



世茂集團

SHIMAO GROUP HOLDINGS LIMITED

世茂集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立之有限公司)

Stock Code 股份代號: 813

2020
INTERIM REPORT
中期報告





Beijing Shimao Loong Palace



CONTENTS

| | |
|--|----|
| Corporate Information | 4 |
| Chairman's Statement | 6 |
| Management Discussion and Analysis | 12 |
| Corporate Governance and Other Information | 28 |
| Report on Review of Interim Financial Information | 37 |
| Interim Condensed Consolidated Balance Sheet | 38 |
| Interim Condensed Consolidated Statement of Comprehensive Income | 40 |
| Interim Condensed Consolidated Statement of Changes in Equity | 41 |
| Interim Condensed Consolidated Statement of Cash Flows | 43 |
| Notes to the Interim Condensed Consolidated Financial Information | 44 |



NATIONWIDE QUALITY LAND RESERVES

Penetrated in **135** cities, with **423** projects,
a total area of **83.93** million sq.m.
(before interests) land bank

(as at 30 June 2020)

● Zhejiang District

Hangzhou Shimao
Begonia Bay
Jiaxing Shimao Shine
City
Wenzhou Wuyue
Lishui Shimao Cloud
Atlas
Ningbo Panhuo Project

● Central China District

Wuhan Yangjiawan K2
Zhengzhou Shimao Shine
City
Wuhan Shimao Splendid
River
Hefei Shimao Classic
Chinese Chic
Hefei Shimao Jade
Mansion

● Western District

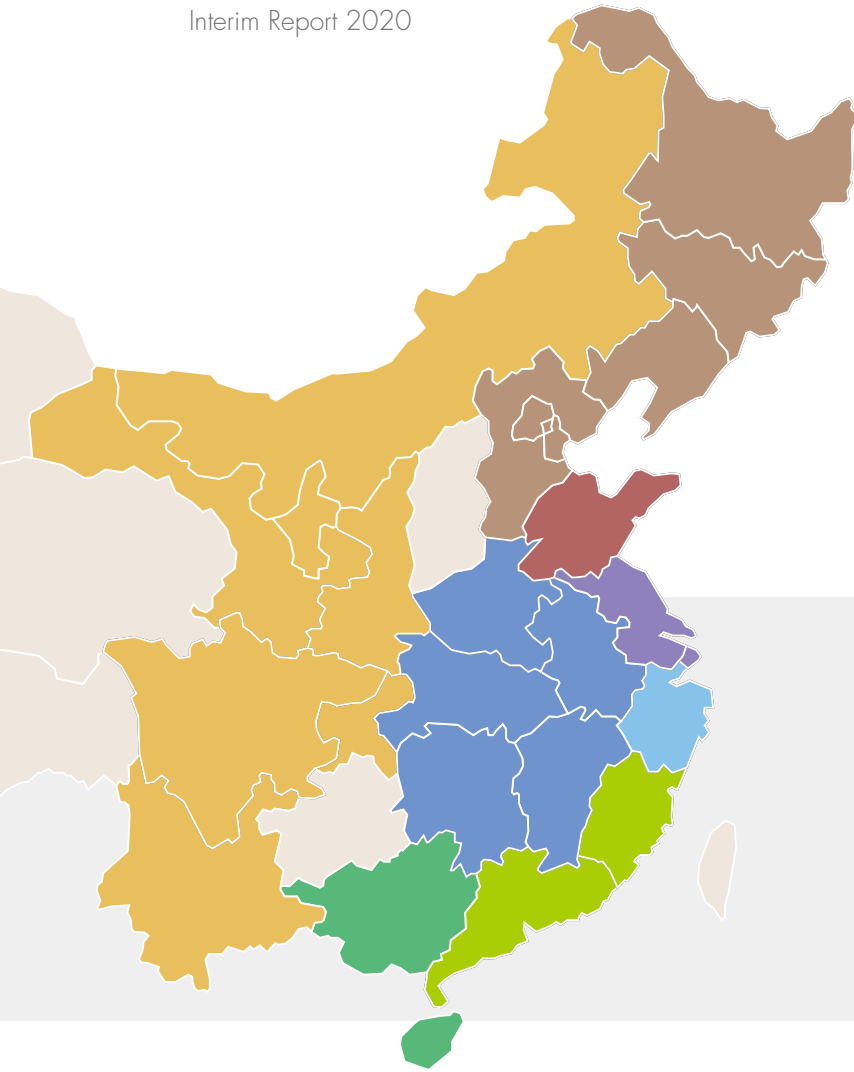
Chengdu Culture
Mansion
Yinchuan Shimao Yuexi
Chongqing Shimao Shine
City
Shimao Chongqing
Center
Kunming Shimao Shine
City
Xi'an Shimao Shine City

● Shandong District

Dezhou Shimao Four
Seasons
Jinan Changqing Shimao
Festival City
Weifang Shimao Cloud
Atlas
Jinan Junmaofu
Jinan Shimao Metropolis
Qingdao Shimao Noble
Town

● Northern China District

Beijing Shimao Loong
Palace
Beijing Royal Palace
Beijing Classic Chinese
Chic
Tianjin Shimao Shine
No.1
Beijing Gongti Project
Beijing Bright Moon in
Forest



● **Jiangsu and Shanghai District**

- Yangzhou Shimao Shine Stars
- Nanjing Shimao Honor of China
- Suzhou Shimao Bronze Swallow Terrace
- Nanjing Shimao Shine Bund City
- Nanjing Shimao Shine Future
- Nanjing Shimao Shine Bay

● **Straits Development District**

- Guangzhou Shimao Swan Bay
- Guangzhou Shimao Beyond Sky
- Dongguan Riverside Purple Town
- Shenzhen Longgang Shimao Shenzhen-Hong Kong International Centre
- Shenzhen Shimao The Great Mogul
- Zhuhai Shimao Hong Kong Zhuhai Macao Port City
- Fuzhou Difengjiang
- Fuzhou Changle Shimao Shine City
- Ningde Shimao Shine City
- Zhangzhou Shimao Yuansheng Cloud City
- Quanzhou Huian Shimao The One
- Ningde Shimao Joy Fashion Plaza
- Pingtian Shimao Straits Love Island
- Fu'an Shimao Cloud Valus
- Haikou Shimao Shine Bund
- Fuzhou Shimao Tangyue Mountain South

● **Yuegui District**

- Liuzhou Vision Tang
- Nanning Tang Palace
- Maoming Station South Project
- Zhaoqing Shimao No.1 Riverside
- Zhaoqing Shimao Cloud Atlas

● **Yangtze River Delta Zone**

- Hangzhou Shimao Tahoe Central Plaza
- Nanchang Yunjingyuecheng
- Hangzhou Shimao Classic Chinese Chic
- Xuzhou Shimao Welkin Mansion
- Fuzhou Shimao Jade City

● **HKSAR**

- Kowloon Tai Wo Ping
- Sheraton Hong Kong Tung Chung Hotel
- Grand Victoria

Remarks: Only the key projects are listed above



CORPORATE INFORMATION

Board of Directors

Executive Directors

Hui Wing Mau (*Chairman*)
Hui Sai Tan, Jason (*Vice Chairman and President*)
Tang Fei
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*)
Kan Lai Kuen, Alice
Lam Ching Kam

Nomination Committee

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

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.shimaogroup.hk



Taian Classic Chinese Chic

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 / ir@shimaogroup.com.hk
Telephone: (852) 2511 9968
Facsimile: (852) 2511 0287

Interim and Special Dividends

| | |
|---|---|
| Interim dividend amount: | HK60 cents per ordinary share |
| Special dividend amount: | HK10 cents per ordinary share |
| Book closure period: | Wednesday, 9 September 2020 and Thursday, 10 September 2020 |
| Record date: | Thursday, 10 September 2020 |
| Payment date: | Friday, 25 September 2020 |
| Latest time for lodging transfer documents: | 4:30 p.m. on Tuesday, 8 September 2020 |



Hangzhou Shimao Wisdom Tower

CHAIRMAN'S STATEMENT



Dear shareholders,

I am pleased to present the interim results of Shimao Group Holdings Limited ("Shimao Group", "Shimao" or the "Company", together with its subsidiaries, the "Group") for the six months ended 30 June 2020.

Market and Outlook

In the first half of 2020, the outbreak of COVID-19 pandemic across the world has prompted various countries to implement an unprecedented lockdown, travel ban and other measures with the aim of curbing the spread of the COVID-19 pandemic, which has exerted an enormous impact on the development of the global economy. The PRC government also imposed stringent control measures nationwide to fight the epidemic since late January, including the lockdown measures and extension of business suspension in many cities. Such sudden outbreak of the epidemic has piled intense pressure to the domestic economy in the first quarter. According to the National Bureau of Statistics, the gross domestic product ("GDP") recorded a drop of 6.8% for the first quarter as compared with the corresponding period of last year, representing the first ever negative growth over the years. Due to continuous effectiveness of epidemic prevention and control measures, the resumption of operation and production of various industries have been progressing in an orderly manner since March. In addition, the central government has repeatedly emphasized its determination to ensure stability on six fronts, namely, stability in employment, finance, foreign trade, foreign investment, domestic investment, and expectations ("stability on six fronts") and comprehensively maintained security in six areas, namely, job security, basic living needs, operations of market entities, food and energy security, stable industrial and supply chains, and the normal functioning of primary-level

Beijing Canal Financial Headquarters



governments (“security in six areas”). A series of economic stimulus policies implemented by the local governments contributed to the turnaround from negative to positive in the second quarter with GDP growth of 3.2% as compared with the corresponding period of last year, demonstrating a stable recovery of the overall economy.

With respect to the real estate industry, as the COVID-19 pandemic weakened the demand and lead to suspended production and sales, the sales of commodity properties in China in the first quarter recorded a year-on-year decrease of 24.7% to RMB2,036.5 billion. In the second quarter, as the situation of the COVID-19 pandemic continued to improve, monetary policies remained relatively loose with reasonable and sufficient market liquidity. Various cities adopted differentiated policies in a flexible manner, and introduced loose policies on both supply and demand fronts, for example, restrictions on pre-sales were eased, thresholds for talent to settle down were lowered and purchase subsidies for talent were provided, resulting in gradual recovery of the overall market. According to the National Bureau of Statistics, the sales of commodity properties in China in the first half of the year was RMB6,689.5 billion, representing a year-on-year decrease of 5.4% and a substantial drop of 19.3 percentage points as compared with the first quarter.

Looking forward to the second half of 2020, the uncertainties of the macro economy paralyzed by the COVID-19 pandemic will continue. In view of the priorities concerning “stability on six fronts” and “security in six areas” of the central government, the monetary policies will continue to remain relatively loose. The overarching principle of “houses are for inhabiting, not for speculation” will remain unchanged, and the local governments will continue to adopt differentiated policies. In the moderately stable and loose financial landscape, the real estate market will maintain a steady and positive improvement.

Zhuhai Shimao Hong Kong Zhuhai Macao Port City



Sales Performance

The Group's contracted sales amounted to RMB110.48 billion in the first half of 2020, representing a year-on-year increase of 10.1%. The aggregate area of contracted sales reached approximately 6.298 million sq.m., representing a year-on-year increase of 13.3%. The average selling price was RMB17,542 per sq.m.. The growth rate of contracted sales stayed ahead of its peers, achieving "rapid and quality growth" in a steady manner.

It is expected the saleable resources of the Group in the second half of the year will reach 22.06 million sq.m.. The total saleable value will reach RMB400.0 billion, of which residential properties accounted for 79%, and the inventory less than a year accounted for 74%. Shimao is confident to achieve the annual sales target of RMB300.0 billion with sufficient resources and healthy inventory structure.

Shimao's Strategies

Leveraging on its insightful strategies, Shimao actively grasped the development opportunity of national strategic regions and cities and continuously deepened cultivation of the "core city clusters" with focus on the first-tier and second-tier cities and advanced third-tier and fourth-tier cities with remarkable economic development and strong demand. Shimao persistently upholds prudent and proactive attitude towards land bank. In addition to public auction, the Group also develops diversified methods such as cooperation, acquisition, urban renewal and strategic purchase to further expand its land resources. During the reporting period, the Group acquired land bank of 12.32 million sq.m.. In terms of the total land price, the first-tier and second-tier cities and advanced third-tier and fourth-tier cities contributed to 94%. As of 30 June 2020, the Group has 423 projects with a total area of 83.93 million sq.m. (before interests) of quality land in 135 cities across the country. Based on its development portfolio, Shimao has sufficient resources reserves of over RMB1,450.0 billion in popular regions across the country of which the total saleable value of the land bank in the Guangdong-Hong Kong-Macao Greater Bay Area was RMB408.0 billion. Quality land bank has provided a solid guarantee for the sustainable "rapid and quality growth" of Shimao in the future.

Shimao adheres to a "product-oriented and user-centered" approach, and continues to conduct an in-depth research as well as enhance product and customer satisfaction level amid fierce competition in the industry. During the reporting period, Shimao carried out research, development and upgrade on its standardized products and introduced new standards for "new products for epidemic prevention" as the needs for healthy and smart products increased rapidly after the COVID-19 pandemic. Shimao actively responded to customers' needs concerning quality and further enhanced its brand awareness while comprehensively enhancing products, laying a sound foundation to continuously strengthen its industry competitiveness.

Prudent Financial Strategies with Diversified and Innovative Financing

Upholding prudent financial strategies serves as an essential pillar for Shimao to secure continuous “rapid and quality growth”. In the first half of 2020, the Group proactively overcame the adverse impact of the COVID-19 pandemic, continued to strengthen cashflow control, and fully seized the market and policy opportunities. During the reporting period, the amount from cash collection was RMB89.04 billion, representing an increase of 9.5% as compared with the corresponding period of last year. As at 30 June 2020, the Group maintained sufficient book cash of RMB69.92 billion, representing an increase of 17.3% as compared with the end of 2019. Net gearing ratio was 57.8%, representing a decrease of 1.9 percentage points as compared with the end of 2019. Shimao has maintained its net gearing ratio at a healthy level of below 60% for the ninth consecutive years.

