

SHIMAO 世茂房地產

SHIMAO PROPERTY HOLDINGS LIMITED

世茂房地產控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 813

ANNUAL REPORT 2019



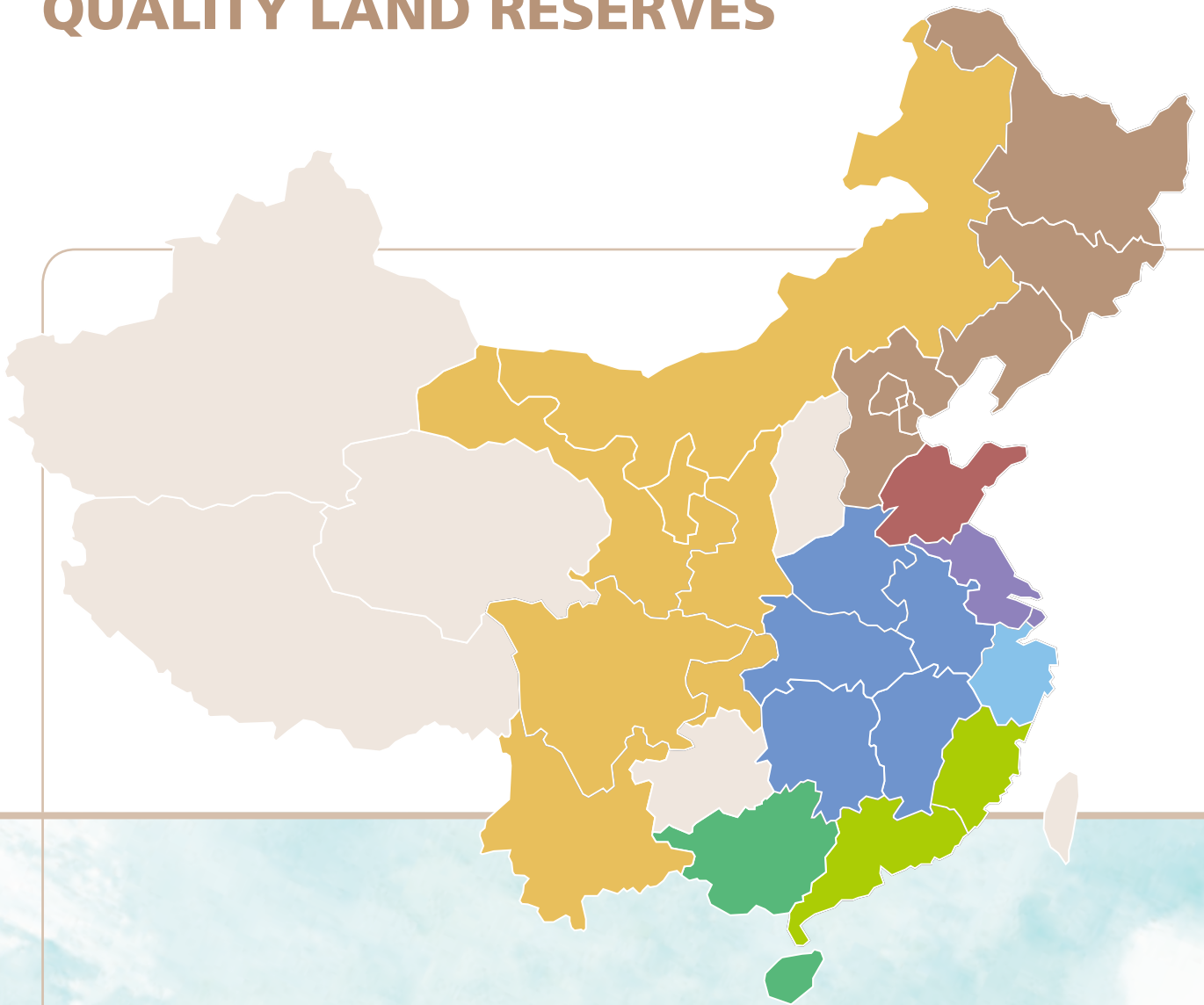


◇ CONTENTS

- 4 Corporate Information
- 6 Five Years Financial Summary
- 8 Chairman's Statement
- 16 Management Discussion and Analysis
- 36 Report of the Directors
- 48 Corporate Governance Report
- 68 Directors and Senior Management Profiles
- 72 Information for Shareholders
- 73 Independent Auditor's Report
- 78 Consolidated Balance Sheet
- 80 Consolidated Statement of Comprehensive Income
- 82 Consolidated Statement of Changes in Equity
- 84 Consolidated Statement of Cash Flows
- 85 Notes to the Consolidated Financial Statements



NATIONWIDE QUALITY LAND RESERVES



Penetrated in **120** cities, with **349** projects,
a total area of **76.79** million sq.m.
(before interests) land bank

(as at 31 December 2019)

NATIONWIDE QUALITY LAND RESERVES

● Zhejiang District

Hangzhou Shimao Begonia Bay
 Hangzhou Shimao Honor of China
 Wenzhou Wuyue
 Wenzhou Shimao Yue Hong Bay
 Jiaxing Shimao Shine City

● Central China District

Changsha Shimao Shine City
 Zhengzhou Shine City
 Hefei Shimao Cloud Valus
 Hefei Shimao Classic Chinese Chic
 Hefei Shimao Jade Mansion

● Shandong District

Jinan Shimao Skyscraper City
 Zibo Shine City
 Jinan Jade Palace
 Jinan Shimao Metropolis
 Qingdao Shimao Noble Town

● Western District

Chengdu Shimao City
 Yinchuan Shimao Yuexi
 Chongqing Shimao Shine City
 Chongqing Shimao Chongqing Center
 Kunming Shimao Shine City
 Xi'an Shimao Shine City

● Northern China District

Beijing Shimao Loong Palace
 Beijing Royal Palace
 Beijing Classic Chinese Chic
 Tianjin Shimao Shine No.1
 Gu'an Shimao The Shining City

● Jiangsu and Shanghai District

Shanghai Citystar
 Shanghai Azure
 Suzhou Shimao Bronze Swallow Terrace
 Nanjing Shimao Shine Bund City
 Nanjing Shimao Shine Future
 Nanjing Shimao Shine Bay

● Straits Development District

Xiamen Shimao Shine City
 Fuzhou Shimao Shine City
 Quanzhou Shimao Shine City
 Pingtan Shimao Shine City
 Shishi Shimao Skyscraper City
 Fuzhou Shimao Yongtai Hot Spring Town
 Quanzhou Shimao Cloud City
 Fuzhou Shimao Classic Chinese Chic
 Fuqing Shimao Shine City
 Fuzhou Changle Shimao Shine City
 Guangzhou Shimao Swan Bay
 Guangzhou Shimao Beyond Sky
 Shenzhen Shimao Qianhai Centre
 Shenzhen Longgang Shimao Shenzhen – Hong Kong International Centre
 Shenzhen Pingshan Shimao Festival City

● Yuegui District

Nanning Datang Shengshi
 Nanning Tang Palace
 Nanning Wuxiang Lantingfu
 Nanning Datang Tianyue
 Zhaoqing Shimao Cloud Atlas

● Yangtze River Delta Zone

Hangzhou Shimao Tahoe Central Plaza
 Hangzhou Cathay Courtyard
 Hangzhou Shimao Classic Chinese Chic
 Xuzhou Shimao Dongdu
 Xuzhou Shimao Cloud Park

● 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

Beijing Shimao Loong Palace



Board of Directors

Executive Directors

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

Independent Non-executive Directors

Kan Lai Kuen, Alice
Lyu Hong Bing
Lam Ching Kam

Audit Committee

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

Remuneration Committee

Lyu 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
Lyu Hong Bing
Lam Ching Kam

Company Secretary

Lam Yee Mei, Katherine

Auditor

PricewaterhouseCoopers

Principal Place of Business in Hong Kong

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

CORPORATE INFORMATION

Qingdao Shimao Shine Times

**Registered Office**

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

**Hong Kong Branch Share Registrar
and Transfer Office**

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

**Principal Share Registrar and
Transfer Office**

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

Place of Listing

The Stock Exchange of Hong Kong Limited
Stock code: 813

Investor and Media Relations

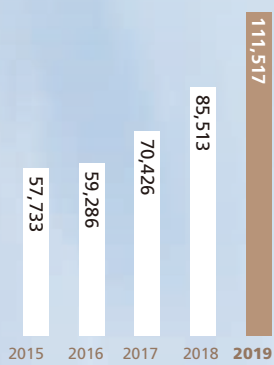
Investor Relations Department
Email: ir@shimaogroup.com.hk
Telephone: (852) 2511 9968
Facsimile: (852) 2511 0287



FIVE YEARS FINANCIAL SUMMARY

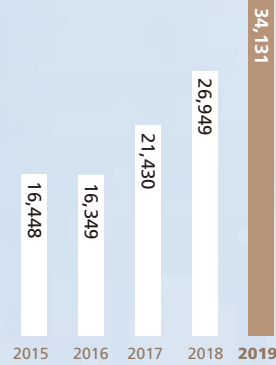
REVENUE

(RMB million)



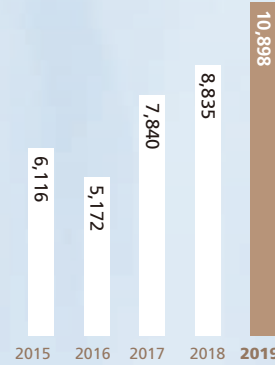
GROSS PROFIT

(RMB million)



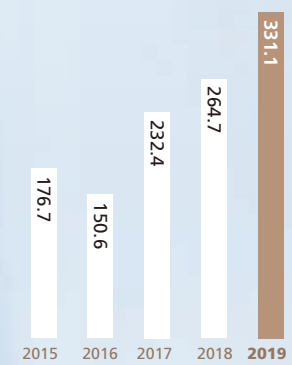
PROFIT ATTRIBUTABLE TO SHAREHOLDERS

(RMB million)



BASIC EARNINGS PER SHARE

(RMB cents)



FIVE YEARS FINANCIAL SUMMARY

	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000
Revenue	111,516,981	85,512,704	70,425,874	59,286,161	57,732,974
Cost of sales	(77,386,427)	(58,563,625)	(48,996,361)	(42,937,532)	(41,284,575)
Gross profit	34,130,554	26,949,079	21,429,513	16,348,629	16,448,399
Fair value gains on investment properties	2,335,257	1,910,251	679,484	1,996,673	2,776,694
Other income/other gains – net	351,639	297,280	545,095	838,785	1,570,998
Selling and marketing costs	(2,824,871)	(2,023,438)	(1,461,804)	(1,352,643)	(1,615,275)
Administrative expenses	(4,381,122)	(3,429,512)	(2,989,871)	(2,742,720)	(3,278,396)
(Provision for)/reversal of impairment losses on financial assets	(70,375)	25,529	–	–	–
Other operating expenses	(337,635)	(520,488)	(523,702)	(268,509)	(288,194)
Operating profit	29,203,447	23,208,701	17,678,715	14,820,215	15,614,226
Finance (costs)/income – net	(284,920)	(337,027)	1,328,414	(1,175,946)	(1,408,648)
Share of results of associated companies and joint ventures accounted for using the equity method	96,825	(233,469)	(315,376)	(448,391)	(483,169)
Profit before income tax	29,015,352	22,638,205	18,691,753	13,195,878	13,722,409
Income tax expenses	(12,635,387)	(10,327,273)	(8,121,060)	(5,685,493)	(5,563,671)
Profit for the year	16,379,965	12,310,932	10,570,693	7,510,385	8,158,738
Profit for the year attributable to equity holders of the Company	10,897,600	8,834,790	7,840,494	5,171,855	6,115,784
Non-current assets	117,528,198	88,748,017	85,027,201	72,712,665	69,317,652
Current assets	353,925,869	288,848,834	222,531,472	189,190,340	174,937,039
Total assets	471,454,067	377,596,851	307,558,673	261,903,005	244,254,691
Non-current liabilities	97,399,453	84,421,747	75,334,749	55,077,089	58,725,582
Current liabilities	257,350,428	187,894,927	135,477,127	118,608,923	110,779,789
Total liabilities	354,749,881	272,316,674	210,811,876	173,686,012	169,505,371
Net assets	116,704,186	105,280,177	96,746,797	88,216,993	74,749,320
Equity attributable to equity holders of the Company	66,254,881	59,234,206	57,634,683	52,456,051	50,161,660
Non-controlling interests	50,449,305	46,045,971	39,112,114	35,760,942	24,587,660
Total equity	116,704,186	105,280,177	96,746,797	88,216,993	74,749,320

CHAIRMAN'S STATEMENT



Dear shareholders,

I am pleased to present the annual results of Shimao Property Holdings Limited (“Shimao Property”, “Shimao” or the “Company”, together with its subsidiaries, the “Group”) for the year ended 31 December 2019.

Market and Outlook

The overarching principle of “houses are for inhabiting, not for speculation” remained unchanged in 2019, and differentiated policies, tightened for certain cities and loosened for others, were implemented based on local situations, enabling the overall steady growth of the real estate industry. According to the National Bureau of Statistics, the value of commodity properties sold in China recorded historical high of approximately RMB15,972.5 billion, representing a year-on-year increase of 6.5%.

The outbreak of COVID-19 pneumonia in 2020 brought major challenges to the overall economy and the social atmosphere, putting more pressure on the economic downturn. Under the policies of central government to stabilize the land price, housing price and market expectation, local governments are allowed to continue the adoption of differentiated policies. As a result, differentiation among cities will be intensified. The property markets in first-tier and second-tier cities will remain stable and positive while that in third-tier and fourth-tier cities will be under higher downward pressure.

CHAIRMAN'S STATEMENT

Ningde Shimao Shine City

**Sales Performance**

In 2019, the industry consolidated when the market was very challenging. In spite of unfavorable environment, the business of Shimao grew remarkably and realized total contracted sales of approximately RMB260.0 billion for 2019, representing an increase of 48% when compared with the previous year. Our business growth was a result of careful planning, our pursuit for excellent product quality and consolidated structure. We remained faithful to our commitment of achieving “rapid and quality growth” for three consecutive years.

CHAIRMAN'S STATEMENT

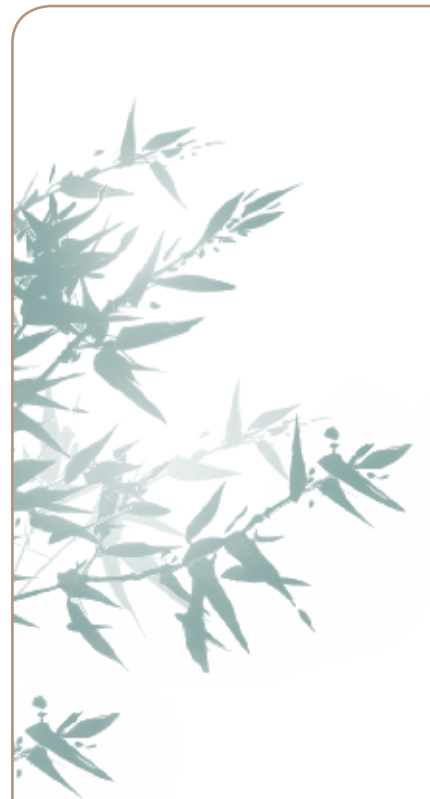
Zhangzhou Poly Shimao Shine Bund



Shimao's Strategies

Shimao has long followed the national developing direction and continued its regional deep cultivation of strategic regions and core city clusters such as the Jingjinji Metropolitan Region, 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 with focus on first-tier and second-tier cities and advanced third-tier and fourth-tier cities with advanced economic development and strong demand. Based on its development portfolio, Shimao has sufficient quality resources reserves of over RMB1,300.0 billion, bringing stronger risk resilience and higher premium for Shimao. At the same time, we have long followed the Outline Development Plan for the "Guangdong-Hong Kong-Macao Greater Bay Area" to fully leverage on our advantages in terms of diversified business layout and resource integration to assist the development of the Guangdong-Hong Kong-Macao Greater Bay Area in a more integrated manner. Currently, the total saleable value of the land bank in the Guangdong-Hong Kong-Macao Greater Bay Area reached RMB380.0 billion.

Under the management mechanism fully authorized by "corporatization", the "ownership spirit" of regional companies has been further stimulated, which accelerated the overall operation efficiency. During the year, Shimao Strait's development company (formerly Shimao Fujian's regional company, "Shimao Straits") adopted the development strategy of "deep cultivating core metropolitan areas and developing in-depth strategic city clusters", and recorded the highest sales volume in Fujian market for three consecutive years with over RMB55.0 billion. The achievements of Shimao Straits are precisely the epitome of the strong development momentum of Shimao. Looking forward to 2020, Shimao will continue to optimize the "corporatization" mechanism, formulate an explicit promotion and relegation system based on the "profits after interests" contribution to provide a solid operating foundation to guarantee the "rapid and quality growth" of the Group for five consecutive years.



CHAIRMAN'S STATEMENT



Hefei Shimao Jade Mansion



Flexible and Diverse Way of Land Acquisition

The Group was both prudent and proactive in replenishing land bank. The Group adjusted its land acquisition strategy in anticipation of the continuation of the government's differentiated policy for specific cities. During the year, the Group acquired land bank of 30.92 million sq.m. with land reserve saleable value of approximately RMB500.0 billion, with 65% of the value of land acquired through acquisition. As of 31 December 2019, the Group penetrated in 120 cities across the country, with 349 projects and a total area of 76.79 million sq.m. (before interests) of quality land.

At the same time, Shimao will 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.

Uphold Prudent Financial Policy

The cash flow management of the Group focuses on the basic objective of profit making. Cash flow is carefully managed in a manner that expenses should be sufficiently funded by incomes. Business development is controlled at a moderate pace to maintain a healthy financial position and low gearing ratio. The cash collection of the Group for 2019 was RMB195.0 billion. The increase was in line with the growth of contracted sales, reflecting the sustainable development of the Group.

CHAIRMAN'S STATEMENT

Nanchang Shimao Tahoe Cathay Courtyard



Taian Classic Chinese Chic

CHAIRMAN'S STATEMENT

The Group has established strategic cooperation with more than 40 onshore and offshore institutions, proactively participated in innovative financing to tackle a more stringent funding environment with rapid tightening policies with ease, and has repeatedly achieved success in the open market. The Group's domestic subsidiaries issued the long-term corporate bonds of RMB7.4 billion in tranches in the domestic open market, of which the interest rate of the 7-year bonds was 4.8%, reflecting the advantages of long term and low cost. In March 2020, Shanghai Shimao Jianshe Co., Ltd. ("Shimao Jianshe") successfully issued a total of RMB4.5 billion corporate bonds. The interest rate of the 5-year bonds was 3.23% and the interest rate of the 7-year bonds was 3.9%, marking a new record of the lowest funding cost of bonds issued by Shimao. At the same time, the Group actively explored overseas opportunities and successfully issued a total of 2.0 billion US dollar bonds in two tranches to replace the 1.1 billion US dollar bonds. The interest rate of the 7-year US dollar bonds was 5.6%. In January 2020, the Group effectively grasped the market opportunities and successfully placed 158 million shares to institutional investors, raising net proceeds of approximately HK\$4,638 million, which further strengthened the Group's balance sheet and capital base. The Group's financing costs further decreased to 5.6% in 2019.

We are gratified by the continued trust and support of the capital market. In 2019, Moody's upgraded the credit rating of Shimao from "Ba2" to "Ba1", and the outlook was "stable". Standard & Poor's and Fitch maintained the Group's credit ratings of "BB+" and "BBB-", respectively while major domestic rating institutes maintained the highest corporate credit rating of "AAA". The sufficient available facilities from financial institutions have continuously provided buffer to the Group.

Diversified Business Layout

The deep cultivation in diversified business not only improves the competitiveness of Shimao in the market, but also injects strong internal driving force for achieving sustainable growth.

In respect of hotel business, Shimao continued to focus on the development and operation of city-class and world-class landmark hotels. As of the end of 2019, Shimao hotels penetrated in first-tier and second-tier cities and popular tourist attractions in the Mainland, with 22 hotels in operation, including Hyatt on the Bund Shanghai, InterContinental Shanghai Wonderland, Le Royal Méridien Shanghai, Conrad Xiamen and others. The number of hotel guest rooms reached close to 7,200. Besides, the Group cooperated with Starwood Capital to establish Shimao Star Hotel Group ("Shimao Star"), which has already had 7 unique hotel brands, namely, Yu Resort, Yuluxe, Yu Residence and etc. Among these, the brand ETHOS's first hotel for the millennial generation, Shimao ETHOS Hotel Xiamen, was grandly opened in the end of 2019.



Wuhan Shimao Dragon Bay

CHAIRMAN'S STATEMENT

In respect of commercial and entertainment business, the Group launched "4+2+M" diversified business portfolio which includes four major businesses, two major themed entertainments and the other new business of "Mix & More". During the year, the first Smurfs Theme Park in Asia, Shanghai Dream City Theme Park Phase II Smurfs Park was launched, and the first service office, "MWorks" was launched in Nanjing. Shimao is committed to empower city's lives with innovative diversified business portfolio that fulfills the different needs of customers.

In respect of property management business, the service was branded as "Shimao Service" with a brand new image of "the intelligent creator of lives". Shimao Service further expanded the horizon of service, deepened the variety of service for users and built "Ocean X Shimao Deep Blue Service System", in order to provide quality life and upgrade experience of smart service for tenants and customers. Shimao Service has been actively expanding the third party business along with the launch of the new brand. As at 31 December 2019, the contracted gross floor area ("GFA") were more than 100 million sq.m..

Under the background of urban transformation and upgrade, the Group has seized the opportunities brought from the development trend of smart cities and established a strategic partnership with SenseTime and Unisound, the world's leading artificial intelligence platform. The artificial intelligence has been applied in Shimao community, hotels, commercial and other business scenarios, contributing to the urban intelligent upgrade.

Social Responsibility

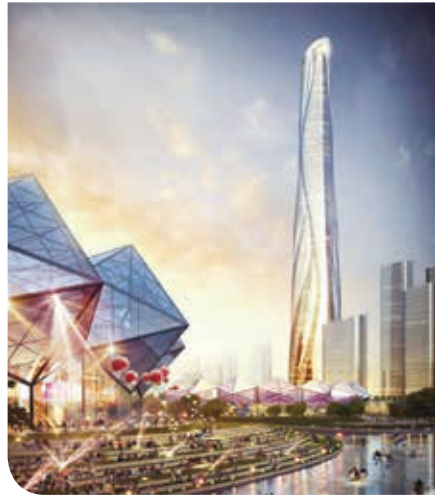
The responsibility is integrated in the blood, while the originality is inherited by hard work. When it comes to another side of the durable growth, we also pay close attention to the implementation of corporate social responsibility, fulfilling our responsibilities to the fullest. The Group held youth exchange activities such as "We are family" through New Home Association for many years to enhance the youth exchange experiences between Hong Kong and the Mainland, which helps to establish a profound national pride. Shimao is also actively involved in medical and poverty alleviation and participates in many public welfare projects, which brings hope to patients suffering from the diseases. Facing the COVID-19 epidemic, Shimao has donated HK\$30 million and medical equipment and supplies to support anti-epidemic and prevention work and contribute to the public's safety and health.

Hello Kitty Shanghai Times



CHAIRMAN'S STATEMENT

Zhangjiajie Shimao Cloud City



Shenzhen Longgang Shimao Shenzhen-Hong Kong
International Centre



Shanghai Shimao Festival City

Final Dividend

To demonstrate our appreciation for our shareholders' support, the board of directors of the Company (the "Board") has proposed the payment of a final dividend of HK85 cents per share (2018: HK70 cents per share). Together with an interim dividend of HK60 cents per share, the total distribution for the year will amount to HK\$1.45 per share (2018: HK\$1.20 per share).

Acknowledgement

2019 marked the 30th anniversary of Shimao. Our success and vision are shared by all of us in Shimao. On behalf of the Board, I would like to extend my heartfelt gratitude and my deepest respect to our shareholders, business partners, local government, customers as well as our directors, the management and staff for their valuable support and contributions. Shimao will remain prudent in its development. Your support will be very important to our sustainable growth. Shimao will continue to grow for another 30 years.

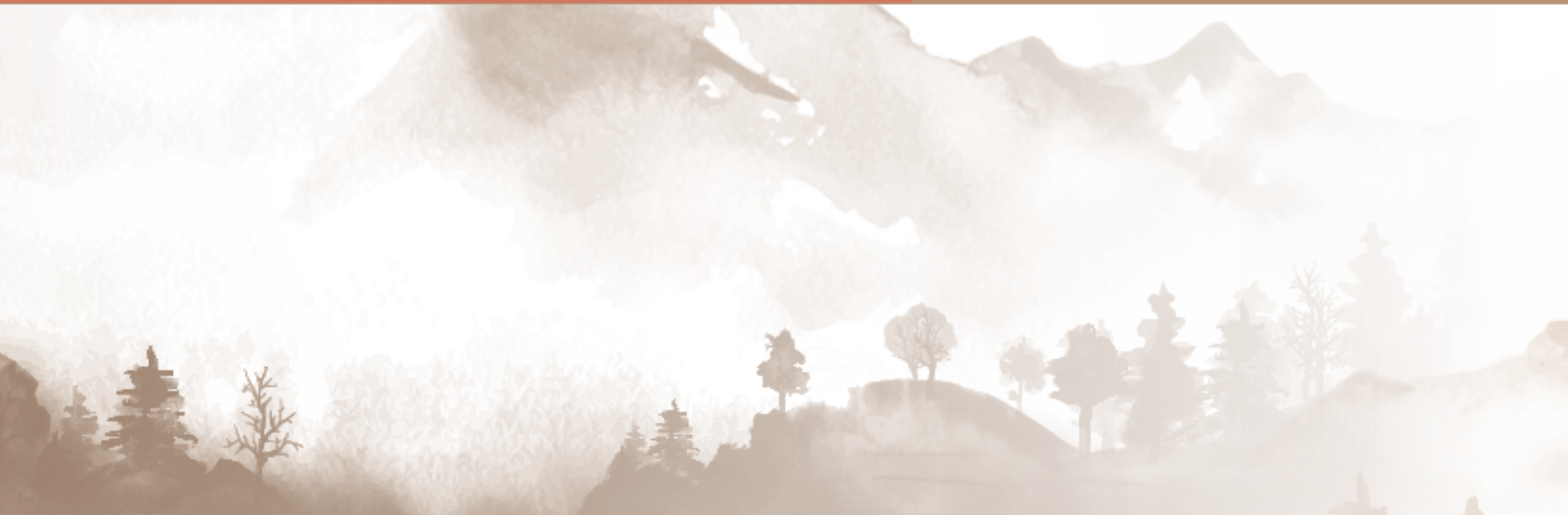
Hui Wing Mau

Chairman

Hong Kong, 30 March 2020



Hangzhou Shimao Classic Chinese Chic



MANAGEMENT DISCUSSION AND ANALYSIS



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Property Development

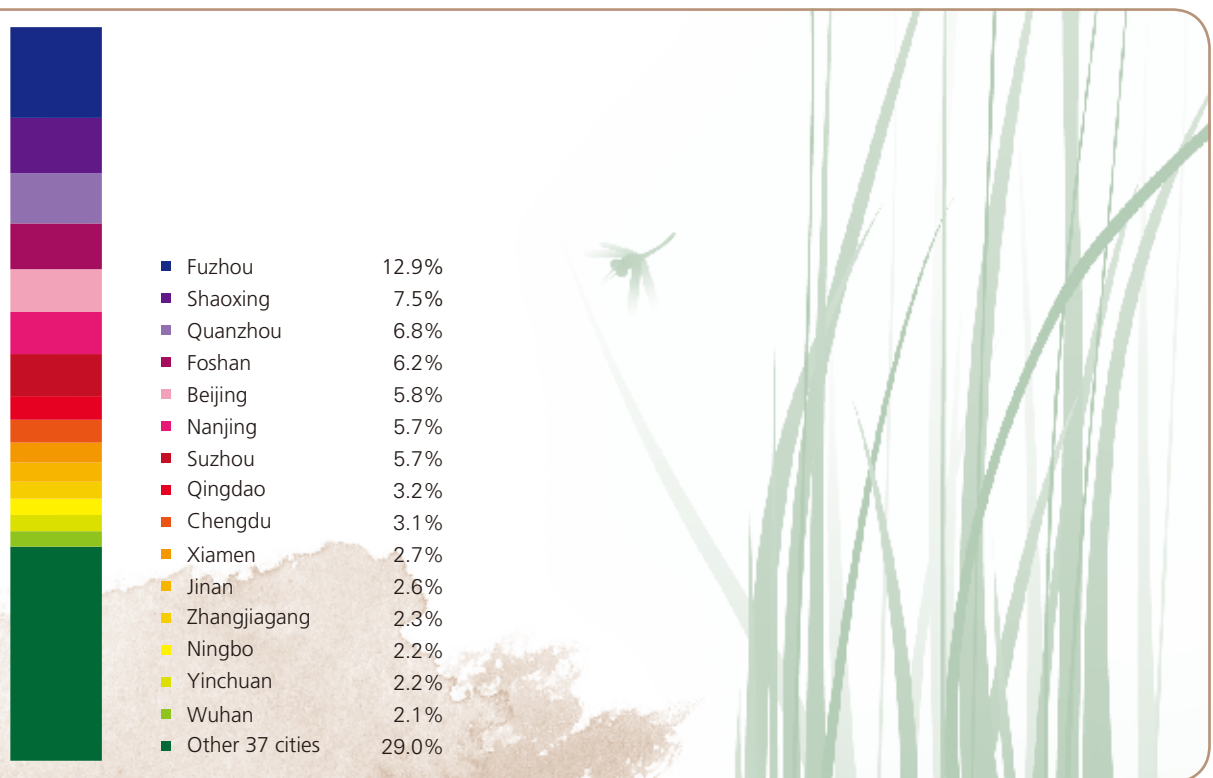
1) *Recognized Sales Revenue*

The Group generates its revenue primarily from property development, commercial properties operations, hotel operations and property management. For the year ended 31 December 2019, revenue of the Group reached RMB111.52 billion, representing an increase of 30.4% as compared to RMB85.51 billion in 2018. During the year, revenue from property sales amounted to RMB105.29 billion, accounting for 94.4% of the total revenue. The average recognized selling price increased by 8.6% from RMB13,807 per sq.m. in 2018 to RMB15,001 per sq.m. in 2019.



Xiamen Shimao Straits Tower

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



MANAGEMENT DISCUSSION AND ANALYSIS

2) Steady Sales Growth

With respect to property sales, the Group's contracted sales amounted to RMB260.07 billion in 2019, representing 124% of its annual target. The aggregate sales area reached 14.656 million sq.m., with an average selling price of RMB17,744 per sq.m..

In 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 2020, the Group will launch saleable areas of approximately 19.92 million sq.m.. Together with the saleable areas of approximately 8.24 million sq.m. as at 31 December 2019, the Group's total saleable areas in 2020 will be approximately 28.16 million sq.m..

Key projects available for sale in 2020 are set out as follows:

District Company	Project	Saleable Area (sq.m.)
Straits Development company	Guangzhou Asian Games City	260,265
	Guangzhou Zengjiang	150,958
	Guangzhou Haizhu	46,524
	Zhuhai Artificial Island	133,300
	Zhangpu Xiangshan Bay	138,721
	Foshan Shunde	118,853
Northern China company	Beijing Shangzhuang	94,588
	Gulang Water Town	956,954
	Tongzhou North District	46,926
Central China company	Wuhan Splendid River	207,928
Jiangsu and Shanghai company	Nanjing G24	130,163
	Nanjing G11	81,069
	Nanjing Xishan Bridge	98,323
	Changzhou Dingtang River	131,094
Zhejiang company	Hangzhou Puyan	75,199
	Wenzhou Longwan	124,732
	Wenzhou Station South	82,085
	Hangzhou Pengbu	40,143
Western company	Kunming Wujiaba	103,288
	Kunming Shuangfeng	150,346
	Xi'an Beichen	154,207
	Chongqing Qiansimen	86,379
Yangtze River Delta company	Hangzhou Jiangcun	72,034
	Hangzhou Fuyang	73,374
	Hangzhou Lin'an	60,353
Sub-total (key projects above)		3,617,806
Projects (worth below RMB2.5 billion) available for sale in 2020		16,304,285
Completed inventory		1,707,476
Uncompleted projects available for sale as of 31 December 2019		6,526,748
Total		28,156,315

MANAGEMENT DISCUSSION AND ANALYSIS

Hangzhou Shimao Wisdom Tower



3) Completion of Development Projects and Plans as Scheduled

2019 was another year of high quality development for the Group. The Group's floor area under construction was 42.79 million sq.m.. The aggregate GFA completed was approximately 9.51 million sq.m., representing an increase of 6.5%, when compared with the previous year of 8.92 million sq.m.. Looking forward to 2020, the Group will maintain its quality growth with the planned floor area under construction of approximately 55.00 million sq.m. and the GFA completed of approximately 11.50 million sq.m..

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

During the year, the Group increased its land bank by 30.92 million sq.m. (before interests), and in terms of amount, accounting for approximately 65% of the land acquired through acquisition under flexible and diverse land acquisition method. As at 31 December 2019, the Group penetrated in 120 cities across the country, with 349 projects and a total area of 76.79 million sq.m. (before interests) of quality land. The premium land resources and relatively low land cost provide continued support to the results of Shimao Property in the major markets nationwide in the next few years.

