He is currently a fellow member of The Hong Kong Institute of Surveyors. Mr. Lam obtained a Master's Degree in Business Administration from the Hong Kong Open University in 2004 and is a fellow member of the 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 Cost Engineer (中國造價工程師執業資格). Mr. Lam has been a consultant to the Beijing Construction Project Management Association (北京市建設監理協會) since 2003 and has engaged in professional training and vocational education in China for more than 17 years. Mr. Lam has been in the property development and construction industry for 35 years, and has worked for construction contractors such as Shui On Building Contractors Limited, China State Construction Engineering Corporation and Hopewell Construction Co., Ltd. Mr. Lam was employed as a quantity surveyor and worked in London from 1990 to 1991. He was employed by certain consultant firms and the Architectural Services Department of the Hong Kong Government before he emigrated to Australia in 1996 and operated a project management firm in Sydney. Mr. Lam was the project controller of Sino Regal Ltd. (HK) for investment projects in China from 1994 to 1996. In 1998, Mr. Lam established a surveying and management consultant firm which has been participating in many large-scale projects in Mainland China and Macau, including a Beijing Olympic 2008 project involving 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. and he became a partner from 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 2018 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 Director	Detail of Change
Ms. Kan Lai Kuen, Alice	Appointed as an independent non-executive director of Jolimark Holdings Limited, a company publicly listed on the HKEx

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 2019, 5,683,969 shares were granted to certain executive directors and selected employees of the Group under the Share Award Scheme and 4,113,131 awarded shares have been vested during the six months ended 30 June 2019.

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 2019, 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:

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)	69.643%
Hui Sai Tan, Jason	Beneficial owner	3,321,433 ^(Note 2)	0.101%
Tang Fei	Beneficial owner	1,008,691 ^(Note 3)	0.031%
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 375,805 shares granted under the Share Award Scheme.
- The interests disclosed include deemed interests in 288,233 shares granted under the Share Award Scheme.

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 2019 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 2019, 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	59.003%
Overseas Investment Group International Limited ("Overseas Investment")	Note 2	1,947,984,000	59.003%
Shiyong Finance Limited ("Shiyong Finance")	Note 3	351,258,942	10.639%

Notes:

- The interests disclosed represent the interests in the Company which are held by Gemfair, a company which is directly wholly-owned by Mr. Hui Wing Mau.
- The interests disclosed represent the right of Overseas Investment to vote on behalf of Gemfair as a shareholder at general meetings of the Company, pursuant to a deed dated 12 June 2006 between Gemfair and Overseas Investment, as long as Mr. Hui Wing Mau or his close associates (directly or indirectly) hold not less than 30% interest in the Company.
- The interests disclosed represent the interests in the Company which are held by Shiyong 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 2019, 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 ("HSBC") as facility agent, dual currency term loan facilities in the amount of US\$680,000,000 and HK\$5,890,000,000 have been made available to the Company for a term of 48 months from the date of the facility agreement.
- (3) A facility agreement on 31 July 2018 between, among others, the Company as borrower and Bank of Communications Co., Ltd. Hong Kong Branch ("Bank of Communications") as lender, a term loan facility in the amount of HK\$1,500,000,000 has been made available to the Company for a term of 48 months from the date of the facility agreement.
- (4) A facility agreement on 14 September 2018 between, among others, the Company as borrower, various banks as lenders and HSBC as facility agent, dual currency term loan facilities in the amount of US\$290,000,000 and HK\$2,614,500,000 have been made available to the Company for a term of 48 months from the date of the facility agreement.
- (5) A facility agreement on 26 June 2019 between, among others, the Company as borrower and Bank of Communications 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.
- (6) A facility agreement on 9 August 2019 between, among others, the Company as borrower, various banks as lenders and HSBC as facility agent, dual currency term loan facilities in the amount of US\$837,850,000 and HK\$3,994,000,000 have 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 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 2019 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 2019.

Corporate Governance Code

The Company complied with the code provisions set out in the Code throughout the six months ended 30 June 2019 except for one deviation as set out below.

The Chairman of the Board was unable to attend the Company’s annual general meeting held on 18 June 2019 (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 2019,

- (1) the Company redeemed an aggregate principal amount of US\$1,100,000,000 of all outstanding 8.375% senior notes due 2022.
- (2) Shanghai Shimao, a 58.92%-owned subsidiary of the Company, redeemed an aggregate principal amount of RMB2,000,000,000 of long-term bonds at a fixed interest rate of 3.29% due in March 2019.

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 2019.

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 54, 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 HK60 cents per ordinary share for the six months ended 30 June 2019 (2018 Interim Dividend: HK50 cents). The dividend will be payable on Friday, 27 September 2019 to shareholders whose names appear on the register of members of the Company on Thursday, 12 September 2019.

The register of members of the Company will be closed on Wednesday, 11 September 2019 and Thursday, 12 September 2019. 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 10 September 2019.

On behalf of the Board

Hui Wing Mau
Chairman

Hong Kong, 27 August 2019



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 38 to 80, 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 2019 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, 27 August 2019

	Note	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
ASSETS			
Non-current assets			
Property and equipment	7	15,216,841	14,577,637
Right-of-use assets	3	8,227,626	–
Investment properties	7	39,222,222	36,891,022
Land use rights	3	–	7,965,764
Intangible assets	7	1,840,658	1,840,658
Investments accounted for using the equity method	8	19,179,673	16,966,160
Amounts due from related parties	9	1,434,509	1,589,737
Financial assets at fair value through other comprehensive income	10	1,191,472	981,680
Financial assets at fair value through profit or loss	11	177,023	176,727
Deferred income tax assets		2,809,146	2,806,563
Other non-current assets	12	5,938,875	4,952,069
		95,238,045	88,748,017
Current assets			
Inventories		206,212,181	192,689,769
Trade and other receivables and prepayments	13	23,902,133	19,922,877
Prepayment for acquisition of land use rights	12	13,996,006	6,321,397
Prepaid income taxes		4,346,689	3,715,789
Amounts due from related parties	9	19,975,277	16,609,749
Derivative financial instruments		32,723	12,468
Restricted cash	14	5,941,577	5,888,489
Cash and cash equivalents	14	46,292,150	43,688,296
		320,698,736	288,848,834
Total assets		415,936,781	377,596,851
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	15	341,575	341,575
Share premium		31,465	31,465
Reserves			
– Retained earnings		58,720,548	55,861,308
– Other reserves		3,103,291	2,999,858
		62,196,879	59,234,206

	Note	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Non-controlling interests			
Perpetual capital instruments		5,100,000	5,100,000
Other non-controlling interests		43,979,814	40,945,971
		49,079,814	46,045,971
Total equity		111,276,693	105,280,177
LIABILITIES			
Non-current liabilities			
Borrowings	16	83,410,134	77,825,292
Lease liabilities	3	125,566	–
Deferred income tax liabilities		6,851,838	6,596,455
		90,387,538	84,421,747
Current liabilities			
Trade and other payables	17	64,227,670	50,585,171
Dividend payable		2,033,027	–
Contract liabilities		52,945,385	47,173,444
Income tax payable		22,379,815	20,595,196
Borrowings	16	32,055,555	31,306,474
Lease liabilities	3	131,459	–
Amounts due to related parties	18	40,499,639	38,234,642
		214,272,550	187,894,927
Total liabilities		304,660,088	272,316,674
Total equity and liabilities		415,936,781	377,596,851

The notes on pages 44 to 80 form an integral part of this interim condensed consolidated financial information.