Due to steady operation and financial performance, the Group received positive review from domestic and overseas credit ratings institutes. Moody's, Standard & Poor's, and Fitch maintained the credit ratings of the Group at “Ba1”, “BB+” and “BBB-”, respectively, and the outlook was “stable” while major domestic rating institutes maintained the highest corporate credit rating of “AAA”.

We are gratified by the continued trust and support of the capital market. The Company's share was admitted as a constituent stock in the Hang Seng China Enterprises Index since June 2020, becoming one of the 50 constituent stocks. This has certainly demonstrated the recognition of Shimao by the capital market. The Group has repeatedly achieved success in overseas and domestic markets despite the market fluctuations during the first half of the year. During the reporting period, the Group's domestic subsidiaries issued 3-year and above corporate bonds of a total of RMB11.1 billion in tranches in the domestic open market, of which Shanghai Shimao Jianshe Co., Ltd. (“Shimao Jianshe”) successfully issued a total of RMB3.1 billion 5-year bonds in May with the interest rate of 3.2%, marking a new record of the lowest funding cost of onshore bonds issued by Shimao. Meanwhile, the Group has been actively exploring different types of new financing so as to rapidly respond to changes brought by the epidemic. The Group issued financial products regarding the epidemic of RMB850 million in February. In April, the Group obtained the market's first 6-year CMBS issue quota relating to epidemic prevention of hotels in Wuhan in an aggregate amount of RMB840 million. In addition, the Group actively explored overseas financing and issued US\$300 million of 4.6% senior notes due 2030 in July, marking a new record of the longest period and lowest interest rate of Shimao's offshore bonds.

The Group also captured market opportunities, and actively optimized its capital structure. Lead by internationally renowned long-term funds, the Group completed share placings in January and April, respectively, and raised capital with a lower discount. The net proceeds amounted to a total of approximately HK\$6.95 billion. Such fund-raising activities further strengthened the Group's balance sheet and capital structure, effectively preventing external systematic risks and safeguarding future development.



Beijing Classic Chinese Chic

Change of Company Name for Diversified and Strategic New Journey

Striving for values creation to shareholders, Shimao has been expanding its business scope over the past years. With such extensive business scope, the English name of the Company has been changed from "Shimao Property Holdings Limited" to "Shimao Group Holdings Limited" and its Chinese name has been changed from "世茂房地產控股有限公司" to "世茂集團控股有限公司" during the reporting period. The change of company name not only better reflects the current status of the Group's business but also reveals its determination regarding Shimao's future development, business optimization and diversification, promotion of sustainable development and the creation of "Century Shimao" brand.

Given the advantages of diversified business and insightful investment planning of Shimao, the Group officially kicked off a diversified business development model of "Giant Aircraft Strategy (大飛機戰略)" in 2020 with property development as its main body; commercial properties operation, hotel operation, property management and finance as its solid wings; investments in advanced technology, medical treatment, education, elderly care and culture as key empennage for balanced development. The "Aircraft" flown at full speed not only strengthens Shimao's competitiveness during the market cycle, but also brings strong driving force for its sustainable development.

In respect of the property management business, Shimao Services Holdings Limited ("Shimao Services") maintained rapid business development. During the reporting period, Shimao Services continued to expand through multiple channels. As of 20 June 2020, Shimao Services has expanded its property management portfolio to cover 495 properties and an aggregate contracted gross floor area ("GFA") of 124.4 million sq.m.. In May 2020, Sequoia Capital China and Tencent Holdings Limited ("Tencent") invested US\$130 million and US\$114 million in Shimao Services respectively. Following the above mentioned investment, Sequoia Capital China will support Shimao Services in accessing the valuable community business resources, bringing about synergies with the Sequoia Capital China ecosystem, and facilitate the improvement and optimization of operating efficiency and management capabilities at Shimao Services through the application of technologies such as Internet of Things, cloud computing and big data. Meanwhile, Tencent will capitalize on its platform that integrates both online and offline sectors and its capability of supporting new business ecosystem to foster the digital upgrade of Shimao Services. Shimao Services will keep optimizing the entire value chain of the property management service industry, promoting the digital intelligent development of life services, thereby leading to a new future for community lifestyle in China.

In respect of hotel business, Shimao always focuses on the development and operation of city-class and world-class landmark hotels. As of 30 June 2020, Shimao hotels penetrated in core cities, with 22 hotels in operation, including Hyatt on the Bund Shanghai, InterContinental Shanghai Wonderland, Conrad Xiamen and others. The number of hotel guest rooms reached close to 7,200. Besides, Shimao cooperated with Starwood Capital to establish Shimao Star Hotel Group ("Shimao Star") which managed 99 hotels, 11 hotels have been put into operation under Shimao Star. The overall tourism industry had been in a plight in February and March due to the impact of the COVID-19 pandemic. However, following the improvement in the situation of the COVID-19 pandemic in the PRC together with active response of the Shimao team, the operation results of the hotels began to recover steadily since the second quarter. In the second half of 2020, the renovation of Le Royal Méridien Shanghai and The Yuluxe Sheshan, A Tribute Portfolio Hotel, Shanghai will be fully completed, and will serve the customers with a fresh condition. Sheraton Hong Kong Tung Chung and Yu Resort Wuyi are scheduled to commence operation successively. The revenue from the hotel business is expected to rise substantially.

In respect of the commercial and entertainment business, Shimao endeavored to create different types of commercial benchmarking projects. Following the development over the years, Shimao has penetrated in 28 cities across the country with 51 commercial projects, among these 28 projects have been in operation. In addition, leveraging on group industry chain, the Group joined hand with world renowned cultural copyright owners to create self-owned entertainment projects with unique cultural & entertaining spirits. During the reporting period, the first Smurf theme park in Asia-Pacific region, jointly created by Shimao and Belgium Smurfs copyright owner, was officially launched. It was another masterpiece of "urban cultural entertainment lives empowered by cultural copyright" created by the Group following "Hello Kitty Shanghai Times".



Guangzhou Canton Financial Center



Hangzhou Shimao Classic Chinese Chic

Social Responsibility

Over the past 30 years, Shimao persistently emphasizes humanity care and proactively fulfills its corporate social responsibility. During the reporting period, it is the critical year that China and the world are fighting together to curb the COVID-19 pandemic as well as China achieves the target of eradication of poverty and prosperous society. At the beginning of the COVID-19 pandemic outbreak, Shimao donated HK\$30 million for prevention and control of the COVID-19 pandemic in Wuhan and the surrounding areas. Shimao also donated 1.05 million pieces of the medical masks to domestic provinces and cities as well as overseas Chinese communities to safeguard the health and the safety of the citizens.

Over the years, Shimao commits to eradication of poverty and, especially in medical assistance, focuses on health of people in remote rural villages, contributing to the target of "Healthy China". As of the end of June 2020, Shimao has donated more than RMB1.65 billion and served population of more than 22.00 million, bringing the dream and hope to tens of thousands of families and individuals and contributing to eradication of poverty.

Interim and Special Dividends

To demonstrate our appreciation for our shareholders' support, the board of directors of the Company (the "Board") declared an interim dividend of HK60 cents per share for the six months ended 30 June 2020. Meanwhile, in response to the introduction of strategic investors by Shimao Services, the Board also declared a special dividend of HK10 cents per share, totalling HK70 cents per share (corresponding period of 2019: HK60 cents per share).

Appreciation

On behalf of the Board, I would like to thank our shareholders, partners, local governments and customers for their tremendous support. I would also like to extend my heartfelt gratitude and deepest respect to our directors, management and staff for all their valuable contributions. The Group's success together with fulfillment of corporate goals are attributable to their support and engagement. Shimao will continue to have deep insight into the needs of urban life with "Spirit of Craftmanship" and actively facilitate urban development with the Group's diversified business for a better life of people.

Hui Wing Mau

Chairman

Hong Kong, 25 August 2020

MANAGEMENT DISCUSSION AND ANALYSIS

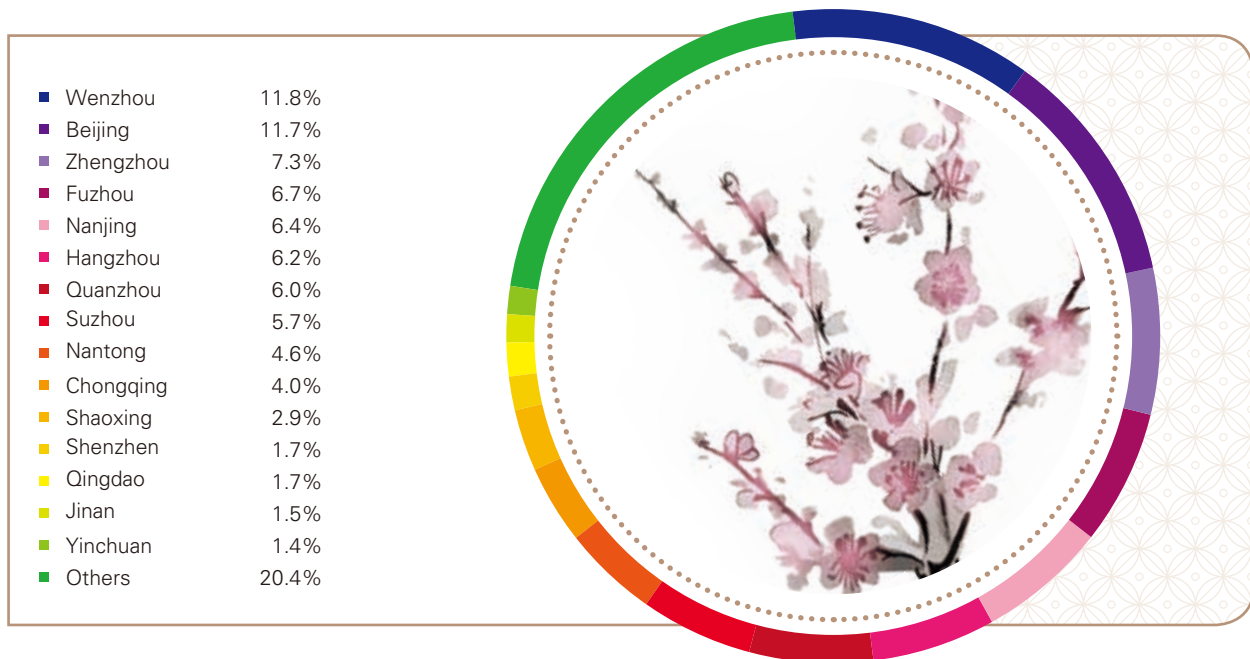
Business Review

Sales of Properties

1) Recognized Sales Revenue

The Group generates its revenue primarily from sales of properties, commercial properties operations, hotel operations and property management. For the six months ended 30 June 2020, revenue of the Group reached RMB64.55 billion, representing an increase of 14.1% as compared to RMB56.56 billion for the corresponding period in 2019. During the period, revenue from property sales amounted to RMB61.47 billion, accounting for 95.2% of the total revenue and representing an increase of 15.5% over the corresponding period in 2019. In the first half of 2020, the recognized sales area was 3.950 million sq.m., representing an increase of 16.6% over the corresponding period in 2019, and the average recognized selling price was RMB15,562 per sq.m..

The breakdown of recognized sales for the first half of 2020 by cities is set out as follows:



2) Steady Sales Growth

With respect to property sales, the Group's contracted sales amounted to RMB110.48 billion in the first half of 2020, representing a year-on-year increase of 10.1%. The aggregate area of contracted sales reached approximately 6.298 million sq.m., representing a year-on-year increase of 13.3%, with an average selling price of RMB17,542 per sq.m.. The growth rate of contracted sales stayed ahead of its peers and "rapid and quality growth" was steadily achieved.

In the first half of 2020, the Group actively coped with the impact of COVID-19 pandemic and boosted the steady growth in performance with a forward-looking layout by seizing the opportunity of differentiated policies adopted by various local governments in a flexible manner and the relatively loose monetary policies. Looking forward to the second half of 2020, the Group will launch saleable areas of approximately 12.79 million sq.m.. Together with the saleable areas of approximately 9.27 million sq.m. as at 30 June 2020, the Group's total saleable areas in the second half of 2020 will be approximately 22.06 million sq.m..

Key projects available for sale in the second half of 2020 are set out as follows:

| District Company | Project | Saleable Area (sq.m.) |
|--|----------------------------|--------------------------|
| Straits Development company | Guangzhou Asian Games City | 283,356 |
| | Jiangmen Taishan | 209,345 |
| | Guangzhou Zengjiang | 147,431 |
| | Zuhai Artificial Island | 126,350 |
| | Fuzhou Jinji | 113,451 |
| | Foshan Shunde | 93,459 |
| | Shenzhen Longgang | 39,340 |
| Northern China company | Gulang Water Town | 517,486 |
| | Changping Dongxiaokou | 67,498 |
| | Fangshan Sunshine Street | 67,355 |
| | Tongzhou North District | 48,393 |
| | Beijing Shangzhuang | 35,286 |
| Central China company | Wuhan Splendid River | 135,435 |
| Zhejiang company | Shaoxing Dayue Road East | 68,380 |
| | Wenzhou Station South | 52,399 |
| | Hangzhou Puyan | 50,377 |
| Jiangsu and Shanghai company | Suzhou Wujiang Park | 55,424 |
| Yangtze River Delta company | Nanchang Yinmeng Lake | 71,467 |
| | Hangzhou Lin'an | 60,353 |
| | Hangzhou Fuyang | 49,477 |
| Western company | Xi'an Beichen | 151,158 |
| | Kunming Shuangfeng | 103,394 |
| | Chongqing Qiansimen | 58,484 |
| Sub-total (key projects above) | | 2,605,098 |
| Other projects available for sale in the second half of 2020 | | 10,184,850 |
| Completed inventory | | 1,905,573 |
| Uncompleted projects available for sale as of 30 June 2020 | | 7,359,932 |
| Total | | 22,055,453 |



Jiangmen Shimao The Blue Bay

3) Completion of Development Projects and Plans as Scheduled

During the first half of 2020, the Group's floor area under construction reached 51.60 million sq.m.. The aggregate GFA completed was approximately 4.66 million sq.m.. Looking forward to 2020, the Group will maintain its quality growth with the full year planned floor area under construction of approximately 59.00 million sq.m. and the aggregate GFA completed of approximately 12.50 million sq.m..