The land parcels acquired by the Group in 2019 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. Hangzhou Lin'an Project	March 2019	Commercial and residential	1,350	147,161	9,174	100%
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%

MANAGEMENT DISCUSSION AND ANALYSIS

Guangzhou Shimao Swan Bay



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
11. Nanchang 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	1,811	183,454	10,966	90%
17. Zhangzhou Hong Shu Wan Project	March 2019	Commercial and residential	1,834	370,629	12,371	40%
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 Jiayang 2019-P-03	April 2019	Commercial and residential	154	127,872	3,644	33%

MANAGEMENT DISCUSSION AND ANALYSIS

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
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	778	481,500	2,021	80%
41. Guangzhou Zengcheng Project	May 2019	Commercial and residential	2,500	1,074,707	5,815	40%
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	738	124,266	17,994	33%
44. Yueqing Hongqiao Town Xitang Village Parcel	May 2019	Commercial and residential	739	195,775	7,544	50%
45. Zhaoping Sihui Zhenshan Street Yaosha Village Committee Lot	May 2019	Commercial and residential	263	166,304	3,164	50%
46. Fu'an Hukou District D02 Parcel	June 2019	Commercial and residential	277	171,950	2,681	60%
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	388	151,255	3,207	80%
50. Zhenjiang Runzhou District Guantang Area Yuanyang School North	June 2019	Commercial and residential	355	116,006	3,600	85%
51. Zhoushan DH-47-04-02, 06 and 07 Parcels (Zhu Shan Men Residence Parcel)	June 2019	Commercial and residential	209	66,238	6,299	50%
52. 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%
53. Zhuji Chengxi Business District	June 2019	Residential	279	148,603	5,686	33%
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	Commercial and residential	279	270,149	5,164	20%
56. Taizhou Tiantai County TFX01-0203 Parcel	June 2019	Residential	243	80,835	5,889	51%
57. Changzhou Dingtang River Project	June 2019	Commercial and residential	1,284	283,448	9,243	49%
58. Xingyang Zhengxing No. (2019) 14-3	June 2019	Residential	98	116,726	2,533	33%
59. Guangzhou Swan Bay Phase II	June 2019	Residential	2,780	47,007	59,136	100%

MANAGEMENT DISCUSSION AND ANALYSIS

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
60. Guangzhou Jiasheng Project	June 2019	Wholesale and retail, and urban residential	2,195	43,312	50,678	100%
61. Tianjin Gulang Shuizhen Project	July 2019	Commercial and residential	3,656	1,667,175	4,300	51%
62. Hangzhou Dacheng Yard Project	July 2019	Residential	560	252,892	7,381	30%
63. Jinan First Machine Tools Factory Project	July 2019	Commercial and residential	1,624	422,589	7,685	50%
64. Huainan Dongshan Swan Bay	July 2019	Residential	81	348,524	1,157	20%
65. Huainan Park Swan Bay	July 2019	Residential	758	749,622	1,264	80%
66. Zhoushan Baiquan Parcel	July 2019	Residential	130	80,134	4,900	33%
67. Jiangmen Yinhu Bay Project	July 2019	Commercial and residential	2,800	700,000	5,714	70%
68. Jiangmen Taishan Sanhe Spring Town	July 2019	Commercial and residential	1,300	885,747	1,957	75%
69. Chaohu Project	July 2019	Residential	236	119,977	4,918	40%
70. Nanjing NO.2019G30 Parcel	July 2019	Commercial and residential	754	177,293	12,691	34%
71. Fuzhou Lianjiang 2019-12 Parcel	July 2019	Commercial and residential	141	87,816	4,578	35%
72. Hanzhong Jiangnan East Road Project	July 2019	Commercial and residential	72	200,871	1,189	30%
73. Chongqing Zhongmin Aipu Asset Portfolio	July 2019	Commercial and residential	3,280	798,566	8,215	50%
74. Chongqing Banan Project Asset Portfolio	July 2019	Commercial and residential	775	280,000	5,536	50%
75. Anqing Yixiu District No. 2019-26 Parcel	July 2019	Residential	157	161,173	2,873	34%
76. Ningde 2019P01/Ningde 2019P04	July 2019	Commercial and residential	579	298,500	4,848	40%
77. Parcel at the Southwest of the Intersection of Binhu Road and Xiangyang Avenue in Xuancheng	July 2019	Residential	211	127,474	3,373	49%
78. Yiwu International Lugang Logistics Park 1-29# Parcel	July 2019	Residential	336	127,279	5,171	51%
79. Jingzhou P(2013)007	August 2019	Residential	90	60,807	2,902	51%
80. Jinan Changqing Dongwang A3/B1 Parcel	August 2019	Commercial and residential	590	227,552	2,592	100%
81. Taian New City 9# and 7# Parcel	August 2019	Residential	832	446,274	3,657	51%
82. Taian Tianping Lake Parcel	August 2019	Residential	181	106,863	5,455	31%
83. Wenzhou Development Zone West District C Parcel\ D12 Parcel	August 2019	Commercial and residential	1,937	353,797	10,947	50%
84. Zhangzhou Tahoe Xiangshan Bay Project	September 2019	Commercial and residential	505	879,417	1,914	30%
85. Zhangzhou Tahoe Qingyun Town Project	September 2019	Commercial and residential	117	349,874	668	50%
86. West of Zibo CBD Cultural Centre	September 2019	Commercial and residential	906	690,000	2,625	50%
87. Zhangjiajie GTJY2019-66 Zhangjiajie GTJY2019-67	September 2019	Commercial and residential	215	457,891	941	50%
88. Yulin Park 9 Miles, Yulin Yuehu Bay	September 2019	Commercial and residential	263	606,879	1,443	30%
89. Chongqing Wanzhou Ruyi	October 2019	Commercial and residential	600	537,906	1,859	60%
90. Nan'an 2019P09	October 2019	Residential	22	65,816	1,702	20%
91. Zhuhai Hong Kong-Zhuhai-Macao Bridge Project	October 2019	Business, tourism and commercial complex	5,640	967,708	5,828	100%
92. East of Dong'an Road and South of Xihuyuan Road of Zhangjiagang	October 2019	Commercial service	19	25,918	2,469	30%
93. Baotou Kunbei District Project	October 2019	Commercial and residential	534	223,002	2,395	100%
94. Pingtan 2019G045	October 2019	Commercial and residential	402	114,472	5,849	60%
95. Beijing Fangshan Project	November 2019	Residential	850	71,582	11,874	100%
96. Parcels D and E of Qingdao Central Garden	November 2019	Commercial and residential	1,079	266,787	4,043	100%
97. Tianjin Hai'er Century Mansion Project	November 2019	Commercial and residential	1,136	260,295	7,274	60%

MANAGEMENT DISCUSSION AND ANALYSIS

Jinan Shimao Skyscraper City



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
98. Xiamen Huaxi Project	November 2019	Residential	888	149,720	9,883	60%
99. Xiamen Yunjie Project	November 2019	Commercial finance	513	126,420	8,108	50%
100. Fuqing Huayuan Parcel	November 2019	Commercial and residential	290	157,654	4,085	45%
101. No. 201905 of Mingqing County, Fuzhou	November 2019	Residential	401	136,946	2,928	100%
102. Parcel II of Qiaotou, Masangxi, Dadukou, Chongqing	November 2019	Commercial and residential	277	150,109	5,429	34%
103. Parcel NCG041-0107 of the South of Yucheng Street, Taizhou	December 2019	Commercial and residential, science and educational	577	189,396	6,088	50%
104. Parcel I of the North of the Maternal and Child Health Centre of Dongshan County, Zhangzhou	December 2019	Commercial and residential	133	115,563	1,919	60%
105. Meilin of Futian District, Shenzhen	December 2019	Commercial service (resettlement properties)	784	76,030	21,044	49%
106. Redevelopment Project of Qinghu, Longhua District, Shenzhen	December 2019	Commercial and residential	4,023	299,738	26,316	51%
107. Huaibei Xiangshan District Fangding Parcel	December 2019	Residential	608	300,592	2,023	100%
108. Jiaying Tongxiang Zhendong New District	December 2019	Residential and hostels	658	97,406	6,755	100%
109. Tianshui County Project of Tianshui	December 2019	Commercial and residential	718	514,482	2,737	51%
110. Fuzhou Mawei 2019-08	December 2019	Residential	304	42,646	7,131	100%
111. Quanzhou 2019 Pai-16#	December 2019	Commercial service	9	4,454	2,593	75%
112. Quanzhou 2019 Pai-19#	December 2019	Commercial and residential	23	34,109	891	75%
113. Quanzhou 2019 Pai-21#	December 2019	Commercial and residential	45	65,250	920	75%
114. Suzhou WJ-J-2019-015	December 2019	Residential	958	52,953	18,089	100%
115. Fuzhou Nancheng Feicuicheng	December 2019	Commercial and residential	171	242,011	2,082	34%
Total			90,897	30,915,528	5,035	

Geographically, the Group adjusted its strategy in anticipation of the continuation of the government's differentiated policy for specific cities. To grasp the opportunities arising from the urban economic zones, the Group mainly acquired land in first-tier and second-tier cities and advanced third-tier and fourth-tier cities. In respect of land cost, the average floor price of the new land bank was approximately RMB5,035 per sq.m.. The Group has been prudent in increasing its land bank by following its longstanding prudent policy and strives to maintain a balance between development opportunity and risk control. As at 31 December 2019, the Group's average land cost was RMB5,303 per sq.m.. The relatively low land cost provides effective assurance for the Group's endeavor for a higher profit margin in the future.

MANAGEMENT DISCUSSION AND ANALYSIS

Commercial Properties Operation

In respect of commercial properties, Shimao Property is engaged in the development of commercial properties through a subsidiary, Shanghai Shimao Co., Ltd. (“Shanghai Shimao”). 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 2019, Shanghai Shimao evolved from focusing on its principal business to business diversification. While maintaining stable operation, Shanghai Shimao continuously pursued novelty and changes through constantly promoting crossover cooperation, introducing unique brands to further improve the competitiveness of commercial projects. Leveraging on its rare brand portfolios, professional operation and management, and efficient property security, Shanghai Shimao achieved remarkable improvement and grew together with the cities. In addition, Shenzhen Shimao Qianhai Centre, the “tallest tower in Qianhai”, was successfully launched in September to set a footprint in the Guangdong-Hong Kong-Macao Greater Bay Area for future development of the Group. In 2019, Shimao commercial was highly recognized by its peers and received several prizes awarded by professional institutions, such as “Outstanding Commercial Property Enterprise of the 14th session of China Commercial Property Festival of 2019” (2019年第14屆中國商業地產節年度商業地產優秀運營商) and “Outstanding Enterprise of the ninth session (2019) of IF • Commercial Property Annual Meeting” (第九屆(2019)IF • 商業地產年會卓越企業), proving the increasing brand awareness and recognition of Shimao commercial during the year.

Property Management

In respect of property management business, the service was branded as “Shimao Service” with a brand new image of “the intelligent creator of lives” during the year. During the year, Shimao Service was actively expanding the third party business along with the launch of the new brand. As at 31 December 2019, the contracted GFA under Shimao Service were more than 100 million sq.m..

In the era of “Smart +”, Shimao Service changed the nature of traditional property services on an unprecedented scale. It further expanded the horizon of service, deepened the variety of service for users and built “Ocean X Shimao Deep Blue Service System”, in order to provide quality life and upgrade experience of smart service for the tenants and customers of Shimao. During the year, the “Smart Property Management Platform” was launched across the country to facilitate the operation of our property management personnel. The management efficiency was significantly improved through the collection and analysis of data for modification of management model. During the year, Shimao Service was highly recognised by its peers and had received several awards in the industry, such as the “Top 17 of Top 100 Property Management Companies in China” (中國物業服務百強企業榜單 Top 17), the “Leading Specialized Property Manager in China of 2019” (2019中國特色物業服務領先企業) and “Blue Chip Property Company in China” (中國藍籌物業企業).

Zhengzhou Shine City



MANAGEMENT DISCUSSION AND ANALYSIS

Hotel Operations

As of 31 December 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 7,200 hotel guest rooms. Shimao's hotels have always been committed to understanding the needs of guests and capitalize its platform and resources in product design. It has designed various products for different target groups and scenarios for better experience and more sources of revenue. We have established a company designated for the retail of quality hotel products under a new model of hotel operation. In 2019, the Group's hotels achieved a total revenue of RMB2.10 billion, representing a year-on-year increase of 9.9%, with an EBITDA of RMB634 million, representing a year-on-year increase of 7.7%. Due to the partial renovation and reconstruction, the revenue of Le Royal Méridien Shanghai and The Yuluxe Sheshan, A Tribute Portfolio Hotel, Shanghai decreased by 28.5% compared with the previous year. Should these two hotels not be taken into account, the Group's revenue from hotel operations would have increased by 22.1%, and the EBITDA would have increased by 29.8% compared with 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, corresponding to their era recognition "distinguishing character, manifested sentiment", which becomes the exclusive hotel brand partner of Li-Ning during 2020 Paris Fashion Week, to jointly appear on the international stage. Shimao ETHOS Hotel Xiamen, the first hotel under the brand name of ETHOS, was grandly opened in the end of 2019.

Through system upgrade and active promotion, the members of "Shimao Star Dream Club", the Shimao Star membership scheme, has increased to around 400,000 in total in 2019, which is a very impressive rapid growth. As of 31 December 2019, Shimao Star successfully signed 39 self-owned brand hotel projects, 8 overseas projects, and hotels in operation and in preparation for opening included 3 luxury resorts, "Yu Resort", 13 luxury hotels, "Yuluxe", 7 luxury serviced apartments, "Yu Residence", 17 high-end hotels, "Yu Hotels", 3 lifestyle boutique hotels, "ETHOS", 15 high-end inspirational selected hotels, "MiniMax", and 32 inspirational selected hotels, "Mini". Of the 90 hotels, 12 have been put into operation and 78 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 and Wuxi. In terms of overseas markets, following the opening of Yuluxe Hotel and Yu Residence in Bali, Yuluxe Hotel Lombok, Yu Resort Lombok, Mini Hotel Malacca and MiniMax Hotel Malacca, Shimao Star once again went overseas by signing 2 new projects in Malaysia, namely Eco-City Yu Hotel Bentong Malaysia and Eco-City Yu Resort Hotel Bentong Malaysia. 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 2020, the Company will complete the renovation of Le Royal Méridien Shanghai and The Yuluxe Sheshan, A Tribute Portfolio Hotel, Shanghai. In addition, Yu Resort Wuyishan (the first self-owned brand luxury resort), Sheraton Hong Kong Tung Chung and Four Points by Sheraton Hong Kong Tung Chung are scheduled to commence operation in the second half of 2020. The completion of renovation of two hotels at prime locations and the opening of three luxury hotels will boost the operation results of hotel business. The performance of the hotel industry for the first quarter of 2020 has been affected by the epidemic and will see a temporary decline. However, in the long run, it provides an opportunity for business expansion, product and service innovation as well as professional training. We believe the tourism industry will have a strong rebound when the epidemic is over.

MANAGEMENT DISCUSSION AND ANALYSIS

In 2020, Shimao Star will actively explore for new projects. It is expected that more than 40 hotels will commence operation soon. “ETHOS” will continue to target at the millennial generation and expand its coverage to Wuhan, Hangzhou and other cities by fusing itself with unique local culture and features. “ETHOS” explores a new hotel market segment in China with global insight. “Mini” is also expanding its business into first-tier cities, including Beijing and Shenzhen. Shimao Star will strive to realize the full potential of its hotels to promote the brand image and cater for the diversified needs of its customers and actively explore new income sources. The Shimao Star Dream Club, a membership scheme, will continue its marketing activities and reward activities to promote customer loyalty, so as to secure customer base for existing and new hotels in the near future. Shimao Star will develop more direct sales channels and make use of hotel reservation applications in order to improve the reservation process and efficiency.

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 31 December 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 RMB43.2 billion (31 December 2018: RMB40.3 billion), the net assets value of the Group would have been increased to RMB130.8 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 31 December	
	2019	2018
	(RMB Million)	(RMB Million)
Fair value of above-mentioned hotels	43,169	40,312
Less: Carrying amount	(18,187)	(17,424)
Amounts to adjust from carrying amount to fair value	24,982	22,888
Less: Deferred income taxes	(6,246)	(5,722)
Increase in net assets value if the above-mentioned hotels are stated at fair value	18,736	17,166
Net assets value per consolidated balance sheet (excluding perpetual capital instruments)	112,039	100,180
Adjusted net assets value (excluding perpetual capital instruments)	130,775	117,346
Net debt	66,932	59,555
Adjusted net gearing ratio	51.2%	50.8%

MANAGEMENT DISCUSSION AND ANALYSIS

Beijing Classic Chinese Chic



FINANCIAL ANALYSIS

Key consolidated income statement figures are set out below:

	2019 RMB million	2018 RMB million
Revenue	111,517	85,513
Gross profit	34,131	26,949
Operating profit	29,203	23,209
Profit attributable to shareholders	10,898	8,835
Earnings per share – Basic (RMB cents)	331.1	264.7

Revenue

For the year ended 31 December 2019, the revenue of the Group was approximately RMB111,517 million (2018: RMB85,513 million), representing an increase of 30.4% over 2018. 94.4% (2018: 94.6%) of the revenue was generated from the sales of properties and 5.6% (2018: 5.4%) from hotel operation, commercial properties operation, property management income, and others.

The components of the revenue are set out as follows:

	2019 RMB million	2018 RMB million
Sales of properties	105,291	80,907
Hotel operation income	2,097	1,908
Commercial properties operation income	1,428	1,091
Property management income, and others	2,701	1,607
Total	111,517	85,513

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

MANAGEMENT DISCUSSION AND ANALYSIS

Hangzhou Shimao Shine City



(i) Sales of Properties

Sales of properties for the years ended 31 December 2019 and 2018 are set out below:

	2019		2018	
	Area (sq.m.)	RMB million	Area (sq.m.)	RMB million
Fuzhou	790,661	13,573	486,678	8,050
Shaoxing	408,650	7,866	38,803	877
Quanzhou	704,309	7,136	1,466,559	14,180
Foshan	333,419	6,492	–	–
Beijing	248,760	6,114	54,379	1,093
Nanjing	182,882	6,058	129,386	4,570
Suzhou	202,946	6,016	74,204	1,915
Qingdao	313,270	3,357	355,615	4,380
Chengdu	274,918	3,266	232,752	2,456
Xiamen	185,827	2,796	174,502	3,184
Jinan	316,219	2,762	355,478	4,383
Zhangjiagang	179,462	2,420	166,994	2,407
Ningbo	100,543	2,361	123,692	2,731
Yinchuan	279,727	2,283	624,942	4,054
Wuhan	179,377	2,243	436,902	4,990
Chongqing	170,959	2,048	56,719	929
Lanzhou	211,269	1,990	–	–
Taizhou	138,333	1,989	–	–
Hangzhou	57,238	1,942	126,288	4,714
Shanghai	56,921	1,709	36,190	1,932
Xuzhou	162,851	1,690	85,053	911
Shenzhen	43,780	1,625	29,220	2,807
Weifang	180,014	1,575	–	–
Wenzhou	62,315	1,316	–	–
Jiaxing	76,883	1,264	54,243	947
Pingtian	113,480	1,183	163,295	2,007
Changshu	68,468	1,003	18	62
Others	975,329	11,214	587,985	7,328
Total	7,018,810	105,291	5,859,897	80,907

MANAGEMENT DISCUSSION AND ANALYSIS

Changsha Shimao Global Financial Center

**(ii) Hotel Income**

Hotel operation income is analysed as follows:

	Date of Commencement	2019 RMB million	2018 RMB million
Hyatt on the Bund Shanghai	June 2007	394	400
InterContinental Shanghai Wonderland	November 2018	279	32
Le Royal Méridien Shanghai	September 2006	215	297
Conrad Xiamen	August 2016	158	155
Hilton Wuhan Riverside	July 2016	125	115
The Yuluxe Sheshan, A Tribute Portfolio Hotel, Shanghai	November 2005	115	164
InterContinental Fuzhou	January 2014	101	92
Hilton Nanjing Riverside	December 2011	97	100
Hilton Shenyang	January 2018	87	65
Crowne Plaza Shaoxing	March 2014	86	95
Hilton Yantai	August 2017	67	62
DoubleTree by Hilton Wuhu	October 2013	65	67
Hilton Tianjin Eco-City	April 2015	62	59
Le Méridien Hangzhou Binjiang	September 2018	59	8
DoubleTree by Hilton Ningbo Beilun	December 2016	54	55
Holiday Inn Shaoxing	September 2011	32	32
Holiday Inn Mudanjiang	December 2010	32	33
Yuluxe Hotel Taizhou	August 2014	32	32
DoubleTree by Hilton Ningbo Chunxiao	December 2015	24	27
Others		13	18
Total		2,097	1,908

Hotel operation income increased approximately 9.9% to RMB2,097 million in 2019 from RMB1,908 million in 2018. The increase was mainly derived from the InterContinental Shanghai Wonderland, which was grandly opened on 15 November, 2018. The growth rate in 2019 was slowed down a bit compared with 2018, which was mainly due to the decoration of The Yuluxe Sheshan, A Tribute Portfolio Hotel, Shanghai and Le Royal Méridien Shanghai.

MANAGEMENT DISCUSSION AND ANALYSIS

Beijing Shimao Loong Palace

**(iii) Commercial properties operation income, Property Management income, and others**

Commercial properties operation income was approximately RMB1,428 million for the year ended 31 December 2019. It increased by 30.9%, which was mainly attributable to the reopen of Shanghai Shimao Festival City in September 2018, with its rental income almost doubled than that before renovation.

Commercial properties operation income is analysed as follows:

	Date of Commencement	2019 RMB million	2018 RMB million
Rental Income			
Shanghai Shimao Festival City	December 2004	230	44
Beijing Shimao Tower	July 2009	172	157
Jinan Shimao International Plaza	May 2014	164	164
Shaoxing Shimao Dear Town (Commercial)	May 2010	82	83
Xiamen Shimao Straits Mansion	January 2017	58	47
Kunshan Shimao Plaza	April 2012	56	52
Nanjing Yuhua Shimao (Commercial)	December 2018	47	–
Nanjing Straits City (Commercial)	December 2014	45	30
Shanghai Shimao Tower	December 2018	42	4
Suzhou Shimao Canal Scene (Commercial)	June 2010	33	33
Shanghai Shimao Shangdu	November 2010	32	33
Quanzhou Shishi Shimao Skyscraper City	January 2017	32	33
Changshu Shimao The Centre	January 2009	22	23
Xuzhou Shimao Dongdu (Commercial)	January 2012	13	14
Wuhu Shimao Riviera Garden (Commercial)	September 2009	6	6
Miscellaneous rental income		30	48
Rental income sub-total		1,064	771
Commercial properties related service income		364	320
Total		1,428	1,091

Property management income, and others increased by approximately 68.1% to RMB2,701 million in 2019 from RMB1,607 million in 2018, which were mainly attributable to the expanding of property management area and revenues from project management increased.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of Sales

Cost of sales increased by 32.1% to approximately RMB77,386 million in 2019 from RMB58,564 million in 2018, which was in line with the growth in sales.

Cost of sales are analysed as follows:

	2019 RMB million	2018 RMB million
Land costs and construction costs	69,428	51,860
Capitalised borrowing costs	4,871	4,105
Direct operating costs for hotels, commercial properties operation and others	2,486	2,101
Sales taxes	601	498
Total	77,386	58,564

Fair Value Gains on Investment Properties – Net

During the year, the Group recorded aggregate fair value gains of approximately RMB2,335 million, mainly contributed by the further increase in value of certain investment properties and the increase in number of investment properties. Aggregate net fair value gains after deferred income tax of approximately RMB584 million recognized was RMB1,751 million (2018: RMB1,432 million).

Other Income/Other Gains – Net

Other gains of approximately RMB352 million for the year ended 31 December 2019 (2018: RMB297 million), which mainly included gain on government grants of RMB60 million (2018: RMB100 million), penalty income of RMB48 million (2018: RMB71 million), and net gains on acquisition and disposal of subsidiaries of RMB185 million (2018: net gain of RMB55 million).

Selling and Marketing Costs and Administrative Expenses

The Group strictly linked actual cost with performance ratio through overall budget management and dynamic tracking. Cost efficiency has been improved significantly. Selling and marketing costs and administrative expenses arising from property sales accounted for 1.9% of contracted sales in 2019 (2018: 2.2%), which was competitive in the market.

Operating Profit

Operating profit amounted to RMB29.203 billion for the year ended 31 December 2019, increased by 25.8% from RMB23.209 billion for the year ended 31 December 2018, which was mainly attributable to the increase of revenue and gross profit.

Finance (Costs)/Income – Net

Net finance costs was approximately RMB285 million (2018: net finance cost of RMB337 million), mainly attributable to less net foreign exchange loss in 2019 than that in 2018.

Share of Results of Associated Companies and Joint Ventures

Share of profits of associated companies and joint ventures increased to profits of approximately RMB97 million in 2019 from loss of approximately RMB233 million in 2018, which was mainly attributable to recognition of profit from Guangzhou Asian Games City Project.

MANAGEMENT DISCUSSION AND ANALYSIS

Taxation

The Group's tax provisions amounted to approximately RMB12,635 million for the year, in which PRC land appreciation tax ("LAT") was RMB5,645 million (2018: RMB10,327 million, in which LAT was RMB4,538 million). The increase in LAT was in line with the growth in gross margin.

Profit Attributable to Shareholders

Profit attributable to shareholders for the year increased by 23.3% from approximately RMB8.835 billion in 2018 to RMB10.898 billion in 2019. The increase was mainly attributable to the increase of core profit. Excluding the net impact of major after-tax non-cash items, net profit from core business for the year increased by 30.6% to approximately RMB15.325 billion (2018: RMB11.732 billion), and net profit from core business attributable to shareholders for the year increased by 22.5% over 2018 to approximately RMB10.478 billion. Net profit margin from core business attributable to shareholders was 14.1% in 2019.

Liquidity and Financial Resources

As of 31 December 2019, the total assets of the Group were approximately RMB471.454 billion, of which current assets were approximately RMB353.926 billion. Total liabilities were approximately RMB354.750 billion, whereas non-current liabilities were approximately RMB97.399 billion. Total equity was approximately RMB116.704 billion, of which equity attributable to the shareholders of the Company amounted to approximately RMB66.255 billion.

As of 31 December 2019, the Group had aggregate cash and bank balances (including restricted cash) of approximately RMB59.623 billion (as at 31 December 2018: RMB49.577 billion). Total borrowings amounted to approximately RMB126.555 billion (as at 31 December 2018: RMB109.132 billion). Total net borrowings were RMB66.932 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 from 59.4% as at 31 December 2018 to 59.7% as at 31 December 2019, and has been maintained below 60% for eight consecutive years. In January 2020, the Company issued 158,000,000 new shares. The net proceeds received by the Company was approximately HK\$4,638 million.

The maturity of the borrowings of the Group as at 31 December 2019 is set out as follows:

	RMB million
Bank borrowings and borrowings from other financial institutions and bonds	
Within 1 year	36,782
Between 1 and 2 years	21,659
Between 2 and 5 years	26,177
Over 5 years	9,885
Senior notes	
Between 1 and 2 years	7,786
Between 2 and 5 years	13,867
Over 5 year	10,399
Total	126,555

MANAGEMENT DISCUSSION AND ANALYSIS

Financing Activities

The Group adheres to prudent financial policies and keeps its capital structure safe. The total amount of borrowings increased by 16.0% from approximately RMB109.132 billion as at 31 December 2018 to approximately RMB126.555 billion as at 31 December 2019 to support the Group's expansion, of which short-term borrowings was approximately 29.1% and long-term borrowings was approximately 70.9% as at 31 December 2019.

In 2019, under the tightening policies and increasingly strict supervision in relation to real estate companies imposed by the regulatory authorities, real estate companies faced huge challenges. Against the backdrop of various unfavorable conditions, the Group achieved satisfactory result in respect of financing. Such results were mainly attributable to its diversified channels, low cost and sufficient financing facilities:

Firstly, fully capitalizing on its diversified financing channels and open market, Shimao raised funds from the bond market prudently and gained recognition from regulatory authorities and the market. In 2019, Shimao Jianshe was granted financing facilities of RMB13.2 billion and issued 5-year and 7-year corporate bonds at an interest rate of 4.3% and 4.8%, respectively, in an aggregate amount of RMB2.9 billion, which brought great cost advantages to Shimao. In March 2020, Shimao Jianshe further successfully issued a total of RMB4.5 billion corporate bonds. The interest rate of the 5-year bonds was 3.23% and the interest rate of the 7-year bonds was 3.9%. In addition, as Shimao further innovated its financial services and developed new financing instruments, its ABS, ABN and CMBS businesses recorded further growth. In 2019, Hilton Nanjing Riverside was approved to issue 3-year CMBS in an aggregate amount of RMB710 million.

The Group maintained close strategic cooperation relationship with over 40 domestic and overseas institutions. In addition to the headquarter-to-headquarter cooperation with major banks, the Group also actively cooperated with local banks and established long-term cooperation relationship with overseas banks in respect of issuing bonds and syndicates.

Secondly, attributable to the sound development of the Group, positive expectation of institutions, aforementioned diversified financing channels and professional management of withdrawal and repayment schedules of the Group, the financing costs of the Group further decreased to 5.6% in 2019 from 5.8% in 2018.

Lastly, the Group had sufficient financing reserves. As at the end of 2019, the undrawn domestic bond facilities were RMB14.3 billion. The Group also gained great advantages in overseas market. The Group had contracted but undrawn syndicated facilities of USD1.04 billion. As mentioned above, the overall unutilized financing facilities from banks and other financial institutions amounted to RMB50 billion.

In September 2019, Moody's upgraded the credit rating of Shimao from "Ba2" to "Ba1", and the outlook was "stable".

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.

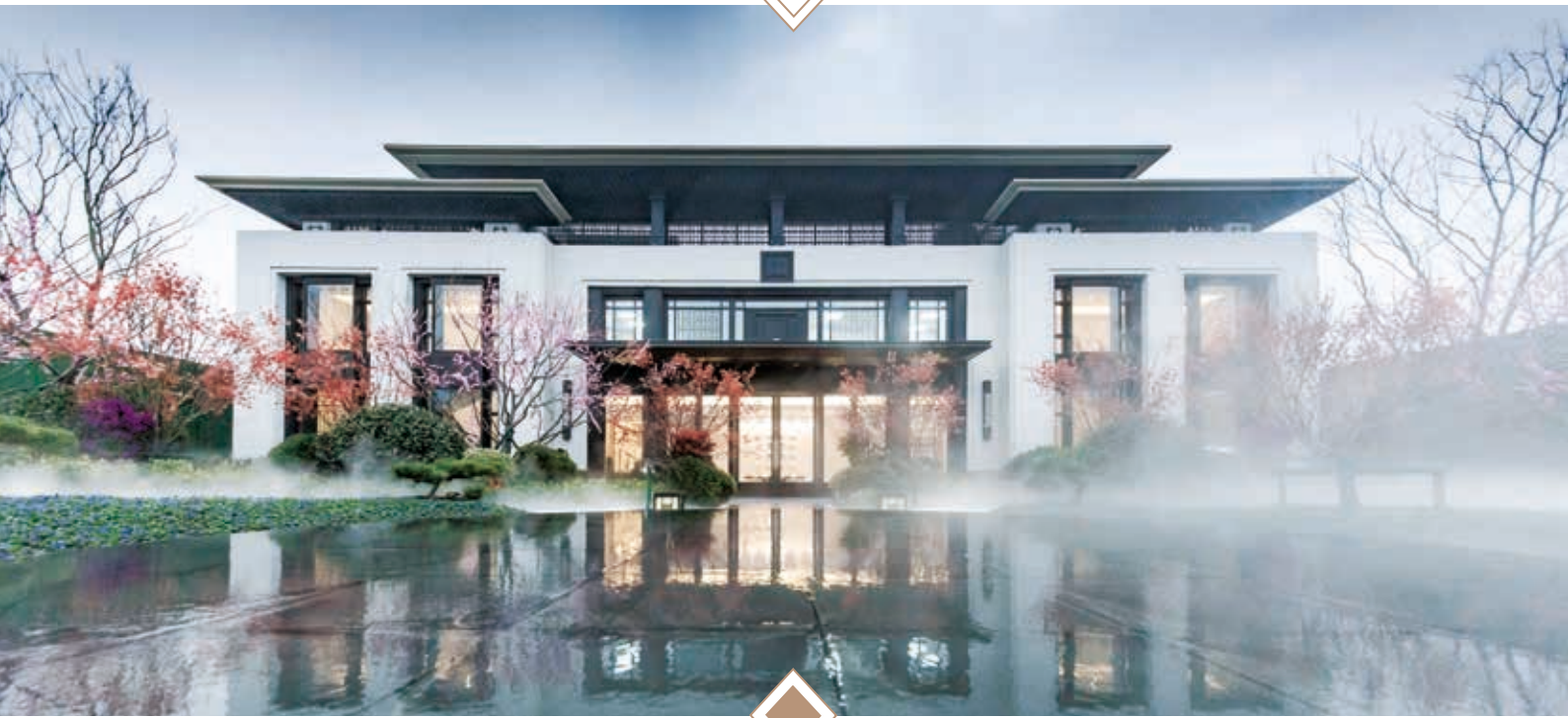
Above all, the future sales and operation of the properties in Hong Kong can partially hedge against the exchange rate risk.