For the six months ended 30 June 2019

	Note	Unaudited Six months ended 30 June 2019 RMB'000	2018 RMB'000
Revenue	6	56,564,070	42,570,925
Cost of sales	19	(39,544,147)	(29,363,559)
Gross profit		17,019,923	13,207,366
Fair value gains on investment properties – net		632,195	986,744
Other income/other gains – net	20	81,822	178,519
Selling and marketing costs	19	(1,030,949)	(672,163)
Administrative expenses	19	(2,312,802)	(1,710,625)
Reversal of impairment losses on financial assets	19	22,536	10,287
Other operating expenses	19	(235,440)	(64,556)
Operating profit		14,177,285	11,935,572
Finance income		479,729	372,674
Finance costs		(649,299)	(760,057)
Finance costs – net	21	(169,570)	(387,383)
Share of results of associated companies and joint ventures accounted for using equity method		15,904	(133,561)
Profit before income tax		14,023,619	11,414,628
Income tax expense	22	(6,454,434)	(5,232,576)
Profit for the period		7,569,185	6,182,052
Other comprehensive income			
<i>Item that may be reclassified to profit or loss</i>			
Translation reserves		–	854
<i>Item that will not be reclassified to profit or loss</i>			
Fair value gains/(losses) on financial assets at fair value through other comprehensive income, net of tax		22,088	(72,978)
Other comprehensive income		22,088	(72,124)
Total comprehensive income for the period		7,591,273	6,109,928
Profit for the period attributable to:			
Equity holders of the Company		5,105,035	4,270,704
Non-controlling interests		2,464,150	1,911,348
		7,569,185	6,182,052
Total comprehensive income for the period attributable to:			
Equity holders of the Company		5,118,618	4,228,559
Non-controlling interests		2,472,655	1,881,369
		7,591,273	6,109,928
Earnings per share for profit attributable to the equity holders of the Company			
– Basic (RMB cents)	24	155.17	126.64
– Diluted (RMB cents)	24	154.95	126.37

The notes on pages 44 to 80 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 2019

		Unaudited							
		Attributable to the equity holders of the Company					Perpetual capital instruments	Non-controlling interests	Total
Note		Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained profits RMB'000	Total RMB'000	RMB'000	RMB'000	RMB'000
	Balance at 1 January 2019	341,575	31,465	2,999,858	55,861,308	59,234,206	5,100,000	40,945,971	105,280,177
	Profit for the period	-	-	-	5,105,035	5,105,035	159,578	2,304,572	7,569,185
	Other comprehensive income								
	– Fair value gains on financial assets at fair value through other comprehensive income, net of tax	-	-	13,583	-	13,583	-	8,505	22,088
	Total comprehensive income for the period	-	-	13,583	5,105,035	5,118,618	159,578	2,313,077	7,591,273
	Transactions with owners:								
	Transfer from joint ventures to subsidiaries	27(b)	-	-	-	-	-	10,608	10,608
	Acquisition of subsidiaries	27(c)	-	-	-	-	-	228,990	228,990
	Capital contribution from non-controlling interests	27(d)(i)	-	-	-	-	-	1,403,948	1,403,948
	Changes in ownership interests in subsidiaries without change of control	27(d)(ii)	-	-	(186,811)	(186,811)	-	(307,377)	(494,188)
	Equity-settled share-based payment								
	– Value of employee services		-	62,506	-	62,506	-	-	62,506
	Profit appropriations		-	27,344	(27,344)	-	-	-	-
	Perpetual capital instruments dividends		-	-	-	-	(159,578)	-	(159,578)
	Dividends and distributions	23	-	-	(2,031,640)	(2,031,640)	-	(615,403)	(2,647,043)
	Total transactions with owners	-	-	89,850	(2,245,795)	(2,155,945)	(159,578)	720,766	(1,594,757)
	Balance at 30 June 2019	341,575	31,465	3,103,291	58,720,548	62,196,879	5,100,000	43,979,814	111,276,693

For the six months ended 30 June 2019

	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 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	-	-	-	(54,728)	(54,728)	-	-	(54,728)
Adjustment on adoption of HKFRS 15, net of tax	-	-	-	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	-	-	-	-	-	-	59,461	59,461
Acquisition of subsidiaries	-	-	-	-	-	-	29,000	29,000
Capital contribution from non-controlling interests	-	-	-	-	-	-	5,878,706	5,878,706
Changes in ownership interests in subsidiaries without change of control	-	-	-	(1,992,814)	(1,992,814)	-	(1,164,923)	(3,157,737)
Disposal of subsidiaries	-	-	-	-	-	-	(40,145)	(40,145)
Equity-settled share-based payment								
– Value of employee services	-	-	53,726	-	53,726	-	-	53,726
– Purchase of shares	-	(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	-	-	-	(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

The notes on pages 44 to 80 form an integral part of this interim condensed consolidated financial information.

	Note	Unaudited	
		Six months ended 30 June	
		2019	2018
		RMB'000	RMB'000
Cash flows from/(used in) operating activities			
Net cash generated from operations		18,526,351	5,160,438
Interest received	21	479,729	372,674
Interest paid		(4,040,559)	(3,332,705)
PRC Income tax paid		(4,966,678)	(3,217,491)
Net cash flows generated from/(used in) operating activities		9,998,843	(1,017,084)
Cash flows used in investing activities			
Additions of property and equipment and investment properties		(1,139,525)	(1,176,606)
Disposal of property and equipment and an investment property		16,032	92,697
Addition of right-of-use assets and other non-current assets		(64,768)	(58,405)
Disposal of right-of-use assets		16,897	–
Disposal of subsidiaries	27(a)	148,263	453,009
Deemed disposal of a subsidiary		–	(3,714)
Acquisition of subsidiaries	27(c)	(775,803)	140,261
Transfer from joint ventures to subsidiaries	27(b)	(586,327)	81,166
Acquisition of derivative financial instruments	5	(7,966)	–
Settlement of derivative financial instruments	5	6,085	–
Gain on investment in structured products issued by banks	20	–	19,558
Increase of financial assets at fair value through other comprehensive income	5	(181,441)	–
Increase of financial assets at fair value through profit or loss	5	–	(170,377)
Capital injections to joint ventures	8(b)	(2,451,456)	(1,160,049)
Capital injections to associated companies	8(a)	(278,274)	(12,251)
Increase in prepayment for acquisition of equity interests	12, 13	(3,218,595)	(21,005)
Advance to joint ventures and associated companies		(1,721,332)	(9,202,875)
Net cash flows used in investing activities		(10,238,210)	(11,018,591)
Cash flows from financing activities			
Proceeds from borrowings	16	28,980,296	31,614,981
Repayments of borrowings and finance lease liabilities		(23,996,887)	(20,577,269)
Purchases of shares		–	(97,714)
Redemption of perpetual capital instruments		–	(200,000)
Dividends for the holders of perpetual capital instruments		(159,578)	(134,418)
Capital contribution from non-controlling interests of subsidiaries	27(d(ii))	1,403,948	5,878,706
Acquisition of additional interests in subsidiaries	27(d(iii))	(494,188)	(917,737)
Dividends paid to non-controlling interests	23	(615,403)	–
Decrease in amounts due to non-controlling interests of subsidiaries	18	(2,195,519)	(484,149)
Increase in restricted cash pledged for borrowings	14	(17,601)	(567,698)
Lease payments		(64,647)	–
Net cash flows generated from financing activities		2,840,421	14,514,702
Net increase in cash and cash equivalents			
Cash and cash equivalents at the beginning of the period	14	43,688,296	28,537,441
Effect of foreign exchange rate changes		2,800	7,771
Cash and cash equivalents at end of the period	14	46,292,150	31,024,239

The notes on pages 44 to 80 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 27 August 2019.