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

Leveraging on its insightful strategies, Shimao actively grasped the development opportunity of national strategic core regions and cities and continuously deepened cultivation of the "core city clusters" with focus on the first-tier and second-tier cities and advanced third-tier and fourth-tier cities with remarkable economic development and strong demand. During the reporting period, Shimao persistently upholds a prudent and proactive attitude and developed diversified land acquisition methods such as cooperation, acquisition, urban renewal and strategic purchase in addition to public auction, thereby acquiring land bank of 12.32 million sq.m.. In terms of the total land price, the first-tier and second-tier cities and advanced third-tier and fourth-tier cities contributed to 94%. In respect of land cost, the average floor price of the new land bank acquired was approximately RMB5,252 per sq.m.. The Group follows its longstanding prudent policy and strives to maintain a balance between development opportunity and risk control. As of 30 June 2020, the Group penetrated in 135 cities across the country, with 423 projects and a total area of 83.93 million sq.m. (before interests) of quality land. The average land cost after interests was RMB5,279 per sq.m.. The premium land bank and relatively low land cost have provided a solid guarantee for the sustainable "rapid and quality growth" of Shimao in the future.

The land parcels acquired by the Group during the reporting period are as follows:

| New Land Parcels | Date of Acquisition | Usage | Land Cost | Total | Cost per sq.m. (RMB) | Group's Interest |
|---|---------------------|--------------------------------------|--|---|----------------------|------------------|
| | | | (Attributable Interests) (RMB million) | Planned GFA (Before Interests) ('000 sq.m.) | | |
| 1. Qingdao Xin'an Parcel | January 2020 | Residential | 1,083 | 352 | 3,073 | 100% |
| 2. Jinan Tangye Project (Project cooperated with Shanghai Shimao Co., Ltd. ("Shanghai Shimao")) | January 2020 | Commercial | 1,007 | 388 | 2,597 | 100% |
| 3. Wuhan Zuolingxincheng Project (Project cooperated with Shanghai Shimao) | January 2020 | Residential and commercial | 355 | 268 | 4,405 | 30% |
| 4. Yiwu Gumutang Parcel | February 2020 | Residential and ancillary commercial | 768 | 183 | 8,411 | 50% |
| 5. Wenzhou Oujiangkou Shoal Phase I E-16-03 Parcel | February 2020 | Residential and ancillary commercial | 1,202 | 239 | 5,032 | 100% |
| 6. Beijing Changping District Dongxiaokou Town HC-022, HC-027 Parcels | March 2020 | Residential | 2,703 | 170 | 37,407 | 43% |
| 7. Dongguan Wanjiaogang No. 2020WR004 Parcel | March 2020 | Residential and ancillary commercial | 1,093 | 98 | 16,725 | 67% |
| 8. Foshan Chancheng Green Island Lake Parcel | March 2020 | Residential | 1,053 | 154 | 10,220 | 67% |
| 9. Fuqing No. 2020-3 Parcel | April 2020 | Residential and ancillary commercial | 549 | 283 | 5,717 | 34% |
| 10. Haikou Yuetai Lanxin Project | April 2020 | Residential | 868 | 225 | 7,708 | 50% |
| 11. Parcel II of Hetandi, Duanzhou District, Zhaoqing | April 2020 | Residential and ancillary commercial | 1,043 | 398 | 2,623 | 100% |
| 12. Fuzhou Changle 2020-01# Hangcheng No. 8 Parcel | April 2020 | Residential and ancillary commercial | 600 | 99 | 12,063 | 50% |
| 13. Fuzhou 2020-15# Jinjixinyuan Parcel | April 2020 | Residential and ancillary commercial | 724 | 127 | 14,255 | 40% |
| 14. Beijing Gongti West Road No. 3 Project | May 2020 | Residential | 580 | 28 | 52,605 | 40% |
| 15. Shaoxing Jinghu Dayue Road No. 6 Parcel | May 2020 | Residential and ancillary commercial | 2,522 | 209 | 12,066 | 100% |
| 16. Dongguan Shatian Town Fulusha Village 2020WR010 | May 2020 | Residential and ancillary commercial | 505 | 126 | 11,785 | 34% |
| 17. Parcel II of Difengjiang, Fuzhou (Project cooperated with Shanghai Shimao) | May 2020 | Residential and commercial | 2,091 | 520 | 11,832 | 34% |
| 18. Parcel at the South of Xingying Peninsula, Tanzhou Village, Shunde, Foshan | May 2020 | Residential and ancillary commercial | 1,376 | 125 | 11,000 | 100% |
| 19. Ningbo Panhuo Parcel (Project cooperated with Shanghai Shimao) | June 2020 | Residential and commercial | 3,380 | 221 | 15,318 | 100% |
| 20. Dongguan Humen Town Longyan Community Parcel | June 2020 | Residential and ancillary commercial | 864 | 151 | 17,303 | 33% |
| 21. Others (Projects with total land cost before interests less than RMB1.0 billion) | First half of 2020 | | 14,098 | 7,959 | | |
| Total | | | 38,464 | 12,323 | 5,252 | |

Commercial Properties Operation

In respect of commercial properties operation, Shimao Group is engaged in the development of commercial properties through a subsidiary, 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 pursues opportunities of the domestic commercial property market to provide a wide range of commercial properties and quality services so as to enhance its comprehensive competitiveness to become a leading company specialized in the development and operation of commercial properties.

In 2020, Shanghai Shimao continues to adjust its leasing plan and promote brands upgrades to face challenges. In the first half of the year, newly and extended leased GFA of Jinan Shimao Plaza was more than 8,500 sq.m., with 44 brands newly introduced or refurbished and upgraded, realizing an increase in overall rental and sales. In addition, the project team actively re-arranged shops, introduced trendy brands, strengthened diverse retail environments, and boosted the consumer experience, thus laying a foundation for results growth in future. Shenzhen Shimao Qianhai Centre contracted GFA of nearly 15,000 sq.m. in the first half of the year, leading the Shenzhen Qianhai area in terms of the contracted GFA and sell-through rate. With the arrival of well-known companies and emerging technology and innovation companies, the project has established its positioning centered on “new economy and new headquarters” and “technology + finance” in the industry. With the opening of subway-connected passage during the year, the underground commercial part of the project became the first subway-connected centralized commercial that has officially appeared in the Qianhai area. In the future, Shenzhen Shimao Qianhai Centre will continue to promote the health concept of green office, enhance smart empowerment to the building, improve the quality standards of property service. It will use subway connection, high-quality commercial and landmark advantages to create the quality of business life in Qianhai, and interpret the new pattern of taste in the Bay Area. Changsha Shimao Global Financial Center was launched to the market in the second quarter of this year. In response to the slowdown status of the real economy, the project adopted a flexible lease strategy to actively overcome market challenges. A total of 13,800 sq.m. was contracted as at the end of June, with the contracted GFA and sell-through rate leading the Changsha Grade A office market. Furthermore, the project’s prominent rental level and customer quality have successfully attracted some of Fortune 500 companies to move in. The stable and diverse tenant structure of the project has laid a solid foundation for the steady performance improvement in the future.

In addition, Shimao commercial was highly recognized by its peers during the reporting period. Jinan Shimao Plaza was awarded “The Most Influential Brand 2019” (2019年度最具影響力品牌) by Sina, Nanjing Shimao Link Park received the “Asia Pacific Property Award – Mixed-use Architecture Award” (亞太房地產設計大獎—混合建築優秀獎) awarded by the International Property Award (國際房地產設計大獎), and Shenzhen Longgang Shimao Shenzhen-Hong Kong International Centre won the “Domestic Super Landmark Best New Arrival” (超級地標綜合體新秀獎) awarded by the 16th Hurun Best of Best (第十六屆胡潤尚品優選), proving the increasing brand awareness and recognition of Shimao commercial during the year.

Property Management

In respect of the property management, Shimao Services maintained rapid business development. During the reporting period, Shimao Services continued to expand through multiple channels, including the completion of the acquisition of Guangzhou Yuetai Property Services Co., Ltd. (廣州市粵泰物業服務有限公司) and Chengdu Xinyi Property Co., Ltd. (成都信誼物業有限公司) etc.. Shimao Services has newly obtained contracted GFA of over 20 million sq.m.. As of 20 June 2020, Shimao Services has expanded its business across the nation, with a property management portfolio covering 495 properties with an aggregate contracted GFA of 124.4 million sq.m..

In May 2020, Sequoia Capital China and Tencent invested US\$130 million and US\$114 million in Shimao Services respectively. Following the above mentioned investment, Sequoia Capital China will support Shimao Services in accessing the valuable community business resources, bringing about synergies with the Sequoia Capital China ecosystem, and facilitate the improvement and optimization of operating efficiency and management capabilities at Shimao Services through the application of technologies such as Internet of Things, cloud computing and big data. Meanwhile, Tencent will capitalize on its platform that integrates both online and offline sectors and its capability of supporting new business ecosystem to foster the digital upgrade of Shimao Services. Shimao Services will keep optimizing the entire value chain of the property management service industry, promoting the digital intelligent development of life services, thereby leading to a new future for community lifestyle in China.

Hotel Operations

As of 30 June 2020, the Group had a total of 22 hotels in operation, including Hyatt on the Bund Shanghai, InterContinental Shanghai Wonderland, Le Royal Méridien Shanghai, Conrad Xiamen, Hilton Wuhan Riverside, The Yuluxe Sheshan, A Tribute Portfolio Hotel, Shanghai, InterContinental Fuzhou, Hilton Nanjing Riverside, Hilton Shenyang and Crowne Plaza Shaoxing. Currently, the Group has around 7,200 hotel guest rooms. In addition, the Group had 5 directly managed leased hotels, including MiniMax Hotel Shanghai Songjiang, MiniMax Premier Hotel Shanghai Hongqiao, MiniMax Hotel Xiamen Central, MiniMax Premier Hotel Chengdu City Center and ETHOS Hotel Xiamen, offering over 900 hotel guest rooms. At the beginning of the outbreak of COVID-19 pandemic, the tourism industry as a whole was in a plight, with losses in both February and March; however, with the stabilization of the domestic epidemic, the Group used various sales platforms to further increase personal consumption in response to the reduction of business customers during the epidemic. The hotel's performance had begun to grow steadily since April and had seen pick-ups in sales month by month. The EBITDA of hotel business was RMB101 million in the first half of the year.

In the first half of 2020, Shimao Star launched the renewed luxury resorts hotel brand, "Yu Resort". The brand adheres to the core value of "Hidden, Inheritance, Exclusive (隱世、傳承、專享)", selects unique natural and cultural destinations around the world, and customizes an immersive vacation space that breaks the boundaries between natural and residential culture. Each Yu Resort hotel will inherit five millennia of wisdom, deeply integrate natural landscape with oriental traditional culture, and show the brand connotation of "Oriental Tranquility that composites Aroma of Trendy and Antique (御古融今的東方謐境)", allowing every guest to immerse in the landscape and culture, so as to feel the full awakening of their senses and mind.

As of 30 June 2020, Shimao Star's hotels in operation and in preparation for opening included 4 luxury resorts hotels, "Yu Resort", 17 luxury hotels, "Yuluxe", 20 high-end hotels, "Yu Hotels", 9 luxury serviced apartments, "Yu Residence", 4 lifestyle boutique hotels, "ETHOS", 13 high-end inspirational selected hotels, "MiniMax Premier", and 32 inspirational selected hotels, "MiniMax". Of the 99 hotels, 11 hotels have been put into operation and 88 hotels 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, Zhuhai and Tongxiang. Looking forward, while maintaining its focus on the fast-growing hotel market in China, Shimao Star will actively explore overseas markets, and striving to be a Chinese hotel group benchmark with global presence.

In the second half of 2020, the renovation of Le Royal Méridien Shanghai and The Yuluxe Sheshan, A Tribute Portfolio Hotel, Shanghai will be fully completed. These hotels will serve the customers with a fresh condition, and the income is expected to rise substantially. Sheraton Hong Kong Tung Chung is scheduled to commence operation at the end of 2020. With the gradual recovery of domestic tourism, hotel performance will also recover gradually, in particular, resorts hotels are well-positioned to be among the first to rebound.

In the second half of 2020, Shimao Star will actively explore new projects, constantly enhance its brand image and operation of its opened hotels, as an effort to maintain revenue growth. Its membership scheme “Shimao Star Dream Club” will be continuously promoted through diversified reward activities, with the aim of enhancing customer loyalty as well as providing a stronger customer source for its opened and upcoming hotels. The first hotel of luxury resorts brand “Yu Resort”, Yu Resort Wuyi, the first Song Dynasty style “Drift Tranquilly (舟行謐境)” vacation experience space in China as well, will be grandly opened in August. The new lifestyle brand ETHOS’s second hotel, Shimao ETHOS Hotel Wuhan, was grandly opened in July 2020. In the second half of 2020, Shimao Star will strive to realize the full potential of its hotels to cater for the diversified needs of its customers and actively explore new income sources.