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

Pledge of Assets

As of 31 December 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 RMB69.679 billion to secure bank facilities granted to the Group. The corresponding bank and other loans amounted to approximately RMB19.358 billion.

MANAGEMENT DISCUSSION AND ANALYSIS



Taian Wuyue Fenghua

Contingencies

As of 31 December 2019, the Group had provided guarantees for approximately RMB19.119 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 RMB9.503 billion in its portion of equity interests in associated companies and joint ventures for their borrowings.

Capital and Property Development Expenditure Commitments

As of 31 December 2019, the Group had contracted capital and property development expenditure but not provided for amounted to approximately RMB72.431 billion.

Employees and Remuneration Policy

As of 31 December 2019, the Group employed a total of 10,854 employees, among whom 5,636 were engaged in property development. Total remuneration for the year amounted to approximately RMB2.642 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.

REPORT OF THE DIRECTORS

The directors (the “Directors”) of Shimao Property Holdings Limited (the “Company”) have pleasure in presenting their report and the audited financial statements of the Company and its subsidiaries (together the “Group”) for the year ended 31 December 2019.

Principal Activities

The Company is an investment holding company. Its subsidiaries are principally engaged in property development, investment and hotel operation. The principal activities of its principal subsidiaries are set out in note 37 to the consolidated financial statements.

Results and Dividends

The results of the Group for the year ended 31 December 2019 are set out on pages 78 to 184 of this annual report.

The board of directors of the Company (the “Board”) has proposed a final dividend of HK85 cents (2018: HK70 cents) per ordinary share for the year ended 31 December 2019. The proposed final dividend, together with the interim dividend of HK60 cents per ordinary share paid on 27 September 2019, will amount to a total dividend of HK\$1.45 per ordinary share for the year ended 31 December 2019 (throughout 2018: HK\$1.20). The proposed final dividend, if approved at the forthcoming annual general meeting (the “AGM”) to be held on Wednesday, 27 May 2020, will be payable on Friday, 10 July 2020 to shareholders whose names appear on the register of members of the Company on Wednesday, 3 June 2020.

Hangzhou Shimao Honor of China



Closure of Register of Members

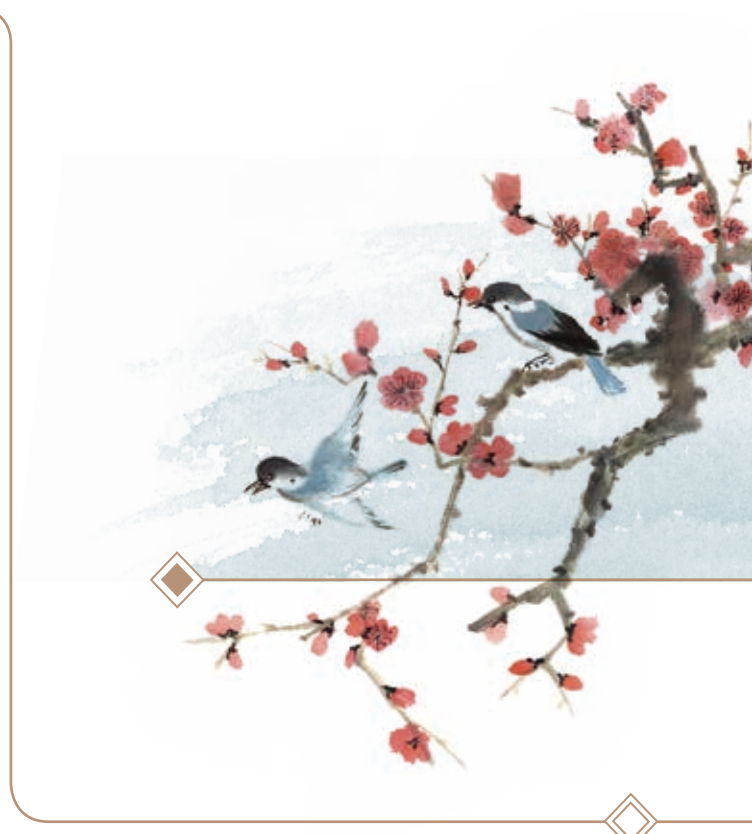
The register of members of the Company will be closed during the following periods:

- (i) from Thursday, 21 May 2020 to Wednesday, 27 May 2020 (both days inclusive), for the purpose of ascertaining shareholders' entitlement to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 20 May 2020; and
- (ii) on Tuesday, 2 June 2020 and Wednesday, 3 June 2020, for the purpose of ascertaining shareholders' entitlement to the proposed final dividend. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at the address as set out in sub-paragraph (i) above for registration no later than 4:30 p.m. on Monday, 1 June 2020.

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

Business Review

A business review of the Group for the year ended 31 December 2019 and a discussion of the Group's future business development and possible risks and uncertainties that the Group may encounter are provided in the Chairman's Statement on pages 8 to 15 and the Management Discussion and Analysis on pages 16 to 35 of this annual report. The financial risk management objectives and policies of the Group are shown in note 3 to the consolidated financial statements. An analysis of the Group's performance during the year using key financial performance indicators is set out in the Five Years Financial Summary on pages 6 to 7 of this annual report. Particulars of important events affecting the Group that have occurred after the reporting period are set out in note 42 to the consolidated financial statements on page 182. The above discussions form part of the Report of the Directors.



REPORT OF THE DIRECTORS

Shenzhen Shimao Qianhai Center



The Group is committed to environmental protection and carries out various measures to ensure the fulfillment of its duties to the environment. The Group carries out the concept of resource conservation and environmental protection throughout its daily operation, in order to lay the foundation for sustainable urbanization. In respect of resource application, the Group has implemented policies to effectively utilize resources (including natural resources), aiming to reduce resource waste, reuse resources and mitigate the possible significant impact on the environment and resources.

The Group complies with The Environmental Protection Law of the People's Republic of China, Law of the People's Republic of China on the Prevention and Control of Environmental Pollution Caused by Solid Waste, Administrative Measures for Urban Household Garbage and other relevant laws and regulations that have a great impact on the Group's operations, to reduce the impact of daily production and operation on the environment. For instance, the Group carries out comprehensive environmental management for the whole process, from operation and design, to implementation of projects and property services.

The Group considers its employees, investors, shareholders, customers, contractors, vendors, governments and non-governmental organizations as its stakeholders and adopts various ways to communicate with them, taking into account their different appeals. The Group is committed to rewarding its stakeholders for their expectation, never forgetting the mission of craftsmanship. The Group has been creating stable returns in value for its shareholders, making great strides on emphasizing both economic and social benefits. The Group grows along with its partners by adopting a development philosophy of earnest cooperation and win-win collaboration. The Group aims to continuously improve the quality of life of its customers by providing the most ingenious and customer-oriented products and services. In the meantime, the Board regards employees as one of the crucial elements to success of the Group and places much emphasis on long term career development of the employees. Regular trainings are conducted to ensure that the skills and knowledge of the employees are kept abreast with the times.

Further information of the Group's policies and performance about the environment and an account of the relationships with its key stakeholders are included in the Environmental, Social and Governance Report of the Group.

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in notes 44 and 23 to the consolidated financial statements.

REPORT OF THE DIRECTORS

Nanchang Shimao Tahoe Cathay Courtyard



Major Customers and Suppliers

The aggregate sales and purchases attributable to the Group's five largest customers and suppliers were less than 30% of the Group's total revenue and 30% of the Group's total purchases respectively during the year.

None of the Directors, their close associates or any shareholders (which to the knowledge of the Directors owns more than 5% of the number of issued shares of the Company) had any interest in the major suppliers noted above.

Bank and Other Borrowings

Particulars of bank and other borrowings of the Company and the Group as at 31 December 2019 are set out in note 25 to the consolidated financial statements. The net proceeds is for refinancing the indebtedness of the Company and for business development and other general corporate requirements of the Group.

Donations

Charitable and other donations made by the Group during the year amounted to RMB83,032,000 (2018: RMB64,500,000).

Property and Equipment

Details of property and equipment of the Group are set out in note 6 to the consolidated financial statements.

Share Capital

Details of movements in the share capital of the Company for the year ended 31 December 2019 are set out in note 22 to the consolidated financial statements.

Financial Highlights

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 7 of this annual report.

Pre-Emptive Rights

There are no provisions for pre-emptive rights over shares of the Company under the Company's articles of association (the "Articles of Association") or the laws of the Cayman Islands where the Company is incorporated.

REPORT OF THE DIRECTORS

Directors

The Directors during the year and up to the date of this report are as follows:

Executive Directors

Mr. Hui Wing Mau (*Chairman*)
 Mr. Hui Sai Tan, Jason (*Vice Chairman and President**)
 Ms. Tang Fei
 Mr. Lu Yi (appointed on 2 January 2020)

Non-executive Director

Mr. Liu Sai Fei (resigned on 2 January 2020)

Independent Non-executive Directors

Ms. Kan Lai Kuen, Alice
 Mr. Lyu Hong Bing**
 Mr. Lam Ching Kam

* Mr. Hui Sai Tan, Jason was appointed as the President of the Company with effect from 30 January 2019.

** Mr. Lyu Hong Bing has changed the English translation of his surname from “Lu” to “Lyu” with effect from 19 October 2019.

In accordance with Article 86(3) of the Articles of Association, Mr. Lu Yi who was appointed as Director after the last AGM, will hold office until the forthcoming AGM and, being eligible, has offered himself for re-election as Director at the forthcoming AGM.

In accordance with Article 87 of the Articles of Association, two directors, namely, Mr. Hui Wing Mau and Ms. Kan Lai Kuen, Alice shall retire from office by rotation respectively at the forthcoming AGM and, all being eligible, have offered themselves for re-election as Directors at the forthcoming AGM.

None of the Directors, including Directors being proposed for re-election at the forthcoming AGM, has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

The Company has received, from each of the Independent Non-executive Directors, a confirmation of his/her independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “HKEx”). The Company considers that all the Independent Non-executive Directors are independent.

Directors’ Interests in Transactions, Arrangements and Contracts

Save as disclosed in this report, no transactions, arrangements and contracts of significance in relation to the Group’s business to which the Company, any of its subsidiaries or its holding company was a party and in which a Director or his/her connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or subsisted during the year.

Share Award Scheme

A Share Award Scheme of the Company (the “Share Award Scheme”) was adopted by the Board on 30 December 2011 (the “Adoption Date”). The purpose of the Share Award Scheme is to recognize the contributions by certain selected



Hangzhou Shimao Wisdom Tower

REPORT OF THE DIRECTORS

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 year ended 31 December 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 year ended 31 December 2019.

Equity-Linked Agreements

Save as disclosed above, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year or subsisted at the end of the year.

Disclosure of Interests in Securities

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

As at 31 December 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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (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 contained in the Appendix 10 of the Listing Rules were as follows:

Qingdao Shimao Four Seasons



REPORT OF THE DIRECTORS

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 (resigned on 2 January 2020)	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.

Directors' Right to Acquire Shares or Debentures

Save as disclosed above, at no time during the year 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.

Jiangmen Shimao The Blue Bay

REPORT OF THE DIRECTORS

Interests of Substantial Shareholders

As at 31 December 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 interest	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%
Shiyang Finance Limited ("Shiyang 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 Shiyang Finance, a company which is directly wholly-owned by Mr. Hui Wing Mau.

Save as disclosed above, no other interests 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 year ended 31 December 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, 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.

Permitted Indemnity Provisions

The Articles of Association provides that the Directors, secretary or other officers of the Company shall be entitled to be indemnified out of the assets and profit of the Company from and against all actions, costs, charges, losses, damages and expenses which he or she may incur or sustain or about the execution of their duties in their respective offices. In addition, the Company has maintained appropriate directors and officers liability insurance in respect of the relevant legal actions against the Directors.

REPORT OF THE DIRECTORS

Wenzhou Deer Impression

**Purchase, Sale or Redemption of Listed Securities**

During the year ended 31 December 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 Co., Ltd., a 59.74%-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 and an aggregate principal amount of RMB1,500,000,000 of long-term bonds at a fixed interest rate of 3.38% due in July 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 year ended 31 December 2019.

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.

REPORT OF THE DIRECTORS



- (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 (“BoCom HK”) 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 BoCom HK 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.

REPORT OF THE DIRECTORS

Chengdu Shimao More³

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.

REPORT OF THE DIRECTORS

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, throughout the year ended 31 December 2019 and up to the date of this report, the Company has maintained a sufficient public float of more than 25% of the Company's issued shares as required under the Listing Rules.

Corporate Governance

The Company is committed to achieving and maintaining high standards of corporate governance which it believes is crucial to the development of the Group and safeguard the interests of the shareholders of the Company. Information on the Company's corporate governance principles and practices is set out in the Corporate Governance Report on pages 48 to 66 of this annual report.

Auditor

The financial statements have been audited by PricewaterhouseCoopers who will retire and, being eligible, offer themselves for re-appointment as auditor of the Company at the forthcoming AGM of the Company.

On behalf of the Board

Hui Wing Mau

Chairman

Hong Kong, 30 March 2020



CORPORATE GOVERNANCE REPORT

A. Corporate Governance Practices

Shimao Property Holdings Limited (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 Company and its subsidiaries (together 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 Company complied with the code provisions set out in the Corporate Governance Code (the “Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “HKEx”) throughout the financial year ended 31 December 2019 with the exception of one deviation, namely, code provision E.1.2 providing for the chairman of the board should attend the annual general meeting. The reason of the said deviation from the relevant code provision is set out under the paragraph on “G.1 Effective Communication” below.

B. Directors’ Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the directors of the Company (the “Directors”). 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 Directors confirmed that they had complied with the required standard set out in the Model Code during the financial year.



CORPORATE GOVERNANCE REPORT

C. Directors

C.1 The Board

As at the date of this report, the board of directors of the Company (the “Board”) consisted of seven Directors, comprising four Executive Directors and 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.

The Board has four scheduled meetings a year at quarterly interval and meets as and when required. During the financial year ended 31 December 2019, four Board meetings were held, all of which were attended by all Directors. All Directors attended Board meetings in person or through electronic means of communication during the year. Details of the attendance records of the Directors are set out in the table on page 55. Apart from formal meetings, matters requiring the Board approval were dealt with by way of written resolutions.

Guangzhou Shimao Tahoe Cathay Courtyard



CORPORATE GOVERNANCE REPORT

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.

C.2 Chairman and President

Mr. Hui Wing Mau is the Chairman of the Company. He has also served as the Chief Executive of the Company until 30 January 2019.

On 30 January 2019, Mr. Hui Sai Tan, Jason was appointed by the Board as the President of the Company, and since then, Mr. Hui Wing Mau relinquished his role as the Chief Executive of the Company. The roles of the Chairman and the President are complementary, but more importantly, they are distinct and separate with clear division of responsibilities. The Chairman is responsible for providing leadership to the Board in terms of establishing policies and business directions and ensures that the Board discharges its responsibilities. The President is responsible for the overall operation and executive responsibilities of the Group as well as leading the management of the Group in implementing the strategies and policies established by the Board.

The other Executive Directors are delegated with responsibility to oversee and monitor the operations of specific business areas and to implement the strategies and policies formulated by the Board.

C.3 Board Composition

The Board has a balance of skills and experience appropriate for the Company's business. Given below are names of Directors during the financial year ended 31 December 2019 and up to the date of this report:

Executive Directors

Mr. Hui Wing Mau (*Chairman*)
 Mr. Hui Sai Tan, Jason (*Vice Chairman and President*)
 Ms. Tang Fei
 Mr. Lu Yi (appointed on 2 January 2020)

Non-executive Director

Mr. Liu Sai Fei (resigned on 2 January 2020)

Independent Non-executive Directors

Ms. Kan Lai Kuen, Alice
 Mr. Lyu Hong Bing
 Mr. Lam Ching Kam



Weifang Shimao Shine Park

CORPORATE GOVERNANCE REPORT

Brief biographical particulars of all existing Directors, together with information relating to the relationship among them, are set out in the “Directors and Senior Management Profiles” section under this annual report.

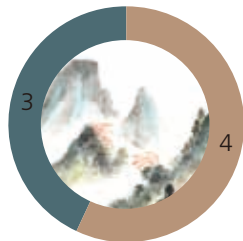
The Board currently comprises four Executive Directors and three Independent Non-executive Directors. The Independent Non-executive Directors, who represent more than one-third of the Board, bring independent advice, judgment and scrutiny of executives and review of performance and risks. The audit committee of the Company (the “Audit Committee”) comprises only Independent Non-executive Directors.

The Board considers that all the three Independent Non-executive Directors are independent in character and judgment and meet the guidelines for assessment of independence as set out in Rule 3.13 of the Listing Rules. Confirmation has been received from all Independent Non-executive Directors that they are independent as set out in Rule 3.13 of the Listing Rules.

Independent Non-executive Directors are identified as such in all corporate communications containing the names of the Directors.

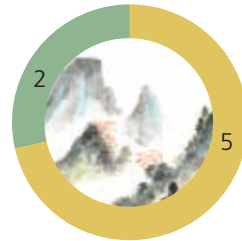
The Board has a balanced composition and the board diversity mix is shown below.

Designation



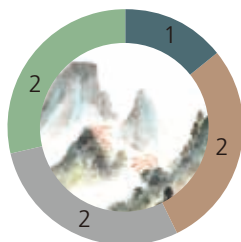
■ Executive Directors
 ■ Independent Non-Executive Directors

Gender



■ male ■ female

Age



■ 31 - 40 years old ■ 41 - 50 years old
 ■ 51 - 60 years old ■ 61 - 70 years old

CORPORATE GOVERNANCE REPORT

	Directors' skills, expertise and experience				
	Executive leadership & strategy/ directorship experience with other listed company(ies)	Property Development & Construction	Mainland China Exposure	Accounting professionals/ financial management expertise	Legal professionals/ regulatory & compliance
Executive Directors					
Mr. Hui Wing Mau (<i>Chairman</i>)	✓	✓	✓		
Mr. Hui Sai Tan, Jason (<i>Vice Chairman and President</i>)	✓	✓	✓		
Ms. Tang Fei	✓		✓	✓	
Mr. Lu Yi (appointed on 2 January 2020)	✓	✓	✓		
Independent Non-executive Directors					
Ms. Kan Lai Kuen, Alice	✓			✓	
Mr. Lyu Hong Bing	✓		✓		✓
Mr. Lam Ching Kam	✓	✓	✓		
Coverage (% of entire Board)	100%	57%	86%	29%	14%

C.4 Appointments, Re-election and Removal

Other than Mr. Lu Yi, each of the Directors has entered into a service contract with the Company for a specific term. However, such term is subject to his/her re-appointment by the Company at annual general meeting upon retirement by rotation pursuant to the articles of association of the Company (the "Articles"). The Articles state that each Director shall retire from office by rotation at least once every three years after he/she was last elected or re-elected and Directors holding offices as chairman and managing director are also subject to retirement by rotation. The term of appointment of all Directors, including the Independent Non-executive Directors, is effectively three years. The Articles also provide that any Director appointed by the Board, either to fill a casual vacancy on the Board or as an addition to the existing Board, shall hold office only until the upcoming annual general meeting of the Company and shall then be eligible for re-election.

C.5 Nomination Committee

The Company has established a nomination committee (the "Nomination Committee") on 9 June 2006 with a majority of its members being Independent Non-executive Directors. The Nomination Committee consists of four members, comprising Mr. Hui Wing Mau (as the chairman of the Nomination Committee) and three Independent Non-executive Directors.

There was one Nomination Committee meeting held during the financial year ended 31 December 2019. Details of attendance of the Nomination Committee members are set out in the table on page 55.

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.

The terms of reference of the Nomination Committee have been reviewed with reference to the Code and are available on the Company's website at www.shimaoproperty.com.

CORPORATE GOVERNANCE REPORT

The work performed by the Nomination Committee for the financial year ended 31 December 2019 is the review of the structure, size and composition (including the mix of skills, knowledge and experience) of the Board and recommendation to the Board for approval the appointment of Mr. Hui Sai Tan, Jason as the President of the Company.

The Board adopted a nomination policy (the "Nomination Policy") which sets out procedure, process and criteria in evaluating and selecting candidates for directorships of the Company. Pursuant to the Nomination Policy, the Nomination Committee shall consider the following criteria in evaluating and selecting candidates for directorships:

- (a) character and integrity;
- (b) qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- (c) commitment of the candidate to devote sufficient time to effectively carry out his/her duties. In this regard, the number and nature of offices held by the candidate in public companies or organizations, and other executive appointments or significant commitments will be considered;
- (d) independence of the candidate;
- (e) board diversity policy and any measurable objectives adopted by the Nomination Committee for achieving diversity on the Board; and
- (f) other factors considered to be relevant by the Nomination Committee on a case by case basis.

The nomination procedure and process for appointment of new Director, re-appointment of Directors and nomination by shareholders of the Company have been adopted and included in the Nomination Policy. The Nomination Committee will review and monitor from time to time the implementation of the Nomination Policy to ensure its effectiveness. No candidate was selected and nominated for directorship during the year.

The Company recognizes the benefits of having a Board that has a balance of skills, experience and diversity of perspective appropriate to the requirements of the Company's businesses. The Board adopted a board diversity policy for the Company (the "Board Diversity Policy") which stipulates that for identifying individuals suitably qualified to become Directors, the Nomination Committee should, while reviewing the Board's composition, consider from a wide range of aspects for Board diversity, including, but not limited to gender, age, cultural and educational background, ethnicity, professional experience, required expertise, skills, knowledge and length of service, and any other factors that the Board may consider relevant and applicable from time to time. All appointments of Directors should have taken into account the aforesaid factors as a whole for the benefits of the Company. Selection of candidates will be based on the Company's Nomination Policy and will take into account the Board Diversity Policy. The ultimate decision will be based on merit against objective criteria and contribution that the candidate will bring to the Board. The Nomination Committee will monitor the implementation of the Board Diversity Policy. It will also from time to time review the Board Diversity Policy, as appropriate, to ensure the effectiveness of the policy.

C.6 Responsibilities of Directors

Every newly appointed Director receives briefings and orientation containing their legal and other responsibilities as a Director and the role of the Board together with materials on the Company's business and operations from the Company Secretary. The Company provides appropriate and sufficient information to Directors in a timely manner to keep them apprised of the latest development of the Group and to enable them to make an informed decision as well as to discharge their duties and responsibilities as Directors of the Company. Each Director has independent access to senior executives on operating issues.

CORPORATE GOVERNANCE REPORT

Every Director is aware that he/she should give sufficient time and attention to the affairs of the Company. Each Director discloses to the Company at the time of his/her appointment, and in a timely manner for any change, the number and nature of offices held in public companies or organisations and other significant commitments with indication of relevant time commitment.

The Directors are continually updated with legal and regulatory developments, business and market changes and strategic development of the Group to facilitate the discharge of their responsibilities. Since January 2012, all Directors have been required to provide training records to the Company and the training records have been maintained by the Company Secretary.

According to the records maintained by the Company Secretary, all Directors pursued continuous professional development during the year and relevant details are set out below:

Directors	Reading materials
Mr. Hui Wing Mau	✓
Mr. Hui Sai Tan, Jason	✓
Ms. Tang Fei	✓
Ms. Kan Lai Kuen, Alice	✓
Mr. Lyu Hong Bing	✓
Mr. Lam Ching Kam	✓
Mr. Liu Sai Fei (resigned on 2 January 2020)	✓

Wenzhou Shimao Shine Land



CORPORATE GOVERNANCE REPORT

Individual attendance records of the Directors at board meetings, board committees' meetings and annual general meeting during the financial year ended 31 December 2019, are set out below:

Directors	Attendance/Number of Meeting(s)				Annual general meeting
	Board meeting	Audit Committee meeting	Nomination Committee meeting	Remuneration Committee meeting	
Mr. Hui Wing Mau	4/4	N/A	1/1	1/1	0/1
Mr. Hui Sai Tan, Jason	4/4	N/A	N/A	N/A	1/1
Ms. Tang Fei	4/4	N/A	N/A	N/A	0/1
Ms. Kan Lai Kuen, Alice	4/4	2/2	1/1	1/1	1/1
Mr. Lyu Hong Bing	4/4	2/2	1/1	1/1	0/1
Mr. Lam Ching Kam	4/4	2/2	1/1	1/1	0/1
Mr. Liu Sai Fei (resigned on 2 January 2020)	4/4	N/A	N/A	N/A	0/1

C.7 Supply of and Access to Information

In respect of regular Board meetings, and so far as practicable in all other cases, an agenda and accompanying Board papers are circulated in full to all Directors in a timely manner to enable the Directors to make informed decisions on matters to be raised at the Board meetings.

The Directors enable, upon the reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expenses.

Xiamen Shimao Classic Chinese Chic



CORPORATE GOVERNANCE REPORT

D. Remuneration of Directors and Senior Management and Board Evaluation**D.1 The Level and Make-up of Remuneration and Disclosure**

The Company has established a remuneration committee (the “Remuneration Committee”) on 9 June 2006 with a majority of its members being Independent Non-executive Directors. The Remuneration Committee consists of four members, comprising Mr. Hui Wing Mau and three Independent Non-executive Directors. The chairman of the Remuneration Committee is Mr. Lyu Hong Bing.

There was one Remuneration Committee meeting held during the financial year ended 31 December 2019. Details of attendance of the Remuneration Committee members are set out in the table on page 55.

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.

The terms of reference of the Remuneration Committee have been reviewed with reference to the Code and are available on the Company’s website at www.shimaoproperty.com.

The work performed by the Remuneration Committee for the financial year ended 31 December 2019 is summarized below:

- (a) review of the Company’s policy and structure for all remunerations of Directors and senior management of the Company; and
- (b) consideration and approval of the remunerations for all Directors and senior management of the Company.

Details of the Directors’ remunerations (including the Executive Directors who are also the senior management of the Company) are set out in note 32 to the consolidated financial statements of this annual report.

E. Accountability and Audit**E.1 Financial Reporting**

All Directors are provided with a review of the Group’s major business activities and key financial information on a monthly basis.

The Directors are responsible for overseeing the preparation of the financial statements for each financial period which gives a true and fair view of the Group’s state of affairs, results and cash flows for relevant period.

In preparing the financial statements for the financial year ended 31 December 2019:

- (a) suitable accounting policies are selected and applied consistently in accordance with appropriate accounting standards;
- (b) prudent and reasonable judgments and estimates are made; and
- (c) appropriate application of the going concern assumption is ensured.

The Directors are not aware of material uncertainties relating to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern as referred to in the code provision C.1.3 of the Code.

CORPORATE GOVERNANCE REPORT

The Company recognizes that high quality corporate reporting is important in reinforcing the long term and trustworthy relationship with the Company's shareholders and aims at presenting a balanced, clear and comprehensible assessment of the Company's performance, position and prospects in all corporate communications. The annual and interim results of the Company are announced in a timely manner after the end of the relevant periods.

E.2 Risk Management and Internal Control

The Company has formulated risk management and internal control systems to provide standard guidelines for the identification, assessment, management, monitoring and reporting of all material risks of the Company, which shall be reported to the senior management, the Audit Committee and the Board when necessary. Such systems are designed to facilitate the value enhancement of shareholders, ensure performance of the Company's commitment towards equity holders, and safeguard its reputation and assets.

The Company has established appropriate internal control procedures to ensure a comprehensive, accurate and timely record of accounting and management information. It also conducts regular review and examination to ensure the financial statement is prepared in accordance with the accounting standards and applicable laws and regulations.

The Board acknowledges its responsibility for regulating and maintaining sound and effective risk management and internal control systems of the Company and reviewing their efficiency through the Audit Committee. Such systems aim to manage, rather than eliminate, risks arising from the failure in achieving the business objectives, and they can only provide reasonable, but not absolute, assurance against material misstatement or loss.

The risk management framework of the Company is consisted of the "Three Lines of Defense":



CORPORATE GOVERNANCE REPORT

First Line of Defense

The Group has included the risk management system into the core operating practice of business and each operating unit (as risk tolerance unit) is responsible for identifying, assessing, reducing and supervising its risks and to timely report to the executive committee regarding such work. Relevant departments shall review the compliance and update new requirements of relevant rules, laws and regulations. Internal Audit Department shall conduct regular assessment and submit report to senior management.

Second Line of Defense

Risk control covers all aspects of the Group's business and is a crucial process for the formulation of strategic plan, preparation of operating plan and budget, approval of specific projects and formulation of management plans. An effective risk management can uphold the Group's competitiveness, and ensure the Group to achieve its strategic, operating and governance objectives through establishing good commercial practices in order to safeguard the Company's reputation, value and integrity.

Third Line of Defense

The Internal Audit Department plays an important role in the Group's risk management and internal control systems. It mainly supervises the Group and its major departments regarding their compliance of policies and procedures and the effectiveness of the internal control structure. It also provides independent assessment to the Group's financial and operating activities and proposes constructive advice to the relevant management for follow-up action. The Internal Audit Department conducts regular risk assessment regarding each audit unit and formulates internal audit plan for the year according to their respective risk rating. The audit result will be reported to the executive committee and the Audit Committee regularly, including but not limited to the failure in executing any of such monitoring procedures or any significant weakness regarding the procedures. In addition to the routine duties, the Internal Audit Department is also required to carry out other works involving review or investigation, coordinate corporate risk management, conduct assessment on the significant risk management work of the Group, and supervise the improvement of the relevant projects to ensure a sound supervision.

Senior Management

The senior management is responsible for managing the Company's risk management plan and ensuring the Company's operation is in compliance with the risk management policy in response to the external changes and risk tolerance of the Company. The senior management is accountable to the risk arising from the Company's operation, which includes to ensure the business strategies of the Company conform with its risk philosophy and culture under the regulation of the risk management policy and procedures.

In addition to the supervision by the Board, the Company has also formulated risk management procedures for identifying, assessing and managing material risks to solve significant internal control deficiency (if any). The executive committee of the Group is responsible for the annual risk report through the Internal Audit Department of the Company. Members of the Internal Audit Department regularly hold meetings with the senior management to review and assess risks, and to discuss the solutions to significant internal control deficiency (if any), which include making changes and then reassessing the relevant risks based on the results and formulating remedial measures. The executive committee is responsible for reviewing the risk assessment results which will be presented to the Audit Committee and the Board for review.

Audit Committee and Board

The Audit Committee assists the Board in discharging the duties in respect of finance, operation, compliance, risk management and internal control, as well as the supervision and corporate governance of financial and internal audit resources of the Company. The internal audit results shall be reported to the Board periodically, and corresponding actions will be taken by the Board based on the recommendations of the Audit Committee.

CORPORATE GOVERNANCE REPORT







Risk Management

The Company continues to enhance the comprehensive risk management system to ensure that the Company's strategies and operation will not have materially adverse effects on the economy, environment and social in pursuit of sustainable business success.

The Board has carried out an annual review on the effectiveness of the risk management and internal control systems of the Company through the Audit Committee, and considers that the existing systems are adequate and effective. Such review has covered all important aspects, including financial controls, operational controls and compliance controls. The Board is not aware of any material matters which may affect the shareholders that should be brought to their attention, and believes that the risk management and internal control systems fully comply with the code provisions set out in the Code in relation to risk management and internal controls, including requirement of laws and regulations which have significant effects on the Company.

The Company confirms that it has complied with the code provisions of the Code in relation to risk management and internal controls in 2019. The Board has also confirmed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions during the annual review of the risk management and internal control systems.

A summary on the Group's principal risks together with the relevant internal control measures or mitigation in place is listed below:

Risk	Control/mitigation measures	
	Finance Risk	<ul style="list-style-type: none"> • Designated finance specialists to monitor the financial market conditions and set an appropriate financial strategy. • Establish and maintain diversified financing channels, including arranging different terms of loan facilities from different sources with different tenures. • Manage the maturity profile of deposits and loans to minimize refinancing risk.
	Legal and Compliance Risk	<ul style="list-style-type: none"> • Implement strict control of contract templates. • Internal and where appropriate external legal advice sought and compliance reviews conducted on business activities and new initiatives. • Enhance protection and management system for trademarks and copyrights. • Continue monitoring and assessing the impact of the regulatory changes.
	Project Risk	<ul style="list-style-type: none"> • Revise "Project Risks Examining System". • Implement risk control over the entire project cycle. • Conduct appropriate due diligence including third party expert reviews. • Strengthen management supervision by providing regular and comprehensive reports to senior management, as well as monitoring project progress against key performance indicators.
	Procurement Risk	<ul style="list-style-type: none"> • Clearly define responsibilities and authorities of each procurement department, and establish a structure with separation of powers for check and balance. • Strategic procurement from the manufacturers or brand owners. • Formulate comprehensive strategic procedures for the procurement and tendering of materials and equipment. • Organize preparation meetings with strategic suppliers, and establish mechanism for evaluation and feedback on contract performance feedback.
	Environmental Risk	<ul style="list-style-type: none"> • Assess impacts on the environment for each project. • Strengthen controls of environmental impacts during construction.
	Business and Operation Risk	<ul style="list-style-type: none"> • Conduct structured market studies and research to understand local competitors and customer needs. • Review the asset performance of each property regularly and fine-tune business strategy, including refinement of positioning to remain competitive.

CORPORATE GOVERNANCE REPORT



Huizhou Shimao Mansions

The Company has formulated an inside information policy. Directors and employees are regularly reminded for the compliance of all policies related to inside information. Executive Directors and the Company Secretary of the Company are liable for assessing the impact of any unexpected material events on the stock price and trading volume, and determining whether such information should be regarded as inside information which shall be disclosed as soon as practicable pursuant to Rules 13.09 and 13.10 of the Listing Rules and the provision of inside information under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

CORPORATE GOVERNANCE REPORT



Shenzhen Longgang Shimao Shenzhen-Hong Kong International Centre

E.3 Audit Committee

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 Company has established the Audit Committee on 9 June 2006 with all the three members being Independent Non-executive Directors, namely, Ms. Kan Lai Kuen, Alice (as the chairman of the Audit Committee), Mr. Lyu Hong Bing and Mr. Lam Ching Kam.