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

This interim condensed consolidated financial information for the six months ended 30 June 2019 has been prepared in accordance with HKAS 34, ‘Interim financial reporting’.

The interim condensed consolidated financial information does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2018 and any public announcements made by the Group during the interim reporting period.

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 2018, 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 become applicable for the current reporting period, and the Group had to change its accounting policies accordingly.

The impact of the adoption of the leasing standard and the new accounting policies are disclosed in Note 3 below. The other standards did not have significant impact on the Group’s accounting policies.

		Effective for annual periods beginning on or after
HKFRS 16	Leases	1 January 2019
HK(IFRIC) 23	Uncertainty over income tax treatments	1 January 2019
HKAS 28 (Amendments)	Long-term interests in an associate or joint venture	1 January 2019
HKFRS 9 (Amendments)	Prepayment features with negative compensation	1 January 2019
HKAS 19 (Amendments)	Plan amendment, curtailment or settlement	1 January 2019

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 2019 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 January 2020
Amendments to HKFRS 3	Definition of a Business	1 January 2020
Revised Conceptual Framework	Revised Conceptual Framework for Financial Reporting	1 January 2020
HKFRS 17	Insurance Contracts	1 January 2021

3 Changes in Accounting Policies

This note explains the impact of the adoption of HKFRS 16 Leases on the Group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019 in note 3.2 below.

The Group has adopted HKFRS 16 from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

3.1 Adjustments recognised on adoption of HKFRS 16

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5.51%.

	RMB'000
Operating lease commitments as at 31 December 2018	514,292
Less: short-term leases and low-value leases recognised on a straight-line basis as expense	(170,266)
	344,026
Discounted using the lessee's incremental borrowing rate of the date of initial application, lease liabilities recognised as at 1 January 2019	301,802
Of which are:	
Current lease liabilities	126,833
Non-current lease liabilities	174,969
	301,802

The right-of-use assets for leases were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The land use rights are reclassified to right-of-use assets as of 30 June 2019 and 1 January 2019, respectively.

The recognised right-of-use assets relate to the following types of assets:

	30 June 2019 RMB'000	1 January 2019 RMB'000
Land use rights	7,973,557	7,965,764
Properties	248,768	302,732
Motor vehicles	5,027	3,354
Equipment	274	343
Total right-of-use assets	8,227,626	8,272,193
Current lease liabilities	131,459	126,833
Non-current lease liabilities	125,566	174,969
Total lease liabilities	257,025	301,802

3 Changes in Accounting Policies (CONTINUED)

3.1 Adjustments recognised on adoption of HKFRS 16 (continued)

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- Land use rights – decrease by RMB7,965,764,000
- Right-of-use assets – increase by RMB8,272,193,000
- Prepayments – decrease by RMB4,627,000
- Lease liabilities (current option) – increase by RMB126,833,000
- Lease liabilities (non-current option) – increase by RMB174,969,000

There was no impact on retained earnings on 1 January 2019.

(i) Impact on segment disclosures and earnings per share

Segment profit for the six months ended 30 June 2019 decreased, while segment assets and segment liabilities as at 30 June 2019 increased as a result of the change in accounting policy. The following segments were affected by the change in policy:

	Segment profit RMB'000	Segment assets RMB'000	Segment liabilities RMB'000
Shanghai Shimao Co., Ltd. ("Shanghai Shimao")	(920)	219,859	221,086
Others	(1,003)	28,094	29,432
Hotel operation	(294)	6,116	6,507
	(2,217)	254,069	257,025

Earnings per share decreased by 0.1 cent per share for the six months to 30 June 2019 as a result of the adoption of HKFRS 16.

(ii) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HKFRIC 4 *Determining whether an Arrangement contains a Lease*.

3 Changes in Accounting Policies (CONTINUED)

3.2 The Group's leasing activities and how these are accounted for

The Group leases various offices, motor vehicles and equipments. Rental contracts are typically made for fixed periods of 1 to 10 years but may have extension options as described in (i) below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease. Payments for land use rights were recorded in prepayment for acquisition of land use rights and amortisation was charged to income statement on a straight line basis over the period of the land use rights.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in income statement. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of office furniture.

(i) Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended.

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 2018 with the exception of changes in estimates that are required in determining the provision for income taxes and the estimated and judgements applied under the adoption of HKFRS 16 as described in Note 3.

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 2018.

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 financial assets and liabilities that are measured at fair value as at 30 June 2019 and 31 December 2018.

As at 30 June 2019	Unaudited			Total RMB'000
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	
Assets				
Financial assets at fair value through other comprehensive income ("FVOCI")				
– listed equity securities	601,133	–	–	601,133
– investment in structured products issued by a non-bank financial institution and unlisted entities	–	–	590,339	590,339
Financial assets at fair value through profit or loss ("FVPL")	–	–	177,023	177,023
Derivative financial instruments	–	–	32,723	32,723
Total	601,133	–	800,085	1,401,218
As at 31 December 2018	Audited			Total RMB'000
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	
Assets				
Financial assets at FVOCI				
– listed equity securities	622,068	–	–	622,068
– investment in structured products issued by a non-bank financial institution and unlisted entity	–	–	359,612	359,612
Financial assets at FVPL	–	–	176,727	176,727
Derivative financial instruments	–	–	12,468	12,468
Total	622,068	–	548,807	1,170,875

Financial assets at FVOCI included in Level 1 as at 30 June 2019 and 31 December 2018 are the equity securities traded in Shanghai Stock Exchange, Shenzhen Stock Exchange and NASDAQ, the fair value of which is based on quoted market prices at the balance sheet date.

Derivative financial instruments included in Level 3 as at 30 June 2019 are two currency option contracts with Morgan Stanley & Co International PLC ("Morgan Stanley") and one currency option contract with The Hongkong and Shanghai Banking Corporation Limited, 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 2018 are three currency option contracts with the Morgan Stanley, the fair value of which is determined using valuation models for which not all inputs are market observable prices or rates.

Financial assets at FVOCI as at 30 June 2019 and 31 December 2018 included in Level 3 are the investment in structured products entered into with a non-bank financial institution and investment in unlisted entities, the fair value of which are determined using valuation model for which not all inputs are market observable rates.