Hotel properties are stated at carrying amount, i.e. cost less accumulated depreciation and impairment losses, if any, rather than at fair value. In order to provide shareholders with additional non-GAAP information on the net assets value of the Group, the Board has appointed Vigers Appraisal and Consulting Limited, an independent valuer, to perform a valuation of the Group’s hotel properties as at 30 June 2020. Had the 31 hotels (31 December 2019: 31 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 RMB42.7 billion (31 December 2019: RMB43.2 billion), the net assets value of the Group would have been increased to RMB144.7 billion (31 December 2019: RMB130.8 billion).

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

| | As at 30 June 2020 (RMB million) | As at 31 December 2019 (RMB million) |
|---|---|---|
| Fair value of above-mentioned hotels | 42,689 | 43,169 |
| Less: Carrying amount | (18,253) | (18,187) |
| Amounts to adjust from carrying amount to fair value | 24,436 | 24,982 |
| Less: Deferred income taxes | (6,109) | (6,246) |
| Increase in net assets value if the above-mentioned hotels are stated at fair value | 18,327 | 18,736 |
| Net assets value per consolidated balance sheet (excluding perpetual capital instruments) | 126,404 | 112,039 |
| Adjusted net assets value (excluding perpetual capital instruments) | 144,731 | 130,775 |
| Net debt | 73,060 | 66,932 |
| Adjusted net gearing ratio | 50.5% | 51.2% |

Financial Analysis

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

| | 1H 2020 RMB million | 1H 2019 RMB million |
|---|--------------------------------------|------------------------|
| Revenue | 64,553 | 56,564 |
| Gross profit | 19,512 | 17,020 |
| Operating profit | 15,623 | 14,177 |
| Profit attributable to shareholders | 5,266 | 5,105 |
| Earnings per share – Basic (<i>RMB cents</i>) | 152.58 | 155.17 |

Revenue

For the six months ended 30 June 2020, the revenue of the Group was approximately RMB64,553 million (1H 2019: RMB56,564 million), representing an increase of 14.1% over the corresponding period in 2019. 95.2% (1H 2019: 94.1%) of the revenue was generated from the sales of properties and 4.8% (1H 2019: 5.9%) from hotel operation, commercial properties operation, property management and others.

The components of the revenue are analysed as follows:

| | 1H 2020 RMB million | 1H 2019 RMB million |
|--|--------------------------------------|------------------------|
| Sales of properties | 61,466 | 53,236 |
| Hotel operation income | 453 | 996 |
| Commercial properties operation income | 734 | 722 |
| Property management income, and others | 1,900 | 1,610 |
| Total | 64,553 | 56,564 |

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



Nanjing Shimao Honor of China

(i) Sales of Properties

Sales of properties for the six months ended 30 June 2020 and 2019 are set out below:

| | 1H 2020 | | 1H 2019 | |
|--------------|------------------|---------------|------------------|---------------|
| | Area (sq.m.) | RMB million | Area (sq.m.) | RMB million |
| Wenzhou | 307,592 | 7,255 | – | – |
| Beijing | 90,270 | 7,188 | 149,511 | 5,328 |
| Zhengzhou | 331,988 | 4,501 | – | – |
| Fuzhou | 320,184 | 4,094 | 427,848 | 8,209 |
| Nanjing | 109,671 | 3,931 | 194,563 | 4,492 |
| Hangzhou | 130,106 | 3,812 | 49,662 | 1,166 |
| Quanzhou | 512,149 | 3,704 | 340,793 | 3,447 |
| Suzhou | 188,754 | 3,506 | 157,065 | 4,669 |
| Nantong | 228,543 | 2,817 | – | – |
| Chongqing | 214,089 | 2,453 | 39,234 | 474 |
| Shaoxing | 134,283 | 1,785 | 156,462 | 3,412 |
| Shenzhen | 23,870 | 1,068 | 8,062 | 212 |
| Qingdao | 61,862 | 1,020 | 233,592 | 2,467 |
| Jinan | 91,919 | 908 | 136,422 | 1,237 |
| Yinchuan | 93,237 | 871 | 129,518 | 1,156 |
| Lanzhou | 81,374 | 857 | – | – |
| Hefei | 48,075 | 853 | 41,683 | 600 |
| Lishui | 39,256 | 689 | – | – |
| Zhongshan | 76,381 | 668 | – | – |
| Weifang | 55,880 | 638 | – | – |
| Kunming | 41,883 | 611 | – | – |
| Guangzhou | 6,217 | 539 | – | – |
| Wuxi | 40,783 | 538 | – | 9 |
| Nanchang | 39,035 | 510 | 11,610 | 268 |
| Others | 682,367 | 6,650 | 459,541 | 4,103 |
| Total | 3,949,768 | 61,466 | 3,388,032 | 53,236 |

(ii) Hotel Income

Hotel operation income is set out as follows:

| | Date of Commencement | 1H 2020 RMB million | 1H 2019 RMB million |
|--|---------------------------------|--------------------------------|------------------------|
| InterContinental Shanghai Wonderland | November 2018 | 86 | 132 |
| Hyatt on the Bund Shanghai | June 2007 | 54 | 186 |
| Conrad Xiamen | August 2016 | 35 | 78 |
| Le Royal Méridien Shanghai | September 2006 | 29 | 110 |
| The Yuluxe Sheshan, A Tribute Portfolio Hotel, Shanghai | November 2005 | 26 | 56 |
| InterContinental Fuzhou | January 2014 | 24 | 50 |
| Crowne Plaza Shaoxing | March 2014 | 24 | 43 |
| Hilton Wuhan Riverside | July 2016 | 23 | 61 |
| Hilton Nanjing Riverside | December 2011 | 22 | 44 |
| Hilton Shenyang | January 2018 | 19 | 41 |
| Hilton Tianjin Eco-City | April 2015 | 16 | 29 |
| Le Méridien Hangzhou Binjiang | September 2018 | 16 | 26 |
| DoubleTree by Hilton Wuhu | October 2013 | 15 | 31 |
| DoubleTree by Hilton Ningbo Beilun | December 2016 | 15 | 26 |
| Hilton Yantai | August 2017 | 14 | 28 |
| Yuluxe Hotel Taizhou | August 2014 | 10 | 14 |
| Holiday Inn Shaoxing | September 2011 | 8 | 15 |
| Holiday Inn Mudanjiang | December 2010 | 4 | 12 |
| DoubleTree by Hilton Ningbo Chunxiao | December 2015 | 3 | 11 |
| Others | | 10 | 3 |
| Total | | 453 | 996 |

Hotel operation income decreased by approximately 54.5% to RMB453 million for the six months ended 30 June 2020 from RMB996 million over the corresponding period in 2019. The decrease of income was mainly due to (1) the global pandemic of the COVID-19 and the decline in international visitors, and (2) the renovation of Le Royal Méridien Shanghai and The Yuluxe Sheshan, A Tribute Portfolio Hotel, Shanghai.



Hangzhou Shimao Tahoe Central Plaza

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

Commercial properties operation income increased by approximately 1.7% to RMB734 million for the six months ended 30 June 2020 from RMB722 million over the corresponding period in 2019. Rental income decreased because some rent-free benefits were offered to tenants. Meanwhile, new income growth was achieved through diversified business such as “night market”.

Commercial properties operation income is analysed as follows:

| | Date of Commencement | 1H 2020 RMB million | 1H 2019 RMB million |
|---|---------------------------------|--------------------------------|--------------------------------|
| Rental Income | | | |
| Shanghai Shimao Festival City | December 2004 | 112 | 116 |
| Jinan Shimao International Plaza | May 2014 | 76 | 80 |
| Beijing Shimao Tower | July 2009 | 75 | 86 |
| Shaoxing Shimao Dear Town (Commercial) | May 2010 | 40 | 48 |
| Kunshan Shimao Plaza | April 2012 | 25 | 29 |
| Xiamen Shimao Straits Mansion | January 2017 | 23 | 29 |
| Nanjing Yuhua Shimao (Commercial) | December 2018 | 23 | 21 |
| Nanjing Straits City (Commercial) | December 2014 | 18 | 17 |
| Shanghai Shimao Tower | December 2018 | 18 | 16 |
| Shanghai Shimao Shangdu | November 2010 | 17 | 18 |
| Quanzhou Shishi Shimao Skyscraper City | January 2017 | 17 | 17 |
| Suzhou Shimao Canal Scene (Commercial) | June 2010 | 16 | 20 |
| Changshu Shimao The Centre | January 2009 | 10 | 11 |
| Xuzhou Shimao Dongdu (Commercial) | January 2012 | 5 | 6 |
| Wuhu Shimao Riviera Garden (Commercial) | September 2009 | 2 | 3 |
| Miscellaneous rental income | | 27 | 28 |
| Rental income sub-total | | 504 | 545 |
| Commercial properties related service income | | 230 | 177 |
| Total | | 734 | 722 |

Property management income and other income increased by approximately 18.0% to RMB1,900 million for the six months ended 30 June 2020 from RMB1,610 million over the corresponding period in 2019, which was mainly due to the increase in property management area.

Cost of Sales

Cost of sales increased by 13.9% to approximately RMB45,041 million for the six months ended 30 June 2020 from RMB39,544 million for the six months ended 30 June 2019, which was in line with the growth in sales.

Cost of sales are analysed as follows:

| | 1H 2020 RMB million | 1H 2019 RMB million |
|---|--------------------------------------|------------------------|
| Land costs and construction costs | 40,653 | 35,493 |
| Capitalised borrowing costs | 2,986 | 2,495 |
| Direct operating costs for hotels, commercial properties operation and others | 1,016 | 1,221 |
| Sales taxes | 386 | 335 |
| Total | 45,041 | 39,544 |

Fair Value Gains on Investment Properties – Net

During the period under review, the Group recorded aggregate fair value gains of approximately RMB309 million, mainly contributed by the further increase in value of certain investment properties. Aggregate net fair value gains after deferred income tax of approximately RMB77 million recognized was RMB232 million (1H 2019: RMB474 million).

Other Income/Other Gains – Net

Other gains of approximately RMB353 million for the six months ended 30 June 2020 (1H 2019: RMB82 million), which mainly included gain on government grants of RMB77 million (1H 2019: RMB29 million) and net gains on acquisition and disposal of subsidiaries of RMB209 million (1H 2019: RMB20 million).

Selling and Marketing Costs and Administrative Expenses

The Group strictly linked actual cost with performance ratio through overall budget management and dynamic tracking. Selling and marketing costs and administrative expenses arising from property sales accounted for 2.8% of contracted sales in the first half of 2020 (1H 2019: 2.3%), which was competitive in the market.

Operating Profit

Operating profit amounted to RMB15,623 million for the six months ended 30 June 2020, increased by 10.2% from RMB14,177 million over the first half of 2019, which was mainly attributable to the increase of revenue and gross profit.

Finance (Costs)/Income – Net

Net finance costs was approximately RMB714 million (1H 2019: net finance costs of RMB170 million), mainly due to greater fluctuation and more net foreign exchange loss accrued in the first half of 2020 than that in the corresponding period of 2019.

Share of Results of Associated Companies and Joint Ventures

Share of profit of associated companies and joint ventures increased to profits of approximately RMB74 million in the first half of 2020 from RMB16 million in the corresponding period in 2019, which was mainly attributable to recognition of profit from Guangzhou Financial City Project.

Taxation

The Group's tax provisions amounted to approximately RMB6,961 million for the period, in which PRC land appreciation tax ("LAT") was RMB3,146 million (1H 2019: RMB6,454 million, in which LAT was RMB3,046 million). The increase in LAT was in line with the growth in gross margin.

Profit Attributable to Shareholders

Profit attributable to shareholders for the period increased by 3.1% from approximately RMB5.105 billion in the first half of 2019 to RMB5.266 billion in the first half of 2020. 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 attributable to shareholders for the period increased by 4.7% to approximately RMB5.558 billion. Net profit margin from core business attributable to shareholders was 13.3% in the first half of 2020. Plus after-tax gain attributable to shareholders from the disposal of part of the equity of Shimao Services of approximately RMB600 million, net profit from core business attributable to shareholders for the period increased by 16.0% to approximately RMB6.158 billion.

The major after tax non-cash items include such as fair value gains on investment properties, exchange gains or losses, gains and loss on acquisition and disposal of subsidiaries, share of results of associated companies and joint ventures and depreciation and amortization from profit attributable to shareholders.

During the six months period ended 30 June 2020, the Group obtained RMB1.729 billion cash consideration from strategic investors to the Group's subsidiary Shimao Services for convertible redeemable shares of Shimao Services equivalent to 10% of its equity, of which 5% was issuance of new shares while 5% was disposal of the Group's original interest. The after tax gain on such disposal was RMB600 million, representing the excess of the consideration received from disposal of the Group's original interest over the attributable net assets value thereon, but that was not recognized in the Group's profit and loss account under the applicable accounting standard.

Liquidity and Financial Resources

As of 30 June 2020, the total assets of the Group were approximately RMB546.106 billion, of which current assets were approximately RMB422.729 billion. Total liabilities were approximately RMB414.311 billion, whereas non-current liabilities were approximately RMB111.499 billion. Total equity was approximately RMB131.795 billion, of which equity attributable to the shareholders of the Company amounted to approximately RMB75.331 billion.

As of 30 June 2020, the Group had aggregate cash and bank balances (including restricted cash) of approximately RMB69.921 billion (as at 31 December 2019: RMB59.623 billion). Total borrowings amounted to approximately RMB142.981 billion, including convertible redeemable shares of subsidiary RMB1.749 billion (as at 31 December 2019: RMB126.555 billion). Total net borrowings were RMB73.060 billion (as at 31 December 2019: RMB66.932 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 decreased slightly from 59.7% as at 31 December 2019 to 57.8% as at 30 June 2020. Net gearing ratio has been maintained around 60% for ninth consecutive years.