No member of the Audit Committee is a former partner of the existing auditing firm of the Company during the two years after he/she ceases to be a partner of the auditing firm. In addition, Ms. Kan Lai Kuen, Alice has the appropriate professional qualifications and experience in financial matters.

There were two Audit Committee meetings held during the financial year ended 31 December 2019. Details of attendance of the Audit Committee members are set out in the table on page 55.

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.

The terms of reference of the Audit Committee have been reviewed with reference to the Code and are available on the Company's website at www.shimaoproperty.com.

CORPORATE GOVERNANCE REPORT

The work performed by the Audit Committee for the financial year ended 31 December 2019 is summarized below:

- (a) review of the audit plan of the external auditor and discussion with them about the nature and scope of the audit;
- (b) approval of the remuneration and terms of engagement of external auditor;
- (c) review of the external auditor's independence and objectivity and the effectiveness of audit process according to applicable standards;
- (d) review of the interim and annual consolidated financial results of the Group before submission to the Board;
- (e) review of the audit programme of the internal audit function; and
- (f) review of the Group's financial controls, internal control and risk management systems.

The Audit Committee is provided with sufficient resources, including the advice of external auditor to discharge its duties.

The consolidated annual results of the Group for the year ended 31 December 2019 have been reviewed by the Audit Committee.

The external auditor of the Company is PricewaterhouseCoopers. The Audit Committee meets the external auditor at least twice a year. A statement by the auditor about their reporting responsibilities is included in the Independent Auditor's Report set out on pages 73 to 77 of this annual report.

In arriving at its opinion, the auditor conducted a full scope audit without any restrictions and had access to individual Directors (including Audit Committee members) and management of the Company.

The remuneration to the Company's auditor in respect of the services rendered for the year ended 31 December 2019 is set out as follows:

Services rendered	RMB'000
Audit services	14,000
Other services	
– Service in connection with the notes offering	2,300
– Others	7,850
Total	24,150

CORPORATE GOVERNANCE REPORT

F. Delegation by the Board

F.1 Management Functions

There is clear division of responsibilities between the Board and the management. The Board formulates, directs and approves the Group's overall strategies, and monitors as well as controls the performance of the Group whilst execution of strategies and daily operations are delegated to the management. The Board gives clear directions about the management's power, and reviews the delegations to the management from time to time so as to ensure that they are suitable and continue to be beneficial to the Group.

Major corporate matters that are specifically delegated by the Board to the management include the preparation of interim and annual reports, announcements and circulars for the Board approval before publication, execution of business strategies and initiatives adopted by the Board, implementation and monitoring of internal control and risk management systems, compliance with relevant statutory requirements and rules and regulations.

F.2 Board Committees

The Company has established three Board Committees, namely, Audit Committee, Remuneration Committee and Nomination Committee, with specific terms of reference which clearly define their authorities and responsibilities.

All three Board Committees are required by their terms of reference to report to the Board with respect to their decisions, findings or recommendations.

F.3 Corporate Governance Functions

The Board is responsible for performing the corporate governance duties set out in the code provision D.3.1 of the Code. During the year, the Board has performed, inter alia, the following:

- (a) developed and reviewed the Company's policies and practices on corporate governance and made recommendations to the Board;
- (b) reviewed and monitored the Company's policies on compliance with legal and regulatory requirements; and
- (c) reviewed the Company's compliance with the Code and disclosure in the Corporate Governance Report.

CORPORATE GOVERNANCE REPORT

G. Communication with Shareholders

G.1 Effective Communication

A Shareholders Communication Policy has been adopted by the Company to ensure that the Company's shareholders, both individual and institutional (collectively, the "Shareholders"), and, in appropriate circumstances, the investment community at large, are provided with ready, equal and timely access to balanced and understandable information about the Company (including its financial performance, strategic goals and plans, material developments, governance and risk profile), in order to enable the Shareholders to exercise their rights in an informed manner, and to allow the Shareholders and the investment community to engage actively with the Company.

The management of the Company believes that effective communication with the investment community is essential. During the year, the Executive Directors and senior management held regular briefings, attended investor forums and participated in roadshows with institutional investors and financial analysts in the PRC, Hong Kong and overseas countries to keep them abreast of the Group's business and development. In addition, the Company makes full use of the internet to make information broadly available to the Shareholders. Electronic copies of annual and interim reports, slides of presentations given at investor conferences, latest news, announcements and general information about the Group's businesses are made available on the Company's website at www.shimaoproperty.com. The Company's website also provides email address (for enquiry purpose only), postal address, fax number and telephone number by which the Shareholders may at any time address their enquiries to the Board.

The annual general meeting provides a useful forum for the Shareholders to exchange views with the Board. The Company encourages the Shareholders to attend annual general meetings to ensure a high level of accountability and for Shareholders to stay informed of the Group's strategy and goals. The Directors, senior management and external auditor will attend the Shareholders' meetings to answer the questions of Shareholders.

The 2019 Annual General Meeting (the "2019 AGM") of the Company was held on 18 June 2019. Details of attendance of the Directors in the 2019 AGM are set out in the table on page 55. The Company's external auditor, PricewaterhouseCoopers, attended the 2019 AGM, during which its representative was available to answer questions raised by the Shareholders. The Chairman of the Board was unable to attend the 2019 AGM (as required by the code provision E.1.2 of the Code) due to the sudden change of the schedule.

G.2 Voting by Poll

Voting at general meeting(s) of the Company must be taken by poll as set out in Rule 13.39(4) of the Listing Rules so that each share is entitled to one vote. The chairman of general meeting shall ensure that an explanation is provided of the detailed procedures for conducting a poll and answer any questions from the Shareholders on voting by way of a poll. Poll results are announced and posted on the websites of both the HKEx and the Company.

G.3 Dividend Policy

Policy on payment of dividends of the Company is in place setting out the factors in determination of dividend payment which shall include but not limited to the Group's general financial condition, actual and future operations and liquidity position, and expected working capital requirements and future expansion plans. The policy will continue to be reviewed in light of the financial position of the Company, and submitted to the Board for approval if amendments are required.

CORPORATE GOVERNANCE REPORT

H. 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. During the year, Ms. Lam undertook over 15 hours of professional training to update her skills and knowledge. 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 Vice Chairman whilst all Directors have access to the advice and services of the Company Secretary.

I. Shareholders' Rights

I.1 Procedures for convening an extraordinary general meeting ("EGM")

Pursuant to Article 58 of the Articles, any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the "EGM Requisitionists") shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition.

The EGM Requisitionists can deposit the written request at the Company's principal place of business in Hong Kong (the "Principal Office"), which is presently situated at 38th Floor, Tower One, Lippo Centre, 89 Queensway, Hong Kong. The EGM Requisitionists must state in their request(s) the objects of the EGM, and such request must be signed by all the EGM Requisitionists, and may consist of several documents in like form, each signed by one or more of the EGM Requisitionists.

The Company's branch share registrar and transfer office in Hong Kong will verify the EGM Requisitionists' particulars at the EGM Requisitionists' request. Promptly after receipt of confirmation from the Company's branch share registrar and transfer office in Hong Kong that the EGM Requisitionists' request is valid, the Company Secretary will arrange the Board to convene an EGM by serving sufficient notice to all the registered shareholders in accordance with all the relevant statutory and regulatory requirements. On the contrary, if the EGM Requisitionists' request is confirmed invalid, the requested EGM will not be convened and notification will be made to the EGM Requisitionists accordingly.

If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the EGM Requisitionists' himself (or themselves) may do so in the same manner, and all reasonable expenses incurred by the EGM Requisitionists by reason of the Board's failure to duly convene an EGM shall be reimbursed to the EGM Requisitionists by the Company.

I.2 Procedures for putting forward proposals at general meeting(s)

There are no provisions allowing the Shareholders to propose new resolution(s) at a general meeting(s) under the Cayman Islands Companies Law. However, the Shareholders are requested to follow Article 58 of the Articles for moving proposing resolution(s) at a general meeting(s). The requirements and procedures are set out above.

CORPORATE GOVERNANCE REPORT

I.3 Procedures for proposing a person to be elected as a director of the Company

Pursuant to Article 88 of the Articles, no person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a notice signed by a member of the Company (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the Company's Principal Office or at the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven days and that (if the notices are submitted after the dispatch of the notice of the general meeting appointed for such election) the period for lodgment of such notice(s) shall commence on the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting. The written notice must state that person's biographical details as required by Rule 13.51(2) of the Listing Rules. The procedures for the Shareholders to propose a person for election as Director is posted on the Company's website.

I.4 Procedures for sending enquiries to the Board

The Company welcomes the Shareholders' views and concerns relating to the Group's management and corporate governance. The Company's website www.shimaoproperty.com provides email address (for enquiry purpose only), postal address, fax number and telephone number by which the Shareholders may at any time send their enquiries to the Board.

J. Significant Amendments to Constitutional Documents

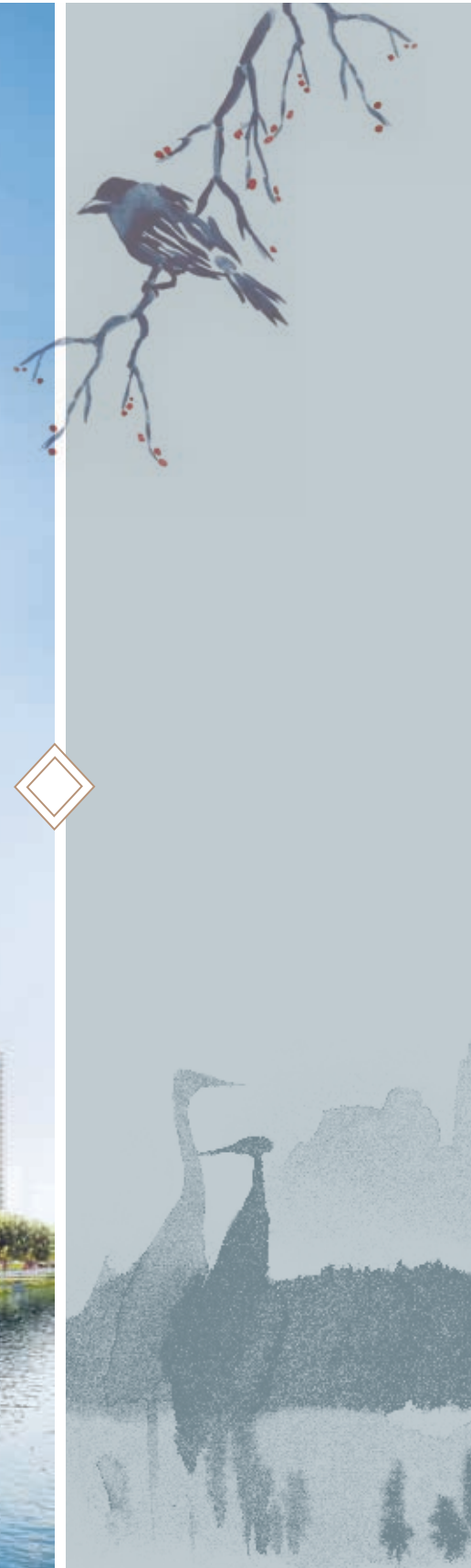
During the financial year ended 31 December 2019, there is no significant change in the constitutional documents of the Company.

Shenzhen Longgang Shimao
Shenzhen-Hong Kong International Centre



DIRECTORS AND SENIOR MANAGEMENT PROFILES

Shenzhen Pingshan Shimao Festival City



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 30 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 and executive president of China Red Ribbon Foundation 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 61.77%-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). 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 43, 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 21 years' experience in property development and management. He is 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 49, 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 26 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.

Lu Yi

Mr. Lu Yi, aged 36, has joined the Group since 2008 and was appointed an Executive Director of the Company since 2 January 2020. Mr. Lu is currently a Vice President of the Group and the largest regional development controller of the Group, responsible for overseeing the overall operation, development and management of the Group in the Strait district (mainly including Fujian, Guangdong and Hainan). Mr. Lu holds a Master's Degree from Zhejiang University (浙江大學) and has over 11 years' experience in real estate operation and management.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

Independent Non-Executive Directors

Kan Lai Kuen, Alice

Ms. Kan Lai Kuen, Alice, aged 65, has been an Independent Non-executive Director of the Company since 16 March 2006 and has more than 28 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, Cosmopolitan International 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, Mason Group Holdings Limited and China Energin International (Holdings) Limited, companies listed on the HKEx, from 2004 to 2018, 2017 to 2019 and 2008 to 2020 respectively. 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.

Lyu Hong Bing

Mr. Lyu Hong Bing, aged 53, has been an Independent Non-executive Director of the Company since 17 November 2004. Mr. Lyu obtained a Master's Degree in law from East China University of Political Science and Law in 1991 and has more than 27 years' experience in corporate and securities laws in China. Mr. Lyu 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. Lyu 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. Lyu is the chief executive partner of the Grandall Law Firm, a



Maoming Shimao Cloud Atlas

DIRECTORS AND SENIOR MANAGEMENT PROFILES

Nanjing Shimao Honor of China



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.

Lam Ching Kam

Mr. Lam Ching Kam (Alias: Jacob Lam), aged 59, 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 18 years. Mr. Lam has been in the property development and construction industry for 36 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 interim report of the Company for the six months ended 30 June 2019 required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules is set out below:

Name of Director	Detail of Changes
Ms. Kan Lai Kuen, Alice	Resigned as an independent non-executive director of Mason Group Holdings Limited, a company publicly listed on the HKEx, on 1 December 2019
	Resigned as an independent non-executive director of China Engin International (Holdings) Limited, a company publicly listed on the HKEx, on 18 March 2020

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".

INFORMATION FOR SHAREHOLDERS

ANNUAL REPORT

This annual 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 annual 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 future corporate communications, free of charge, they could at any time notify Tricor Investor by email or by post.

ANNUAL GENERAL MEETING ("AGM")

The 2020 AGM will be held on Wednesday, 27 May 2020. The notice of the 2020 AGM, which constitutes part of the circular to shareholders, is sent together with this annual report. The notice of the 2020 AGM and the proxy form are also available on the Company's website.

2019 DIVIDENDS

Interim dividend	HK60 cents per ordinary share
Proposed final dividend	HK85 cents per ordinary share

CLOSURE OF REGISTER OF MEMBERS ("ROM")

For determining shareholders' eligibility to attend and vote at the 2020 AGM:

Latest time to lodge transfer documents for registration	4:30 p.m. on Wednesday, 20 May 2020
Closure of ROM	from Thursday, 21 May 2020 to Wednesday, 27 May 2020 (both days inclusive)

For determining shareholders' entitlement to the final dividend:

Latest time to lodge transfer documents for registration	4:30 p.m. on Monday, 1 June 2020
Closure of ROM	Tuesday, 2 June 2020 and Wednesday, 3 June 2020
Record date	Wednesday, 3 June 2020
Dispatch of final dividend warrants	Friday, 10 July 2020

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Shimao Property Holdings Limited

(incorporated in Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of Shimao Property Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 78 to 184, which comprise:

- the consolidated balance sheet as at 31 December 2019;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Valuation of investment properties
- Impairment of goodwill

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Key Audit Matters (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Valuation of investment properties</p>	
<p>Refer to note 2.7 "Summary of significant accounting policies – Investment property" and note 8 "Investment properties" to the consolidated financial statements.</p>	<p>We assessed the competence, independence and integrity of the Valuers.</p>
<p>The Group's investment properties were carried at RMB56,063 million as at 31 December 2019 and a revaluation gain of RMB2,335 million was recorded in the consolidated statement of comprehensive income for the year ended 31 December 2019, which represented 11.89% of total assets as at 31 December 2019 and 8.05% of profit before income tax for the year ended 31 December 2019 respectively.</p>	<p>We assessed whether the valuation methodology used is acceptable with the assistance of our internal valuation experts.</p> <p>We tested the inputs used in the valuation, on a sample basis, to available supporting evidence including rental contracts, available third-party reports and market data of comparable properties. We also checked the mathematical accuracy of the underlying calculations in the valuation model.</p>
<p>We focused on this area because the investment property balance and the revaluation gain during the year based on the valuation of the investment properties are significant to the financial statements and the valuation of the investment properties, which was performed by independent and professionally qualified valuers ("the Valuers"), was highly dependent on the estimates on key assumptions, including market prices and estimated costs to be incurred.</p>	<p>We challenged management's estimates on key assumptions adopted in the valuation by comparing market prices to the recent comparable transactions and comparing estimated costs to be incurred to the project budgets. We also evaluated past actual to budget variance to assess the reliability of the project budgets.</p>
	<p>In addition, we assessed the sensitivity analysis performed by management to consider the likelihood that the actual outcome differs from the estimates on key assumptions to an extent that results in significant change to the valuation of the investment properties.</p> <p>Based on the work conducted, we found that the methodology applied by management was acceptable and the estimates on key assumptions adopted were supported by the evidence we gathered.</p>

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Key Audit Matters (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Impairment of goodwill</p> <p>Refer to note 2.8 “Summary of significant accounting policies – Intangible assets – goodwill” and note 9 “Intangible assets” to the consolidated financial statements.</p> <p>As at 31 December 2019, goodwill in relation to Shanghai Shimao Co., Ltd. (“Shanghai Shimao”), a subsidiary listed in PRC stock market amounted to RMB1,710 million, representing 85.09% of the goodwill and 1.47% of net assets of the Group.</p> <p>Management is required to assess goodwill impairment on an annual basis. In view of volatility of the PRC stock market and that the market value of Shanghai Shimao was lower than its net book value as at 31 December 2019, management was required to assess if any impairment provision was needed based on discount future cash flow calculations.</p> <p>We focused on this area because the preparation of the discounted cash flow projection involved estimates on key assumptions about Shanghai Shimao’s gross margin excluding land appreciation tax, long term growth rate of revenue and discount rate.</p>	<p>We assessed the key assumptions used in the cash flow forecasts (such as gross margin excluding land appreciation tax and long term growth rate of revenue) by comparing approved budget, historical trend, available market data and industry outlook.</p> <p>We assessed the discount rate used in the discounted cash flow projection with the assistance from our internal valuation experts.</p> <p>We tested the mathematical accuracy of the discounted cash flow projection and compared cash flow forecasts to the latest approved management plan. We also compared the current year’s actual performance with the prior year’s management plan to assess the reliability of the management plan.</p> <p>In addition, we assessed the sensitivity analysis performed by management to consider the likelihood that the actual outcome differs from the estimates on key assumptions to an extent that results in goodwill being impaired.</p> <p>Based upon the above procedures, we found that management’s estimates on key assumptions were supported by the evidence we gathered.</p>

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor’s report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (CONTINUED)

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Esmond S.C. Kwan.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 30 March 2020

CONSOLIDATED BALANCE SHEET

As at 31 December 2019

	Note	As at 31 December	
		2019 RMB'000	2018 RMB'000
ASSETS			
Non-current assets			
Property and equipment	6	15,922,942	14,577,637
Right-of-use assets	7	8,217,754	–
Investment properties	8	56,062,747	36,891,022
Land use rights		–	7,965,764
Intangible assets	9	2,009,346	1,840,658
Investments accounted for using the equity method	11	24,167,175	16,966,160
Amounts due from related parties	12	1,440,840	1,589,737
Financial assets at fair value through other comprehensive income	13	988,995	981,680
Financial assets at fair value through profit or loss	14	179,637	176,727
Deferred income tax assets	15	3,055,128	2,806,563
Other non-current assets	16	5,483,634	4,952,069
		117,528,198	88,748,017
Current assets			
Inventories	17	234,467,515	192,689,769
Trade and other receivables and prepayments	18	18,732,702	19,922,877
Prepayment for acquisition of land use rights	19	13,651,351	6,321,397
Prepaid income taxes		4,407,190	3,715,789
Amounts due from related parties	12	22,981,077	16,609,749
Derivative financial instruments	20	63,004	12,468
Restricted cash	21	7,265,779	5,888,489
Cash and cash equivalents	21	52,357,251	43,688,296
		353,925,869	288,848,834
Total assets		471,454,067	377,596,851
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	22	341,575	341,575
Reserves	23	65,913,306	58,892,631
		66,254,881	59,234,206
Non-controlling interests			
Perpetual capital instruments	24	4,665,000	5,100,000
Other non-controlling interests		45,784,305	40,945,971
		50,449,305	46,045,971
Total equity		116,704,186	105,280,177

CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 31 December 2019

	Note	As at 31 December	
		2019 RMB'000	2018 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	25	89,773,388	77,825,292
Lease liabilities	7	93,009	–
Deferred income tax liabilities	15	7,533,056	6,596,455
		97,399,453	84,421,747
Current liabilities			
Trade and other payables	26	79,057,586	50,585,171
Contract liabilities		74,652,393	47,173,444
Income tax payable		25,216,120	20,595,196
Borrowings	25	36,781,947	31,306,474
Lease liabilities	7	139,939	–
Amounts due to related parties	27	41,502,443	38,234,642
		257,350,428	187,894,927
Total liabilities		354,749,881	272,316,674
Total equity and liabilities		471,454,067	377,596,851

The notes on pages 85 to 184 are an integral part of these consolidated financial statements.

The financial statements on pages 78 to 184 were approved by the Board of Directors on 30 March 2020 and were signed on its behalf.

Hui Wing Mau
Director

Hui Sai Tan, Jason
Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Note	Year ended 31 December	
		2019 RMB'000	2018 RMB'000
Revenue	5	111,516,981	85,512,704
Cost of sales	29	(77,386,427)	(58,563,625)
Gross profit		34,130,554	26,949,079
Fair value gains on investment properties – net	8	2,335,257	1,910,251
Other income/other gains – net	28	351,639	297,280
Selling and marketing costs	29	(2,824,871)	(2,023,438)
Administrative expenses	29	(4,381,122)	(3,429,512)
(Provision for)/reversal of impairment losses on financial assets	29	(70,375)	25,529
Other operating expenses	29	(337,635)	(520,488)
Operating profit		29,203,447	23,208,701
Finance income		923,869	786,116
Finance costs		(1,208,789)	(1,123,143)
Finance costs – net	30	(284,920)	(337,027)
Share of results of associated companies and joint ventures accounted for using the equity method		96,825	(233,469)
Profit before income tax		29,015,352	22,638,205
Income tax expense	33	(12,635,387)	(10,327,273)
Profit for the year		16,379,965	12,310,932
Other comprehensive income:			
<i>Items that may be reclassified to profit or loss</i>			
Translation reserves		–	137
<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		19,591	(290,843)
Other comprehensive income		19,591	(290,706)
Total comprehensive income for the year		16,399,556	12,020,226

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the year ended 31 December 2019

	Note	Year ended 31 December	
		2019 RMB'000	2018 RMB'000
Profit for the year attributable to:			
Equity holders of the Company		10,897,600	8,834,790
Non-controlling interests		5,482,365	3,476,142
		16,379,965	12,310,932
Total comprehensive income for the year attributable to:			
Equity holders of the Company		10,911,548	8,663,562
Non-controlling interests		5,488,008	3,356,664
		16,399,556	12,020,226
Earnings per share for profit attributable to the equity holders of the Company			
– Basic (RMB cents)	34	331.1	264.7
– Diluted (RMB cents)	34	330.6	264.1

The notes on pages 85 to 184 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Note	Attributable to the equity holders of the Company			Other non-controlling interests RMB'000	Total RMB'000
		Share capital RMB'000	Reserves RMB'000	Perpetual capital instruments RMB'000		
Balance at 1 January 2019		341,575	58,892,631	5,100,000	40,945,971	105,280,177
Comprehensive income						
Profit for the year		–	10,897,600	284,982	5,197,383	16,379,965
Other comprehensive income for the year						
<i>Items that will not be reclassified to profit or loss</i>						
Fair value gains on financial assets at fair value through other comprehensive income, net of tax		–	13,948	–	5,643	19,591
Total comprehensive income for the year		–	10,911,548	284,982	5,203,026	16,399,556
Acquisition of subsidiaries	40(a), 40(b)	–	–	–	2,321,257	2,321,257
Capital contribution from non-controlling interests	40(e(i))	–	–	–	4,840,075	4,840,075
Changes in ownership interests in subsidiaries without change of control	40(e(ii))	–	(205,735)	–	(5,563,569)	(5,769,304)
Equity-settled share-based payment						
– Value of employee services	23	–	125,171	–	–	125,171
– Dividends received	23	–	10,674	–	–	10,674
Perpetual capital instruments issued	24	–	–	4,265,000	–	4,265,000
Perpetual capital instruments redeemed		–	–	(4,700,000)	–	(4,700,000)
Perpetual capital instruments dividends		–	–	(284,982)	–	(284,982)
Dividends and distributions	23,35	–	(3,820,983)	–	(1,962,455)	(5,783,438)
Total transactions with owners		–	(3,890,873)	(719,982)	(364,692)	(4,975,547)
Balance at 31 December 2019		341,575	65,913,306	4,665,000	45,784,305	116,704,186

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2019

	Note	Attributable to the equity holders of the Company		Perpetual capital instruments RMB'000	Other non-controlling interests RMB'000	Total RMB'000
		Share capital RMB'000	Reserves RMB'000			
Balance at 1 January 2018		348,864	57,285,819	4,200,000	34,912,114	96,746,797
Adjustment on adoption of HKFRS 9, net of tax		–	(54,728)	–	–	(54,728)
Adjustment on adoption of HKFRS 15, net of tax		–	109,820	–	22,348	132,168
Restated total equity at 1 January 2018		348,864	57,340,911	4,200,000	34,934,462	96,824,237
Comprehensive income						
Profit for the year		–	8,834,790	262,247	3,213,895	12,310,932
Other comprehensive income for the year						
<i>Items that may be reclassified to profit or loss</i>						
Translation reserves		–	137	–	–	137
<i>Items that will not be reclassified to profit or loss</i>						
Fair value losses on financial assets at fair value through other comprehensive income, net of tax		–	(171,365)	–	(119,478)	(290,843)
Total comprehensive income for the year		–	8,663,562	262,247	3,094,417	12,020,226
Acquisition of subsidiaries		–	–	–	807,615	807,615
Capital contribution from non-controlling interests		–	–	–	6,228,072	6,228,072
Changes in ownership interests in subsidiaries without change of control		–	(2,448,538)	–	(3,863,261)	(6,311,799)
Disposal and deemed disposal of subsidiaries		–	–	–	(43,094)	(43,094)
Equity-settled share-based payment						
– Value of employee services	23	–	116,075	–	–	116,075
– Purchase of shares	23	–	(97,714)	–	–	(97,714)
– Dividends received	23	–	12,539	–	–	12,539
Perpetual capital instruments issued	24	–	–	1,700,000	–	1,700,000
Perpetual capital instruments redeemed	24	–	–	(800,000)	–	(800,000)
Perpetual capital instruments dividends		–	–	(262,247)	–	(262,247)
Buy-back of shares						
– Purchase of shares	23	–	(1,549,371)	–	–	(1,549,371)
– Dividends received	23	–	9,069	–	–	9,069
– Cancellation of shares	22,23	(7,289)	7,289	–	–	–
Dividends and distributions	23,35	–	(3,161,191)	–	(212,240)	(3,373,431)
Total transactions with owners		(7,289)	(7,111,842)	637,753	2,917,092	(3,564,286)
Balance at 31 December 2018		341,575	58,892,631	5,100,000	40,945,971	105,280,177

The notes on pages 85 to 184 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Note	Year ended 31 December	
		2019 RMB'000	2018 RMB'000
Cash flow from operating activities			
Net cash generated from operations	36	44,849,846	14,497,212
Interest received	30	923,869	786,116
Interest paid		(8,728,637)	(7,031,504)
PRC income tax paid		(7,565,184)	(6,041,922)
Net cash generated from operating activities		29,479,894	2,209,902
Cash flow from investing activities			
Additions of property and equipment and investment properties		(1,557,552)	(3,108,800)
Disposal of property and equipment		5,450	19,389
Disposal of investment properties		–	47,000
Additions of land use rights		(36,139)	(170,346)
Acquisition of derivative financial instruments	20	(16,333)	–
Settlement of derivative financial instruments	20	6,085	–
(Increase)/decrease in prepayments for acquisition of equity interests	16	(189,905)	305,985
Net cash outflow on acquisition of subsidiaries	40(a), 40(b)	(1,626,725)	(4,840)
Disposal and deemed disposal of subsidiaries	40(c), 40(d)	142,757	143,923
Capital injections to associated companies	11(a)	(2,043,873)	(18,921)
Capital injections to joint ventures	11(b)	(7,112,290)	(2,378,769)
Disposal of shares of a joint venture	11(b)	–	27,750
Dividends received from associated companies and joint ventures	11(a), 11(b)	999,000	73,640
Advances to joint ventures and associated companies		(4,733,463)	(692,332)
Decrease/(Increase) of financial assets at fair value through other comprehensive income	3(e)	16,559	(300,931)
Increase of financial assets at fair value through profit or loss	3(e)	–	(170,377)
Gain on investment in structured products issued by banks	28	–	19,558
Net cash used in investing activities		(16,146,429)	(6,208,071)
Cash flow from financing activities			
Proceeds from borrowings		54,138,709	73,043,880
Repayments of borrowings and finance lease liabilities		(46,556,688)	(55,047,635)
Purchase of shares		–	(97,714)
Buyback shares		–	(1,549,371)
Capital contribution from non-controlling interests of subsidiaries		4,840,075	6,228,072
Acquisition of additional interests in subsidiaries		(5,769,304)	(4,071,799)
Proceeds from issue of perpetual capital instruments	24	4,265,000	1,700,000
Redemption of perpetual capital instruments	24	(4,700,000)	(800,000)
Interest for the holders of perpetual capital instruments		(284,982)	(262,247)
Dividends paid to the equity holders of the Company		(3,820,983)	(3,161,191)
Dividends paid to non-controlling interests		(1,962,455)	(212,240)
(Decrease)/Increase in amounts due to non-controlling interests	27	(3,699,330)	4,706,536
Dividends received	23	10,674	21,608
Lease payment	7	(158,023)	–
Increase in restricted cash pledged for borrowings		(982,744)	(1,386,888)
Net cash (used in)/generated from financing activities		(4,680,051)	19,111,011
Net increase in cash and cash equivalents			
Cash and cash equivalents at beginning of the year		43,688,296	28,537,441
Effect of foreign exchange rate changes		15,541	38,013
Cash and cash equivalents at end of the year	21	52,357,251	43,688,296

The notes on pages 85 to 184 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1 General information

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

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

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

2 Summary of significant accounting policies

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

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. They have been prepared under the historical cost convention, as modified by the revaluation of investment properties, financial assets at fair value through other comprehensive income (“FVOCI”), financial assets at fair value through profit or loss (“FVPL”) and derivative financial instruments which are carried at fair value.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

(i) New and amended standards adopted by the Group

The following standards and amendments to standards have been adopted by the Group for the first time for their annual reporting period commencing 1 January 2019.

- HKFRS 16 Leases
- Prepayment Features with Negative Compensation – Amendments to HKFRS 9
- Long-term Interests in Associates and Joint Ventures – Amendments to HKAS 28
- Annual Improvements to HKFRS Standards 2015–2017 Cycle
- Plan Amendment, Curtailment or Settlement – Amendments to HKAS 19
- Interpretation 23 Uncertainty over Income Tax Treatments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

2 Summary of significant accounting policies (CONTINUED)**2.1 Basis of preparation (continued)****(i) New and amended standards adopted by the Group (continued)**

The Group changed its accounting policies as a result of adopting HKFRS 16. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 January 2019. The other amendments listed above did not have any impact on amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

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

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 in each territory or region where the lease assets are located. The weighted average discount rate applied to the lease liabilities on 1 January 2019 was 5.59%.

(1) Practical expedients applied

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

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using 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 Interpretation 4 *Determining whether an Arrangement contains a Lease*.

(2) Measurement of lease liabilities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

2 Summary of significant accounting policies (CONTINUED)

2.1 Basis of preparation (continued)

(i) New and amended standards adopted by the Group (continued)

(3) Measurement of right-of-use assets

The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid rental expenses relating to that lease recognised in the balance sheet as at 1 January 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

(4) Adjustments recognised in the balance sheet on 1 January 2019

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

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

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

(5) Lessor accounting

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of HKFRS 16.

(ii) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

		Effective for annual periods beginning on or after
HKAS 1 and HKAS 8 (Amendments)	Definition of Material	1 January 2020
HKFRS3 (Amendments)	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

2 Summary of significant accounting policies (CONTINUED)

2.2 Principles of consolidation and equity accounting

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 2.3).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet respectively.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (iv) below), after initially being recognised at cost.

(iii) Joint arrangements

Under HKFRS 11 *Joint Arrangements*, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has only joint ventures.

Interests in joint ventures are accounted for using the equity method (see (iv) below), after initially being recognised at cost in the consolidated balance sheet.

(iv) Equity accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income ("OCI") of the investee in OCI. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.9.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

2 Summary of significant accounting policies (CONTINUED)**2.2 Principles of consolidation and equity accounting (continued)****(v) Changes in ownership interests**

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Group.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in OCI in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in OCI are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in OCI are reclassified to profit or loss where appropriate.

2.3 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

2 Summary of significant accounting policies (CONTINUED)

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (the "CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the management committee that makes strategic decisions.