Financial assets at FVPL as at 30 June 2019 and 31 December 2018 included in Level 3 is the investment in unlisted entity recognised as a debt investment with cash flows not solely payments of principal and interest, the fair value of which is determined using valuation model for which not all inputs are market observable rates.

There were no changes in valuation techniques during the period.

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	
	2019 RMB'000	2018 RMB'000
Opening balances of assets	12,468	1,190
Acquisition of currency options	7,966	–
Gain recognised in income statement	18,374	1,988
Settlements	(6,085)	–
Closing balances of assets	32,723	3,178
Changes in unrealised gains, under 'Other income/other gains – net' (Note 20)	18,374	1,988

Financial assets at FVOCI

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Opening balances of assets	981,680	1,068,775
Additions	181,441	1,672,000
Disposal	–	(1,672,000)
Fair value gains/(losses) recognised in other comprehensive income	28,351	(97,304)
Closing balances of assets	1,191,472	971,471
Changes in unrealised gains/(losses), under 'Other comprehensive income'	28,351	(97,304)

Financial assets at FVPL

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Opening balances of assets	176,727	–
Additions	–	170,377
Fair value gains recognised in profit or loss	296	–
Closing balances of assets	177,023	170,377
Changes in unrealised gains, under 'Other income/other gains – net' (Note 20)	296	–

5 Financial Risk Management (CONTINUED)

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

The fair value of senior notes is as follows:

	30 June 2019 RMB'000	31 December 2018 RMB'000
Non-current	25,521,379	21,030,489

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.

(a) Revenue

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

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Sales of properties	53,236,237	40,673,275
Hotel operation income	996,492	879,955
Commercial properties operation income	721,889	494,187
Property management and other income	1,609,452	523,508
	56,564,070	42,570,925

6 Segment Information (CONTINUED)

(b) Segment information

The segment results for the six months ended 30 June 2019 are as follows:

	Property development and investment		Hotel Operation RMB'000	Unallocated** RMB'000	Total RMB'000
	Shanghai Shimao* RMB'000	Others RMB'000			
Revenue					
– Sales of properties	11,720,377	41,515,860	–	–	53,236,237
– Recognised at a point in time	11,378,086	40,524,079	–	–	51,902,165
– Recognised over time	342,291	991,781	–	–	1,334,072
– Hotel operation income	124,659	–	871,833	–	996,492
– Commercial properties operation income	501,488	220,401	–	–	721,889
– Property management and other income	107,871	1,501,581	–	–	1,609,452
Total revenue	12,454,395	43,237,842	871,833	–	56,564,070
Operating profit/(loss)	3,580,991	11,016,051	104,463	(524,220)	14,177,285
Finance income	107,463	350,224	562	21,480	479,729
Finance costs	(208,994)	(40,886)	(9,427)	(389,992)	(649,299)
Share of results of associated companies and joint ventures accounted for using the equity method	175,024	(159,120)	–	–	15,904
Profit/(loss) before income tax	3,654,484	11,166,269	95,598	(892,732)	14,023,619
Income tax expense					(6,454,434)
Profit for the period					7,569,185
Other segment items are as follows:					
Capital and property development expenditure	15,594,343	43,158,508	1,120,205	–	59,873,056
Fair value gains on investment properties	451,705	180,490	–	–	632,195
Fair value gains on derivative financial instruments	–	–	–	18,374	18,374
Depreciation	42,364	61,316	201,930	26,359	331,969
Depreciation and amortisation of right-of-use assets	56,564	9,244	33,308	–	99,116
Provision for/(reversal of) impairment losses on financial assets	4,367	(26,849)	(54)	–	(22,536)

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

** Unallocated mainly represent corporate level activities.

For the six months ended 30 June 2019

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

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

	Property development and investment		Hotel Operation RMB'000	Unallocated** RMB'000	Total RMB'000
	Shanghai shimao* RMB'000	Others 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
– Commercial properties operation income	453,314	40,873	–	–	494,187
– Property management and other income	112,184	411,324	–	–	523,508
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 and joint ventures accounted for using the equity method	(1,975)	(131,586)	–	–	(133,561)
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 losses 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.

6 Segment Information (CONTINUED)

(b) Segment information (continued)

The segment assets and liabilities as at 30 June 2019 are as follows:

	Property development and investment		Hotel operation RMB'000	Total RMB'000
	Shanghai Shimao RMB'000	Others RMB'000		
Investments accounted for using the equity method	427,086	18,752,587	–	19,179,673
Intangible assets	1,709,730	–	130,928	1,840,658
Other segment assets	115,056,950	248,795,889	24,812,526	388,665,365
Total segment assets	117,193,766	267,548,476	24,943,454	409,685,696
Deferred income tax assets				2,809,146
Financial assets at FVOCI				1,191,472
Financial assets at FVPL				177,023
Derivative financial instruments				32,723
Other assets				2,040,721
Total assets				415,936,781
Borrowings	21,534,946	39,419,012	18,870	60,972,828
Other segment liabilities	45,982,654	111,847,251	23,708,410	181,538,315
Total segment liabilities	67,517,600	151,266,263	23,727,280	242,511,143
Corporate borrowings				54,492,861
Deferred income tax liabilities				6,851,838
Other liabilities				804,246
Total liabilities				304,660,088

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

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

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

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	Intangible assets RMB'000	Total RMB'000
Opening net book amount as at 1 January 2019	14,577,637	36,891,022	1,840,658	53,309,317
Additions	967,702	1,699,005	–	2,666,707
Acquisition of subsidiaries (Note 27(c))	44,697	–	–	44,697
Transfer from joint ventures to subsidiaries (Note 27(b))	514	–	–	514
Transfer to properties under development	(25,456)	–	–	(25,456)
Fair value gains	–	632,195	–	632,195
Depreciation (Note 19)	(331,969)	–	–	(331,969)
Disposal of subsidiaries (Note 27(a))	(252)	–	–	(252)
Disposal	(16,032)	–	–	(16,032)
Closing net book amount as at 30 June 2019	15,216,841	39,222,222	1,840,658	56,279,721
Opening net book amount as at 1 January 2018	13,513,914	34,036,147	1,840,658	49,390,719
Additions	422,048	399,409	–	821,457
Transfer from a joint venture to a subsidiary	356	–	–	356
Fair value gains	–	986,744	–	986,744
Depreciation	(295,646)	–	–	(295,646)
Disposal of subsidiaries	(312,376)	–	–	(312,376)
Disposal	(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	1,840,658	50,498,418

Note:

(a) Intangible assets comprise goodwill from business combinations.