The maturity of the borrowings of the Group as at 30 June 2020 is set out as follows:

| | RMB million |
|---|----------------|
| Bank borrowings and borrowings from other financial institutions and bonds | |
| Within 1 year | 38,618 |
| Between 1 and 2 years | 28,110 |
| Between 2 and 5 years | 37,275 |
| Over 5 years | 4,683 |
| Senior notes | |
| Within 1 year | 948 |
| Between 1 and 2 years | 6,946 |
| Between 2 and 5 years | 17,620 |
| Over 5 year | 7,032 |
| Total | 141,232 |

Financing Activities

The Group continued to make outstanding achievements in financing, making full use of diversified innovative financing products and means to escort the development.

First of all, the Group seized the market opportunities and made full use of equity financing means to improve the capital structure and increase the share capital. The Company issued shares through top-up placing and obtained HK\$4.6 billion and HK\$2.3 billion respectively in January and May, totalling HK\$6.9 billion. The Group not only won the leading investment of international well-known long-term funds, but also achieved a small discount. The Group gave full play to the advantages of Hong Kong stock equity financing and effectively defened market systemic risks.

Apart from equity financing from open market, financing from debt market also provided stable support. Despite the fluctuation of market conditions in the first half of the year, the Group actively explored all kinds of new financing and quickly responded to external changes under various adverse conditions. In February, financing product relating to the epidemic with a total amount of RMB850 million was issued and the interest rate was 3.6%. In April, the Group obtained a CMBS quota relating to epidemic prevention of hotels in Wuhan of RMB840 million with a maturity period of 6 years, which was the first in the local market of Wuhan.

The Group's corporate bonds were well recognized by the market. In March and May, Shimao Jianshe, issued RMB4.5 billion and RMB3.1 billion corporate bond with a long-term maturity respectively. The interest rate reached 3.2% which recorded the lowest of the Group.

In the context of a substantial easing of relative liquidity in the market, the Group seized the opportunity to issue long-term bonds. In July, US\$300 million of 10-year senior notes with an interest rate of 4.6% were issued, setting a new record of the longest term and the lowest interest rate for the Group's overseas bonds.

As at 30 June 2020, the Group had sufficient financing reserves, and the balance of available facilities from bank and other financial institutions of approximately RMB52.000 billion. The Group has established strategic cooperation with more than 40 onshore and offshore institutions of middle to large scale, and proactively explored cooperation with local banks. The Group maintained stable cooperation relationship with overseas banks in terms of bond and syndicated loans.

With the Group's excellent development and multiple financing channels, the comprehensive financing cost of the Group in the first half of 2020 was around 5.50%, which 0.10 percentage point lower than 5.60% in the corresponding period of last year. The financing cost kept going down steadily and maintained advantage.



Jiangmen Shimao Imperial Spring

Placing and Subscription

On 17 January 2020, the Company entered into the placing and subscription agreement (the "1st Agreement") with the placing agents and the vendor, Gemfair Investments Limited ("Gemfair"), pursuant to which, the placing agents conditionally agreed to place to not less than six independent professional, institutional and/or individual investors, on a fully underwritten basis, 158,000,000 existing ordinary shares of the Company at the placing price of HK\$29.58 per share and Gemfair conditionally agreed to subscribe for the same number of new ordinary shares of the Company as the placing shares placed by the placing agents at the placing price. The subscription shares have a nominal value of HK\$15,800,000 and a market value of HK\$5,071.8 million, based on the closing price of HK\$32.10 per share on the last full trading day prior to the date of the 1st Agreement. The net price of the subscription is HK\$29.35 per share. The Directors considered that the placing and the subscription represented an opportunity to raise capital for the Company while broadening its shareholder and capital base. The Company intended to apply the net proceeds for the development of the projects, to repay the Company's debts and for general working capital of the Group. Please refer to the announcement of the Company dated 17 January 2020 for further details. On 31 January 2020, the Company has completed the placing of the existing shares as well as the allotment and issuance of shares under the general mandate granted to the Directors pursuant to an ordinary resolution passed at the 2019 annual general meeting of the Company (the "General Mandate"). The net proceeds received by the Company after deducting relating fees and expense, were approximately HK\$4,638 million. As of 30 June 2020, the Group has applied the net proceeds of approximately HK\$293 million for the development of the projects, approximately HK\$4,111 million for repaying the Company's debts and approximately HK\$234 million for general working capital.

On 22 April 2020, the Company entered into the placing and subscription agreement (the “2nd Agreement”) with the placing agent and the vendor, Gemfair, pursuant to which, the placing agent conditionally agreed to place to not less than six independent professional, institutional and/or individual investors, on a fully underwritten basis, 78,204,000 existing ordinary shares of the Company at the placing price of HK\$29.73 per share and Gemfair conditionally agreed to subscribe for the same number of new ordinary shares of the Company as the placing shares placed by the placing agent at the placing price. The subscription shares have a nominal value of HK\$7,820,400 and a market value of HK\$2,377 million, based on the closing price of HK\$30.40 per share on the last full trading day prior to the date of the 2nd Agreement. The net price of the subscription is HK\$29.55 per share. The Directors considered that the placing and the subscription represented an opportunity to raise capital for the Company while broadening its shareholder and capital base. The Company intended to apply the net proceeds for the development of the projects, to repay the Company’s debts and for general working capital of the Group. Please refer to the announcement of the Company dated 22 April 2020 for further details. On 5 May 2020, the Company has completed the placing of the existing shares as well as the allotment and issuance of shares under the General Mandate. The net proceeds received by the Company after deducting relating fees and expense, were approximately HK\$2,311 million. As of 30 June 2020, the Group has applied the net proceeds of approximately HK\$224 million for the development of the projects, approximately HK\$1,971 million for repaying the Company’s debts and approximately HK\$116 million for general working capital.

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 30 June 2020, 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 RMB71.123 billion to secure bank facilities granted to the Group. The corresponding bank and other loans amounted to approximately RMB21.649 billion.



Contingencies

As of 30 June 2020, the Group had provided guarantees for approximately RMB23.423 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 RMB9.809 billion in its portion of equity interests in associated companies and joint ventures for their borrowings.

Capital and Property Development Expenditure Commitments

As of 30 June 2020, the Group had contracted capital and property development expenditure but not provided for amounted to RMB68.638 billion.

Employees and Remuneration Policy

As of 30 June 2020, the Group employed a total of 26,136 employees, among whom 6,231 were engaged in property development. Total remuneration for the period amounted to approximately RMB1.436 billion. The Group has adopted a performance-based rewarding system to motivate its staff. The board of directors of the Company (the "Board") adopted a share award scheme (the "Share Award Scheme") of the Company on 30 December 2011. The purpose of the Share Award Scheme is to recognize the contributions by certain selected employees of the Group and to provide them with incentives in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group. In relation to staff training, the Group also provides different types of programs for its staff to improve their skills and develop their respective expertise.



Shenyang Shimao New Wulihe

CORPORATE GOVERNANCE AND OTHER INFORMATION

Directors and Senior Management Profiles

Executive Directors

Hui Wing Mau (Chairman)

Mr. Hui Wing Mau, aged 70, the Chairman and Executive Director of Shimao Group 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 63.92%-owned subsidiary of the Company listed on the Shanghai Stock Exchange and the chairman and a director of Shimao International Holdings Limited. He is a director of Gemfair Investments Limited and Shiyang Finance Limited, substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"). He has been the Chairman and Executive Director of the Company since 8 November 2004. Mr. Hui is the father of Mr. Hui Sai Tan, Jason, the Vice Chairman, President and an Executive Director of the Company, and Ms. Hui Mei Mei, Carol, the vice chairman of Shanghai Shimao.

Hui Sai Tan, Jason (Vice Chairman and President)

Mr. Hui Sai Tan, Jason, aged 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 of the International Financial Management Association and an associate member of The Association of International Accountants (the "AIA"). She was also awarded as one of the Top 10 Accountants of AIA in China in 2018.

Directors and Senior Management Profiles *(continued)*

Executive Directors *(continued)*

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.

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 was formerly an independent non-executive director of Shoucheng Holdings Limited (formerly known as 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; and an independent director of AVIC International Maritime Holdings Limited, a company which was listed on the Catalist Board of the Singapore Exchange Securities Trading Limited and was privatised and delisted on 4 March 2020, from 2011 to 2020. 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 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, and an independent director of Shanghai Shentong Metro Co., Ltd., a company publicly listed on the Shanghai Stock Exchange, from 2014 to 2020. Mr. Lyu is the chief executive partner of the Grandall Law Firm, a vice-president of the All China Lawyers Association, an arbitrator and member of the Shanghai International Economic and Trade Arbitration Commission, an arbitrator and a member of the Shanghai Arbitration Commission, a concurrent professor of East China University of Political Science and Law and the Shanghai University of International Business and Economics, a member of the Review Board of the China Securities Regulatory Commission for Mergers, Acquisitions, and Restructurings of Listed Companies and a commissioner of the Listing Committee of the Shanghai Stock Exchange.

Directors and Senior Management Profiles *(continued)*

Independent Non-Executive Directors *(continued)*

Lam Ching Kam

Mr. Lam Ching Kam (Alias: Jacob Lam), aged 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 2019 annual report of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules is set out below:

| Name of Directors | Details of Changes |
|-------------------------|--|
| Ms. Kan Lai Kuen, Alice | Resigned as an independent director of AVIC International Maritime Holdings Limited (a company which was listed on the Catalist Board of the Singapore Exchange Securities Trading Limited and was privatised and delisted on 4 March 2020) on 27 April 2020 |
| Mr. Lyu Hong Bing | Retired as an independent director of Shanghai Shentong Metro Co., Ltd. (a company publicly listed on the Shanghai Stock Exchange) on 9 May 2020 |
| Mr. Hui Wing Mau | Resigned as a member and the chairman of the nomination committee of the Company ("Nomination Committee") and a member of the remuneration committee of the Company ("Remuneration Committee") on 25 August 2020 |
| Mr. Lam Ching Kam | Appointed as the chairman of the Nomination Committee on 25 August 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".

Share Award Scheme

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

During the six months ended 30 June 2020, 4,341,514 shares were granted to certain executive directors and selected employees of the Group under the Share Award Scheme and 5,651,389 awarded shares have been vested during the six months ended 30 June 2020.

Disclosure of Interests in Securities

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

As at 30 June 2020, the interests and short position of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise to be notified to the Company and the HKEx pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules were as follows:

Long position in the shares of the Company

| Name of Directors | Capacity/ Nature of interests | Number of ordinary shares held | Approximate percentage of issued share capital |
|--------------------|---------------------------------------|-----------------------------------|---|
| Hui Wing Mau | Interest of controlled corporation | 2,299,242,942 ^(Note 1) | 64.993% |
| Hui Sai Tan, Jason | Beneficial owner | 3,481,852 ^(Note 2) | 0.098% |
| Tang Fei | Beneficial owner | 1,189,372 ^(Note 3) | 0.034% |
| Lu Yi | Beneficial owner | 505,088 ^(Note 4) | 0.014% |

Notes:

- These 2,299,242,942 shares represent the interests in the Company held by Gemfair Investments Limited and Shiyong Finance Limited, companies which are directly wholly-owned by Mr. Hui Wing Mau.
- The interests disclosed include deemed interests in 255,214 shares granted under the Share Award Scheme.
- The interests disclosed include deemed interests in 254,954 shares granted under the Share Award Scheme.
- The interests disclosed include deemed interests in 174,353 shares granted under the Share Award Scheme.

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

Disclosure of Interests in Securities *(continued)*

Directors' Right to Acquire Shares or Debentures

Save as disclosed above, at no time during the six months ended 30 June 2020 was the Company, any of its subsidiaries, or its holding company a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Interests of Substantial Shareholders

As at 30 June 2020, the interests and short position of substantial shareholders in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

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

| Name | Nature of interests | Number of shares or underlying shares held | Approximate percentage of issued share capital |
|---|---------------------|--|--|
| Long position | | | |
| Gemfair Investments Limited ("Gemfair") | Note 1 | 1,947,984,000 | 55.064% |
| Overseas Investment Group International Limited ("Overseas Investment") | Note 2 | 1,947,984,000 | 55.064% |
| Shiyang Finance Limited ("Shiyang Finance") | Note 3 | 351,258,942 | 9.929% |
| The Capital Group Companies, Inc. | Note 4 | 177,821,500 | 5.026% |

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.
- The interests disclosed represent the interests in the Company held by The Capital Group Companies, Inc. through its controlled corporation.

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

Directors' Interests in Competing Business

Pursuant to Rule 8.10 of the Listing Rules, the Company disclosed below that during the six months ended 30 June 2020, the following Director was considered to have interests in the following businesses which competed or were likely to compete, either directly or indirectly, with the businesses of the Group.

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

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

Continuing Disclosure Pursuant to Rule 13.21 of the Listing Rules

The Company entered into the following agreements:

- (1) A facility agreement on 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.
- (2) 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.
- (3) 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.
- (4) 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.
- (5) A facility agreement on 9 August 2019 between, among others, the Company as borrower, various banks as lenders and HSBC as facility agent, dual currency term loan facilities in the amount of US\$837,850,000 and HK\$3,994,000,000 have been made available to the Company for a term of 48 months from the date of the facility agreement.

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

Corporate Governance

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

The Board

The Board consisted of seven Directors, comprising 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.

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

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

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

Audit Committee

The audit committee of the Company (the “Audit Committee”) consists of three members, all of which being 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.

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

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

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

The unaudited interim condensed consolidated results of the Group for the six months ended 30 June 2020 have been reviewed by the Audit Committee and the auditor of the Company.

Remuneration Committee

The Remuneration Committee consists of three members, all of which being Independent Non-executive Directors, namely, Mr. Lyu Hong Bing, Ms. Kan Lai Kuen, Alice and Mr. Lam Ching Kam. The chairman of the Remuneration Committee is Mr. Lyu Hong Bing.