2.5 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's functional currency and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the 'finance costs – net', except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each income statement are translated at average exchange rates; and
- All resulting exchange differences are recognised in OCI.

2.6 Property and equipment

Property and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Buildings comprise hotel buildings and self-use buildings.

Assets under construction are stated at historical cost less impairment losses. Historical cost includes expenditure that is directly attributable to the development of the assets which comprises construction costs, borrowing costs and professional fees incurred during the development period. On completion, the assets are transferred to buildings within property and equipment.

No depreciation is provided for assets under construction. The carrying amount of an asset under construction is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

2 Summary of significant accounting policies (CONTINUED)**2.6 Property and equipment (continued)**

Depreciation on property and equipment is calculated using the straight-line method to allocate their costs less their residual values and impairment loss over their estimated useful lives, as follows:

Buildings	50 years or the remaining lease period of the land use rights, whichever is shorter
Building improvements	10 to 20 years
Furniture and equipment	5 to 12 years
Jet plane and motor vehicles	10 to 20 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other income/other gains – net" in the income statement.

2.7 Investment property

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases is accounted as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the income statement as 'fair value gains/losses on investment properties-net'.

If an entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably determinable when construction is complete, it shall measure that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier).

If an investment property becomes owner-occupied or commences development with a view to sale, it is reclassified as property and equipment or as properties under development or completed properties held for sale, and the property's deemed cost for subsequent accounting is its fair value at the date of change in use.

If an item of property and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised as a revaluation of property and equipment in equity under HKAS 16. If a property commences an operating lease to another party, it is transferred from properties under development or completed properties held for sale to investment property, and any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in profit or loss.

2.8 Intangible assets – goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiaries/associated companies/joint ventures at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associated companies/joint ventures is included in investments in associated companies/joint ventures. Goodwill is tested at least annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

2 Summary of significant accounting policies (CONTINUED)**2.9 Impairment of investments in subsidiaries, associated companies, joint ventures and non-financial assets**

Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready to use, are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of the investments in subsidiaries, associated companies or joint ventures is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiaries, associated companies or joint ventures in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.10 Investments and financial assets**(i) Classification**

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

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

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

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

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

2 Summary of significant accounting policies (CONTINUED)**2.10 Investments and financial assets (continued)****(iii) Measurement (continued)****Debt instruments**

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

- Financial assets at FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- Financial assets at FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

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

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

(iv) Impairment

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

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 18 for further details.

Impairment testing of trade and other receivables and amounts due from related parties is described in Note 3(b).

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

2.12 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

For derivative financial instruments do not qualify for hedge accounting, changes in fair value are recognised immediately in the income statement within 'Other income/other gains – net'.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

2 Summary of significant accounting policies (CONTINUED)

2.13 Properties under development

Properties under development are stated at the lower of cost and net realisable value. Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and the anticipated costs to completion. Development cost of properties comprises cost of land use rights, construction costs, borrowing costs and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

2.14 Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value.

Cost comprises development costs attributable to the unsold properties.

Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing marketing conditions.

2.15 Trade and other receivables

Trade receivables are amounts due from customers for properties sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. See Note 2.10(ii) for further information about the Group's accounting for trade receivables and Note 2.10(iv) for a description of the Group's impairment policies.

2.16 Cash and cash equivalents

Cash and cash equivalents include cash in hand, call deposits with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.17 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to equity holders of the Company until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the equity holders of the Company.

2.18 Perpetual capital instruments

Perpetual capital instruments with no contractual obligation to repay its principal or to pay any distribution are classified as part of equity.

2.19 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

2 Summary of significant accounting policies (CONTINUED)

2.20 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.21 Borrowings cost

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Borrowing costs include interest expense, finance charges in respect of finance lease and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on interest rates on similar borrowings in the entity's functional currency and forward currency rates at the inception of the borrowings.

When the construction of the qualifying assets takes more than one accounting period, the amount of foreign exchange differences eligible for capitalisation is determined for each annual period and are limited to the difference between the hypothetical interest amount for the functional currency borrowings and the actual interest incurred for foreign currency borrowings. Foreign exchange differences that did not meet the criteria for capitalisation in previous years should not be capitalised in subsequent years.

2.22 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in OCI or directly in equity. In this case, the tax is also recognised in OCI or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries, associated companies and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

2 Summary of significant accounting policies (CONTINUED)**2.22 Current and deferred income tax (continued)**

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associated companies and joint ventures, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.23 Employee benefits**(i) Employee leave entitlements**

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Retirement benefits

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government.

The Group also participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme") for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income. The assets of this pension scheme are held separately from those of the Group in independently administered funds.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

(iii) Equity-settled share-based payment transactions

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments of the Group. The fair value of the employee services received in exchange for the grant of the shares/options is recognised as costs of assets or expenses to whichever the employee service is attributable.

Under the long term incentive scheme, the fair value of shares granted to eligible employees for their services is based on the share price at the grant date.

Under the share option scheme, the fair value of the options granted to the eligible employees for their services rendered is determined by reference to:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

2 Summary of significant accounting policies (CONTINUED)**2.23 Employee benefits (continued)****(iii) Equity-settled share-based payment transactions (continued)**

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total cost/expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Group revises its estimates of the number of shares/options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When shares are vested, the Company issues shares from treasury shares. When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

2.24 Provisions and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

2.25 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sales of properties and services in the ordinary course of the Group's activities. Revenue is shown, net of discounts and after eliminating sales with the Group companies. Revenue is recognised as follows:

(i) Sales of properties

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

2 Summary of significant accounting policies (CONTINUED)**2.25 Revenue recognition (continued)****(i) Sales of properties (continued)**

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

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

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

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

(ii) Property management services

Revenue arising from property management services is recognised in the accounting period in which the services are rendered.

(iii) Hotel operation income

Hotel operation income which includes rooms rental, food and beverage sales and other ancillary services is recognised when the services are rendered.

(iv) Rental income

Rental income from properties letting under operating leases is recognised on a straight line basis over the lease terms.

(v) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

(vi) Commission income

Commission income from concessionaire sales is recognised upon sales of goods by the relevant stores.

(vii) Dividend income

Dividend income is recognised when the right to receive payment is established.

2.26 Government grants

Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property and equipment and land use rights are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight line basis over the expected lives of the related assets.

2.27 Leases

As explained in note 2.1 above, the Group has changed its accounting policy for leases where the Group is the lessee with effect from 1 January 2019. The new policy is described below and the impact of the change is set out in note 2.1.

The Group leases various offices, warehouses, equipment and vehicles. Rental contracts are typically made for fixed periods of 12 to 60 months. 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.

For the year ended 31 December 2018 and before, leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Until the 2018 financial year, payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

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 profit or loss 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

2 Summary of significant accounting policies (CONTINUED)**2.27 Leases (continued)**

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments).

The lease payments are discounted using incremental borrowing rate of the Group which the Group 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.

To determine the incremental borrowing rate, the Group uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability and any lease payments made at or before the commencement date. Depreciation on right-of-use assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated lease period.

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

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

2.28 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders and directors.

2.29 Insurance contracts

An insurance contract is a contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Insurance risk is a pre-existing risk transferred from the policyholder to the insurer, and is significant only if an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance (i.e. have no discernible effect on the economics of the transaction).

The Group assesses at each reporting date whether its recognised insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of the estimated future cash flows, the entire deficiency is recognised in the income statement.

The Group regards its financial guarantee contracts provided in respect of mortgage facilities for certain property purchasers and financial guarantee contracts provided to its related parties as insurance contracts.

2.30 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of subsidiaries, associated companies and joint ventures to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms, and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised. Subsequent to initial recognition, the Company's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised in accordance with HKAS 18, and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by management's judgement. Any increase in the liability relating to guarantees is reported in the income statement within other operating expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

3 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk, cash flow interest rate risk and fair value interest rate risk), credit risk, and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk**(i) Foreign exchange risk**

The Group's businesses are principally conducted in RMB, except that certain receipts of proceeds from sales of properties, public share and notes offerings and certain bank borrowings are in other foreign currencies. The major non-RMB assets and liabilities are bank deposits and borrowings denominated in Hong Kong dollar ("HK dollar", or "HK\$") and the United States dollar ("US dollar", or "US\$").

The Company and all of its subsidiaries' functional currency is RMB, so that the fluctuation of the exchange rates of RMB against foreign currencies could affect the Group's results of operations. For the year ended 31 December 2019, the Group manages its foreign exchange risk by using foreign currency option contracts. Such contracts have the economic effect of setting a strike rate for agreed amount of foreign currency amount. Under these contracts, the Group agrees with a third party to exchange, at specified intervals, the difference between strike and spot exchange rate amounts calculated by reference to the agreed notional amount.

As at 31 December 2019, if RMB had strengthened/weakened by 5%, against US dollar and HK dollar with all other variables held constant without capitalization of exchange gains and losses, post-tax profit for the year would have been RMB1,703,500,000 (2018: RMB2,554,544,000) higher/lower, mainly as a result of net foreign exchange gains/losses on translation of US dollar and HK dollar denominated bank deposits, senior notes and bank borrowings.

As at 31 December 2019, borrowings with a total carrying amount of RMB47,389,666,000 (2018: RMB46,520,029,000) are denominated in US dollar, borrowings with a total carrying amount of RMB25,220,523,000 (2018: RMB13,207,924,000) are denominated in HK dollar and borrowings with a total carrying amount of RMB1,249,875,000 (2018: RMB1,206,796,000) are denominated in JPY yen.

(ii) Price risk

The Group is exposed to equity securities price risk from the Group's financial assets at FVOCI which are publicly traded. The performance of the listed equity securities of the Group is closely monitored.

(iii) Cash flow and fair value interest rate risk

Except for cash deposits in the banks, the Group has no other significant interest-bearing assets. The Group's exposure to changes in interest rates is mainly attributable to its borrowings, especially long-term borrowings. Borrowings at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk. The interest rate and terms of repayments of borrowings are disclosed in Note 25. The Group manages certain of its fair value interest rate risk by using fixed-to-floating interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from fixed rates to floating rates. As at 31 December 2019, the Group converted no borrowings from fixed rate to floating rate through interest rate swap (2018: nil).

The Group analyses its interest rate exposure taking into consideration of refinancing, and renewal of existing position. Based on the above consideration, the Group calculates the impact on profit and loss of a defined interest rate change.

The Group does not anticipate significant impact to interest-bearing assets resulted from the changes in interest rates as the interest rates of bank deposits are not expected to change significantly.

If interest rates on RMB denominated variable rate borrowings had been 100 basis points higher/lower with all other variables held constant, the post-tax profit for the year would have been RMB40,047,000 (2018: RMB27,810,000) lower/higher mainly as a result of higher/lower interest expenses on borrowings with variable rates as at 31 December 2019. If interest rates on US dollar and HK dollar denominated variable rate borrowings had been 100 basis points higher/lower with all other variables held constant, the post-tax profit for the year would have been RMB311,785,000 (2018: RMB268,309,000) lower/higher mainly as a result of higher/lower interest expenses on borrowings with variable rates as at 31 December 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

3 Financial risk management (CONTINUED)

(b) Credit risk

The Group applies HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables and amounts due from related parties from initial recognition. To measure the expected credit losses, trade and other receivables and amounts due from related parties have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 3 years before 31 December 2019 or 1 January 2019 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on factors affecting the ability of the customers to settle the receivables.

On that basis, the loss allowance as at 31 December 2019 and 31 December 2018 was determined as follows for trade and other receivables and amounts due from related parties.

31 December 2019	Within 6 months RMB'000	7 months to 12 months RMB'000	Over 1 year RMB'000	Total RMB'000
Gross carrying amount				
– trade and other receivables	13,282,157	4,378,280	1,383,015	19,043,452
Gross carrying amount				
– amounts due from related parties	22,531,016	488,680	1,460,559	24,480,255
Expected loss rate	0.29%	2.26%	5.58%	0.86%
Loss allowance	100,470	109,925	158,693	369,088
<hr/>				
31 December 2018	Within 6 months RMB'000	7 months to 12 months RMB'000	Over 1 year RMB'000	Total RMB'000
Gross carrying amount				
– trade and other receivables	16,772,274	2,908,474	497,327	20,178,075
Gross carrying amount				
– amounts due from related parties	16,625,995	5,542	1,611,464	18,243,001
Expected loss rate	0.46%	2.38%	3.54%	0.78%
Loss allowance	154,885	69,249	74,579	298,713

The closing loss allowances for trade and other receivables and amounts due from related parties as at 31 December 2019 reconcile to the opening loss allowances as follows:

	Amounts due from related parties RMB'000	Trade and other receivables RMB'000	Total RMB'000
At 31 December 2018	43,515	255,198	298,713
Increase in loss allowance recognised in profit or loss during the year	14,823	55,552	70,375
Closing loss allowance as at 31 December 2019	58,338	310,750	369,088

Trade and other receivables and amounts due from related parties are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period greater than 60-90 days past due.

Impairment losses on trade and other receivables and amounts due from related parties are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

3 Financial risk management (CONTINUED)**(b) Credit risk** (continued)

The Group considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor
- probability that the debtor will enter bankruptcy or financial reorganisation, and
- default or late payments (more than 30 days overdue).

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

Cash transactions are limited to high-credit-quality institutions. The table below shows the bank deposit balances of the major counterparties as at 31 December 2019.

Counterparty	Rating (Note)	As at 31 December	
		2019 RMB'000	2018 RMB'000
Bank A	A	7,210,630	6,700,353
Bank B	Baa2	5,855,641	3,727,271
Bank C	BBB+	5,726,794	6,164,295
Bank D	A	5,638,361	4,624,053
Bank E	A	3,953,504	3,316,273

Note: The source of credit rating is from Standard and Poor's or Moody's.

The Group has policies in place to ensure that sales of properties are made to buyers with an appropriate financial strength and appropriate percentage of down payment. Meanwhile, the Group has the right to cancel the sales contract in the event that the buyers default in payment, and put the underlying properties back to the market for re-sales. Therefore, the credit risk from sales of properties is limited. Other receivables mainly comprise bidding deposits for land use rights and prepaid tax with limited credit risk.

(c) Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed credit facilities to meet its operation needs and commitments in respect of property projects.

Cash flow forecast is performed by management of the Group. Management monitors the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its borrowing facilities at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecast mainly takes into consideration the Group's operational cash flows, construction of investment properties and hotel projects, committed payments for land use rights and contracted development expenditures, the Group's debt financing plans, covenant compliance and internal balance sheet ratio targets.

The table below analyses the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

3 Financial risk management (CONTINUED)

(c) Liquidity risk (continued)

Specifically, for term loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect. The maturity analysis for other bank borrowings is prepared based on the scheduled repayment dates.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As at 31 December 2019					
Borrowings and interest payments	39,307,510	29,779,713	40,395,670	20,311,900	129,794,793
Trade and other payables (excluding other taxes payables)	75,631,392	22,824	34,684	38,770	75,727,670
Amounts due to related parties	41,502,443	–	–	–	41,502,443
	156,441,345	29,802,537	40,430,354	20,350,670	247,024,906
As at 31 December 2018					
Borrowings and interest payments	34,929,938	22,101,107	49,127,646	17,932,296	124,090,987
Trade and other payables (excluding other taxes payables)	46,744,838	47,076	49,220	63,895	46,905,029
Amounts due to related parties	38,234,642	–	–	–	38,234,642
	119,909,418	22,148,183	49,176,866	17,996,191	209,230,658

Note: The interest on borrowings is calculated based on borrowings outstanding as at 31 December 2019 and 2018 without taking into account of future issues. Floating-rate interest is estimated using the applicable interest rate as at 31 December 2019 and 2018 respectively.

The amount of derivative financial instruments is measured at fair value at 31 December 2019 and 2018.

(d) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity holders, issue new shares or sell assets/subsidiaries to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the net gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less restricted cash and cash and cash equivalents. Total capital is calculated as total equity as shown in the consolidated balance sheet less perpetual capital instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

3 Financial risk management (CONTINUED)

(d) Capital risk management (continued)

The net gearing ratios at 31 December 2019 and 2018 are as follows:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Total borrowings (Note 25)	126,555,335	109,131,766
Less: Cash and cash equivalents (Note 21)	(52,357,251)	(43,688,296)
Restricted cash (Note 21)	(7,265,779)	(5,888,489)
Net debt	66,932,305	59,554,981
Total equity excluding perpetual capital instruments	112,039,186	100,180,177
Net gearing ratio	59.7%	59.4%

(e) 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).

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2019. See Note 8 for disclosures of the investment properties that are measured at fair value.

As at 31 December 2019	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Derivative financial instruments	–	–	63,004	63,004
Financial assets at FVOCI				
– listed equity securities	608,202	–	–	608,202
– investment in structured products issued by other financial institution and unlisted entity	–	–	380,793	380,793
Financial assets at FVPL	–	–	179,637	179,637

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2018. See Note 8 for disclosures of the investment properties that are measured at fair value.

As at 31 December 2018	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Derivative financial instruments	–	–	12,468	12,468
Financial assets at FVOCI				
– listed equity securities	622,068	–	–	622,068
– investment in structured products issued by other financial institution and unlisted entity	–	–	359,612	359,612
Financial assets at FVPL	–	–	176,727	176,727

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

3 Financial risk management (CONTINUED)**(e) Fair value estimation (continued)**

Derivative financial instruments included in Level 3 as at 31 December 2019 are two currency option contracts with the 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 included in Level 1 as at 31 December 2019 and 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.

Financial assets at FVOCI as at 31 December 2019 and 2018 included in Level 3 are the investment in structured products entered into with financial institutions and unlisted entity, 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 31 December 2019 and 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.

Financial assets at FVOCI at fair value

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Opening balances of assets	981,680	1,068,775
Additions	181,441	1,972,931
Disposals	(198,000)	(1,672,000)
Fair value gains/(losses) recognised in OCI	23,874	(388,026)
Closing balances of assets	988,995	981,680
Changes in unrealised gains/(losses), under 'Other comprehensive income' (Note 13(b))	23,874	(388,026)

Financial assets at FVPL at fair value

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Opening balances of assets	176,727	–
Additions	–	170,377
Fair value gains recognised in profit or loss	2,910	6,350
Closing balances of assets	179,637	176,727
Changes in unrealised gains, under 'Other income/other gains – net' (Note 14(b))	2,910	6,350

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

3 Financial risk management (CONTINUED)

(e) Fair value estimation (continued)

Derivatives at fair value through profit or loss

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Opening balances of assets	12,468	1,190
Acquisition of currency options and forwards	16,333	–
Gains recognised in the income statement	40,288	11,278
Settlements	(6,085)	–
Closing balances of assets	63,004	12,468
Changes in unrealised gains, under 'Other income/other gains – net' (Note 28)	40,288	11,278

4 Critical accounting estimates and judgements

Estimates and judgements used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Income taxes and deferred income tax assets

The Group is subject to income taxes in different jurisdictions. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

(b) Land appreciation tax

The Group is subject to land appreciation tax in the PRC. However, the implementation and settlement of the tax varies among different tax jurisdictions in various cities of the PRC, and the Group has not finalised its land appreciation tax calculation and payments with any local tax authorities in the PRC. Accordingly, significant judgement is required in determining the amount of the land appreciation and its related tax. The Group recognised the land appreciation tax based on management's best estimates according to the understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the current income tax and deferred income tax provisions in the periods in which such tax is finalised with local tax authorities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

4 Critical accounting estimates and judgements (CONTINUED)**4.1 Critical accounting estimates and assumptions (continued)****(c) Impairment of goodwill**

The Group tests at least annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 2.8. The recoverable amounts of cash-generating units have been determined based on the higher of the fair value (less cost to sell) and value in use calculation of the underlying assets, mainly properties. The fair value of the properties, when applicable, is determined by independent valuers. For a listed cash-generating unit ("CGU"), the fair value less cost to sell is determined by the value in use. These valuations and calculations require the use of estimates.

(d) Fair value of investment properties

The fair value of investment properties is determined by using valuation technique. Details of the judgement and assumptions have been disclosed in Note 8.

(e) Provision for properties under development and completed properties held for sale

The Group assesses the carrying amounts of properties under development and completed properties held for sale according to their net realisable value based on the realisability of these properties, taking into account costs to completion based on past experience and net sales value based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgement and estimates.

(f) Impairment of trade and other receivables and amount due from related parties

The Group's management determines the provision for impairment of trade and other receivables and amount due from related parties based on the expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The loss allowances for trade and other receivables and amount due from related parties are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Management reassesses the provision at each balance sheet date.

(g) Fair value of derivatives financial instruments

The Group's derivative financial instruments are currency option contracts entered into with Morgan Stanley, the fair value of which are determined using valuation models for which not all inputs are market observable prices or rates.

(h) Judgements and estimates in revenue recognition for property development activities

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

4 Critical accounting estimates and judgements (CONTINUED)

4.2 Critical judgements in applying the Group's accounting policy

(a) Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement.

Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

5 Segment information

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

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

The CODM assesses the performance of the operating segments based on a measure of revenue and profit before tax. The information provided to the CODM is measured in a manner consistent with that in the financial statements.

(a) Revenue

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

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Sales of properties	105,291,317	80,906,598
Hotel operation income	2,097,030	1,908,157
Commercial properties operation income	1,427,986	1,090,540
Property management income, and others	2,700,648	1,607,409
	111,516,981	85,512,704

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

5 Segment information (CONTINUED)

(b) Segment information

Year ended 31 December 2019

	Property development and investment				
	Shanghai Shimao Co., Ltd. ("Shanghai Shimao")* RMB'000	Others RMB'000	Hotel operation RMB'000	Unallocated** RMB'000	Total RMB'000
Revenue					
– Sales of properties	19,629,801	85,661,516	–	–	105,291,317
– Recognised at a point in time	19,287,510	84,773,157	–	–	104,060,667
– Recognised over time	342,291	888,359	–	–	1,230,650
– Hotel operation income	263,056	–	1,833,974	–	2,097,030
– Commercial properties operation income	983,781	444,205	–	–	1,427,986
– Property management income, and others	204,035	2,496,613	–	–	2,700,648
Total revenue	21,080,673	88,602,334	1,833,974	–	111,516,981
Operating profit/(loss)	7,336,493	22,245,929	199,940	(578,915)	29,203,447
Finance income	202,951	674,674	1,101	45,143	923,869
Finance costs	(434,542)	(84,496)	(18,360)	(671,391)	(1,208,789)
Share of results of associated companies and joint ventures accounted for using the equity method	148,541	(51,716)	–	–	96,825
Profit/(loss) before income tax	7,253,443	22,784,391	182,681	(1,205,163)	29,015,352
Income tax expense					(12,635,387)
Profit for the year					16,379,965
Other segment items are as follows:					
Capital and property development expenditure	26,551,212	113,004,870	1,788,795	–	141,344,877
Fair value gains on investment properties	1,715,119	620,138	–	–	2,335,257
Fair value gains on derivative financial instruments	–	–	–	40,288	40,288
Depreciation	84,186	161,510	431,175	56,080	732,951
Amortisation of right-of-use assets	118,587	30,094	73,057	–	221,738
Provision for impairment on financial assets	63,534	5,843	998	–	70,375

* The Group owns an effective equity interest of 59.74% in Shanghai Shimao as at 31 December 2019

** Unallocated mainly represent corporate level activities

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

5 Segment information (CONTINUED)

(b) Segment information (continued)

The segment assets and liabilities at 31 December 2019 are as follows:

	Property development and investment			Total RMB'000
	Shanghai Shimao RMB'000	Others RMB'000	Hotel operation RMB'000	
Investments accounted for using the equity method	1,109,016	23,058,159	–	24,167,175
Intangible assets	1,709,730	168,688	130,928	2,009,346
Other segment assets	122,906,077	289,287,380	26,299,568	438,493,025
Total segment assets	125,724,823	312,514,227	26,430,496	464,669,546
Deferred income tax assets				3,055,128
Financial assets at FVOCI				988,995
Financial assets at FVPL				179,637
Derivative financial instruments				63,004
Other assets				2,497,757
Total assets				471,454,067
Borrowings	21,949,203	43,535,975	29,980	65,515,158
Other segment liabilities	52,438,277	141,111,002	25,734,359	219,283,638
Total segment liabilities	74,387,480	184,646,977	25,764,339	284,798,796
Corporate borrowings				61,428,177
Deferred income tax liabilities				7,533,056
Other liabilities				989,852
Total liabilities				354,749,881

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

5 Segment information (CONTINUED)

(b) Segment information (continued)

Year ended 31 December 2018

	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	18,809,411	62,097,187	–	–	80,906,598
– Recognised at a point in time	18,445,092	61,279,368	–	–	79,724,460
– Recognised over time	364,319	817,819	–	–	1,182,138
– Hotel operation income	260,845	–	1,647,312	–	1,908,157
– Commercial properties operation income	924,875	165,665	–	–	1,090,540
– Property management income, and others	206,045	1,401,364	–	–	1,607,409
Total revenue	20,201,176	63,664,216	1,647,312	–	85,512,704
Operating profit/(loss)	8,485,306	15,386,587	192,810	(856,002)	23,208,701
Finance income	125,000	585,849	860	74,407	786,116
Finance costs	(333,177)	(311,809)	(28,541)	(449,616)	(1,123,143)
Share of results of associated companies and joint ventures accounted for using the equity method	58,037	(291,506)	–	–	(233,469)
Profit/(loss) before income tax	8,335,166	15,369,121	165,129	(1,231,211)	22,638,205
Income tax expense					(10,327,273)
Profit for the year					12,310,932
Other segment items are as follows:					
Capital and property development expenditure	22,686,684	79,382,699	1,760,741	–	103,830,124
Fair value gains on investment properties	1,138,535	771,716	–	–	1,910,251
Fair value gains on derivative financial instruments	–	–	–	11,278	11,278
Depreciation	91,130	74,785	385,459	34,141	585,515
Amortisation of land use rights	10,032	22,228	46,108	–	78,368
Provision for/(reversal of) impairment on financial assets	14,910	(41,292)	853	–	(25,529)

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

** Unallocated mainly represent corporate level activities

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

5 Segment information (CONTINUED)

(b) Segment information (continued)

The segment assets and liabilities 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

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

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

The Group has recognised the following liabilities related to contracts with customers:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Related to development and sales of properties contracts		
Contract liabilities	74,652,393	47,173,444

Revenue from sales of properties totalled approximately RMB28 billion was recognised in current reporting year that was included in the contract liability balance at the beginning of the year. Management expects that the majority of the contract amounts allocated to unsatisfied performance obligations totalled RMB44 billion as of 31 December 2019 will be recognised as revenue from sales of properties during the next reporting year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

6 Property and equipment

	Assets under construction RMB'000	Hotel buildings and improvements RMB'000	Furniture and equipment and others RMB'000	Jet plane and motor vehicles RMB'000	Self-use buildings RMB'000	Total RMB'000
Cost						
At 1 January 2019	2,342,936	13,895,382	630,762	556,881	1,009,252	18,435,213
Additions	1,776,214	56,595	170,124	5,676	-	2,008,609
Acquisition of subsidiaries	-	133,928	109,721	1,499	41,023	286,171
Disposal of subsidiaries	-	-	(283)	-	-	(283)
Disposals	-	(49,118)	(15,658)	(3,073)	-	(67,849)
Transfer to investment properties	-	-	-	-	(9,005)	(9,005)
Transfer to properties under development	(174,849)	-	-	-	-	(174,849)
Transfer upon completion	(453,097)	325,146	-	43,316	84,635	-
At 31 December 2019	3,491,204	14,361,933	894,666	604,299	1,125,905	20,478,007
Accumulated depreciation						
At 1 January 2019	-	3,103,795	352,047	175,477	226,257	3,857,576
Acquisition of subsidiaries	-	20,280	2,610	955	5,160	29,005
Charge for the year	-	471,733	129,476	92,077	39,665	732,951
Disposal of subsidiaries	-	-	(31)	-	-	(31)
Transfer to investment properties	-	-	-	-	(2,037)	(2,037)
Disposals	-	(44,805)	(14,955)	(2,639)	-	(62,399)
At 31 December 2019	-	3,551,003	469,147	265,870	269,045	4,555,065
Net book value						
At 31 December 2019	3,491,204	10,810,930	425,519	338,429	856,860	15,922,942

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

6 Property and equipment (CONTINUED)

	Assets under construction RMB'000	Hotel buildings and improvements RMB'000	Furniture and equipment and others RMB'000	Jet plane and motor vehicles RMB'000	Self-use buildings RMB'000	Total RMB'000
Cost						
At 1 January 2018	2,046,271	12,497,440	525,194	733,988	1,256,428	17,059,321
Additions	1,843,246	94,150	194,320	4,313	33,123	2,169,152
Acquisition of subsidiaries	–	–	1,671	–	–	1,671
Disposal of subsidiaries	(290,469)	–	(76,171)	(10,990)	–	(377,630)
Disposals	–	(45,206)	(14,252)	(170,430)	(2,411)	(232,299)
Transfer to properties under development and completed properties held for sale	–	–	–	–	(277,888)	(277,888)
Transfer from properties under development and completed properties held for sale	92,886	–	–	–	–	92,886
Transfer upon completion	(1,348,998)	1,348,998	–	–	–	–
At 31 December 2018	2,342,936	13,895,382	630,762	556,881	1,009,252	18,435,213
Accumulated depreciation						
At 1 January 2018	–	2,763,285	272,525	292,960	216,637	3,545,407
Acquisition of subsidiaries	–	–	178	–	–	178
Charge for the year	–	381,407	101,383	45,835	56,890	585,515
Disposal of subsidiaries	–	–	(9,400)	(5,817)	–	(15,217)
Transfer to properties under development and completed properties held for sale	–	–	–	–	(45,397)	(45,397)
Disposals	–	(40,897)	(12,639)	(157,501)	(1,873)	(212,910)
At 31 December 2018	–	3,103,795	352,047	175,477	226,257	3,857,576
Net book value						
At 31 December 2018	2,342,936	10,791,587	278,715	381,404	782,995	14,577,637

Depreciation charge of RMB732,951,000 for the year ended 31 December 2019 (2018: RMB585,515,000) has been recorded in cost of sales and administrative expenses in the consolidated statement of comprehensive income (Note 29).

As at 31 December 2019, assets under construction and buildings of the Group with a total carrying amount of RMB2,011,001,000 (2018: RMB923,568,000) were pledged as collateral for certain borrowings of the Group (Note 25).

For the year ended 31 December 2019, the Group has capitalised borrowing costs amounting to RMB78,202,000 (2018: RMB93,623,000) in assets under construction. Borrowing costs were capitalised at the weighted average rate of 5.58% (2018: 5.49%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

7 Leases

This note provides information for leases where the Group is a lessee.

(a) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	31 December 2019 RMB'000	1 January 2019 RMB'000
Right-of-use assets		
Land use rights and leasehold land	7,989,282	7,965,764
Buildings	195,716	302,732
Equipment	123	343
Vehicles	32,633	3,354
	8,217,754	8,272,193
Lease liabilities		
Current	139,939	126,833
Non-current	93,009	174,969
	232,948	301,802

(b) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	Year end 31 December 2019 RMB'000	2018 RMB'000
Amortisation charge of right-of-use assets		
Land use rights and leasehold land	(76,645)	–
Buildings	(130,377)	–
Equipment	(123)	–
Vehicles	(14,593)	–
	(221,738)	–
Interest expense (included in finance cost) (Note 30)	(17,406)	–

The total cash outflow for leases in 2019 was RMB158,023,000. As at 31 December 2019, land use rights of RMB1,351,922,000 (2018: RMB1,748,067,000) were pledged as collateral for the Group's borrowings (Note 25).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

8 Investment properties

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Opening balance at 1 January	36,891,022	34,036,147
Additions – Transfer from properties under development	16,567,166	–
Additions – Construction cost and others	262,334	991,624
Additions – Transfer from property and equipment	6,968	–
Disposals	–	(47,000)
Fair value gains – net	2,335,257	1,910,251
Closing balance at 31 December	56,062,747	36,891,022

As at 31 December 2019, investment properties under construction of approximately RMB1,301,255,000 were measured at cost, because their constructions were at very early stage and related fair values were not reliably determinable (31 December 2018: approximately RMB1,298,072,000). 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.

(a) Amounts recognised in profit or loss for investment properties

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Commercial properties operation income	1,427,986	1,090,540
Direct operating expenses from properties that generated rental income	21,339	22,512
Direct operating expenses from properties that did not generate rental income	4,096	719

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

8 Investment properties (CONTINUED)

(b) Valuation

The following table analyses the investment properties carried at fair value, by valuation method and fair value hierarchy as at 31 December 2019 and 2018.

Description	Fair value measurements at 31 December 2019 using		
	Quoted prices in active markets for identical assets (Level 1) RMB'000	Significant other observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000
Recurring fair value measurements			
Investment properties:			
– Commercial buildings – China	–	–	54,761,492

Description	Fair value measurements at 31 December 2018 using		
	Quoted prices in active markets for identical assets (Level 1) RMB'000	Significant other observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000
Recurring fair value measurements			
Investment properties:			
– Commercial buildings – China	–	–	35,592,950

There were no transfers between Levels 1, 2 and 3 during the year.