7 Capital Expenditure (CONTINUED)

(b) Investment properties

	Six-months ended 30 June	
	2019 RMB'000	2018 RMB'000
Investment properties at fair value		
Opening balance	35,592,950	31,618,000
Additions – Transfer from investment properties at cost	–	1,239,376
Additions – Transfer from properties under development	1,453,769	–
Additions – Construction cost and others	245,236	279,980
Disposal	–	(47,000)
Fair value gains	632,195	986,744
	37,924,150	34,077,100
Investment properties at cost		
Opening balance	1,298,072	2,418,147
Additions – Construction cost and others	–	119,429
Transfer to investment properties at fair value	–	(1,239,376)
	1,298,072	1,298,200
Closing balance	39,222,222	35,375,300

The valuations of the investment properties at 30 June 2019 and 31 December 2018 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 2019		
	Completed investment properties RMB'000	Investment properties under development RMB'000	Total RMB'000
Opening balance	30,063,950	5,529,000	35,592,950
Additions	–	1,699,005	1,699,005
Transfer from investment properties under development	3,460,757	(3,460,757)	–
Net gains from fair value adjustment	629,443	2,752	632,195
Closing balance	34,154,150	3,770,000	37,924,150
	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

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 2019 of RMB1,298,072,000 (31 December 2018: RMB1,298,072,000) 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 2019

8 Investments Accounted for Using the Equity Method

	30 June 2019 RMB'000	31 December 2018 RMB'000
Investments accounted for using the equity method comprise:		
Associated companies (Note (a))	1,862,953	1,594,487
Joint ventures (Note (b))	17,316,720	15,371,673
	19,179,673	16,966,160

(a) Interests in associated companies

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Opening balance	1,594,487	1,345,018
Share of results	(9,808)	57,725
Capital injections (Note)	278,274	12,251
Ending balance	1,862,953	1,414,994

Note:

Capital injections include investment in new associates and additional injections in existing associates.

For the six months ended 30 June 2019, the Group invested in two new associates with a total amount of RMB173,382,000.

For the six months ended 30 June 2019, the Group made additional capital injections into four existing associates with a total amount of RMB104,892,000.

8 Investments Accounted for Using the Equity Method (CONTINUED)

(b) Interests in joint ventures

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Opening balance	15,371,673	13,601,709
Adjustment on adoption of HKFRS 15, net of tax	–	(15,865)
Opening balance, after the adoption of HKFRS 15	15,371,673	13,585,844
Capital injections (Note (a))	2,451,456	1,160,049
Transfer from subsidiaries (Note 27(a))	150,000	1,457,465
Transfer to subsidiaries (Note 27(b))	(682,121)	(39,640)
Share of results	25,712	(191,286)
Ending balance	17,316,720	15,972,432

Note:

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

For the six months ended 30 June 2019, the Group set up two joint ventures with total capital injections of RMB264,490,000. 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 RMB595,683,000. 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 injections into ten existing joint ventures with amount of RMB1,591,283,000. After capital injections, the Group remained joint control in these entities.

9 Amounts Due from Related Parties

	30 June 2019 RMB'000	31 December 2018 RMB'000
Included in non-current assets		
– Joint ventures	863,157	987,112
– Associated companies	600,628	624,352
	1,463,785	1,611,464
Provision for impairment	(29,276)	(21,727)
	1,434,509	1,589,737

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 2019 RMB'000	31 December 2018 RMB'000
Included in current assets		
– Companies with common directors	160	160
– Associated companies	1,737,106	901,763
– Joint ventures	18,255,447	15,729,614
	19,992,713	16,631,537
Provision for impairment	(17,436)	(21,788)
	19,975,277	16,609,749

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 2019, a provision of RMB46,712,000 (31 December 2018: RMB43,515,000) was made against the gross amount of amounts due from related parties.

10 Financial Assets at Fair Value through Other Comprehensive Income

	30 June 2019 RMB'000	31 December 2018 RMB'000
Financial assets at FVOCI included in non-current assets		
Listed equity securities (Note (a))	601,133	622,068
Investment in structured products issued by a non-bank financial institution (Note (b))	210,898	161,612
Unlisted equity investment (Note (c))	379,441	198,000
	1,191,472	981,680

Notes:

- (a) Listed equity securities represented investments in the PRC and USA 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).
- (c) Investment in unlisted entities represented investments 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).

11 Financial Assets at Fair Value through Profit or Loss

	30 June 2019 RMB'000	31 December 2018 RMB'000
Financial assets at FVPL included in non-current assets		
Investment in unlisted entity (Note)	177,023	176,727

Note:

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

12 Other Non-Current Assets

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

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 2019, prepayments of RMB366,173,000 (31 December 2018: 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 2019, prepayments of RMB13,996,006,000 (31 December 2018: RMB6,321,397,000) 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 2019, the Group made prepayments of RMB4,492,955,000 (31 December 2018: RMB3,733,604,000) for acquisition of certain equity interests.

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13 Trade and Other Receivables and Prepayments

	30 June 2019 RMB'000	31 December 2018 RMB'000
Bidding deposits for land use rights (Note (a))	8,364,973	7,981,664
Trade receivables (Note (b))	5,380,741	4,241,516
Prepayments for construction costs	3,171,811	2,665,199
Prepayments for acquisition of equity interests	2,459,244	–
Loan receivables (Note (c))	1,088,471	1,885,048
Prepaid business taxes on pre-sale proceeds	589,870	528,500
Other receivables	3,060,189	2,876,148
	24,115,299	20,178,075
Provision for impairment	(213,166)	(255,198)
	23,902,133	19,922,877

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) 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 2019 RMB'000	31 December 2018 RMB'000
Within 180 days	4,587,753	3,777,972
Over 180 days and within 365 days	469,859	235,345
Over 365 days	323,129	228,199
	5,380,741	4,241,516

- (c) As at 30 June 2019, loan receivables of RMB1,088,471,000 (31 December 2018: RMB1,885,048,000) were secured by the pledge of certain properties, notes receivable or credit guaranty of borrowers, bearing interest rate at a range from 4.8% to 18.0% per annum and repayable within one year.

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9. As at 30 June 2019, a provision of RMB213,166,000 (31 December 2018: RMB255,198,000) was made against the gross amount of trade receivables, other receivables and loan receivables.

As at 30 June 2019, 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 2019 and 31 December 2018, trade and other receivables of the Group were mainly denominated in RMB.

14 Cash and Cash Equivalents and Restricted Cash

	30 June 2019	31 December 2018
	RMB'000	RMB'000
Restricted cash	5,941,577	5,888,489
Cash and cash equivalents	46,292,150	43,688,296
	52,233,727	49,576,785

As at 30 June 2019, the Group's bank deposits of approximately RMB715,836,000 (31 December 2018: RMB680,349,000) 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 RMB5,225,741,000 (31 December 2018: RMB5,208,140,000) 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 2019 was 0.34% (31 December 2018: 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 2019 and 31 December 2018	0.1	5,000,000	500,000	
Issued and fully paid:				
At 1 January 2019 and 30 June 2019		3,301,493	330,149	341,575
At 1 January 2018 and 30 June 2018		3,387,022	338,702	348,864

(b) 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). On 13 April 2018, 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 26 March 2019, the Board approved the Share Scheme to be valid and effective until 30 December 2027.

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.

15 Share Capital (CONTINUED)**(b) Share Award Scheme (continued)**

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 2019, the Trust purchased 36,006,000 ordinary shares from market, totaling HK\$523,258,000 (equivalent to RMB426,551,000), of which 39,015,470 shares were granted to eligible employees according to the Share Scheme, 26,788,362 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.