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

Nomination Committee

The Nomination Committee consists of three members, all of which being Independent Non-executive Directors, namely, Mr. Lam Ching Kam, Ms. Kan Lai Kuen, Alice and Mr. Lyu Hong Bing. The chairman of the Nomination Committee is Mr. Lam Ching Kam.

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

Company Secretary

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

Directors' Securities Transactions

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the Directors. 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 throughout the six months ended 30 June 2020.

Corporate Governance Code

The Company complied with the code provisions set out in the Code throughout the six months ended 30 June 2020 except for one deviation as set out below.

The Chairman of the Board was unable to attend the Company's annual general meeting held on 27 May 2020 (as required by the code provision E.1.2 of the Code) due to the sudden change of the schedule.

Purchase, Sale or Redemption of Listed Securities

During the six months ended 30 June 2020,

- (1) Shanghai Shimao, a 63.92%-owned subsidiary of the Company, redeemed an aggregate principal amount of RMB1,300,000,000 of medium-term notes at a fixed interest rate of 4.50% due on 5 January 2020 and an aggregate principal amount of RMB1,000,000,000 of short-term financing bonds at a fixed interest rate of 3.67% due on 23 March 2020.
- (2) the Company allotted and issued 158,000,000 shares on 31 January 2020 at an issue price of HK\$29.58 per share on completion of the placing and subscription agreement dated 17 January 2020.
- (3) the Company allotted and issued 78,204,000 shares on 5 May 2020 at an issue price of HK\$29.73 per share on completion of the placing and subscription agreement dated 22 April 2020.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2020.

Choice of Language or Means of Receipt of Corporate Communications

This interim report is now available in printed form and on the websites of the Company (www.shimaogroup.hk) and Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk). If shareholders who have received or chosen (or are deemed to have chosen) to receive this interim report by electronic means but (i) wish to receive a printed copy; or (ii) for any reason have difficulty in receiving or gaining access to this report on the Company's website, they may obtain a printed copy free of charge by sending a request to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited ("Tricor Investor") by email at shimao-ecom@hk.tricorglobal.com or by post to Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

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

Interim Dividend, Special Dividend and Closure of Register of Members

The Board has declared an interim dividend of HK60 cents per ordinary share and a special dividend of HK10 cents per ordinary share, totalling HK70 cents per ordinary share for the six months ended 30 June 2020 (2019 Interim Dividend: HK60 cents). The dividends will be payable on Friday, 25 September 2020 to shareholders whose names appear on the register of members of the Company on Thursday, 10 September 2020.

The register of members of the Company will be closed on Wednesday, 9 September 2020 and Thursday, 10 September 2020 for the purpose of ascertaining shareholders' entitlement to the interim and special dividends. During these two days no transfer of shares will be registered. In order to qualify for the interim and special dividends, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 8 September 2020.

On behalf of the Board

Hui Wing Mau
Chairman

Hong Kong, 25 August 2020



羅兵咸永道

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

We have reviewed the interim financial information set out on pages 38 to 80, which comprises the interim condensed consolidated balance sheet of Shimao Group Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2020 and the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 August 2020

| | Note | Unaudited 30 June 2020 RMB'000 | Audited 31 December 2019 RMB'000 |
|---|------|---|---|
| ASSETS | | | |
| Non-current assets | | | |
| Property and equipment | 6 | 16,249,563 | 15,922,942 |
| Right-of-use assets | 7 | 8,322,283 | 8,217,754 |
| Investment properties | 6 | 58,305,433 | 56,062,747 |
| Intangible assets | 6 | 2,191,350 | 2,009,346 |
| Investments accounted for using the equity method | 8 | 25,244,760 | 24,167,175 |
| Amounts due from related parties | 9 | 1,427,668 | 1,440,840 |
| Financial assets at fair value through other comprehensive income | 10 | 1,321,332 | 988,995 |
| Financial assets at fair value through profit or loss | 11 | 182,297 | 179,637 |
| Deferred income tax assets | | 3,294,521 | 3,055,128 |
| Other non-current assets | 12 | 6,837,968 | 5,483,634 |
| | | 123,377,175 | 117,528,198 |
| Current assets | | | |
| Inventories | | 274,960,666 | 234,467,515 |
| Trade and other receivables and prepayments | 13 | 21,228,657 | 18,732,702 |
| Prepayment for acquisition of land use rights | 12 | 28,058,485 | 13,651,351 |
| Prepaid income taxes | | 5,515,697 | 4,407,190 |
| Amounts due from related parties | 9 | 23,019,433 | 22,981,077 |
| Derivative financial instruments | | 24,967 | 63,004 |
| Restricted cash | 14 | 7,613,792 | 7,265,779 |
| Cash and cash equivalents | 14 | 62,307,575 | 52,357,251 |
| | | 422,729,272 | 353,925,869 |
| Total assets | | 546,106,447 | 471,454,067 |
| EQUITY | | | |
| Equity attributable to the equity holders of the Company | | | |
| Share capital | 15 | 362,850 | 341,575 |
| Share premium | 15 | 6,280,587 | 42,139 |
| Reserves | | | |
| – Retained earnings | | 65,191,583 | 62,480,958 |
| – Other reserves | | 3,495,801 | 3,390,209 |
| | | 75,330,821 | 66,254,881 |
| Non-controlling interests | | | |
| Perpetual capital instruments | | 5,391,000 | 4,665,000 |
| Other non-controlling interests | | 51,073,013 | 45,784,305 |
| | | 56,464,013 | 50,449,305 |
| Total equity | | 131,794,834 | 116,704,186 |

As at 30 June 2020

| | Note | Unaudited 30 June 2020 RMB'000 | Audited 31 December 2019 RMB'000 |
|---|------|---|---|
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Borrowings | 16 | 101,665,951 | 89,773,388 |
| Lease liabilities | 7 | 64,647 | 93,009 |
| Convertible redeemable shares of subsidiary | 17 | 1,749,076 | – |
| Deferred income tax liabilities | | 8,019,578 | 7,533,056 |
| | | 111,499,252 | 97,399,453 |
| Current liabilities | | | |
| Trade and other payables | 18 | 90,076,582 | 79,057,586 |
| Dividend payable | | 2,746,633 | – |
| Contract liabilities | | 94,614,767 | 74,652,393 |
| Income tax payable | | 27,906,408 | 25,216,120 |
| Borrowings | 16 | 39,566,374 | 36,781,947 |
| Lease liabilities | 7 | 103,716 | 139,939 |
| Amounts due to related parties | 19 | 47,797,881 | 41,502,443 |
| | | 302,812,361 | 257,350,428 |
| Total liabilities | | 414,311,613 | 354,749,881 |
| Total equity and liabilities | | 546,106,447 | 471,454,067 |

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

For the six months ended 30 June 2020

| | Note | Unaudited Six months ended 30 June | |
|--|------|---------------------------------------|-----------------|
| | | 2020 RMB'000 | 2019 RMB'000 |
| Revenue | 5 | 64,552,722 | 56,564,070 |
| Cost of sales | 20 | (45,040,972) | (39,544,147) |
| Gross profit | | 19,511,750 | 17,019,923 |
| Fair value gains on investment properties – net | | 308,767 | 632,195 |
| Other income/other gains – net | 21 | 353,485 | 81,822 |
| Selling and marketing costs | 20 | (1,506,578) | (1,030,949) |
| Administrative expenses | 20 | (2,659,040) | (2,312,802) |
| (Provision for)/reversal of impairment losses on financial assets | 20 | (1,414) | 22,536 |
| Other operating expenses | 20 | (384,361) | (235,440) |
| Operating profit | | 15,622,609 | 14,177,285 |
| Finance income | | 560,549 | 479,729 |
| Finance costs | | (1,274,240) | (649,299) |
| Finance costs – net | 22 | (713,691) | (169,570) |
| Fair value changes of convertible redeemable shares of subsidiary | 17 | (20,076) | – |
| Share of results of associated companies and joint ventures accounted for using the equity method | | 73,999 | 15,904 |
| Profit before income tax | | 14,962,841 | 14,023,619 |
| Income tax expense | 23 | (6,960,794) | (6,454,434) |
| Profit for the period | | 8,002,047 | 7,569,185 |
| Other comprehensive income | | | |
| <i>Item that will not be reclassified to profit or loss</i> | | | |
| Fair value (losses)/gains on financial assets at fair value through other comprehensive income, net of tax | | (63,173) | 22,088 |
| Total comprehensive income for the period | | 7,938,874 | 7,591,273 |
| Profit for the period attributable to: | | | |
| Equity holders of the Company | | 5,265,571 | 5,105,035 |
| Non-controlling interests | | 2,736,476 | 2,464,150 |
| | | 8,002,047 | 7,569,185 |
| Total comprehensive income for the period attributable to: | | | |
| Equity holders of the Company | | 5,212,649 | 5,118,618 |
| Non-controlling interests | | 2,726,225 | 2,472,655 |
| | | 7,938,874 | 7,591,273 |
| Earnings per share for profit attributable to the equity holders of the Company | | | |
| – Basic (RMB cents) | 25 | 152.58 | 155.17 |
| – Diluted (RMB cents) | 25 | 152.34 | 154.95 |

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

Details of dividends of the Company are set out in Note 24 in this interim condensed consolidated financial information.

For the six months ended 30 June 2020

| | | Unaudited | | | | | | | |
|------|--|---|--------------------------|---------------------------|------------------------------|------------------|-------------------------------|---------------------------------|-------------|
| | | Attributable to the equity holders of the Company | | | | | Perpetual capital instruments | Other non-controlling interests | Total |
| Note | | Share capital RMB'000 | Share premium RMB'000 | Other reserves RMB'000 | Retained earnings RMB'000 | Total RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | Balance at 1 January 2020 | 341,575 | 42,139 | 3,390,209 | 62,480,958 | 66,254,881 | 4,665,000 | 45,784,305 | 116,704,186 |
| | Profit for the period | - | - | - | 5,265,571 | 5,265,571 | 153,160 | 2,583,316 | 8,002,047 |
| | Other comprehensive income | | | | | | | | |
| | – Fair value losses on financial assets at fair value through other comprehensive income, net of tax | - | - | (52,922) | - | (52,922) | - | (10,251) | (63,173) |
| | Total comprehensive income for the period | - | - | (52,922) | 5,265,571 | 5,212,649 | 153,160 | 2,573,065 | 7,938,874 |
| | Transactions with owners: | | | | | | | | |
| | Placing and subscription of shares | 15 | 21,275 | 6,238,448 | - | - | 6,259,723 | - | 6,259,723 |
| | Transfer from joint ventures to subsidiaries | 28(a) | - | - | - | - | - | 340,257 | 340,257 |
| | Acquisition of subsidiaries | 28(b) | - | - | - | - | - | 239,222 | 239,222 |
| | Capital contribution from non-controlling interests | 28(d)(i) | - | - | - | - | - | 6,584,252 | 6,584,252 |
| | Changes in ownership interests in subsidiaries without change of control | 28(d)(ii) | - | - | - | 309,041 | 309,041 | (2,251,231) | (1,942,190) |
| | Disposal of a subsidiary | 28(c) | - | - | - | - | - | (1,212,062) | (1,212,062) |
| | Equity-settled share-based payment | | | | | | | | |
| | – Value of employee services | - | - | 60,707 | - | 60,707 | - | - | 60,707 |
| | Profit appropriations | - | - | 97,807 | (97,807) | - | - | - | - |
| | Perpetual capital instruments issued | - | - | - | - | - | 726,000 | - | 726,000 |
| | Perpetual capital instruments dividends | - | - | - | - | - | (153,160) | - | (153,160) |
| | Dividends and distributions | - | - | - | (2,766,180) | (2,766,180) | - | (984,795) | (3,750,975) |
| | Total transactions with owners | 21,275 | 6,238,448 | 158,514 | (2,554,946) | 3,863,291 | 572,840 | 2,715,643 | 7,151,774 |
| | Balance at 30 June 2020 | 362,850 | 6,280,587 | 3,495,801 | 65,191,583 | 75,330,821 | 5,391,000 | 51,073,013 | 131,794,834 |