Fair value measurements using significant unobservable inputs (Level 3)

	Year ended 31 December 2019 Significant unobservable Inputs-Commercial buildings-China (Level 3)		
	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	–	259,151	259,151
Additions-transfer from properties under development	–	16,567,166	16,567,166
Transfer from under development investment properties	3,584,394	(3,584,394)	–
Additions-transfer from property and equipment	6,968	–	6,968
Net gains from fair value adjustment	1,449,180	886,077	2,335,257
Closing balance	35,104,492	19,657,000	54,761,492

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

8 Investment properties (CONTINUED)

(b) Valuation (continued)

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

	Year ended 31 December 2018		
	Significant unobservable Inputs-Commercial buildings-China (Level 3)		
	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	–	872,323	872,323
Additions-transfer from investment properties at cost	–	1,239,376	1,239,376
Transfer from under development investment properties	12,339,586	(12,339,586)	–
Disposals	(47,000)	–	(47,000)
Net gains from fair value adjustment	1,579,364	330,887	1,910,251
Closing balance	30,063,950	5,529,000	35,592,950

Valuation processes of the Group

The Group's investment properties were valued at 31 December 2019 and 2018 by independent and professionally qualified valuers, Vigers Appraisal & Consulting Limited ("Vigers"), who holds a recognised relevant professional qualification and has recent experience in the locations and segments of the investment properties valued. For all the investment properties, their current use equates to the best use.

The Group's finance department includes a team that review the valuations performed by the independent valuers for financial reporting purposes. Discussions of valuation processes and results are held between the financial department and the valuation team at least once every six months, in line with the Group's interim and annual reporting dates. This team reports directly to the executive directors (ED) and the audit committee (AC).

At each financial year end the finance department:

- Verifies all major inputs to the independent valuation report;
- Assesses property valuations movements when compared to the prior year valuation report;
- Holds discussions with the independent valuer.

Valuation techniques

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 or capitalisation of comparable market rents 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.

There were no changes to the valuation techniques during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

8 Investment properties (CONTINUED)

(b) Valuation (continued)

Information about fair value measurements using significant unobservable inputs (Level 3)

Description	Fair value at 31 Dec 2019 (RMB'000)	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (probability- weighted average)	Relationship of unobservable inputs to fair value
Completed commercial buildings – China	35,104,492	Term and reversionary method	Market prices	RMB4,591-RMB113,630 per square meter (RMB30,902 per square meter)	The higher the market prices, the higher the fair value
			Market rents	RMB7-RMB368 per square meter (RMB118 per square meter)	The higher the market rents, the higher the fair value
			Term yields	4.00%-7.50% (5.80%)	The higher the term yields, the lower the fair value
			Reversionary yields	4.00%-8.00% (5.84%)	The higher the reversionary yields, the lower the fair value
Commercial buildings – China (under development)	19,657,000	Discounted cash flows with estimated costs to complete	Market prices	RMB10,820-RMB39,000 per square meter (RMB22,503 per square meter)	The higher the market prices, the higher the fair value
			Estimated costs to be incurred	RMB545-RMB12,493 per square meter (RMB5,779 per square meter)	The higher the estimated costs to be incurred, the lower the fair value.
			Yields	4.75%	The higher the capitalisation rate, the lower the fair value
Description	Fair value at 31 Dec 2018 (RMB'000)	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (probability- weighted average)	Relationship of unobservable inputs to fair value
Completed commercial buildings – China	30,063,950	Term and reversionary method	Market prices	RMB6,500-RMB92,229 per square meter (RMB31,656 per square meter)	The higher the market prices, the higher the fair value
			Market rents	RMB5-RMB361 per square meter (RMB104 per square meter)	The higher the market rents, the higher the fair value
			Term yields	4.00%-7.63% (5.93%)	The higher the term yields, the lower the fair value
			Reversionary yields	4.00%-7.63% (5.93%)	The higher the reversionary yields, the lower the fair value
Commercial buildings – China (under development)	5,529,000	Discounted cash flows with estimated costs to complete	Market prices	RMB19,544-RMB39,260 per square meter (RMB29,140 per square meter)	The higher the market prices, the higher the fair value
			Estimated costs to be incurred	RMB619-RMB12,423 per square meter (RMB5,693 per square meter)	The higher the estimated costs to be incurred, the lower the fair value.
			Yields	4.35%-4.75% (4.59%)	The higher the capitalisation rate, the lower the fair value

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

8 Investment properties (CONTINUED)

(b) Valuation (continued)

Information about fair value measurements using significant unobservable inputs (Level 3) (continued)

There are inter-relationships between unobservable inputs. For investment property under development, increases in construction costs that enhance the property's features may result in an increase of future market prices. An increase in future market prices may be linked with higher costs. There is no indication that any slight increases/(decreases) in market prices in isolation would result in a significantly higher/(lower) fair value of the investment properties.

(c) Pledge

As at 31 December 2019, the Group's investment properties were held in the PRC on leases of between 10 to 50 years. Investment properties with a carrying amount of RMB30,571,000,000 (2018: RMB15,257,000,000) were pledged as collateral for the Group's borrowings (Note 25).

(d) Leasing arrangements

Some of the investment properties are leased to tenants under long term operating leases with rentals receivable monthly. Minimum lease rental receivable under non cancellable operating leases of investment properties is as follows:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Within one year	1,263,916	882,195
Later than one year but no later than 5 years	2,598,443	2,790,489
Later than 5 years	1,117,829	1,254,044
	4,980,188	4,926,728

9 Intangible assets

Intangible assets comprise goodwill arising from acquisitions:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Opening balance	1,840,658	1,840,658
Addition from acquisition of subsidiaries (Note 40(b))	168,688	–
Ending balance	2,009,346	1,840,658

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

9 Intangible assets (CONTINUED)

Impairment tests for goodwill

Goodwill is allocated to the Group's CGUs identified according to business segment. A segment level summary of the goodwill is presented below:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Property development and investment – Shanghai Shimao	1,709,730	1,709,730
Property management service	168,688	–
Hotel operation	130,928	130,928
	2,009,346	1,840,658

The recoverable amounts of CGUs are determined based on the higher of fair values (less cost to sale) and value-in-use calculation.

In view of volatility of the PRC stock market and that the market value of Shanghai Shimao was lower than its net book value as at 31 December 2019 and 2018, goodwill of CGU – property development and investment – Shanghai Shimao was tested for impairment using the higher of value-in-use by discounted cash flow projection and the fair value (equivalent to the market value) less costs to sell. The value-in-use calculation used pre-tax cash flow projections based on approved budgets covering an eight-year period. Cash flows beyond the eight-year period are extrapolated using the estimated long term growth rate of revenue.

As at 31 December 2019 and 2018, the fair values of property service and hotel operation are valued by independent professionally qualified valuers who held a recognised relevant professional qualification and have recent experience in the locations and segments of the property service and hotels valued.

For property development and investment – Shanghai Shimao, the key assumptions used in the value-in-use calculation in 2019 and 2018 are as follows:

	Year ended 31 December	
	2019	2018
Gross margin excluding land appreciation tax	37.4%	37.1%
Long term growth rate of revenue	3.0%	3.0%
Pre-tax discount rate	17.4%	17.4%

These assumptions have been used for the analysis of Shanghai Shimao CGU within the operating segment.

Gross margin is the average margin as a percentage of revenue over the eight-year forecast period. It is based on the current sales margin.

The long term growth rate of revenue used is consistent with the industry outlook. The discount rate used is pre-tax and reflects specific risks relating to the relevant operating segments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

10 Financial instruments by category

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Financial assets		
Financial assets at amortised cost:		
– Trade and other receivables and prepayments	18,732,702	19,922,877
– Amounts due from related parties	24,421,917	18,199,486
– Restricted cash	7,265,779	5,888,489
– Cash and cash equivalents	52,357,251	43,688,296
Financial assets at FVOCI	988,995	981,680
Financial assets at FVPL	179,637	176,727
Derivative financial instruments	63,004	12,468
Total	104,009,285	88,870,023

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Financial liabilities		
Other financial liabilities at amortised cost:		
– Borrowings	126,555,335	109,131,766
– Trade and other payables (excluding other taxes payable)	76,063,840	46,905,029
– Amounts due to related parties	41,502,443	38,234,642
Total	244,121,618	194,271,437

The Group's exposure to various risks, associated with the financial instruments is discussed in Note 3.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

11 Investments accounted for using the equity method

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Investments accounted for using the equity method comprise:		
Associated companies (Note (a))	3,848,564	1,594,487
Joint ventures (Note (b))	20,318,611	15,371,673
	24,167,175	16,966,160

(a) Interests in associated companies

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Share of net assets:		
Opening balance	1,594,487	1,345,018
Capital injections (Note)	2,043,873	18,921
Transfer from a subsidiary	–	3,529
Dividends received	(65,000)	–
Share of results	275,204	227,019
Ending balance	3,848,564	1,594,487

Note:

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

For the year ended 31 December 2019, the Group invested in six new associates with a total amount of RMB1,017,880,000. For the year ended 31 December 2018, the Group made additional capital injections into four existing associates with a total amount of RMB1,025,993,000. Details of the principal associated companies of the Group as at 31 December 2019 are set out in Note 37. There was no individually material associated company of the Group as at 31 December 2019 and 2018. The Group provided guarantees to associated companies for their borrowings from banks and other financial institutions amounting to RMB1,933,000,000 as at 31 December 2019 (2018: RMB474,804,000) (Note 38).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

11 Investments accounted for using the equity method (CONTINUED)

(b) Interests in joint ventures

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Share of net assets:		
Opening balance	15,371,673	13,585,844
Capital injections (Note)	7,112,290	2,378,769
Transfer from subsidiaries (Note 40(c), 40(d))	165,000	1,457,465
Transfer to subsidiaries (Note 40(a))	(1,217,973)	(1,488,527)
Dividends received	(934,000)	(73,640)
Disposal	–	(27,750)
Share of results	(178,379)	(460,488)
Ending balance	20,318,611	15,371,673

Notes:

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

In 2019, the Group set up nine joint ventures with total capital injections of RMB904,480,000. Pursuant to the articles of association, the Group has joint control over these entities.

The Group invested in ten new joint ventures with amount of RMB2,522,094,000. 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 RMB3,685,716,000. After capital injection, the Group remained joint control in these entities.

Details of the principal joint ventures of the Group as at 31 December 2019 are set out in Note 37.

There was no individually material joint venture of the Group as at 31 December 2019 and 2018.

The Group provided guarantees to joint ventures for their borrowings from banks amounting to RMB7,570,366,000 as at 31 December 2019 (2018: RMB8,481,690,000) (Note 38).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

12 Amounts due from related parties

Advances to related parties included in non-current assets are to finance their acquisition of land use rights. The Group's intention is that the advances will only be recalled when the related companies have surplus cash.

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Included in non-current assets		
– Joint ventures	823,088	987,112
– Associated companies	637,471	624,352
	1,460,559	1,611,464
Provision for impairment	(19,719)	(21,727)
	1,440,840	1,589,737

Advances to related parties included in current assets are the disbursement to finance their operating activities which will be repaid within one year.

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Included in current assets		
– Company with common directors	65	160
– Associated companies	3,630,832	901,763
– Joint ventures	19,388,799	15,729,614
	23,019,696	16,631,537
Provision for impairment	(38,619)	(21,788)
	22,981,077	16,609,749

These advances are interest free, unsecured and have no fixed repayment terms. The carrying amounts of amounts due from related companies approximate their fair values.

The loss allowance increased by RMB14,823,000 to RMB58,338,000 for amounts due from related parties during the current reporting period.

Information about the impairment of amounts due from related parties and the Group's exposure to credit risk and foreign currency risk can be found in Note 3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

13 Financial assets at fair value through other comprehensive income

(a) Equity investments assets at fair value through other comprehensive income

Equity investments at FVOCI comprise the following individual investments:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Non-current assets		
Listed securities (Note (i))	608,202	622,068
Unlisted securities (Note (ii))	380,793	359,612
	988,995	981,680

Notes:

- (i) Listed securities represented investment in listed equity securities in the PRC and USA which were stated at market value based on the quoted price.
- (ii) Unlisted securities represented investments measured at fair value of which the fair value are determined using valuation model for which not all inputs are observable and is within Level 3 of the fair value hierarchy (Note 3(e)).

(b) Amounts recognised in other comprehensive income

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Gains/(losses) recognised in OCI	23,874	(388,026)

14 Financial assets at fair value through profit or loss

(a) Equity investments at FVPL comprise the following individual investments:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Non-current assets		
Investment in unlisted entity (Note)	179,637	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 3(e)).

(b) Amount recognised in profit or loss is set out below:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Gain recognised in profit or loss (Note 28)	2,910	6,350

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

15 Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset and when the deferred income taxes relate to the same tax authority. The net deferred income tax balances after offsetting are as follows:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Deferred income tax assets		
– to be recovered after more than 12 months	1,952,313	1,793,818
– to be recovered within 12 months	1,102,815	1,012,745
	3,055,128	2,806,563
Deferred income tax liabilities		
– to be recovered after more than 12 months	6,915,800	6,053,901
– to be recovered within 12 months	617,256	542,554
	7,533,056	6,596,455
Net deferred income tax liabilities	4,477,928	3,789,892

The movement on the net deferred income tax account is as follows:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Opening balance	3,789,892	3,501,614
Disposal of subsidiaries (Note 40(c))	998	9,996
Deemed disposal of subsidiaries	–	18,966
Acquisition of/transfer to subsidiaries (Note 40(a), Note 40(b))	(155,906)	(50,162)
Charged to the consolidated income statement (Note 33)	838,661	406,661
Credited to OCI	4,283	(97,183)
Ending balance	4,477,928	3,789,892

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

15 Deferred income tax (CONTINUED)

Movement in deferred income tax assets and liabilities for the year ended 31 December 2019, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets

	Provision for land appreciation tax deductible for future income tax clearance RMB'000	Unrealized profit on intra-group transaction RMB'000	Tax loss and temporary difference on recognition of expenses RMB'000	Total RMB'000
At 1 January 2018	1,215,669	244,092	1,063,902	2,523,663
Credited to the consolidated income statement	87,064	8,204	166,432	261,700
Disposal of subsidiaries	(9,996)	–	–	(9,996)
Deemed disposal of subsidiaries	(18,966)	–	–	(18,966)
Acquisition of subsidiaries	50,162	–	–	50,162
At 31 December 2018	1,323,933	252,296	1,230,334	2,806,563
(Charged)/credited to the consolidated income statement	(47,003)	8,525	132,135	93,657
Disposal of subsidiaries	(998)	–	–	(998)
Acquisition of subsidiaries	155,906	–	–	155,906
At 31 December 2019	1,431,838	260,821	1,362,469	3,055,128

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

15 Deferred income tax (CONTINUED)

Deferred income tax liabilities

	Fair value gains on investment properties RMB'000	Fair value adjustments on assets and liabilities upon acquisition of subsidiaries RMB'000	Withholding tax on the retained earnings of certain subsidiaries RMB'000	Others RMB'000	Total RMB'000
At 1 January 2018	4,141,732	887,441	916,231	79,873	6,025,277
Charged/(credited) to the consolidated income statement	477,563	180,071	54,227	(43,500)	668,361
Credited to OCI	–	(97,183)	–	–	(97,183)
At 31 December 2018	4,619,295	970,329	970,458	36,373	6,596,455
Charged to the consolidated income statement	583,814	67,656	280,848	–	932,318
Credited to OCI	–	–	–	4,283	4,283
At 31 December 2019	5,203,109	1,037,985	1,251,306	40,656	7,533,056

Deferred income tax arose as a result of differences in timing of recognising certain revenue, costs and expenses between the tax based financial statements and the HKFRS financial statements. This constitutes temporary differences, being the differences between the carrying amounts of the assets or liabilities in the consolidated balance sheets and their tax bases in accordance with HKAS 12.

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of RMB71,855,000 (2018: RMB67,958,000) in respect of accumulated losses amounting to RMB287,420,000 (2018: RMB271,833,000) that can be carried forward against future taxable income. Losses amounting to RMB26,381,000, RMB80,878,000, RMB84,299,000, RMB66,077,000 and RMB29,785,000, will expire in 2020, 2021, 2022, 2023 and 2024 respectively.

Deferred income tax liabilities have not been recognised for the withholding tax and other taxes on the unremitted earnings of certain subsidiaries in the PRC. Such amounts will be reinvested according to the distribution and reinvestment plan of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

16 Other non-current assets

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

As at 31 December 2019, the Group has made prepayments of RMB176,173,000 (2018: RMB366,173,000) for certain land use rights for the purpose to develop hotel buildings, self-used buildings and investment properties, the ownership certificates of which have not been obtained. As at 31 December 2019, prepayments of RMB13,651,351,000 (2018: RMB6,321,397,000) were related to the lands for the purpose to develop properties for sale, and are included in current assets, 'prepayment for acquisition of land use rights'.

As at 31 December 2019, the Group made prepayments of RMB3,923,509,000 (2018: RMB3,733,604,000) for acquisition of certain equity interests.

17 Inventories

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Inventories comprise:		
Properties under development (Note (a))	206,833,967	170,840,408
Completed properties held for sale (Note (b))	27,633,548	21,849,361
	234,467,515	192,689,769

Notes:

(a) Properties under development

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Properties under development comprise:		
Land use rights and leasehold land	129,946,039	108,712,100
Construction costs and capitalised expenditures	61,675,516	49,583,581
Interests capitalised	15,212,412	12,544,727
	206,833,967	170,840,408

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Land use rights and leasehold land		
Held on leases of:		
Over 50 years	92,864,299	77,172,753
Between 10 and 50 years	37,081,740	31,539,347
	129,946,039	108,712,100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

17 Inventories (CONTINUED)

Notes: (continued)

(a) Properties under development (continued)

As at 31 December 2019, leasehold land of RMB7,647,698,000 (2018: RMB6,873,590,000) was located in Hong Kong. The other properties under development are all located in the PRC. The relevant land use rights are on leases of 40 to 70 years.

As at 31 December 2019, properties under development of approximately RMB27,725,733,000 (2018: RMB33,648,890,000) were pledged as collateral for the Group's borrowings (Note 25).

The capitalisation rate of borrowings was 5.58% for the year ended 31 December 2019 (2018: 5.49%).

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Properties under development:		
Expected to be completed and available for sale after more than 12 months	57,191,380	46,356,002
Expected to be completed and available for sale within 12 months	149,642,587	124,484,406
	206,833,967	170,840,408

(b) Completed properties held for sale

All completed properties held for sale are located in the PRC. Included in completed properties held for sale are land use rights as follows:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Outside Hong Kong, held on leases of:		
Over 50 years	8,483,645	6,813,149
Between 10 and 50 years	2,396,276	1,544,289
	10,879,921	8,357,438

As at 31 December 2019, completed properties held for sale of RMB1,828,144,000 (2018: RMB1,070,066,000) were pledged as collateral for the Group's borrowings (Note 25).

For the year ended 31 December 2019, the Group recognised impairment losses of RMB134,489,000 (2018: RMB89,885,000) on completed properties held for sale (Note 29).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

18 Trade and other receivables and prepayments

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Trade receivables (Note (a))	5,191,560	4,241,516
Bidding deposits for land use rights (Note (b))	4,544,293	7,981,664
Prepayments for construction costs	3,752,797	2,665,199
Loan receivables (Note (c))	1,429,235	1,885,048
Prepaid business tax on pre-sale proceeds	950,873	528,500
Other receivables	3,174,694	2,876,148
	19,043,452	20,178,075
Provision for impairment	(310,750)	(255,198)
	18,732,702	19,922,877

Notes:

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

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Within 180 days	4,121,346	3,777,972
Over 180 days and within 365 days	329,787	235,345
Over 365 days	740,427	228,199
	5,191,560	4,241,516

As at 31 December 2019, receivables arising from sales of properties were approximately RMB4,773,005,000 (2018: RMB4,109,723,000).

- (b) Bidding deposits for land use rights mainly represented deposits the Group placed with various municipal governments for the participation in land auctions. These deposits will be deducted against the total land costs to be paid if the Group wins the bid at the auction. If the Group does not win the bid, the deposits will be fully refunded.
- (c) As at 31 December 2019, loan receivables of RMB1,429,235,000 (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 4.2% to 18.0% per annum and repayable within one year.

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value. As at 31 December 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.

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables. As at 31 December 2019 a provision of RMB310,750,000 (31 December 2018: RMB255,198,000) was made against the gross amount of trade receivables, other receivables and loan receivables.

Information about the impairment of trade and other receivables and the Group's exposure to credit risk and foreign currency risk can be found in Note 3.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

19 Prepayment for acquisition of land use rights

Prepayments for acquisition of land use rights are related to acquisition of land for property development purposes, the ownership certificates of which have not been obtained as at 31 December 2019.

20 Derivative financial instruments

The movement of derivative financial instruments assets is as follows:

Derivatives at fair value through profit or loss

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Opening balances of assets	12,468	1,190
Acquisition of currency options and forwards (Note)	16,333	–
Fair value gains – currency options and forwards (Note)	40,288	11,278
Settlement of currency forwards (Note)	(6,085)	–
Closing balances of assets	63,004	12,468

Note:

For the year ended 31 December 2019, the Group has entered into three currency option contracts with an aggregate notional amount of US\$300,000,000 and settled three currency forward contracts with an aggregate notional amount of US\$75,000,000. For the year ended 31 December 2018, the Group decided not to exercise five currency option contracts. These contracts do not qualify for hedge accounting, and are classified as derivative financial instruments held for trading as current assets or current liabilities. Fair value gain of RMB40,288,000 (2018: RMB11,278,000) has been recognised in "Other income/other gains-net" (Note 28).

21 Cash and cash equivalents and restricted cash

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Bank balances and cash		
– denominated in RMB	58,752,550	48,725,614
– denominated in US dollar	684,298	530,957
– denominated in HK dollar	186,181	319,836
– denominated in other foreign currencies	1	378
Less: restricted cash	(7,265,779)	(5,888,489)
	52,357,251	43,688,296

As at 31 December 2019, the Group's restricted cash comprised approximately RMB1,074,895,000 (2018: RMB680,349,000) of guarantee deposits for the benefit of mortgage loan facilities granted by the banks to the purchasers of the Group's properties (Note 38) and approximately RMB6,190,884,000 (2018: RMB5,208,140,000) of deposits pledged as collateral for the Group's borrowings (Note 25).

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 31 December 2019 was 0.34% (2018: 0.34%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

22 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 31 December 2019 and 2018	0.1	5,000,000	500,000	
Issued and fully paid:				
At 31 December 2017		3,387,022	338,702	348,864
Cancellation of shares (Note)		(85,529)	(8,553)	(7,289)
At 31 December 2018		3,301,493	330,149	341,575
At 31 December 2019		3,301,493	330,149	341,575

Note:

The Company acquired 85,529,000 of its own shares through purchases on the Hong Kong Stock Exchange from 5 July 2018 till 25 October 2018, among which 85,529,000 shares have been cancelled during the year ended 31 December 2018. The total amount paid to acquire the shares was HK\$1,817,500,988, equivalent to RMB1,549,371,295 and has been deducted from retained earnings within shareholders' equity during the year ended 31 December 2018 (Note 23).

(b) Employee Stock Ownership Plan

Pursuant to the employee stock ownership plan ("Employee Stock Ownership Plan") that was approved by Shanghai Shimao's shareholders on 9 May 2017 and will expire at the end of the 60-month period from the date of grant, a total of 2,313,168 ordinary shares of Shanghai Shimao had been bought back from the secondary market at the total cost of RMB11,096,000. The purpose of the Employee Stock Ownership Plan is to provide the participants with an opportunity to hold a personal stake in Shanghai Shimao so as to motivate such participants and to enhance performance and efficiency. In May 2017, options for a total of 2,313,168 ordinary shares of Shanghai Shimao under this plan were granted to Shanghai Shimao's eligible employees with no exercise price or fulfilment of any condition. The exercise of the granted options is subject to a restriction of 12 months from the date of 3 July 2017. As at 31 December 2019, no shares were vested or lapsed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

22 Share capital (CONTINUED)

(c) Share Award Scheme

The Company's board of directors (the "Board") approved and adopted the Share Award Scheme on 30 December 2011 (the "Share Scheme"). Unless terminated earlier by the Board, the Share Scheme is valid and effective for a term of 8 years commencing on 30 December 2011. The maximum number of shares to be awarded must not exceed 34,659,508 shares (i.e. 1% of issued shares of the Company as at 30 December 2011). The Board approved the maximum number of shares to be awarded change to 69,319,016 shares (i.e. 2% of issued shares of the Company as at 30 December 2011) on 13 April 2018. On 26 March 2019, the Board approved to change the termination date of the Share Scheme from 30 December 2019 to 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.

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 31 December 2019, the Trust purchased 36,006,000 ordinary shares from market, totaling HK\$523,258,000 (equivalent to RMB468,735,000), of which 39,015,470 shares were granted to eligible employees according to the Share Scheme. Up to 31 December 2019, among the shares granted, 26,788,362 shares were vested, and 3,277,922 shares were 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 year are as follows:

	Number of unvested shares granted	
	Year ended 31 December	
	2019	2018
Unvested shares, beginning	7,378,348	7,899,586
Granted	5,683,969	7,378,348
Vested	(4,113,131)	(6,816,666)
Lapsed	–	(1,082,920)
Unvested shares, ending	8,949,186	7,378,348

The weighted average fair value of the unvested shares granted during the year ended 31 December 2019 is HK\$222,826,000, equivalent to RMB199,603,000 (2018: HK\$152,068,672, equivalent to RMB133,242,570).

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

	As at 31 December	
	2019	2018
	'000	'000
Shares issued	3,301,493	3,301,493
Treasury shares for Share Scheme	(9,218)	(13,331)
Shares outstanding	3,292,275	3,288,162

(e) Material non-controlling interests

There is no individual material non-controlling interests of the Group as at 31 December 2019 and 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

23 Reserves

	Merger reserve RMB'000 (Note)	Share premium RMB'000	Share-based compensation reserve RMB'000	Statutory reserve RMB'000	Capital redemption reserve RMB'000	Financial assets at FVOCI reserve RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2019	(185,787)	31,465	431,495	3,048,338	4,949	(299,137)	55,861,308	58,892,631
Profit for the year	-	-	-	-	-	-	10,897,600	10,897,600
Fair value gains on financial assets at FVOCI, net of tax	-	-	-	-	-	13,948	-	13,948
Changes in ownership interests in subsidiaries without change of control	-	-	-	-	-	-	(205,735)	(205,735)
Equity-settled share-based payment	-	-	-	-	-	-	-	-
- Value of employee services	-	-	125,171	-	-	-	-	125,171
- Dividends received	-	10,674	-	-	-	-	-	10,674
Profit appropriations	-	-	-	251,232	-	-	(251,232)	-
2018 final dividend paid	-	-	-	-	-	-	(2,031,640)	(2,031,640)
2019 interim dividend paid	-	-	-	-	-	-	(1,789,343)	(1,789,343)
Balance at 31 December 2019	(185,787)	42,139	556,666	3,299,570	4,949	(285,189)	62,480,958	65,913,306
Representing:								
Proposed final dividend							2,671,213	2,671,213
Others							59,809,745	63,242,093
							62,480,958	65,913,306

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

23 Reserves (CONTINUED)

	Merger reserve RMB'000 (Note)	Share premium RMB'000	Translation reserve RMB'000	Share-based compensation reserve RMB'000	Statutory reserve RMB'000	Capital redemption reserve RMB'000	Financial assets at FVOCI reserve RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2018	(185,787)	100,282	(137)	315,420	2,584,365	4,949	(127,772)	54,594,499	57,285,819
Adjustment on adoption of HKFRS 9, net of tax	-	-	-	-	-	-	-	(54,728)	(54,728)
Adjustment on adoption of HKFRS 15, net of tax	-	-	-	-	-	-	-	109,820	109,820
Balance at 1 January 2018	(185,787)	100,282	(137)	315,420	2,584,365	4,949	(127,772)	54,649,591	57,340,911
Profit for the year	-	-	-	-	-	-	-	8,834,790	8,834,790
Translation reserves	-	-	137	-	-	-	-	-	137
Fair value losses on financial assets at FVOCI, net of tax	-	-	-	-	-	-	(171,365)	-	(171,365)
Changes in ownership interests in subsidiaries without change of control	-	-	-	-	-	-	-	(2,448,538)	(2,448,538)
Equity-settled share-based payment	-	-	-	-	-	-	-	-	-
- Value of employee services	-	-	-	116,075	-	-	-	-	116,075
- Purchase of shares	-	(97,714)	-	-	-	-	-	-	(97,714)
- Dividends received	-	12,539	-	-	-	-	-	-	12,539
Profit appropriations	-	-	-	-	463,973	-	-	(463,973)	-
Buy-back of shares	-	-	-	-	-	-	-	-	-
- Purchase of shares	-	-	-	-	-	-	-	(1,549,371)	(1,549,371)
- Dividends received	-	9,069	-	-	-	-	-	-	9,069
- Cancellation of shares	-	7,289	-	-	-	-	-	-	7,289
2017 final dividend paid	-	-	-	-	-	-	-	(1,713,359)	(1,713,359)
2018 interim dividend paid	-	-	-	-	-	-	-	(1,447,832)	(1,447,832)
Balance at 31 December 2018	(185,787)	31,465	-	431,495	3,048,338	4,949	(299,137)	55,861,308	58,892,631
Representing:									
Proposed final dividend								1,971,784	1,971,784
Others								53,889,524	56,920,847
								55,861,308	58,892,631

Note:

Merger reserve of the Group represents the difference between the nominal value of the shares of the subsidiary purchased pursuant to the reorganisation and the nominal value of the shares of the Company issued in exchange effected prior to the listing of the Company's shares on the Stock Exchange in 2006.

24 Perpetual capital instruments

For the year ended 31 December 2019, certain subsidiaries of the Group issued several subordinated unlisted perpetual capital instruments with the total aggregate net proceeds of RMB4,265,000,000 and in the same year, subordinated unlisted perpetual capital instruments totaling RMB4,700,000,000 were redeemed.

For the year ended 31 December 2018, certain subsidiaries of the Group issued several subordinated unlisted perpetual capital instruments with the total aggregate net proceeds of RMB1,700,000,000 and in the same year, subordinated unlisted perpetual capital instruments totaling RMB800,000,000 were redeemed.

All perpetual capital instruments are unsecured and non-guaranteed. There is no maturity of the instruments and the payments of distribution can be deferred at the issuers' discretion, and there is no limit to the number of times of deferral of distribution. The perpetual capital instruments are redeemable. When the issuers elect to declare dividends to their shareholders, they shall make distribution to the holders of perpetual capital instruments at the distribution rate as defined in the subscription agreement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

25 Borrowings

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Borrowings included in non-current liabilities		
Long-term bank borrowings		
– secured by assets (Note (i))	9,315,671	6,963,734
– secured by shares of subsidiary guarantors (Note (ii))	18,491,894	9,835,604
– unsecured	13,843,038	19,106,984
Long-term borrowings from other financial institutions		
– secured by assets (Note (i))	10,878,780	10,291,900
– secured by shares (Note (iii))	500,000	1,000
– unsecured	1,040,563	545,384
Senior notes – secured (Note (iv))	32,052,154	25,402,767
Medium-term notes – unsecured (Note (v))	4,800,000	3,800,000
Long-term bonds (Note (vi))	17,677,305	14,785,557
Domestic corporate bonds (Note (vii))	5,735,381	8,686,463
	114,334,786	99,419,393
Less: Portion of long-term bank borrowings due within one year	(7,206,935)	(5,431,656)
Portion of long-term borrowings from other financial institutions due within one year	(3,214,563)	(224,384)
Portion of senior notes due within one year	–	(3,751,598)
Portion of medium-term notes due within one year	(2,300,000)	–
Portion of long-term bonds due within one year	(11,299,900)	(3,500,000)
Portion of domestic corporate bonds due within one year	(540,000)	(8,686,463)
Amounts due within one year	(24,561,398)	(21,594,101)
	89,773,388	77,825,292
Borrowings included in current liabilities		
Short-term bank borrowings		
– secured by assets (Notes (i))	–	14,000
– secured by shares (Note (iii))	500,000	–
– unsecured	10,693,549	8,303,373
Short-term borrowings from other financial institutions		
– secured by assets (Note (i))	27,000	26,000
– secured by shares	–	369,000
Short-term bonds – unsecured (Note (viii))	1,000,000	1,000,000
Current portion of non-current borrowings	24,561,398	21,594,101
	36,781,947	31,306,474

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

25 Borrowings (CONTINUED)

Notes:

(i) As at 31 December 2019, the Group's total secured bank borrowings and borrowings from other financial institutions of RMB20,221,451,000 (2018: RMB17,295,634,000) were secured by its assets under construction and buildings (Note 6), land use right (Note 7), investment properties (Note 8), properties under development (Note 17(a)), completed properties held for sale (Note 17(b)) and restricted cash (Note 21), of which RMB137,119,000 (2018: RMB147,897,000) were further guaranteed by Mr. Hui Wing Mau.

(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 31 December 2019, US\$680,000,000 and HK\$5,890,000,000 have been drawn down. On 30 October 2019, the Company early redeemed multi-currency loan with principal US\$34,000,000 at a floating rate of 3.378% and HK\$294,500,000 at a floating rate of 4.76%, which were originally due on 7 December 2021.

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, 5% out of the loan principal will mature in 2020, 25% will mature in 2021 and 70% will mature in 2022. 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 31 December 2019, US\$570,000,000 and HK\$3,551,500,000 have been drawn down.

On 9 August 2019, the Company entered into a multi-currency loan facility agreement with a syndicate of 13 banks. Pursuant to the agreement, the Company obtained 4-year syndicated loan facilities, including a US\$837,850,000 facility and a HK\$3,994,000,000 facility at a floating rate of interest. As at 31 December 2019, US\$200,000,000 and HK\$953,392,000 have been drawn down.