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

	Number of unvested shares granted Six months ended 30 June	
	2019	2018
Unvested shares, beginning	7,378,348	7,899,586
Granted	5,683,969	7,129,337
Vested	(4,113,131)	(6,816,666)
Lapsed	–	(1,082,920)
Unvested shares, ending	8,949,186	7,129,337

The weighted average fair value of the unvested shares granted during the six months ended 30 June 2019 is HK\$212,990,627, equivalent to RMB187,359,335 (2018: HK\$146,864,342, equivalent to RMB123,821,327).

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

	Number of shares issued As at 30 June	
	2019	2018
Shares issued	3,301,493	3,387,022
Treasury shares for the Share Scheme	(9,218)	(13,331)
Shares outstanding	3,292,275	3,373,691

16 Borrowings

	30 June 2019 RMB'000	31 December 2018 RMB'000
Borrowings included in non-current liabilities		
Long-term bank borrowings		
– secured by assets (Note (i))	7,262,245	6,963,734
– secured by shares of subsidiary guarantors (Note (iii))	16,599,370	9,835,604
– unsecured	19,811,056	19,106,984
Long-term borrowings from other financial institutions		
– secured by assets (Note (i))	10,324,670	10,291,900
– secured by shares (Note (iii))	1,000	1,000
– unsecured	396,613	545,384
Senior notes – secured (Note (iv))	24,761,683	25,402,767
Medium-term notes – unsecured (Note (v))	3,800,000	3,800,000
Long-term bonds – unsecured (Note (vi))	16,289,267	14,785,557
Domestic corporate bonds – unsecured (Note (vii))	8,691,706	8,686,463
	107,937,610	99,419,393
Less: Portion of long-term bank borrowings due within one year	(12,959,157)	(5,431,656)
Portion of long-term borrowings from other financial institutions due within one year	(76,613)	(224,384)
Portion of senior notes due within one year	–	(3,751,598)
Portion of medium-term notes due within one year	(1,300,000)	–
Portion of long-term bonds due within one year	(1,500,000)	(3,500,000)
Portion of domestic corporate bonds due within one year	(8,691,706)	(8,686,463)
Amounts due within one year	(24,527,476)	(21,594,101)
	83,410,134	77,825,292
Borrowings included in current liabilities		
Short-term bank borrowings		
– secured by assets (Note (i))	–	14,000
– secured by shares (Note (iii))	500,000	–
– unsecured	5,632,079	8,303,373
Short term borrowings from other financial institutions		
– secured by assets (Note (i))	27,000	26,000
– secured by shares (Note (iii))	369,000	369,000
Short-term bonds – unsecured (Note (viii))	1,000,000	1,000,000
Current portion of non-current borrowings	24,527,476	21,594,101
	32,055,555	31,306,474

For the six months ended 30 June 2019

16 Borrowings (CONTINUED)

Movement of borrowings is analysed as follows:

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Opening balance at 1 January	109,131,766	87,504,692
Additions of borrowings	28,980,296	31,614,981
Acquisition of subsidiaries	–	81,000
Transfer from joint ventures to subsidiaries (Note 27(b))	1,000,000	–
Amortisation of issuance expenses	106,910	50,387
Reductions of borrowings	(23,996,887)	(20,510,240)
Disposal of subsidiaries	–	(877,981)
Foreign exchange losses	243,604	622,478
Closing balance at 30 June	115,465,689	98,485,317

Notes:

- (i) As at 30 June 2019, the Group's total secured bank borrowings and borrowings from other financial institutions of RMB17,613,915,000 (31 December 2018: RMB17,295,634,000) 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 2019, secured borrowings of RMB229,570,000 (31 December 2018: RMB147,897,000) were further guaranteed by Mr. Hui Wing Mau.

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

	30 June	31 December
	2019	2018
	RMB'000	RMB'000
Properties under development	35,441,492	33,648,890
Investment properties	12,812,000	15,257,000
Restricted cash	5,225,741	5,208,140
Property and equipment	1,429,006	923,568
Land use rights	1,311,671	1,748,067
Completed properties held for sale	857,976	1,070,066
	57,077,886	57,855,731

- (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. The loan facilities were guaranteed by certain subsidiaries of the Group, and secured by pledge of the shares of these subsidiary guarantors. As at 30 June 2019, US\$680,000,000 and HK\$5,890,000,000 have been drawn down.

On 14 September 2018, the Company entered into a multi-currency loan facility agreement with a syndicate of 8 banks. Pursuant to the agreement, the Company obtained 4-year syndicated loan facilities, including a US\$540,000,000 facility and a HK\$2,849,500,000 facility at a floating rate of interest. The loan facilities were guaranteed by certain subsidiaries of the Group, and secured by pledge of the shares of these subsidiary guarantors. On 25 January 2019, the multi-currency loan facility agreement extended to a syndicate of 14 banks. Pursuant to the agreement, the 4-year syndicated loan facilities extended to a US\$570,000,000 facility and a HK\$3,551,500,000 facility at a floating rate of interest. As at 30 June 2019, US\$570,000,000 and HK\$3,551,500,000 have been drawn down.

- (iii) As at 30 June 2019, 195,000,000 shares (31 December 2018: 195,000,000) of Shanghai Shimao have been pledged for total borrowings from other financial institutions of RMB1,000,000 (31 December 2018: RMB1,000,000) for the Group Companies.

As at 30 June 2019, 179,000,000 shares (31 December 2018: 179,000,000) of Shanghai Shimao have been pledged for total borrowings from other financial institutions of RMB369,000,000 (31 December 2018: RMB369,000,000) for the Group companies.

As at 30 June 2019, 180,000,000 shares (31 December 2018: nil) of Shanghai Shimao have been pledged for total bank borrowings of RMB500,000,000 (31 December 2018: nil) for the Group companies.

16 Borrowings (CONTINUED)

Notes (continued):

- (iv) 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 10 January 2019, the Company early redeemed senior notes with total principal of US\$550,000,000 at a fixed rate of 8.375%, which was originally due on 10 February 2022. The total redemption price paid was US\$573,161,951, including 104.188% of the principal amount of the senior notes, being US\$573,034,000 plus accrued and unpaid interest of US\$127,951 to the redemption date. On 18 March 2019, the Company early redeemed senior notes with total principal of US\$550,000,000 at a fixed rate of 8.375%, which was originally due on 10 February 2022. The total redemption price paid was US\$577,896,153, including 104.188% of the principal amount of the senior notes, being US\$573,034,000 plus accrued and unpaid interest of US\$4,862,153 to the redemption date.

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

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

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

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

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

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

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

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

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

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

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

- (vi) On 18 September 2015, Shanghai Shimao Jianshe Co., Ltd. ("Shimao Jianshe") issued long-term bonds in an aggregate principal amount of RMB6,000,000,000 at a fixed interest rate of 3.90% per annum, which will mature on 18 September 2020. On 18 September 2018, Shimao Jianshe early redeemed long-term bonds with total principal of RMB100,100,000 at a fixed interest rate of 3.9%, which was originally due on 18 September 2020. The total redemption price paid was RMB104,003,900, including the principal amount of RMB100,100,000 plus accrued and unpaid interest of RMB3,903,900 to the redemption date.