INTERIM CONDENSED CONSOLIDATED STATEMENT OF
CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2020

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

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

| | Note | Unaudited Six months ended 30 June | |
|--|------------|---------------------------------------|-----------------|
| | | 2020 RMB'000 | 2019 RMB'000 |
| Cash flows (used in)/generated from operating activities | | | |
| Net cash generated from operations | | 6,225,679 | 18,526,351 |
| Interest received | 22 | 560,549 | 479,729 |
| Interest paid | | (4,162,835) | (4,040,559) |
| PRC income tax paid | | (4,571,744) | (4,966,678) |
| Net cash flows (used in)/generated from operating activities | | (1,948,351) | 9,998,843 |
| Cash flows used in investing activities | | | |
| Additions of property and equipment and investment properties | | (2,036,759) | (1,139,525) |
| Disposal of property and equipment | 6 | 8,245 | 16,032 |
| Addition of land use right | | (209,069) | (64,768) |
| Disposal of right-of-use assets | | – | 16,897 |
| Disposal of a subsidiary | 28(c) | (322,725) | 148,263 |
| Acquisition of subsidiaries | 28(b) | 1,291,482 | (775,803) |
| Transfer from joint ventures to subsidiaries | 28(a) | 1,244,979 | (586,327) |
| Acquisition of derivative financial instruments | 4 | (39,412) | (7,966) |
| Settlement of derivative financial instruments | 4 | 62,701 | 6,085 |
| Gain on investment in structured products issued by banks | 21 | 4,107 | – |
| Increase of financial assets at fair value through other comprehensive income | 4 | (404,984) | (181,441) |
| Capital injections to joint ventures | 8(b) | (1,611,780) | (2,451,456) |
| Capital injections to associated companies | 8(a) | (269,708) | (278,274) |
| Disposal of joint ventures | 8(b) | 749,452 | – |
| Closure of joint ventures | 8(b) | 4,602 | – |
| Capital distribution of joint ventures | 8(b) | 286,126 | – |
| Disposal of associated companies | 8(a) | 225 | – |
| Dividends received from associated companies and joint ventures | 8(a), 8(b) | 560,555 | – |
| Increase in prepayment for acquisition of equity interests | 12 | (41,944) | (3,218,595) |
| Addition of other non-current assets | | (900,000) | – |
| Advance to joint ventures and associated companies | | (25,127) | (1,721,332) |
| Net cash flows used in investing activities | | (1,649,034) | (10,238,210) |
| Cash flows generated from financing activities | | | |
| Proceeds from borrowings | 16 | 36,041,275 | 28,980,296 |
| Repayments of borrowings | 16 | (37,956,820) | (23,996,887) |
| Proceeds from convertible redeemable shares of subsidiary | 17 | 1,729,000 | – |
| Placing and subscription of shares | | 6,259,723 | – |
| Capital contribution from non-controlling interests of subsidiaries | 28(d(ii)) | 6,584,252 | 1,403,948 |
| Acquisition of additional interests in subsidiaries | 28(d(iii)) | (1,942,190) | (494,188) |
| Proceeds from issue of perpetual capital instruments | | 726,000 | – |
| Interest for the holders of perpetual capital instruments | | (153,160) | (159,578) |
| Dividends paid to non-controlling interests | | (984,795) | (615,403) |
| Increase in amounts due to non-controlling interests of subsidiaries | 19 | 3,425,068 | – |
| Decrease in amounts due to non-controlling interests of subsidiaries | | – | (2,195,519) |
| Increase in restricted cash pledged for borrowings | 14 | (122,805) | (17,601) |
| Lease payments for right-of-use assets excluding land use rights and leasehold land | | (80,595) | (64,647) |
| Net cash flows generated from financing activities | | 13,524,953 | 2,840,421 |
| Net increase in cash and cash equivalents | | 9,927,568 | 2,601,054 |
| Cash and cash equivalents at the beginning of the period | 14 | 52,357,251 | 43,688,296 |
| Effect of foreign exchange rate changes | | 22,756 | 2,800 |
| Cash and cash equivalents at end of the period | 14 | 62,307,575 | 46,292,150 |

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

1 General Information and Basis of Preparation

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

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

This interim condensed consolidated financial information is presented in thousands of Renminbi (“RMB’000”), unless otherwise stated, and was approved for issue on 25 August 2020.

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

This interim condensed consolidated financial information for the six months ended 30 June 2020 has been prepared in accordance with HKAS 34, ‘Interim financial reporting’.

The interim condensed consolidated financial information does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2019 and any public announcements made by the Group during the interim reporting period.

2 Accounting Policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2019, as described in those annual financial statements.

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

2.1 New and amended standards adopted by the Group

A number of new or amended standards become applicable for the current reporting period. The Group did not have to change its accounting policies or make prospective adjustment as a result of adopting these standards.

| | | Effective for annual periods beginning on or after |
|---|--|---|
| HKAS 1 and HKAS 8 (Amendments) | Definition of Material | 1 January 2020 |
| HKFRS 3 (Amendments) | Definition of a Business | 1 January 2020 |
| Revised Conceptual Framework | Revised Conceptual Framework for Financial Reporting | 1 January 2020 |
| HKFRS 9, HKAS 39 and HKFRS 7 (Amendments) | Interest Rate Benchmark Reform | 1 January 2020 |
| HKFRS 16 (Amendments) | COVID-19-related Rent Concessions | 1 June 2020 |

2 Accounting Policies (CONTINUED)

2.2 The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2020 and have not been early adopted by the Group:

| | | Effective for annual periods beginning on or after |
|---|--|---|
| HKAS 1 (Amendments) | Classification of Liabilities as Current or Non-current | 1 January 2022 |
| HKAS 16 (Amendments) | Property, Plant and Equipment: Proceeds before intended use | 1 January 2022 |
| HKAS 37 (Amendments) | Onerous Contracts – Cost of Fulfilling a Contract | 1 January 2022 |
| HKFRS 3 (Amendments) | Reference to the Conceptual Framework | 1 January 2022 |
| HKFRS 17 | Insurance contracts | 1 January 2023 |
| HKFRS 10 and HKAS 28 (Amendments) | Sale or contribution of assets between an investor and its associate or joint venture | To be determined |
| Annual Improvements to HKFRS Standards 2018–2020 | | 1 January 2022 |

The Group is assessing the full impact of the new standards, new interpretations and amendments to standards and interpretations.

3 Estimates

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

In preparing this interim condensed consolidated financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2019 with the exception of changes in estimates that are required in determining the fair value of convertible redeemable shares of subsidiary.

4 Financial Risk Management

4.1 Financial risk factors

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

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2019.

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

4.2 Liquidity risk

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

4.3 Fair value estimation

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

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

4 Financial Risk Management (CONTINUED)

4.3 Fair value estimation (continued)

The following table presents the Group's financial assets and liabilities that are measured at fair value as at 30 June 2020 and 31 December 2019.

| As at 30 June 2020 | Unaudited | | | Total RMB'000 |
|--|--------------------|--------------------|--------------------|------------------|
| | Level 1 RMB'000 | Level 2 RMB'000 | Level 3 RMB'000 | |
| Assets | | | | |
| Financial assets at fair value through other comprehensive income ("FVOCI") | | | | |
| – listed equity securities | 694,514 | – | – | 694,514 |
| – investment in structured products issued by a non-bank financial institution and unlisted entities | – | – | 626,818 | 626,818 |
| Financial assets at fair value through profit or loss ("FVPL") | – | – | 182,297 | 182,297 |
| Derivative financial instruments | – | 24,967 | – | 24,967 |
| Total | 694,514 | 24,967 | 809,115 | 1,528,596 |
| Liabilities | | | | |
| Convertible redeemable shares of subsidiary | – | – | 1,749,076 | 1,749,076 |
| As at 31 December 2019 | | | | |
| | Audited | | | Total RMB'000 |
| | Level 1 RMB'000 | Level 2 RMB'000 | Level 3 RMB'000 | |
| Assets | | | | |
| Financial assets at FVOCI | | | | |
| – listed equity securities | 608,202 | – | – | 608,202 |
| – investment in structured products issued by a non-bank financial institution and unlisted entity | – | – | 380,793 | 380,793 |
| Financial assets at FVPL | – | – | 179,637 | 179,637 |
| Derivative financial instruments | – | – | 63,004 | 63,004 |
| Total | 608,202 | – | 623,434 | 1,231,636 |

Financial assets at FVOCI included in Level 1 as at 30 June 2020 are the equity securities traded in Shanghai Stock Exchange, Shenzhen Stock Exchange and New York Stock Exchange, the fair value of which is based on quoted market prices at the balance sheet date.

Financial assets at FVOCI included in Level 1 as at 31 December 2019 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 30 June 2020 and 31 December 2019 included in Level 3 are the investment in structured products entered into with a financial institution and unlisted entities, the fair value of which are determined using valuation model for which not all inputs are market observable rates.

Financial assets at FVPL as at 30 June 2020 and 31 December 2019 included in Level 3 is the investment in an 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.

For the six months ended 30 June 2020

4 Financial Risk Management (CONTINUED)

4.3 Fair value estimation (continued)

Derivative financial instruments included in Level 2 as at 30 June 2020 are two currency option contracts with Morgan Stanley & Co International PLC ("Morgan Stanley") and nine interest rate swap contracts with The Hongkong and Shanghai Banking Corporation Limited, the fair value of which is determined using valuation methodologies with observable markets inputs.

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

Convertible redeemable shares of subsidiary included in Level 3 as at 30 June 2020 are convertible redeemable shares of the Group's subsidiary Shimao Services Holdings Limited ("Shimao Services"), the fair value of which is determined using valuation models for which not all inputs are market observable prices or rates.

There were no changes in valuation techniques during the period.

Derivative financial instruments at fair value through profit or loss

| | Six months ended 30 June | |
|---|--------------------------|-----------------|
| | 2020 RMB'000 | 2019 RMB'000 |
| Opening balances of assets | 63,004 | 12,468 |
| Additions | 39,412 | 7,966 |
| (Losses)/gains recognised in profit or loss | (14,748) | 18,374 |
| Settlements | (62,701) | (6,085) |
| Closing balances of assets | 24,967 | 32,723 |
| Changes in unrealised gains, under 'Other income/other gains – net' (Note 21) | (14,748) | 18,374 |

Financial assets at FVOCI

| | Six months ended 30 June | |
|--|--------------------------|-----------------|
| | 2020 RMB'000 | 2019 RMB'000 |
| Opening balances of assets | 988,995 | 981,680 |
| Additions | 404,984 | 181,441 |
| Fair value (losses)/gains recognised in other comprehensive income | (72,647) | 28,351 |
| Closing balances of assets | 1,321,332 | 1,191,472 |
| Changes in unrealised (losses)/gains, under 'Other comprehensive income' | (72,647) | 28,351 |

Financial assets at FVPL

| | Six months ended 30 June | |
|---|--------------------------|-----------------|
| | 2020 RMB'000 | 2019 RMB'000 |
| Opening balances of assets | 179,637 | 176,727 |
| Fair value gains recognised in profit or loss | 2,660 | 296 |
| Closing balances of assets | 182,297 | 177,023 |
| Changes in unrealised gains, under 'Other income/other gains – net' (Note 21) | 2,660 | 296 |

4 Financial Risk Management (CONTINUED)

4.3 Fair value estimation (continued)

Convertible redeemable shares of subsidiary at fair value through profit or loss

| | Six months ended 30 June | |
|--|--------------------------|---------|
| | 2020 | 2019 |
| | RMB'000 | RMB'000 |
| Opening balances of liabilities | – | – |
| Additions | 1,729,000 | – |
| Fair value gains recognised in profit or loss | 20,076 | – |
| Closing balances of liabilities | 1,749,076 | – |
| Changes in unrealised gains, under 'Fair value changes of convertible redeemable shares of subsidiary' (Note 17) | 20,076 | – |

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

The fair value of senior notes is as follows:

| | 30 June | 31 December |
|-------------|------------|-------------|
| | 2020 | 2019 |
| | RMB'000 | RMB'000 |
| Non-current | 31,726,378 | 33,453,744 |

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

5 Segment Information

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

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

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

(a) Revenue

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

| | Six months ended 30 June | |
|--|--------------------------|------------|
| | 2020 | 2019 |
| | RMB'000 | RMB'000 |
| Sales of properties | 61,465,703 | 53,236,237 |
| Hotel operation income | 453,035 | 996,492 |
| Commercial properties operation income | 734,161 | 721,889 |
| Property management income, and others | 1,899,823 | 1,609,452 |
| | 64,552,722 | 56,564,070 |

For the six months ended 30 June 2020

5 Segment Information (CONTINUED)

(b) Segment information

The segment results for the six months ended 30 June 2020 are as follows:

| | Property development and investment | | Hotel Operation RMB'000 | Unallocated** RMB'000 | Total RMB'000 |
|---|---|-------------------|-------------------------------|--------------------------|------------------|
| | Shanghai Shimao Co., Ltd. ("Shanghai Shimao")* RMB'000 | Others RMB'000 | | | |
| Revenue | | | | | |
| – Sales of properties | 8,579,209 | 52,886,494 | – | – | 61,465,703 |
| – Recognised at a point in time | 8,457,747 | 51,893,798 | – | – | 60,351,545 |
| – Recognised over time | 121,462 | 992,696 | – | – | 1,114,158 |
| – Hotel operation income | 58,560 | – | 394,475 | – | 453,035 |
| – Commercial properties operation income | 481,268 | 252,893 | – | – | 734,161 |
| – Property management income, and others | 37,330 | 1,862,493 | – | – | 1,899,823 |
| Total revenue | 9,156,367 | 55,001,880 | 394,475 | – | 64,552,722 |
| Operating profit/(loss) | 2,946,626 | 13,110,389 | (115,489) | (318,917) | 15,622,609 |
| Finance income | 63,844 | 466,719 | 644 | 29,342 | 560,549 |
| Finance costs | (159,028) | (653,836) | (6,325) | (455,051) | (1,274,240) |
| Fair value changes of convertible redeemable shares of subsidiary | – | (20,076) | – | – | (20,076) |
| Share of results of associated companies and joint ventures accounted for using the equity method | 31,760 | 42,239 | – | – | 73,999 |
| Profit/(loss) before income tax | 2,883,202 | 12,945,435 | (121,170) | (744,626) | 14,962,841 |
| Income tax expense | | | | | (6,960,794) |
| Profit for the period | | | | | 8,002,047 |
| Other segment items are as follows: | | | | | |
| Capital and property development expenditure | 14,514,849 | 56,467,900 | 575,428 | – | 71,558,177 |
| Fair value gains on investment properties | 185,616 | 123,151 | – | – | 308,767 |
| Fair value losses on derivative financial instruments | – | – | – | (14,748) | (14,748) |
| Fair value changes of convertible redeemable shares of subsidiary | – | (20,076) | – | – | (20,076) |
| Depreciation | 45,572 | 86,229 | 214,201 | 19,420 | 365,422 |
| Depreciation and amortisation of right-of-use assets | 64,914 | 15,341 | 33,924 | – | 114,179 |
| Provision for/(reversal of) impairment losses on financial assets | 2,525 | (1,193) | 82 | – | 1,414 |

* The Group owns an effective equity interest of 63.92% in Shanghai Shimao.