(iii) As at 31 December 2019, 195,000,000 shares (31 December 2018: 195,000,000) of Shimao Jianshe Co., Ltd. ("Shimao Jianshe") have been pledged for total bank borrowings from other financial institutions of RMB500,000,000 (31 December 2018: RMB1,000,000) for the Group companies.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

25 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 interest 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 of 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.

On 16 July 2019, the Company issued senior notes with total principal of US\$1,000,000,000 at a fixed interest rate of 5.600% due on 16 July 2026.

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 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.
- On 21 October 2019, Shanghai Shimao issued medium-term notes with total principal of RMB1,000,000,000 at a fixed interest rate of 4.24% due on 17 December 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

25 Borrowings (CONTINUED)

Notes: (continued)

- (vi) On 18 September 2015, 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 3.90%, 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 2020.

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, which was early redeemed on 8 July 2019. The total redemption price paid was RMB1,550,700,000, including the principal amount of RMB1,500,000,000 plus accrued and unpaid interest of RMB50,700,000 to the redemption date.

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 2018, 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.

On 18 September 2019, Shimao Jianshe issued the first phase of long-term bonds with aggregate amount of RMB1,000,000,000 at a fixed interest rate of 4.30% due on 18 September 2022. On 11 November 2019, Shimao Jianshe issued the second phase of long-term bonds with aggregate amount of RMB1,000,000,000 at a fixed interest rate of 4.80% due on 11 November 2022. On 11 November 2019, Shimao Jianshe issued the third phase of long-term bonds with aggregate amount of RMB900,000,000 at a fixed interest rate of 4.30% due on 11 November 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 2019. 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.

On 29 September 2019, the Company redeemed domestic corporate bonds with total principal of RMB2,960,000,000 at a fixed interest rate of 3.9%. The total redemption price paid was RMB3,075,440,000 including the principal amount of RMB2,960,000,000 plus accrued and unpaid interest of RMB115,440,000 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 5.480% 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 and unpaid 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

25 Borrowings (CONTINUED)

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates or maturity, whichever is the earlier date, is as follows:

	6 months or less RMB'000	6-12 months RMB'000	1-5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Borrowings included in non-current liabilities:					
At 31 December 2019	19,831,229	1,701,468	19,423,415	48,817,276	89,773,388
At 31 December 2018	23,103,690	365,000	4,178,964	50,177,638	77,825,292
Borrowings included in current liabilities:					
At 31 December 2019	14,117,952	22,663,995	–	–	36,781,947
At 31 December 2018	7,681,549	23,624,925	–	–	31,306,474

The maturity of the borrowings included in non-current liabilities is as follows:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Bank borrowings:		
Between 1 and 2 years	14,043,143	5,364,504
Between 2 and 5 years	16,699,462	22,044,454
Over 5 years	3,701,063	3,065,708
Borrowings from other financial institution:		
Between 1 and 2 years	920,980	1,822,000
Between 2 and 5 years	2,100,000	2,600,000
Over 5 years	6,183,800	6,191,900
Domestic corporate bonds:		
Between 1 and 2 years	5,195,381	–
Senior notes:		
Between 1 and 2 years	7,785,971	–
Between 2 and 5 years	13,867,355	18,244,283
Over 5 years	10,398,828	3,406,886
Medium-term notes:		
Between 1 and 2 years	1,500,000	2,300,000
Between 2 and 5 years	1,000,000	1,500,000
Long-term bonds:		
Between 1 and 2 years	–	9,899,424
Between 2 and 5 years	6,377,405	1,386,133
	89,773,388	77,825,292

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

25 Borrowings (CONTINUED)

The weighted average effective interest rates at the balance sheet date were as follows:

	As at 31 December	
	2019	2018
Bank borrowings – RMB	5.15%	4.91%
Bank borrowings – US dollar	3.84%	3.87%
Bank borrowings – HK dollar	2.97%	3.38%
Bank borrowings – JPY yen	1.20%	1.12%
Senior notes	5.75%	6.65%
Borrowings from other financial institutions – RMB	5.91%	5.66%

The carrying amounts and fair value of non-current borrowings are as follows:

	Carrying amounts RMB'000	Fair values RMB'000
Fixed rate portion – senior notes	32,052,154	33,453,744
Fixed rate portion – others	25,359,847	25,267,516
Floating rate portion	32,361,387	32,224,407
At 31 December 2019	89,773,388	90,945,667
Fixed rate portion – senior notes	21,651,169	21,030,489
Fixed rate portion – others	28,533,457	28,390,364
Floating rate portion	27,640,666	27,497,292
At 31 December 2018	77,825,292	76,918,145

The fair values of current borrowings approximated their carrying amount, as the impact of discounting is not significant. The fair values of senior notes recorded in non-current liabilities as at 31 December 2019 amounting to RMB33,453,744,000 (2018: RMB21,030,489,000) 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.

The fair values of other non-current borrowings are based on discounted cash flow approach using the prevailing market rates of interest available to the Group for financial institution with substantially the same terms and characteristics at the respective balance sheet dates. The fair values of other non-current borrowings are within Level 3 of the fair value hierarchy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

26 Trade and other payables

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Trade payables (Note (a))	68,618,406	41,104,519
Other payables (Note (b))	4,466,369	3,585,697
Other taxes payable	3,329,916	3,680,142
Accrued expenses	2,642,895	2,214,813
	79,057,586	50,585,171

Notes:

(a) As at 31 December 2019, the aging analysis of the trade payables based on invoice date is as follows:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Within 90 days	68,295,163	40,813,784
Over 90 days and within 1 year	323,243	290,735
	68,618,406	41,104,519

(b) Other payables comprise:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Deposits received from customers	2,043,550	1,917,118
Deposits from constructors	511,103	574,190
Rental deposits from tenants and hotel customers	897,894	566,674
Fees collected from customers on behalf of government agencies	268,134	337,580
Others	745,688	190,135
	4,466,369	3,585,697

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

27 Amounts due to related parties

	As at 31 December	
	2019 RMB'000	2018 RMB'000
– Associated companies	4,159,537	4,189,043
– Joint ventures	23,639,641	16,643,004
– Non-controlling interests	13,703,265	17,402,595
	41,502,443	38,234,642

Amounts due to associated companies and joint ventures mainly represent advanced proceeds received for purchasing construction materials and other operating and financing activities. 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.

28 Other income/other gains – net

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Other income		
Government grants received	59,811	100,193
Other gains – net		
Net gains on disposal of subsidiaries with loss of control (Note 40(c))	41,153	53,388
Gains on derivative financial instruments (Note 20)	40,288	11,278
Gains on investment in structured products issued by banks	–	19,558
Gains on acquisition of subsidiaries (Note 40(a))	143,823	1,814
Penalty income (Note)	47,658	70,586
Gains on financial assets at FVPL (Note 14)	2,910	6,350
Others	15,996	34,113
	291,828	197,087
	351,639	297,280

Note:

Penalty income represents penalty received from property buyers who do not execute sales and purchase agreements on property sales or from tenants who early terminate tenancy agreements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

29 Expenses by nature

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Cost of properties sold and others	75,920,355	56,999,178
Including: interests capitalised	4,870,868	4,104,972
land and construction	69,427,572	51,859,940
Taxes and surcharges on sales of properties	594,189	464,262
Staff costs – including directors' emoluments (Note 31(a))	2,641,901	2,080,237
Advertising, promotion and commission costs	1,997,639	1,653,779
Direct expenses arising from hotel operation	1,154,735	1,076,954
Corporate and office expenses	912,629	882,608
Consulting fee	320,278	258,420
Depreciation (Note 6)	732,951	585,515
Amortisation of land use rights	–	78,368
Amortisation of right-of-use assets (Note 7(b))	221,738	–
Operating lease rental expenses	–	92,291
Charitable donations	83,032	64,500
Auditor's remuneration	24,150	23,090
– Audit services	14,000	9,800
– Non-audit services	10,150	13,290
Provision for/(reversal of) impairment losses on financial assets	70,375	(25,529)
Provision for impairment losses on completed properties held for sale (Note 17(b))	134,489	89,885
Other expenses	191,969	187,976
Total cost of sales, selling and marketing costs, administrative expenses, provision for/ (reversal of) impairment losses on financial assets and other operating expenses	85,000,430	64,511,534

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

30 Finance costs – net

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Finance income		
– interest income on short-term bank deposits	(923,869)	(786,116)
Interest on bank borrowings		
– wholly repayable within five years	5,562,163	4,621,860
– not wholly repayable within five years	251,699	147,225
Interest on senior notes		
– wholly repayable within five years	1,879,865	648,019
– not wholly repayable within five years	185,284	775,560
Interest on borrowings from other financial institutions		
– wholly repayable within five years	869,510	699,938
Interest on finance lease liabilities		
– wholly repayable within five years	–	6,461
Interest charges paid/payable for lease liabilities (Note 7)		
– wholly repayable within five years	17,406	–
	8,765,927	6,899,063
Net foreign exchange loss	1,237,688	2,178,379
Less: interest and foreign exchange losses capitalised	(8,794,826)	(7,954,299)
Finance costs	1,208,789	1,123,143
Net finance costs	284,920	337,027

31 Employee benefit expense

(a) Staff costs (including directors' emoluments) comprise:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Wages and salaries	2,037,442	1,585,045
Pension costs – statutory pension (Note (b))	218,174	165,284
Other allowances and benefits	386,285	329,908
	2,641,901	2,080,237

(b) Pensions-defined contribution plans

Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on a certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees.

The Group also participates in a pension scheme under the rules and regulations of the MPF Scheme for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

31 Employee benefit expense (CONTINUED)

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2018: four) directors whose emoluments are reflected in the analysis shown in Note 32. The emoluments payable to the remaining one (2018: one) individual during the year are as follows:

	2019 RMB'000	2018 RMB'000
Basic salaries, housing allowances, share options, other allowances and benefits in kind	1,974	4,437
Contribution to pension scheme	115	112
Bonuses	2,016	390
	4,105	4,939

The emoluments fell within the following bands:

	Number of individuals	
	2019	2018
Emolument bands (in RMB)		
RMB4,500,001 – RMB5,000,000	–	1
RMB4,000,001 – RMB4,500,000	1	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

32 Benefits and interests of directors

(a) Directors' emoluments

The remuneration of each of the directors of the Company for the year ended 31 December 2019 is set out as follows:

Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:

Name of directors	Fees RMB'000	Salary RMB'000	Bonuses RMB'000	Housing allowance RMB'000	Employer's	Employee	Total RMB'000
					contribution to a retirement benefit scheme RMB'000	share award schemes RMB'000	
Executive directors							
Mr. Hui Wing Mau	-	5,375	896	-	-	-	6,271
Mr. Hui Sai Tan, Jason	-	6,655	-	-	16	3,642	10,313
Ms. Tang Fei	-	2,933	978	60	115	2,691	6,777
Non-executive directors							
Mr. Liu Sai Fei	-	2,911	289	-	-	-	3,200
Independent non-executive directors							
Ms. Kan Lai Kuen, Alice	317	-	-	-	-	-	317
Mr. Lyu Hong Bing	317	-	-	-	-	-	317
Mr. Lam Ching Kam	317	-	-	-	-	-	317
	951	17,874	2,163	60	131	6,333	27,512

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

32 Benefits and interests of directors (CONTINUED)

(a) Directors' emoluments (continued)

The remuneration of each of the directors of the Company for the year ended 31 December 2018 is set out as follows:

Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:

Name of directors	Fees RMB'000	Salary RMB'000	Bonuses RMB'000	Housing allowance RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Employee share award schemes RMB'000	Total RMB'000
Executive directors							
Mr. Hui Wing Mau	-	5,278	880	-	-	-	6,158
Mr. Hui Sai Tan, Jason	-	6,850	-	-	16	2,065	8,931
Ms. Tang Fei	-	2,550	765	60	108	1,758	5,241
Mr. Liao Lujiang (Note)	-	179	-	12	8	-	199
Non-executive directors							
Mr. Liu Sai Fei	-	2,911	289	-	-	-	3,200
Independent non-executive directors							
Ms. Kan Lai Kuen, Alice	317	-	-	-	-	-	317
Mr. Lyu Hong Bing	317	-	-	-	-	-	317
Mr. Lam Ching Kam	317	-	-	-	-	-	317
	951	17,768	1,934	72	132	3,823	24,680

Note:

Mr. Liao Lujiang resigned as an executive director with effect from 31 January 2018.

(b) Directors' retirement benefits

None of the directors received or will receive any retirement benefits during the year.

(c) Directors' termination benefits

None of the directors received or will receive any termination benefits during the year.

(d) Consideration provided to third parties for making available directors' services

The Group did not pay consideration to any third parties for making available directors' services during the year.

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

No loans, quasi-loans and other dealings were made available in favour of directors, bodies corporate controlled by and entities connected with directors subsisted at the end of the year or at any time during the year.

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

33 Income tax expense

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Current income tax		
– PRC enterprise and withholding income tax	6,151,969	5,382,757
– PRC land appreciation tax	5,644,757	4,537,855
	11,796,726	9,920,612
Deferred income tax		
– PRC enterprise and withholding income tax (Note 15)	838,661	406,661
	12,635,387	10,327,273

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

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Profit before income tax	29,015,352	22,638,205
Add: Share of results of associated companies and joint ventures	(96,825)	233,469
Less: Land appreciation tax	(5,644,757)	(4,537,855)
	23,273,770	18,333,819
Calculated at PRC enterprise income tax rate of 25% (2018: 25%)	5,818,443	4,583,455
Effect of different tax rates in other countries or regions	(1,396)	(4,075)
Expenses and losses not deductible for income tax purposes (Note (a))	500,121	478,033
Income not subject to tax (Note (b))	(290,015)	(280,552)
Tax losses not recognised	504,188	492,327
PRC withholding income tax and others	459,289	520,230
	6,990,630	5,789,418
PRC land appreciation tax charge	5,644,757	4,537,855
	12,635,387	10,327,273

Notes:

- (a) Expenses and losses not deductible for income tax purposes mainly resulted from net exchange losses and expenses incurred by the Company and its subsidiaries established in the British Virgin Islands which are not deductible for tax purpose.
- (b) Income not subject to tax arose mainly from interest income and net exchange gains earned by companies incorporated in Cayman Islands, the British Virgin Islands and Hong Kong.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

33 Income tax expense (CONTINUED)**Hong Kong profits tax**

No Hong Kong profits tax has been provided for as the Group has no assessable profit in Hong Kong for the year ended 31 December 2019 (2018: Nil).

PRC enterprise income tax

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

PRC land appreciation tax

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

PRC withholding income tax

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

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

34 Earnings per share

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

	Year ended 31 December	
	2019	2018
Profit attributable to the equity holders of the Company (RMB'000)	10,897,600	8,834,790
Weighted average number of ordinary shares in issue (thousands)	3,291,138	3,337,541
Basic earnings per share (RMB cents)	331.1	264.7

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

	Year ended 31 December	
	2019	2018
Profit attributable to the equity holders of the Company (RMB'000)	10,897,600	8,834,790
Weighted average number of ordinary shares in issue (thousands)	3,291,138	3,337,541
Adjustment for shares granted under Share Scheme (thousands)	5,203	7,214
Weighted average number of ordinary shares for diluted earnings per share (thousands)	3,296,341	3,344,755
Diluted earnings per share (RMB cents)	330.6	264.1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

35 Dividends

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Interim dividends paid of HK60 cents (2018: HK50 cents) per ordinary share (Note (a))	1,783,599	1,457,489
Proposed final dividends of HK85 cents (2018: HK70 cents) per ordinary share (Note (b))	2,671,213	1,971,784
Other dividends paid	1,962,455	212,240
	6,417,267	3,641,513

Notes:

- (a) An interim dividend in respect of the six months ended 30 June 2019 of HK60 cents per ordinary share, amounting to HK\$1,980,896,000 (equivalent to RMB1,783,599,000) was paid in September 2019 (2018: RMB1,457,489,000).
- (b) At a meeting held on 30 March 2020, the Directors proposed a final dividend of HK85 cents per ordinary share for the year ended 31 December 2019. This proposed dividend is not reflected as a dividend payable in these consolidated financial statements, but will be reflected as an appropriation for the year ending 31 December 2019 upon approval by the shareholders at the forthcoming annual general meeting of the Company.

A final dividend of RMB1,971,784,000 relating to the year ended 31 December 2018 was paid in 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

36 Notes to the consolidated statements of cash flows

(a) Net cash generated from operations:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Profit before income tax	29,015,352	22,638,205
Adjustments for:		
Interest income	(923,869)	(786,116)
Interest expense	1,044,140	906,457
Provision for/(reversal of) impairment losses on financial assets	70,375	(25,529)
Provision for impairment loss on completed properties held for sale	134,489	89,885
Depreciation	732,951	585,515
Share of results of associated companies and joint ventures accounted for using the equity method	(96,825)	233,469
Net gains on disposal and deemed disposal of subsidiaries with loss of control	(41,153)	(53,388)
Net gains on acquisition of subsidiaries	(143,823)	(1,814)
Amortisation of land use rights	–	78,368
Amortisation of right-of-use assets	221,738	–
Fair value gain on derivative financial instruments	(40,288)	(11,278)
Fair value gain on financial assets at fair value through profit or Loss	(2,910)	(6,350)
Interest received from investment in structured products issued by banks	–	(19,558)
Fair value gains on investment properties	(2,335,257)	(1,910,251)
Value of employee services arising from equity-settled share based payment scheme	125,171	116,075
Net exchange losses	164,649	216,686
	27,924,740	22,050,376
Changes in working capital:		
Properties under development, completed properties held for sale and prepayment for acquisition of land use rights	(14,808,706)	(27,622,215)
Right-of-use assets	65,465	–
Other non-current assets	(341,660)	(482,524)
Biological assets	–	18,652
Restricted cash	(394,546)	(32,270)
Trade and other receivables and prepayments	6,073,962	(1,558,783)
Trade and other payables	12,561,388	12,996,060
Contract liabilities	6,802,072	9,468,329
Amounts due to related companies excluding non-controlling interests	6,967,131	(340,413)
Net cash generated from operations	44,849,846	14,497,212

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

36 Notes to the consolidated statements of cash flows (CONTINUED)

(b) Net debt reconciliation

Net debt	As at 31 December 2019 RMB'000				
Borrowings – repayable within one year	36,781,947				
Borrowings – repayable after one year	89,773,388				
Cash and cash equivalents	(52,357,251)				
Restricted cash	(7,265,779)				
Net debt	66,932,305				
Gross debt – fixed interest rates	78,974,816				
Gross debt – variable interest rates	47,580,519				
Cash and cash equivalents	(52,357,251)				
Restricted cash	(7,265,779)				
Net debt	66,932,305				

	Other assets	Liabilities from financing activities			Total
	Cash and cash equivalents RMB'000	Restricted cash RMB'000	Borrowings due within 1 year RMB'000	Borrowings due after 1 year RMB'000	
Net debt as at 31 December 2018	(43,688,296)	(5,888,489)	31,306,474	77,825,292	59,554,981
Cash flows	(8,653,414)	(1,377,290)	(20,394,196)	27,877,775	(2,547,125)
Foreign exchange adjustments	(15,541)	–	181,732	1,170,959	1,337,150
Reclassification	–	–	24,561,398	(24,561,398)	–
Other non-cash movements	–	–	1,126,539	7,460,760	8,587,299
Net debt as at 31 December 2019	(52,357,251)	(7,265,779)	36,781,947	89,773,388	66,932,305

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

37 Principal subsidiaries, associated companies and joint ventures

Particulars of the principal subsidiaries, associated companies and joint ventures of the Group as at 31 December 2019 are as follows:

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2019	Principal activities
Principal subsidiaries – established and operation conducted in the PRC					
上海世茂股份有限公司 (Shanghai Shimao Co., Ltd.)	1 July 1992	Foreign investment enterprise	Registered capital RMB3,751,168,261	59.74%	Property development
上海世茂國際廣場有限責任公司 (Shanghai Shimao International Plaza Co., Ltd.)	15 September 1994	Foreign investment enterprise	Registered capital RMB1,600,000,000	100%	Hotel and shopping mall
上海世茂房地產有限公司 (Shanghai Shimao Real Estate Co., Ltd.)	15 March 2000	Foreign investment enterprise	Registered capital US\$75,000,000	100%	Property development
西藏世茂企業發展有限公司 (Xizang Shimao Enterprises Development Co., Ltd.)	22 June 2000	Domestic enterprise	Registered capital RMB101,723,586	50.85%	Investment holding
上海世茂建設有限公司 (Shanghai Shimao Jianshe Co., Ltd.)	16 March 2001	Foreign investment enterprise	Registered capital RMB540,000,000	100%	Investment holding
上海世茂北外灘開發建設有限公司 (Shanghai Shimao North Bund Development and Construction Co., Ltd.)	17 May 2002	Foreign investment enterprise	Registered capital HK\$650,000,000	100%	Hotel
上海世茂莊園置業有限公司 (Shanghai Shimao Manor Real Estate Co., Ltd.)	19 June 2002	Foreign investment enterprise	Registered capital US\$18,400,000	100%	Property development and hotel
福建世茂投資發展有限公司 (Fujian Shimao Investment and Development Co., Ltd.)	17 November 2003	Foreign investment enterprise	Registered capital RMB200,000,000	79.47%	Property development
昆山世茂房地產開發有限公司 (Kunshan Shimao Real Estate Development Co., Ltd.)	24 December 2003	Domestic enterprise	Registered capital RMB547,668,147	59.74%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

37 Principal subsidiaries, associated companies and joint ventures (CONTINUED)

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2019	Principal activities
Principal subsidiaries – established and operation conducted in the PRC (continued)					
咸陽世茂房地產開發有限公司 (Xianyang Shimao Real Estate Development Co., Ltd.)	29 April 2004	Foreign investment enterprise	Registered capital HK\$30,000,000	100%	Property development
南京世茂房地產開發有限公司 (Nanjing Shimao Real Estate Development Co., Ltd.)	23 July 2004	Foreign investment enterprise	Registered capital RMB328,000,000	79.47%	Property development
武漢世茂錦繡長江房地產開發有限公司 (Wuhan Shimao Splendid River Real Estate Development Co., Ltd.)	6 June 2005	Foreign investment enterprise	Registered capital US\$114,269,000	100%	Property development
上海世茂新體驗置業有限公司 (Shanghai Shimao Wonderland Property Co., Ltd.)	6 March 2006	Domestic enterprise	Registered capital RMB391,092,834	59.74%	Property development
大連世茂龍河發展有限公司 (Dalian Shimao Dragon River Development Co., Ltd.)	9 June 2006	Foreign investment enterprise	Registered capital US\$109,600,000	100%	Property development
煙台世茂置業有限公司 (Yantai Shimao Property Co., Ltd.)	6 September 2006	Foreign investment enterprise	Registered capital US\$48,500,000	100%	Property development
常州世茂房地產有限公司 (Changzhou Shimao Real Estate Co., Ltd.)	27 November 2006	Foreign investment enterprise	Registered capital US\$323,730,000	100%	Property development
瀋陽世茂新發展置業有限公司 (Shenyang Shimao New Development Property Co., Ltd.)	5 December 2006	Foreign investment enterprise	Registered capital US\$108,900,000	100%	Property development
上海世源建材貿易有限公司 (Shanghai Shine Construction Materials Trading Co., Ltd.)	22 January 2007	Foreign investment enterprise	Registered capital HK\$65,000,000	100%	Trading of construction

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

37 Principal subsidiaries, associated companies and joint ventures (CONTINUED)

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2019	Principal activities
Principal subsidiaries – established and operation conducted in the PRC (continued)					
蘇州世茂置業有限公司 (Suzhou Shimao Property Co., Ltd.)	26 January 2007	Foreign investment enterprise	Registered capital US\$178,000,000	100%	Property development
常州世茂新城房地產開發有限公司 (Changzhou Shimao New City Real Estate Development Co., Ltd.)	12 February 2007	Domestic enterprise	Registered capital RMB269,300,000	59.74%	Property development
徐州世茂新城房地產開發有限公司 (Xuzhou Shimao New City Real Estate Development Co., Ltd.)	14 February 2007	Foreign investment enterprise	Registered capital US\$75,980,000	100%	Property development
徐州世茂置業有限公司 (Xuzhou Shimao Property Co., Ltd.)	14 February 2007	Domestic enterprise	Registered capital RMB491,412,640	59.74%	Property development
蘇州世茂投資發展有限公司 (Suzhou Shimao Investment & Development Co., Ltd.)	2 March 2007	Domestic enterprise	Registered capital RMB526,795,630	59.74%	Property development
廈門信誠建築裝潢有限公司 (Xiamen Xincheng Building Decoration Co., Ltd.)	6 March 2007	Domestic enterprise	Registered capital RMB10,000,000	100%	Trading of construction
瀋陽世茂新世紀房地產開發有限公司 (Shenyang Shimao New Century Real Estate Development Co., Ltd.)	24 May 2007	Domestic enterprise	Registered capital RMB581,512,000	59.74%	Property development
瀋陽世茂新紀元置業有限公司 (Shenyang Shimao New Era Property Co., Ltd.)	24 May 2007	Foreign investment enterprise	Registered capital HK\$257,000,000	100%	Property development
福州世茂實業有限公司 (Fuzhou Shimao Industrial Co., Ltd.)	5 July 2007	Foreign investment enterprise	Registered capital RMB430,000,000	100%	Property development
紹興世茂新紀元置業有限公司 (Shaoxing Shimao New Era Property Co., Ltd.)	13 July 2007	Domestic enterprise	Registered capital RMB245,520,127	59.74%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

37 Principal subsidiaries, associated companies and joint ventures (CONTINUED)

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2019	Principal activities
Principal subsidiaries – established and operation conducted in the PRC (continued)					
紹興世茂投資發展有限公司 (Shaoxing Shimao Investment Development Co., Ltd.)	13 July 2007	Domestic enterprise	Registered capital RMB483,457,740	59.74%	Property development
重慶浚亮房地產開發有限公司 (Chongqing Junliang Real Estate Development Co., Ltd.)	25 July 2007	Foreign investment enterprise	Registered capital US\$200,000,000	100%	Property development
上海世盈投資管理有限公司 (Shanghai Shiyi Investment Management Co., Ltd.)	21 August 2007	Domestic enterprise	Registered capital RMB200,000,000	100%	Investment holding
常熟世茂新發展置業有限公司 (Changshu Shimao New Development Property Co., Ltd.)	24 August 2007	Domestic enterprise	Registered capital RMB692,174,000	59.74%	Property development
牡丹江世茂置業有限公司 (Mudanjiang Shimao Property Co., Ltd.)	4 September 2007	Foreign investment enterprise	Registered capital US\$16,000,000	95%	Property development
牡丹江世茂新城房地產開發有限公司 (Mudanjiang Shimao New City Real Estate Development Co., Ltd.)	4 September 2007	Foreign investment enterprise	Registered capital US\$29,980,000	100%	Property development
昆山世茂新發展置業有限公司 (Kunshan Shimao New Development Property Co., Ltd.)	12 September 2007	Foreign investment enterprise	Registered capital US\$49,980,000	100%	Property development
蕪湖世茂新世紀置業有限公司 (Wuhu Shimao New Century Property Co., Ltd.)	26 September 2007	Foreign investment enterprise	Registered capital RMB35,000,000	100%	Property development
上海世茂投資管理有限公司 (Shanghai Shimao Investment Management Co., Ltd.)	11 May 2009	Domestic enterprise	Registered capital RMB50,000,000	100%	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

37 Principal subsidiaries, associated companies and joint ventures (CONTINUED)

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2019	Principal activities
Principal subsidiaries – established and operation conducted in the PRC (continued)					
上海逸景園林景觀工程有限公司 (Shanghai Yijing Landscaping Architect Co., Ltd.)	3 September 2009	Domestic enterprise	Registered capital RMB10,000,000	100%	Architect
大連世茂嘉年華置業有限公司 (Dalian Shimao Carnival Property Co., Ltd.)	4 September 2009	Foreign investment enterprise	Registered capital US\$100,000,000	100%	Property development
福建世茂新里程投資發展有限公司 (Fujian Shimao New Miles Investment Development Co., Ltd.)	10 October 2009	Domestic enterprise	Registered capital RMB16,000,000,000	49.47%	Property development
成都世茂置業有限公司 (Chengdu Shimao Property Co., Ltd.)	13 October 2009	Domestic enterprise	Registered capital RMB299,021,884	100%	Property development
天津世茂新里程置業有限公司 (Tianjin Shimao New Miles Property Co., Ltd.)	5 November 2009	Domestic enterprise	Registered capital RMB1,470,000,000	100%	Property development
武漢世茂嘉年華置業有限公司 (Wuhan Shimao Carnival Property Co., Ltd.)	14 December 2009	Domestic enterprise	Registered capital RMB200,000,000	79.47%	Property development
青島世茂新城房地產開發有限公司 (Qingdao Shimao New City Real Estate Development Co., Ltd.)	29 April 2010	Foreign Investment enterprise	Registered capital US\$159,980,000	100%	Property development
寧波世茂新紀元置業有限公司 (Ningbo Shimao New Era Property Co., Ltd.)	27 May 2010	Domestic enterprise	Registered capital RMB50,000,000	100%	Property development
長沙世茂投資有限公司 (Changsha Shimao Investment Co., Ltd.)	21 July 2010	Domestic enterprise	Registered capital RMB1,000,000,000	59.74%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

37 Principal subsidiaries, associated companies and joint ventures (CONTINUED)

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2019	Principal activities
Principal subsidiaries – established and operation conducted in the PRC (continued)					
文昌世茂置業有限公司 (Wenchang Shimao Property Co., Ltd.)	19 April 2011	Domestic enterprise	Registered capital RMB550,000,000	100%	Property development
南京海峽城開發建設有限公司 (Nanjing Straits City Development Construction Co., Ltd.)	26 April 2011	Domestic enterprise	Registered capital US\$692,000,000	100%	Property development
青島世茂投資發展有限公司 (Qingdao Shimao Investment & Development Co., Ltd.)	27 May 2011	Domestic enterprise	Registered capital RMB450,000,000	59.74%	Property development
平潭海峽如意城開發建設有限公司 (Pingtan Straits Ruyi City Development Construction Co., Ltd.)	31 May 2011	Domestic enterprise	Registered capital RMB615,630,000	100%	Property development
大廠回族自治縣中基太業房地產開發 有限公司 (Dachang Hui Autonomous County Real Estate Development Co., Ltd.)	11 August 2011	Domestic enterprise	Registered capital RMB493,570,000	65%	Property development
青島世茂濱海置業有限公司 (Qingdao Shimao Binhai Property Co., Ltd.)	8 November 2011	Domestic enterprise	Registered capital RMB200,000,000	59.74%	Property development
武漢世茂新城房地產開發有限公司 (Wuhan Shimao New City Real Estate Development Co., Ltd.)	23 March 2012	Domestic enterprise	Registered capital RMB526,000,000	100%	Property development
南通世茂房地產開發有限公司 (Nantong Shimao Real Estate Development Co., Ltd.)	14 December 2012	Domestic enterprise	Registered capital RMB100,000,000	100%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

37 Principal subsidiaries, associated companies and joint ventures (CONTINUED)

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2019	Principal activities
Principal subsidiaries – established and operation conducted in the PRC (continued)					
蘇州世茂新里程置業有限公司 (Suzhou Shimao New Miles Property Co., Ltd.)	17 January 2013	Domestic enterprise	Registered capital RMB600,000,000	59.74%	Property development
石獅世茂房地產開發有限公司 (Shishi Shimao Real Estate Development Co., Ltd.)	16 May 2013	Domestic enterprise	Registered capital RMB639,000,000	55.96%	Property development
石獅世茂新城房地產開發有限公司 (Shishi Shimao New City Real Estate Development Co., Ltd.)	16 May 2013	Domestic enterprise	Registered capital RMB781,000,000	55.96%	Property development
杭州世融匯盈置業有限公司 (Hangzhou Shirong Huiying Property Co., Ltd.)	29 May 2013	Foreign investment enterprise	Registered capital US\$150,000,000	51%	Property development
寧波世茂新騰飛置業有限公司 (Ningbo Shimao Xintengfei Property Co., Ltd.)	9 June 2013	Domestic enterprise	Registered capital RMB1,238,500,000	59.74%	Property development
張家港世茂房地產開發有限公司 (Zhangjiagang Shimao Real Estate Development Co., Ltd.)	12 July 2013	Domestic enterprise	Registered capital RMB1,000,000,000	51%	Property development
上海西科投資管理有限公司 (Shanghai Xike Investment & Management Co., Ltd.)	24 July 2013	Domestic enterprise	Registered capital RMB5,000,000	100%	Investment holding
天津世茂新體驗置業有限公司 (Tianjin Shimao New Experience Property Co., Ltd.)	11 September 2013	Domestic enterprise	Registered capital RMB50,000,000	100%	Property development
常熟世茂新紀元置業有限公司 (Changshu Shimao New Era Property Co., Ltd.)	11 September 2013	Domestic enterprise	Registered capital RMB850,000,000	59.74%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