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, which was early redeemed on 18 March 2019. The total redemption price paid was RMB2,065,800,000, including the principal amount of RMB2,000,000,000 plus accrued and unpaid interest of RMB65,800,000 to the redemption date.

On 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.

16 Borrowings (CONTINUED)

Notes (continued):

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.

On 15 January 2019, Shanghai Shimao issued the first phase of long-term bonds with aggregate principal amount of RMB2,000,000,000 at a fixed interest rate of 4.65% due on 15 January 2022. On 19 March 2019, Shanghai Shimao issued second phase of long-term bonds with aggregate principal amount of RMB1,000,000,000 at a fixed interest rate of 4.64% due on 19 March 2022. On 22 May 2019, Shanghai Shimao issued the third phase of long-term bonds with aggregate amount of RMB500,000,000 at a fixed interest rate of 4.15% due on 22 May 2022.

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

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

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

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

(viii) 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 5.48% due on 25 April 2019, which was redeemed on 23 April 2019. The total redemption price paid was RMB1,054,800,000, including the principal amount of RMB1,000,000,000 plus accrued interest of RMB54,800,000 to the redemption date.

On 23 March 2019, Shanghai Shimao issued short-term financing bonds with total principal of RMB1,000,000,000 at a fixed interest rate of 3.67% due on 23 March 2020.

As at 30 June 2019, borrowings with a total carrying amount of RMB47,179,776,000 (31 December 2018: RMB46,520,029,000) are denominated in US dollar, borrowings with a total carrying amount of RMB17,520,963,000 (31 December 2018: RMB13,207,924,000) are denominated in HK dollar and borrowings with a total carrying amount of RMB689,213,000 (31 December 2018: RMB1,206,796,000) are denominated in JPY Yen.

17 Trade and Other Payables

	30 June 2019 RMB'000	31 December 2018 RMB'000
Trade payables (Note (a))	54,453,951	41,104,519
Other payables (Note (b))	3,610,275	3,585,697
Other taxes payable	3,355,622	3,680,142
Accrued expenses	2,807,822	2,214,813
	64,227,670	50,585,171

Notes:

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

	30 June 2019 RMB'000	31 December 2018 RMB'000
Within 90 days	53,985,092	40,813,784
Over 90 days and within 1 year	468,859	290,735
	54,453,951	41,104,519

(b) Other payables comprise:

	30 June 2019 RMB'000	31 December 2018 RMB'000
Deposits received from customers	1,923,452	1,917,118
Deposits from constructors	545,517	574,190
Rental deposits from tenants and hotel customers	512,994	566,674
Fees collected from customers on behalf of government agencies	265,113	337,580
Others	363,199	190,135
	3,610,275	3,585,697

18 Amounts Due to Related Parties

	30 June 2019 RMB'000	31 December 2018 RMB'000
Joint ventures	20,300,195	16,643,004
Associated companies	4,992,368	4,189,043
Non-controlling interests	15,207,076	17,402,595
Total	40,499,639	38,234,642

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.

For the six months ended 30 June 2019

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	
	2019 RMB'000	2018 RMB'000
Cost of properties sold and others	38,791,754	28,606,358
<i>Including: interests capitalised</i>	2,494,896	2,370,650
<i>land and construction cost</i>	35,690,188	25,846,005
Staff costs – including directors' emoluments	1,243,625	965,317
Direct expenses arising from hotel operation	679,161	527,238
Advertising, promotion and commission costs	642,976	488,798
Corporate and office expenses	491,330	386,175
Depreciation (Note 7)	331,969	295,646
Taxes and surcharges on sales of properties	319,160	242,439
Consulting fee	265,129	133,436
Depreciation and amortisation of right-of-use assets	99,116	–
Operating lease rental expenses of short-term leases and low-value leases	72,435	–
Charitable donations	40,148	28,080
Provision for/(reversal of) impairment losses on completed properties held for sale	26,154	(76,554)
Direct expenses arising from investment properties	12,366	11,322
Auditor's remuneration	5,500	4,900
Operating lease rental expenses	–	90,003
Amortisation of land use rights	–	32,696
Reversal of impairment losses on financial assets	(22,536)	(10,287)
Others	102,515	75,049
Total cost of sales, selling and marketing costs, administrative expenses, reversal of impairment losses on financial assets and other operating expenses	43,100,802	31,800,616

20 Other Income/Other Gains – Net

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Other income		
Government grants received	28,809	19,072
Other gains – net		
Gain on derivative financial instruments	18,374	1,988
Gain on acquisition (Note 27(b) and Note 27(c))	16,257	–
Gain on disposal of subsidiaries (Note 27(a))	3,996	15,207
Gain on financial assets at FVPL	296	–
Gain on deemed disposal of a subsidiary	–	38,181
Gain on investment in structured products issued by banks	–	19,558
Others	14,090	84,513
	53,013	159,447
	81,822	178,519

21 Finance Costs – Net

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Finance income		
– interest income on short-term bank deposits	(479,729)	(372,674)
Finance income	(479,729)	(372,674)
Interest on bank borrowings		
– wholly repayable within five years	2,322,516	1,630,392
– not wholly repayable within five years	447,556	421,275
Interest on senior notes		
– wholly repayable within five years	703,105	671,406
– not wholly repayable within five years	89,726	69,975
Interest on borrowings from other financial institutions		
– wholly repayable within five years	498,122	512,757
Interest on finance lease liabilities		
– wholly repayable within five years	–	2,697
Interest charges paid/payable for lease liabilities		
– wholly repayable within five years	8,565	–
	4,069,590	3,308,502
Net foreign exchange losses	239,260	607,447
Less: interest and foreign exchange losses capitalised	(3,659,551)	(3,155,892)
Finance costs	649,299	760,057
Finance costs – net	169,570	387,383

22 Income Tax Expense

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Current income tax		
– PRC enterprise and withholding income tax	3,155,586	2,598,492
– PRC land appreciation tax	3,045,600	2,398,896
	6,201,186	4,997,388
Deferred income tax		
– PRC enterprise and withholding income tax	253,248	235,188
	6,454,434	5,232,576

(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%.

23 Dividends

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Final dividends paid of HK70 cents (2017: HK60 cents) per ordinary share (Note (a))	1,971,784	1,638,371
Proposed interim dividends of HK60 cents (2018: HK50 cents) per ordinary share (Note (b))	1,783,599	1,457,489
Other dividends paid	615,403	–
	4,370,786	3,095,860

Notes:

- (a) A final dividend in respect of the year ended 31 December 2018 of HK70 cents per ordinary share, amounting to approximately HK\$2,311,045,000 (equivalent to RMB1,971,784,000) was proposed at the Company's board meeting held on 26 March 2019, and was approved at the annual general meeting of the Company held on 18 June 2019.
- (b) An interim dividend in respect of the six months ended 30 June 2018 of HK50 cents per ordinary share, amounting to approximately HK\$1,665,131,000 (equivalent to RMB1,457,489,000) was paid in September 2018.