37 Principal subsidiaries, associated companies and joint ventures (CONTINUED)

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2019	Principal activities
Principal subsidiaries – established and operation conducted in the PRC (continued)					
杭州世茂嘉年華置業有限公司 (Hangzhou Shimao Carnival Property Co., Ltd.)	16 October 2013	Domestic enterprise	Registered capital RMB2,000,000,000	100%	Property development
大連世茂新領域置業有限公司 (Dalian Shimao New Domain Property Co., Ltd.)	29 October 2013	Foreign investment enterprise	Registered capital US\$121,060,000	100%	Property development
大連世茂新體驗置業有限公司 (Dalian Shimao New Experience Property Co., Ltd.)	29 October 2013	Foreign investment enterprise	Registered capital US\$75,940,000	100%	Property development
上海茂沁投資管理有限公司 (Shanghai Maoqin Investment & Management Co., Ltd.)	5 December 2013	Domestic enterprise	Registered capital RMB1,371,770,000	59.74%	Investment holding
濟南世茂天城置業有限公司 (Jinan Shimao Tiancheng Property Co., Ltd.)	7 January 2014	Domestic enterprise	Registered capital RMB1,310,000,000	59.74%	Property development
上海容承企業管理有限公司 (Shanghai Rongcheng Enterprises Management Co., Ltd.)	21 January 2014	Domestic enterprise	Registered capital RMB600,000,000	100%	Investment holding
南寧世茂新紀元房地產開發有限公司 (Nanning Shimao New Era Real Estate Development Co., Ltd.)	2 July 2014	Domestic enterprise	Registered capital RMB120,000,000	100%	Property development
武漢濱江天地商業經營管理有限公司 (Wuhan Riviera Tiandi Business Operation Management Co., Ltd.)	12 January 2015	Domestic enterprise	Registered capital RMB1,000,000	100%	Business management
南京漢佑商業管理有限公司 (Nanjing Hanyou Business Management Co., Ltd.)	21 January 2015	Domestic enterprise	Registered capital RMB1,000,000	100%	Business management

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

37 Principal subsidiaries, associated companies and joint ventures (CONTINUED)

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2019	Principal activities
Principal subsidiaries – established and operation conducted in the PRC (continued)					
南京世招葢晟置業有限公司 (Nanjing Shizhao Quansheng Property Co., Ltd.)	27 January 2015	Domestic enterprise	Registered capital RMB250,000,000	51%	Property development
銀川海茂房地產有限公司 (Yinchuan Haimao Real Estate Co., Ltd.)	20 May 2015	Domestic enterprise	Registered capital RMB100,000,000	51%	Property development
銀川世海房地產有限公司 (Yinchuan Shihai Real Estate Co., Ltd.)	2 September 2015	Domestic enterprise	Registered capital RMB50,000,000	51%	Property development
無錫迎碧房地產開發有限公司 (Wuxi Yingbi Real Estate Development Co., Ltd.)	4 January 2016	Domestic enterprise	Registered capital RMB10,000,000	51%	Property development
銀川世茂新發展置業有限公司 (Yinchuan Shimao New Development Property Co., Ltd.)	12 January 2016	Domestic enterprise	Registered capital RMB103,624,000	96.5%	Property development
南京世茂新領航置業有限公司 (Nanjing Shimao New Pioneer Property Co., Ltd.)	1 June 2016	Domestic enterprise	Registered capital RMB7,700,000,000	56.8%	Property development
成都世茂新世紀商業管理有限公司 (Chengdu Shimao New Century Business Management Co., Ltd.)	13 July 2016	Domestic enterprise	Registered capital RMB1,000,000	100%	Business management

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

37 Principal subsidiaries, associated companies and joint ventures (CONTINUED)

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2019	Principal activities
Principal subsidiaries – established and operation conducted in the PRC (continued)					
銀川世茂新體驗置業有限公司 (Yinchuan Shimao New Experience Property Co., Ltd.)	12 August 2016	Domestic enterprise	Registered capital RMB50,000,000	96.5%	Property development
銀川世茂新領域置業有限公司 (Yinchuan Shimao New Domain Property Co., Ltd.)	12 August 2016	Domestic enterprise	Registered capital RMB50,000,000	96.5%	Property development
銀川世茂新里程置業有限公司 (Yinchuan Shimao New Miles Property Co., Ltd.)	12 August 2016	Domestic enterprise	Registered capital RMB50,000,000	100%	Property development
杭州融大齊雲置業有限公司 (Hangzhou Rongda Qiyun Property Co., Ltd.)	8 September 2016	Domestic enterprise	Registered capital RMB100,000,000	51%	Property development
泉州世茂融信新世紀房地產有限責任公司 (Quanzhou Shimao Rongxin New Century Real Estate Co., Ltd.)	10 October 2016	Domestic enterprise	Registered capital RMB50,000,000	79.47%	Property development
泉州世茂融信新領航房地產有限責任公司 (Quanzhou Shimao Rongxin New Pioneer Real Estate Co., Ltd.)	10 October 2016	Domestic enterprise	Registered capital RMB50,000,000	79.47%	Property development
上海益碧房地產開發有限公司 (Shanghai Yibi Real Estate Development Co., Ltd.)	19 January 2017	Domestic enterprise	Registered capital RMB10,000,000	51%	Property development
上海茂璟置業有限公司 (Shanghai Maojing Property Co., Ltd.)	6 February 2017	Domestic enterprise	Registered capital RMB100,000,000	51%	Property development
福州世茂悅盈置業有限公司 (Fuzhou Shimao Yueying Property Co., Ltd.)	3 July 2017	Domestic enterprise	Registered capital RMB100,000,000	65%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

37 Principal subsidiaries, associated companies and joint ventures (CONTINUED)

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2019	Principal activities
Principal subsidiaries – established and operation conducted in the PRC (continued)					
廈門市毅駿置業有限公司 (Xiamen Yijun Property Co., Ltd.)	9 August 2017	Domestic enterprise	Registered capital RMB10,000,000	50%	Property development
福州世茂世盈置業有限公司 (Fuzhou Shimao Shiyong Property Co., Ltd.)	22 September 2017	Domestic enterprise	Registered capital RMB100,000,000	65%	Property development
深圳市坪山區城投宏源投資有限公司 (Shenzhen Pingshan City Investment Hongyuan Co., Ltd.)	15 December 2017	Domestic enterprise	Registered capital RMB100,000,000	35.84%	Property development
寧波世茂新領航置業有限公司 (Ningbo Shimao New Pioneer Property Co., Ltd.)	27 December 2017	Domestic enterprise	Registered capital RMB800,000,000	51%	Property development
漳州中世置業有限公司 (Zhangzhou Zhongshi Property Co., Ltd.)	5 March 2018	Domestic enterprise	Registered capital RMB10,000,000	51%	Property development
濟南世茂新陽置業有限公司 (Jinan Shimao Xinyang Property Co., Ltd.)	23 March 2018	Domestic enterprise	Registered capital RMB50,000,000	70%	Property development
平陽世盈房地產開發有限公司 (Pingyang Shiyong Real Estate Development Co., Ltd.)	4 June 2018	Domestic enterprise	Registered capital RMB60,000,000	51%	Property development
湖州世茂房地產開發有限公司 (Huzhou Shimao Real Estate Development Co., Ltd.)	5 July 2018	Domestic enterprise	Registered capital RMB100,000,000	100%	Property development
銀川世茂嘉年華房地產開發有限公司 (Yinchuan Shimao Carnival Real Estate Development Co., Ltd.)	11 July 2018	Domestic enterprise	Registered capital RMB100,000,000	96.5%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

37 Principal subsidiaries, associated companies and joint ventures (CONTINUED)

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2019	Principal activities
Principal subsidiaries – established and operation conducted in the PRC (continued)					
常熟茂龍房地產開發有限公司 (Changshu Maolong Real Estate Development Co., Ltd.)	31 July 2018	Domestic enterprise	Registered capital RMB200,000,000	50%	Property development
青島世茂世悅置業有限公司 (Qingdao Shimao Shiyue Property Co., Ltd.)	7 August 2018	Domestic enterprise	Registered capital RMB100,000,000	100%	Property development
湖北長建茂房地產開發有限公司 (Hubei Changjianmao Real Estate Development Co., Ltd.)	27 August 2018	Domestic enterprise	Registered capital RMB10,000,000	40.53%	Property development
湖北長荊上河置業有限公司 (Hubei Changjingshanghe Property Co., Ltd.)	27 August 2018	Domestic enterprise	Registered capital RMB20,000,000	60%	Property development
合肥世茂欣源茂房地產開發有限公司 (Hefei Shimao Xinyuan Real Estate Development Co., Ltd.)	10 May 2019	Domestic enterprise	Registered capital RMB10,000,000	100%	Property development
肇慶四會悅盈房地產開發經營有限公司 (Zhaoqing Sihui Yueying Real Estate Development Co., Ltd.)	15 April 2019	Domestic enterprise	Registered capital RMB5,000,000	100%	Property development
茂名世茂悅盈房地產開發有限公司 (Maoming Shimao Yueying Real Estate Development Co., Ltd.)	4 April 2019	Domestic enterprise	Registered capital RMB100,000,000	100%	Property development
濟南文昌世茂廣場置業有限公司 (Jinan Wenchang Shimao Square Property Co., Ltd.)	21 May 2019	Domestic enterprise	Registered capital RMB100,000,000	79.47%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

37 Principal subsidiaries, associated companies and joint ventures (CONTINUED)

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2019	Principal activities
Principal subsidiaries – established and operation conducted in the PRC (continued)					
昆明悅盈房地產開發有限公司 (Kunming Yueying Real Estate Development Co., Ltd.)	10 April 2019	Domestic enterprise	Registered capital RMB100,000,000	40.53%	Property development
天臺茂龍房地產開發有限公司 (Tiantai Maolong Real Estate Development Co., Ltd.)	23 July 2019	Domestic enterprise	Registered capital RMB266,000,000	51%	Property development
天水世唐房地產開發有限公司 (Tianshui Shitang Real Estate Development Co., Ltd.)	5 December 2019	Domestic enterprise	Registered capital RMB20,000,000	51%	Property development
淮南恒升天鵝灣置業有限公司 (Huainan Hengsheng Swan Bay Property Co., Ltd.)	22 December 2016	Domestic enterprise	Registered capital RMB88,000,000	80%	Property development
福州世茂鹿馳置業有限公司 (Fuzhou Shimao Luchi Property Co., Ltd.)	28 November 2019	Domestic enterprise	Registered capital RMB210,000,000	100%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

37 Principal subsidiaries, associated companies and joint ventures (CONTINUED)

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2019	Principal activities
Principal subsidiaries – incorporated and operation conducted in the British Virgin Islands					
Vicking International Ltd.	19 January 1994	Limited liability company	50,000 ordinary shares of US\$50,000	100%	Investment holding
Everactive Properties Limited	2 May 2001	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Advance Assets Holdings Limited	22 June 2001	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Mega Universe Limited	10 July 2001	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Year Grant Investments Limited	3 September 2001	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Precisely Choice Investments Limited	18 October 2001	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Double Achieve Assets Limited	31 January 2002	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Best Empire Investments Limited	2 July 2002	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Peak Castle Assets Limited	2 July 2002	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Prime Master Holdings Limited	2 July 2002	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Significant Asset Group Limited	2 July 2002	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Shimao Property Holdings (BVI) Limited	23 August 2002	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Shimao Management (Overseas) Limited	18 December 2002	Limited liability company	1 ordinary share of US\$1	100%	Management services
Wickfair Investments Limited	8 October 2004	Limited liability company	1 ordinary share of US\$1	100%	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

37 Principal subsidiaries, associated companies and joint ventures (CONTINUED)

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2019	Principal activities
Principal subsidiaries – incorporated and operation conducted in the British Virgin Islands (continued)					
Keen Villa Limited	10 May 2006	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
East Lighter Group Limited	12 May 2006	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Ease Reach Group Limited	13 December 2006	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Peak Gain International Limited	13 December 2006	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Highsharp International Limited	23 February 2007	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Win Real Group Limited	29 May 2007	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Straits Construction Investment (Holdings) Limited	17 November 2009	Limited liability company	45,000 ordinary shares of US\$450,000,000	100%	Investment holding
Assets Circle Limited	2 February 2016	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Classic Prime Limited	20 May 2016	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Fortune Spring Ventures Limited	8 November 2016	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Up Chance Holdings Limited	1 December 2016	Limited liability company	1 ordinary share of US\$1	100%	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

37 Principal subsidiaries, associated companies and joint ventures (CONTINUED)

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2019	Principal activities
Principal subsidiaries – incorporated and operation conducted in Hong Kong					
Shimao Holdings Company Limited	3 February 1994	Limited liability company	395 million ordinary shares of HK\$395 million	100%	Investment holding
Topwise Limited	29 March 2005	Limited liability company	1 ordinary share of HK\$1	100%	Management services
Fine Tune Investments Limited	5 June 2006	Limited liability company	1 ordinary share of HK\$1	100%	Holding of trademarks
Brilliant Architectural and Construction Professional Consultancy Limited	28 July 2006	Limited liability company	100,000 ordinary shares of HK\$100,000	100%	Consultancy services
Modern Professional Architectural Design Limited	28 July 2006	Limited liability company	100,000 ordinary shares of HK\$100,000	100%	Design services
Faith Joy Investments Limited	7 May 2007	Limited liability company	1 ordinary share of HK\$1	100%	Investment holding
Clear Rise Investments Limited	8 May 2007	Limited liability company	1 ordinary share of HK\$1	100%	Investment holding
Grandday International Limited	11 May 2007	Limited liability company	1 ordinary share of HK\$1	100%	Investment holding
New Sincere Investments Limited	11 May 2007	Limited liability company	1 ordinary share of HK\$1	100%	Investment holding
Rise Max International Limited	16 May 2007	Limited liability company	1 ordinary share of HK\$1	100%	Investment holding
Global Square Investments Limited	29 October 2007	Limited liability company	1 ordinary share of HK\$1	100%	Investment holding
Bonus Boom Limited	13 November 2007	Limited liability company	1 ordinary share of HK\$1	100%	Investment holding
Excel Mode Investments Limited	27 November 2007	Limited liability company	1 ordinary share of HK\$1	100%	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

37 Principal subsidiaries, associated companies and joint ventures (CONTINUED)

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2019	Principal activities
Principal subsidiaries – incorporated and operation conducted in Hong Kong (continued)					
Future Right Limited	27 November 2007	Limited liability company	1 ordinary share of HK\$1	100%	Investment holding
Lion Kingdom Investments Limited	27 November 2007	Limited liability company	1 ordinary share of HK\$1	100%	Investment holding
Power One Holdings Limited	27 November 2007	Limited liability company	1 ordinary share of HK\$1	100%	Investment holding
Swift Time Limited	18 March 2009	Limited liability company	1 ordinary share of HK\$1	100%	Investment holding
Brand Rise Limited	5 March 2013	Limited liability company	1 ordinary share of HK\$1	100%	Property development
Adventure Success Limited	25 November 2014	Limited liability company	1 ordinary share of HK\$1	100%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

37 Principal subsidiaries, associated companies and joint ventures (CONTINUED)

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2019	Principal activities
Associated companies – established and operation conducted in the PRC					
成都市恒裕房地產開發有限公司 (Chengdu Hengyu Real Estate Development Co., Ltd.)	7 May 2010	Domestic enterprise	Registered capital RMB4,030,000,000	33.33%	Property development
廣州市誠譽房地產開發有限公司 (Guangzhou Chengyu Real Estate Development Co., Ltd.)	25 November 2012	Domestic enterprise	Registered capital RMB60,000,000	50%	Investment holding
北京創譽房地產開發有限公司 (Beijing Chuangyu Real Estate Development Co., Ltd.)	2 April 2013	Domestic enterprise	Registered capital RMB20,000,000	50%	Property development
南京明茂置業有限公司 (Nanjing Mingmao Property Co., Ltd.)	5 February 2015	Domestic enterprise	Registered capital RMB820,000,000	49%	Property development
杭州龍尚房地產開發有限公司 (Hangzhou Longshang Real Estate Development Co., Ltd.)	8 August 2016	Domestic enterprise	Registered capital RMB1,000,000,000	25%	Property development
蘇州孚元置業有限公司 (Suzhou Fuyuan Property Co., Ltd.)	12 July 2017	Domestic enterprise	Registered capital RMB50,000,000	24.5%	Property development
宣城世茂卓盈房地產開發有限公司 (Xuancheng Shimao Zhuoying Real Estate Development Co., Ltd.)	20 August 2019	Domestic enterprise	Registered capital RMB20,000,000	49%	Property development
南寧金盛泓房地產開發有限公司 (Nanning Jinshenghong Real Estate Development Co., Ltd.)	10 April 2019	Domestic enterprise	Registered capital RMB205,000,000	40%	Property development
巢湖市世巽置業有限公司 (Chaohu shixun Property Co., Ltd.)	24 July 2019	Domestic enterprise	Registered capital RMB20,000,000	40%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

37 Principal subsidiaries, associated companies and joint ventures (CONTINUED)

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2019	Principal activities
Associated companies – established and operation conducted in the British Virgin Islands					
Eagle Rights Limited	31 March 2010	Limited liability company	45,000,000 shares with no par value	33.33%	Investment holding
Joint ventures – established and operation conducted in the PRC					
上海春日置業有限公司 (Shanghai Chunri Property Co., Ltd.)	3 August 2001	Domestic enterprise	Registered capital RMB90,000,000	45%	Property development
無錫世茂房地產開發建設有限公司 (Wuxi Shimao Real Estate Development & Construction Co., Ltd.)	20 November 2009	Domestic enterprise	Registered capital RMB900,000,000	50%	Property development
廣州利合房地產開發有限公司 (Guangzhou Li He Property Development Co., Ltd.)	5 February 2010	Foreign Investment enterprise	Registered capital RMB2,059,377,000	26.67%	Property development
天津津南新城房地產開發有限公司 (Tianjin Jinnan Xincheng Real Estate Development Co., Ltd.)	26 May 2010	Domestic enterprise	Registered capital RMB3,667,300,000	25%	Property development
長沙世茂房地產有限公司 (Changsha Shimao Real Estate Co., Ltd.)	21 July 2010	Domestic enterprise	Registered capital RMB500,000,000	50%	Property development
天津和安投資有限公司 (Tianjin He'an Investment Co., Ltd.)	19 August 2010	Domestic enterprise	Registered capital RMB10,000,000	25%	Investment holding
寧波世茂新里程置業有限公司 (Ningbo Shimao New Miles Property Co., Ltd.)	5 August 2011	Domestic enterprise	Registered capital RMB600,000,000	50%	Property development
寧波鼎峰房地產開發有限公司 (Ningbo Dingfeng Real Estate Development Co., Ltd.)	17 September 2013	Domestic enterprise	Registered capital RMB125,000,000	40%	Property development
寧波世茂嘉年華置業有限公司 (Ningbo Shimao Carnival Property Co., Ltd.)	18 December 2013	Domestic enterprise	Registered capital RMB400,000,000	50%	Property development
南寧世茂投資有限公司 (Nanning Shimao Investment Co., Ltd.)	9 April 2014	Domestic enterprise	Registered capital RMB440,000,000	50%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

37 Principal subsidiaries, associated companies and joint ventures (CONTINUED)

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2019	Principal activities
Joint ventures – established and operation conducted in the PRC (continued)					
杭州茂國悅盈置業有限公司 (Hangzhou Maoguo Yueying Property Co., Ltd.)	16 February 2017	Domestic enterprise	Registered capital RMB1,500,000,000	50%	Property development
廣州新合房地產有限公司 (Guangzhou Xinhe Real Estate Co., Ltd.)	11 May 2017	Domestic enterprise	Registered capital RMB100,000,000	33%	Property development
濟南碧世榮光房地產開發有限公司 (Jinan Bishi Rongguang Real Estate Development Co., Ltd.)	19 June 2017	Domestic enterprise	Registered capital RMB10,000,000	33%	Property development
佛山市新紀元置業有限公司 (Foshan New Era Property Co., Ltd.)	27 June 2017	Domestic enterprise	Registered capital RMB10,000,000	50%	Property development
北京遠創興茂置業有限公司 (Beijing Yuanchuang Xingmao Property Co., Ltd.)	15 August 2017	Domestic enterprise	Registered capital RMB100,000,000	30%	Property development
福州世茂瑞盈置業有限公司 (Fuzhou Shimao Ruiying Property Co., Ltd.)	4 January 2018	Domestic enterprise	Registered capital RMB10,000,000	20%	Property development
南平世茂新紀元置業有限公司 (Nanping Shimao New Era Property Co., Ltd.)	15 May 2018	Domestic enterprise	Registered capital RMB100,000,000	42%	Property development
滄鑾(廈門)置業有限公司 (Cangluan (Xiamen) Property Co., Ltd.)	29 June 2018	Domestic enterprise	Registered capital RMB1,455,000,000	25%	Property development
舟山世茂房地產開發有限公司 (Zhoushan Shimao Real Estate Development Co., Ltd.)	18 June 2019	Domestic enterprise	Registered capital RMB20,000,000	50%	Property development
肇慶四會豐盈房地產開發有限公司 (Zhaoqing Sihui Fengying Real Estate Development Co., Ltd.)	5 June 2019	Domestic enterprise	Registered capital RMB10,000,000	50%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

37 Principal subsidiaries, associated companies and joint ventures (CONTINUED)

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2019	Principal activities
Joint ventures – established and operation conducted in the PRC (continued)					
莆田聯茂置業有限公司 (Putian Lianmao Real Estate Development Co., Ltd.)	12 June 2019	Domestic enterprise	Registered capital RMB200,000,000	49%	Property development
玉林市嘉澤投資有限責任公司 (Yulin Jiaze Investment Co., Ltd.)	19 July 2018	Domestic enterprise	Registered capital RMB32,051,280	40%	Investment holding
玉林市浩景房地產開發有限公司 (Yulin Haojing Real Estate Development Co., Ltd.)	26 September 2018	Domestic enterprise	Registered capital RMB30,000,000	30%	Property development
榮陽市雅恒置業有限公司 (Xingyang Yaheng Property Co., Ltd.)	25 June 2019	Domestic enterprise	Registered capital RMB30,303,030	33%	Property development
Joint ventures – established and operation conducted in Hong Kong					
Fast Right Investments Limited	7 May 2007	Limited liability company	2 ordinary shares of HK\$2	50%	Investment holding
Kingtron Enterprises Limited	14 June 2007	Limited liability company	2 ordinary shares of HK\$2	50%	Investment holding
Sky Asia Properties Limited	10 April 2017	Limited liability company	1 ordinary share of HK\$1	22.5%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

38 Contingencies and financial guarantee contracts**(a) The Group had the following contingent liabilities:**

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Guarantees in respect of mortgage facilities for certain purchasers	19,119,460	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	As at 31 December	
		2019 RMB'000	2018 RMB'000
Guarantee in respect of borrowings	2019-2023	9,503,366	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 and other financial institutions borrowings. The respective guarantees provided by the Group amounted to RMB9,503,366,000 as at 31 December 2019 (2018: RMB8,956,494,000). The fair value of the financial guarantee contracts is not significant. The Directors are of the view that such obligation will not cause an outflow of the Group's resources embodying economic benefits.

(c) Contingencies for litigation

A bank filed a litigation against Shanghai Shimao, a subsidiary of the Company, alleging that Shanghai Shimao should repay the principal and interest of the borrowings in a total amount of approximately RMB390,000,000 on behalf of Hangzhou Shimao Century Property Co., Ltd. ("Hangzhou Shimao"), an associated company of Shanghai Shimao, since Hangzhou Shimao was in financial difficulty and Shanghai Shimao once provided guarantee in respect to its borrowings. The provision charge amounting to approximately RMB53,210,000 has been recognised in profit or loss within 'Other income/other gains – net' during the year ended 31 December 2016. As at 31 December 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 31 December 2019 and 2018. No more provision has been accrued or reversed during the year ended 31 December 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 31 December 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

39 Commitments

Commitments for capital and property development expenditure

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Contracted but not provided for		
– Property and equipment	2,448,055	1,541,416
– Land use rights (including those related to associated companies and joint ventures)	26,959,655	9,288,768
– Properties being developed by the Group for sale	43,023,356	38,315,818
	72,431,066	49,146,002

40 Significant acquisition or disposal of subsidiaries and transactions with NCI

(a) Certain joint ventures transferred to subsidiaries

In 2019, the Group acquired the equity interests of certain joint ventures of the Group, at a consideration of RMB2,741,186,000. After the acquisition, the Group gained control over these companies pursuant to the revised articles of association. The carrying value of the investment in the joint venture was RMB1,217,973,000 before the acquisition. The purchase resulted in a net cash inflow of RMB224,413,000 and RMB143,823,000 gains were recognised from the acquisition.

The following table summarizes 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	2,965,599
Properties under development	16,529,407
Trade and other receivables and prepayments	4,980,537
Prepaid income taxes	365,782
Property and equipment (Note 6)	1,516
Deferred tax assets (Note 15)	80,353
Borrowings	(5,577,760)
Contract liabilities	(9,770,975)
Income tax payable	(10,713)
Trade and other payables	(5,073,893)
Total identifiable net assets	4,489,853
Non-controlling interests	(386,871)
Total acquired net assets	4,102,982
Book value of previously held interests in the joint ventures (Note 11(b))	(1,217,973)
Cash consideration paid	(2,741,186)
Gains on acquisition (Note 28)	143,823
Cash consideration paid	(2,741,186)
Cash and cash equivalents in the entities acquired	2,965,599
Net cash inflow from the acquisition	224,413

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

40 Significant acquisition or disposal of subsidiaries and transactions with NCI (CONTINUED)**(b) Acquisition of subsidiaries**

In 2019, the Group acquired the equity interests of certain companies, at a total consideration of RMB4,418,750,000. 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 RMB1,851,138,000 and no gain or loss was recognised from this acquisition.

The following table summarizes 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	2,567,612
Properties under development	27,037,669
Trade and other receivables and prepayments	403,027
Prepaid income taxes	6,388
Property and equipment (Note 6)	255,650
Deferred tax assets (Note 15)	75,553
Borrowings	(3,009,539)
Contract liabilities	(10,905,902)
Income tax payable	(59,438)
Trade and other payables	(10,186,572)
Total identifiable net assets	6,184,448
Non-controlling interests	(1,934,386)
Total acquired net assets	4,250,062
Goodwill (Note 9)	168,688
Cash consideration paid	(4,418,750)
Gain on acquisition	–
Cash consideration paid	(4,418,750)
Cash and cash equivalents in the entities acquired	2,567,612
Net cash outflow due to acquisition	(1,851,138)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

40 Significant acquisition or disposal of subsidiaries and transactions with NCI (CONTINUED)

(c) Disposal of subsidiaries (with loss of control)

In 2019, the Group lost control of certain subsidiaries. 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 RMB152,893,000 and a net gains of RMB41,153,000.

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

	RMB'000
Cash and cash equivalents	2,107
Properties under development	1,406,613
Property and equipment (Note 6)	252
Trade and other receivables and prepayments	391,313
Deferred tax assets (Note 15)	998
Trade and other payables	(1,537,436)
Total identifiable net assets	263,847
Net assets disposed	263,847
Fair value of interests retained in joint ventures (Note 11(b))	150,000
Total consideration received	155,000
Net assets disposed	(263,847)
Disposal gains (Note 28)	41,153
Total consideration	155,000
Less: cash and cash equivalents in the entities disposed	(2,107)
Net cash inflow from disposal	152,893

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

40 Significant acquisition or disposal of subsidiaries and transactions with NCI (CONTINUED)

(d) Deemed disposal of subsidiaries

In 2019, the Group lost control of certain subsidiaries. The remaining interests of the Group in these companies have a fair value of RMB15,000,000. The deemed disposal resulted in a net cash outflow of RMB10,136,000 and no gain or loss was recognised.

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

	The date of disposal RMB'000
Cash and cash equivalents	10,136
Other assets	38,089
Trade and other payables	(33,225)
Total identifiable net assets	15,000
Net assets disposed	15,000
Fair value of interests retained (Note 11(b))	15,000
Net assets disposed	(15,000)
Gains on deemed disposal	–
Net cash outflow due to deemed disposal	(10,136)

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

For the year ended 31 December 2019, non-controlling interests made several capital injections into the Group with total amount of RMB4,840,075,000, 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 year ended 31 December 2019, the Group acquired additional interests in the subsidiaries for a net consideration of RMB5,769,304,000. The Group recognised a decrease in non-controlling interests of RMB5,563,569,000 and a decrease in the equity attributable to the equity holders of the Company of RMB205,735,000. The effect of changes in the ownership interest of the Group on the equity attributable to the equity holders of the Company during the year is summarised as follows:

	The date of acquisiton RMB'000
Carrying amount of non-controlling interests acquired	5,563,569
Consideration paid in current period to non-controlling interests	(5,769,304)
Excess of consideration paid recognised in equity	(205,735)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

41 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 party of the Group is Mr. Hui Wing Mau.

- (a) Other than those disclosed elsewhere in the consolidated financial statements, the Group entered into the following major related party transactions.

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Construction material sold to related companies	326,456	257,770

(b) Key management compensation

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Emoluments		
– Salaries and other short-term employee benefits	20,152	19,774
– Retirement scheme contributions	131	132
	20,283	19,906

42 Events after the reporting period

42.1 In January 2020, the Company issued 158,000,000 new shares. The net proceeds received by the Company were approximately HK\$4,638 million.

42.2 In March 2020, the Group obtained RMB6.5 billion low cost financing (3.23-3.9% interest per annum) including RMB4.5 billion corporate bonds issued by Shimao Jianshe, with interest rate for the 5-year bonds at 3.23% and that for the 7-year bonds was 3.9%.

42.3 The worldwide outbreak of coronavirus ("Coronavirus Pandemic") began in January 2020. Having reviewed the market condition, operation, sufficiency of the Group working capital and financing, the Directors of the Company considered the Coronavirus Pandemic does not have a significant adverse impact on the Group's financial position as at 31 December 2019 and financial performance for the year then ended.

43 Approval of the consolidated financial statements

The consolidated financial statements were approved by the Company's board of directors on 30 March 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

44 Balance sheet and reserve movement of the Company

Balance sheet of the Company

	Audited 31 December 2019 RMB'000	Audited 31 December 2018 RMB'000
ASSETS		
Non-current assets		
Interests in subsidiaries	40,228,627	33,872,356
Other non-current assets	419,946	159,315
	40,648,573	34,031,671
Current assets		
Other receivables	11,487	7,171
Derivative financial instruments	63,004	12,468
Dividends receivable from subsidiaries	30,787,361	20,233,419
Cash and cash equivalents	153,541	694,209
	31,015,393	20,947,267
Total assets	71,663,966	54,978,938
EQUITY		
Equity attributable to the equity holders of the Company		
Share capital	341,575	341,575
Reserves		
– Proposed final dividend	2,671,213	1,971,784
– Others	6,211,031	3,567,419
Total equity	9,223,819	5,880,778
LIABILITIES		
Non-current liabilities		
Borrowings	54,936,425	40,524,374
Current liabilities		
Borrowings	6,491,752	7,515,480
Other payables and accrued expenses	978,010	833,733
Amounts due to subsidiaries	33,960	224,573
	7,503,722	8,573,786
Total liabilities	62,440,147	49,098,160
Total equity and liabilities	71,663,966	54,978,938
Net current assets	23,511,671	12,373,481
Total assets less current liabilities	64,160,244	46,405,152

The financial statements on pages 78 to 184 were approved by the Board of Directors on 30 March 2020 and were signed on its behalf.

Hui Wing Mau
Director

Hui Sai Tan, Jason
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

44 Balance sheet and reserve movement of the Company (CONTINUED)

Reserve movement of the Company

	Share premium RMB'000 (Note (i))	Share-based compensation reserve RMB'000 (Note (ii))	Capital redemption reserve RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2018	581,696	288,151	4,949	1,966,604	2,841,400
Profit for the year	–	–	–	7,361,107	7,361,107
Equity-settled share-based payment					
– Value of employee services	–	116,075	–	–	116,075
– Purchase of shares	(97,714)	–	–	–	(97,714)
– Dividend received	12,539	–	–	–	12,539
Buyback of shares					
– Purchase of shares	–	–	–	(1,549,371)	(1,549,371)
– Dividend received	9,069	–	–	–	9,069
– Cancellation of shares	7,289	–	–	–	7,289
2017 final dividend paid	–	–	–	(1,713,359)	(1,713,359)
2018 interim dividend paid	–	–	–	(1,447,832)	(1,447,832)
Balance at 31 December 2018	512,879	404,226	4,949	4,617,149	5,539,203
Representing:					
Proposed final dividend	–	–	–	1,971,784	1,971,784
Others	–	–	–	2,645,365	3,567,419
	–	–	–	4,617,149	5,539,203
Balance at 1 January 2019	512,879	404,226	4,949	4,617,149	5,539,203
Profit for the year	–	–	–	7,028,179	7,028,179
Equity-settled share-based payment					
– Value of employee services	–	125,171	–	–	125,171
– Dividend received	10,674	–	–	–	10,674
2018 final dividend paid	–	–	–	(2,031,640)	(2,031,640)
2019 interim dividend paid	–	–	–	(1,789,343)	(1,789,343)
Balance at 31 December 2019	523,553	529,397	4,949	7,824,345	8,882,244
Representing:					
Proposed final dividend				2,671,213	2,671,213
Others				5,153,132	6,211,031
				7,824,345	8,882,244

Notes:

- (i) Pursuant to Section 34 of the Cayman Companies Law (2003 Revision) and the Articles of Association of the Company, share premium of the Company is available for distribution to shareholders subject to a solvency test on the Company and the provision of the Articles of Association of the Company.
- (ii) Share-based compensation reserve represents value of employee services in respect of share options granted under the share option schemes and shares granted under the Share Award Scheme (Note 22(c)).