At a meeting held on 27 August 2019, the Board declared an interim dividend of HK60 cents per ordinary share for the six months ended 30 June 2019, amounting to approximately HK\$1,980,986,000 (equivalent to RMB1,783,599,000). 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	
	2019	2018
Profit attributable to the equity holders of the Company (RMB'000)	5,105,035	4,270,704
Weighted average number of ordinary shares in issue (thousands)	3,289,981	3,372,302
Basic earnings per share (RMB cents)	155.17	126.64

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	
	2019	2018
Profit attributable to the equity holders of the Company (RMB'000)	5,105,035	4,270,704
Weighted average number of ordinary shares in issue (thousands)	3,289,981	3,372,302
Adjustments for shares granted under the Share Scheme (thousands)	4,713	7,106
Weighted average number of ordinary shares for diluted earnings per share (thousands)	3,294,694	3,379,408
Diluted earnings per share (RMB cents)	154.95	126.37

25 Contingencies and Financial Guarantee Contracts

- (a) The Group had the following contingent liabilities:

	30 June 2019 RMB'000	31 December 2018 RMB'000
Guarantees in respect of mortgage facilities for certain purchasers	21,029,561	18,174,775

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 2019 RMB'000	31 December 2018 RMB'000
Guarantees in respect of borrowings	2019-2023	9,275,533	8,956,494

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 RMB9,275,533,000 as at 30 June 2019 (31 December 2018: RMB8,956,494,000). 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 Shimaο, a subsidiary of the Company, alleging that Shanghai Shimaο should repay the principal and interest of the borrowings in a total amount of approximately RMB390,000,000 on behalf of Hangzhou Shimaο Century Property Co., Ltd. ("Hangzhou Shimaο"), an associated company of Shanghai Shimaο, since Hangzhou Shimaο was in financial difficulty and Shanghai Shimaο 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 2019, 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 2019, 31 December 2018, 2017 and 2016. No more provision has been accrued or reversed during the six months ended 30 June 2019.

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 2019.

26 Commitments

Commitments for capital and property development expenditure

	30 June 2019 RMB'000	31 December 2018 RMB'000
Contracted but not provided for		
– Properties being developed for sale	45,414,166	38,315,818
– Land use rights (including those related to associated companies and joint ventures)	21,897,133	9,288,768
– Property and equipment and investment properties	1,525,446	1,541,416
	68,836,745	49,146,002

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 2019, the Group disposed 50% equity interest in Hangzhou Yuanqin Enterprises Management Co., Ltd. and 50% equity interest in Beijing Maokang Enterprises Management Co., Ltd.. The remaining interests of the Group in these joint ventures have a fair value of RMB150,000,000. The disposal resulted in a net cash inflow of RMB148,263,000 and a net gain of RMB3,996,000.

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

	RMB'000
Cash and cash equivalents	1,737
Properties under development	1,406,613
Trade and other receivables and prepayments	376,444
Property and equipment (Note 7)	252
Deferred income tax assets	995
Trade and other payables	(1,490,037)
Total identifiable net assets	296,004
Total consideration	150,000
Fair value of interests retained in joint ventures (Note 8(b))	150,000
Net assets disposed	(296,004)
Disposal gains (Note 20)	3,996
Total consideration	150,000
Less: Cash and cash equivalents in the entities disposed	(1,737)
Net cash inflow arising from disposal	148,263

27 Significant Acquisition or Disposal of Subsidiaries and Transactions With Non-Controlling Interests (CONTINUED)

(b) Certain joint ventures transferred to subsidiaries

For the six months ended 30 June 2019, the Group acquired the equity interests of several joint ventures of the Group, at a consideration of RMB1,015,244,000. After the acquisition, the Group gained control over these companies pursuant to the revised articles of association. The carrying value of the investments in the joint ventures was RMB682,121,000 before. The purchase resulted in a net cash outflow of RMB586,327,000 and a net gain of RMB16,257,000 was recognised from these acquisitions.

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	428,917
Properties under development	4,773,512
Prepaid income taxes	75,547
Trade and other receivables and prepayments	3,452,316
Property and equipment (Note 7)	514
Deferred income tax assets	6,452
Borrowings (Note 16)	(1,000,000)
Contract liabilities	(1,332,926)
Income tax payable	(155)
Trade and other payables	(4,679,947)
Total identifiable net assets	1,724,230
Non-controlling interests	(10,608)
Total acquired net assets	1,713,622
Book value of previously held interests in the joint ventures (Note 8(b))	(682,121)
Cash consideration paid	(1,015,244)
Gain on acquisition (Note 20)	16,257
Cash consideration paid	(1,015,244)
Cash and cash equivalents in the entities acquired	428,917
Net cash outflow from acquisition	(586,327)

27 Significant Acquisition or Disposal of Subsidiaries and Transactions With Non-Controlling Interests (CONTINUED)

(c) Acquisition of subsidiaries

For the six months ended 30 June 2019, the Group acquired the equity interests in several companies, at a consideration of RMB952,558,000. After the acquisition, the Group gained control over these companies pursuant to the revised articles of association. The purchase resulted in a net cash outflow of RMB775,803,000 and no gain or loss was recognised from these acquisitions.

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	176,755
Properties under development	8,438,313
Trade and other receivables and prepayments	115,690
Prepaid income taxes	6,160
Property and equipment (Note 7)	44,697
Deferred income tax assets	1,247
Contract liabilities	(1,257,189)
Income tax payable	(756)
Trade and other payables	(6,343,369)
Total identifiable net assets	1,181,548
Non-controlling interests	(228,990)
Total acquired net assets	952,558
Cash consideration paid	(952,558)
Gain on acquisition (Note 20)	–
Cash consideration paid	(952,558)
Cash and cash equivalents in the entities acquired	176,755
Net cash outflow from acquisition	(775,803)

27 Significant Acquisition or Disposal of Subsidiaries and Transactions With Non-Controlling Interests (CONTINUED)

(d) Transaction with non-controlling interests

(i) Capital contribution from non-controlling interests

For the six months ended 30 June 2019, non-controlling interests made several capital injections into the Group with total consideration of RMB1,403,948,000, 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 2019, the Group acquired additional interests in the subsidiaries for a total consideration of RMB494,188,000. The Group recognised a decrease in non-controlling interests of RMB307,377,000 and a decrease in equity attributable to the equity holders of the Company of RMB186,811,000. 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	307,377
Consideration paid in current period to non-controlling interests	(494,188)
Excess of consideration paid recognised in equity	(186,811)

28 Related Party Transactions

The Group is controlled by Gemfair Investments Limited (incorporated in the British Virgin Islands), which owns 59.003% of the Company's shares. The ultimate controlling 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	
	2019	2018
	RMB'000	RMB'000
Construction material sold to related companies	115,035	33,074

(b) Key management compensation

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Emoluments		
– Salaries and other short-term employee benefits	9,056	7,764
– Retirement scheme contributions	38	68
	9,094	7,832

29 Subsequent Events

On 8 July 2019, the Company issued senior notes with total principal of US\$1,000,000,000 at a fixed interest rate of 5.6% due on 15 July 2026. In July 2019, US\$1,000,000,000 has been drawdown by the Company.