** Unallocated mainly represent corporate level activities.

5 Segment Information (CONTINUED)

(b) Segment information (continued)

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

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

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

** Unallocated mainly represent corporate level activities.

For the six months ended 30 June 2020

5 Segment Information (CONTINUED)

(b) Segment information (continued)

The segment assets and liabilities as at 30 June 2020 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 | 1,461,268 | 23,783,492 | – | 25,244,760 |
| Intangible assets | 1,709,730 | 350,692 | 130,928 | 2,191,350 |
| Other segment assets | 129,831,148 | 352,080,672 | 28,396,616 | 510,308,436 |
| Total segment assets | 133,002,146 | 376,214,856 | 28,527,544 | 537,744,546 |
| Deferred income tax assets | | | | 3,294,521 |
| Financial assets at FVOCI | | | | 1,321,332 |
| Financial assets at FVPL | | | | 182,297 |
| Derivative financial instruments | | | | 24,967 |
| Other assets | | | | 3,538,784 |
| Total assets | | | | 546,106,447 |
| Borrowings | 24,514,969 | 49,085,275 | 11,090 | 73,611,334 |
| Other segment liabilities | 56,037,599 | 178,921,044 | 27,483,543 | 262,442,186 |
| Total segment liabilities | 80,552,568 | 228,006,319 | 27,494,633 | 336,053,520 |
| Corporate borrowings | | | | 67,620,991 |
| Deferred income tax liabilities | | | | 8,019,578 |
| Convertible redeemable shares of subsidiary | | | | 1,749,076 |
| Other liabilities | | | | 868,448 |
| Total liabilities | | | | 414,311,613 |

5 Segment Information (CONTINUED)

(b) Segment information (continued)

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

| | Property development and investment | | Hotel operation RMB'000 | Total RMB'000 |
|--|--|--------------------|-------------------------------|--------------------|
| | Shanghai Shimao RMB'000 | Others RMB'000 | | |
| Investments accounted for using the equity method | 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 |

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

For the six months ended 30 June 2020

6 Capital Expenditure

| | Property and equipment RMB'000 | Investment properties RMB'000 | Intangible assets RMB'000 | Total RMB'000 |
|---|--------------------------------------|-------------------------------------|---------------------------------|-------------------|
| Opening net book amount as at 1 January 2020 | 15,922,942 | 56,062,747 | 2,009,346 | 73,995,035 |
| Additions | 525,352 | 1,485,011 | – | 2,010,363 |
| Acquisition of subsidiaries (Note 28(a) and Note 28(b)) | 175,056 | – | 182,004 | 357,060 |
| Transfer from properties under development | – | 448,908 | – | 448,908 |
| Fair value gains | – | 308,767 | – | 308,767 |
| Depreciation (Note 20) | (365,422) | – | – | (365,422) |
| Disposal of a subsidiary (Note 28(c)) | (120) | – | – | (120) |
| Disposal | (8,245) | – | – | (8,245) |
| Closing net book amount as at 30 June 2020 | 16,249,563 | 58,305,433 | 2,191,350 | 76,746,346 |
| Opening net book amount as at 1 January 2019 | 14,577,637 | 36,891,022 | 1,840,658 | 53,309,317 |
| Additions | 967,702 | 1,699,005 | – | 2,666,707 |
| Acquisition of subsidiaries | 44,697 | – | – | 44,697 |
| Transfer from a joint venture to a subsidiary | 514 | – | – | 514 |
| Transfer to properties under development | (25,456) | – | – | (25,456) |
| Fair value gains | – | 632,195 | – | 632,195 |
| Depreciation | (331,969) | – | – | (331,969) |
| Disposal of subsidiaries | (252) | – | – | (252) |
| Disposal | (16,032) | – | – | (16,032) |
| Closing net book amount as at 30 June 2019 | 15,216,841 | 39,222,222 | 1,840,658 | 56,279,721 |

Notes:

(a) Intangible assets comprise goodwill from business combinations.

6 Capital Expenditure (CONTINUED)

Notes: (continued)

(b) Investment properties

| | Six months ended 30 June | |
|--|--------------------------|-----------------|
| | 2020 RMB'000 | 2019 RMB'000 |
| Investment properties at fair value | | |
| Opening balance | 54,761,492 | 35,592,950 |
| Additions – Construction cost and others | 1,484,447 | 245,236 |
| Additions – Transfer from properties under development | 448,908 | 1,453,769 |
| Fair value gains | 308,767 | 632,195 |
| | 57,003,614 | 37,924,150 |
| Investment properties at cost | | |
| Opening balance | 1,301,255 | 1,298,072 |
| Additions – Construction cost and others | 564 | – |
| | 1,301,819 | 1,298,072 |
| Closing balance | 58,305,433 | 39,222,222 |

The valuations of the investment properties at 30 June 2020 and 31 December 2019 were carried out by an independent firm, Vigers Appraisal and Consulting Limited, who is a fellow member of the Royal Institution of Chartered Surveyors.

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

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

For the six months ended 30 June 2020

6 Capital Expenditure (CONTINUED)

Notes: (continued)

(b) Investment properties (continued)

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

| | Six months ended 30 June 2020 | | |
|--|--|--|------------------|
| | Completed investment properties RMB'000 | Investment properties under development RMB'000 | Total RMB'000 |
| Opening balance | 35,104,492 | 19,657,000 | 54,761,492 |
| Additions | – | 1,484,447 | 1,484,447 |
| Transfer from properties under development | 448,908 | – | 448,908 |
| Net gains from fair value adjustment | 77,214 | 231,553 | 308,767 |
| Closing balance | 35,630,614 | 21,373,000 | 57,003,614 |

Investment properties at fair value

| | Six months ended 30 June 2019 | | |
|---|--|--|------------------|
| | Completed investment properties RMB'000 | Investment properties under development RMB'000 | Total RMB'000 |
| Opening balance | 30,063,950 | 5,529,000 | 35,592,950 |
| Additions | – | 1,699,005 | 1,699,005 |
| Transfer from investment properties under development | 3,460,757 | (3,460,757) | – |
| Net gains from fair value adjustment | 629,443 | 2,752 | 632,195 |
| Closing balance | 34,154,150 | 3,770,000 | 37,924,150 |

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

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

Investment properties under construction as at 30 June 2020 of RMB1,301,819,000 (31 December 2019: RMB1,301,255,000) were measured at cost, because their constructions were at very early stage and related fair values were not reliably determinable. These investment properties under development shall be measured at cost until either their fair values become reliably determinable or development is completed, whichever is earlier.

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:

| | 30 June 2020 RMB'000 | 31 December 2019 RMB'000 |
|------------------------------------|-------------------------------------|--------------------------------|
| Right-of-use assets | | |
| Land use rights and leasehold land | 8,159,537 | 7,989,282 |
| Buildings | 140,536 | 195,716 |
| Equipment | 15 | 123 |
| Vehicles | 22,195 | 32,633 |
| | 8,322,283 | 8,217,754 |
| Lease liabilities | | |
| Current | 103,716 | 139,939 |
| Non-current | 64,647 | 93,009 |
| | 168,363 | 232,948 |

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

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

| | Six months ended 30 June | |
|---|---------------------------------|-----------------|
| | 2020 RMB'000 | 2019 RMB'000 |
| Depreciation and amortisation of right-of-use assets | | |
| Land use rights and leasehold land | (38,814) | (40,077) |
| Buildings | (68,287) | (58,193) |
| Equipment | (15) | (69) |
| Vehicles | (7,063) | (777) |
| | (114,179) | (99,116) |
| Interest expense (included in finance costs) (Note 22) | (6,370) | (8,565) |
| Expense relating to short-term leases and low value assets leases (included in cost of sales, selling and marketing cost and administrative expenses) | (27,131) | (72,435) |

The total cash outflow for leases during the period was RMB105,927,000.

For the six months ended 30 June 2020

8 Investments Accounted for Using the Equity Method

| | 30 June 2020 RMB'000 | 31 December 2019 RMB'000 |
|---|-------------------------------------|--------------------------------|
| Investments accounted for using the equity method comprise: | | |
| Associated companies (Note (a)) | 4,262,706 | 3,848,564 |
| Joint ventures (Note (b)) | 20,982,054 | 20,318,611 |
| | 25,244,760 | 24,167,175 |

(a) Interests in associated companies

| | Six months ended 30 June | |
|-------------------------------|---------------------------------|-----------------|
| | 2020 RMB'000 | 2019 RMB'000 |
| Opening balance | 3,848,564 | 1,594,487 |
| Capital injections (Note (i)) | 269,708 | 278,274 |
| Share of results | 185,197 | (9,808) |
| Disposal (Note (ii)) | (263) | – |
| Dividends received | (40,500) | – |
| Ending balance | 4,262,706 | 1,862,953 |

Notes:

- (i) Capital injections include investment in new associates and additional injections in existing associates.

For the six months ended 30 June 2020, the Group invested in four new associates with a total amount of RMB22,578,000.

For the six months ended 30 June 2020, the Group made additional capital injection into two existing associates with a total amount of RMB247,130,000.

- (ii) In June 2020, the Group disposed all its interests in an associated company. The disposal has resulted in a net loss of RMB38,000 (Note 21) and net cash inflow of RMB225,000.

For the six months ended 30 June 2020

8 Investments Accounted for Using the Equity Method (CONTINUED)

(b) Interests in joint ventures

| | Six months ended 30 June | |
|---|--------------------------|-----------------|
| | 2020 RMB'000 | 2019 RMB'000 |
| Opening balance | 20,318,611 | 15,371,673 |
| Capital injections (Note (i)) | 1,611,780 | 2,451,456 |
| Transfer from a subsidiary (Note 28(c)) | 1,250,000 | 150,000 |
| Closure (Note (ii)) | (5,057) | – |
| Share of results | (111,198) | 25,712 |
| Capital distribution (Note (iii)) | (286,126) | – |
| Transfer to subsidiaries (Note 28(a)) | (505,737) | (682,121) |
| Dividends received | (520,055) | – |
| Disposal (Note (iv)) | (770,164) | – |
| Ending balance | 20,982,054 | 17,316,720 |

Notes:

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

For the six months ended 30 June 2020, the Group invested in six new joint ventures with amount of RMB801,600,000. Pursuant to the revised articles of association, the Group and the third parties would jointly control the operation of these entities.

The Group made additional capital injection into four existing joint venture with amount of RMB810,180,000. After capital injection, the Group remained joint control in these entities.

- (ii) In March 2020, two joint ventures of the Group were closed. The closure has resulted in a net loss of RMB455,000 (Note 21) and net cash inflow of RMB4,602,000.
- (iii) In June 2020, a joint venture, Tianjin Zhongmin Aipu Urban Construction Development Co., Ltd made a capital distribution to its investors. Pursuant to the revised articles of association, the Group and the third party still jointly control the operation of the entity. The Group's amount of capital distribution is RMB286,126,000.
- (iv) For the six months ended 30 June 2020, the Group disposed its interests in six joint ventures at total consideration of RMB749,452,000. The disposal has resulted in a net loss of RMB20,712,000 (Note 21) and net cash inflow of RMB749,452,000.

For the six months ended 30 June 2020

9 Amounts Due from Related Parties

| | 30 June 2020 RMB'000 | 31 December 2019 RMB'000 |
|---------------------------------------|-------------------------------------|--------------------------------|
| Included in non-current assets | | |
| – Joint ventures | 848,781 | 823,088 |
| – Associated companies | 600,628 | 637,471 |
| | 1,449,409 | 1,460,559 |
| Provision for impairment | (21,741) | (19,719) |
| | 1,427,668 | 1,440,840 |

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

| | 30 June 2020 RMB'000 | 31 December 2019 RMB'000 |
|-----------------------------------|-------------------------------------|--------------------------------|
| Included in current assets | | |
| – Companies with common directors | 13 | 65 |
| – Associated companies | 2,968,515 | 3,630,832 |
| – Joint ventures | 19,109,433 | 19,388,799 |
| – Non-controlling interests | 978,012 | – |
| | 23,055,973 | 23,019,696 |
| Provision for impairment | (36,540) | (38,619) |
| | 23,019,433 | 22,981,077 |

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

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

10 Financial Assets at Fair Value through Other Comprehensive Income

| | 30 June 2020 RMB'000 | 31 December 2019 RMB'000 |
|--------------------------------|-------------------------------------|--------------------------------|
| Non-current assets | | |
| Listed securities (Note (a)) | 694,514 | 608,202 |
| Unlisted securities (Note (b)) | 626,818 | 380,793 |
| | 1,321,332 | 988,995 |

Notes:

- (a) Listed equity securities represented investments in the PRC and USA without lock-up period and were stated at market value based on the quoted price.
- (b) 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 4).

11 Financial Assets at Fair Value through Profit or Loss

| | 30 June 2020 RMB'000 | 31 December 2019 RMB'000 |
|---|-------------------------------------|--------------------------------|
| Financial assets at FVPL included in non-current assets | | |
| Investment in an unlisted entity (Note) | 182,297 | 179,637 |

Note:

Investment in the 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 4).

12 Other Non-Current Assets

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

The Group made prepayments for certain land use rights, the ownership certificates of which have not been obtained as at the balance sheet date. As at 30 June 2020, prepayments of RMB176,173,000 (31 December 2019: RMB176,173,000) were related to the lands for the purpose to develop hotel buildings, self-used buildings and investment properties, and are included in non-current assets. As at 30 June 2020, prepayments of RMB28,058,485,000 (31 December 2019: RMB13,651,351,000) were related to the lands for the purpose to develop properties for sale, and are included in current assets, 'prepayments for acquisition of land use rights'.

As at 30 June 2020, the Group made prepayments of RMB3,965,453,000 (31 December 2019: RMB3,923,509,000) for acquisition of certain equity interests.

For the six months ended 30 June 2020

13 Trade and Other Receivables and Prepayments

| | 30 June 2020 RMB'000 | 31 December 2019 RMB'000 |
|---|-------------------------------------|--------------------------------|
| Trade receivables (Note (a)) | 5,679,613 | 5,191,560 |
| Prepayments for construction costs | 4,935,796 | 3,752,797 |
| Bidding deposits for land use rights (Note (b)) | 3,666,746 | 4,544,293 |
| Loan receivables (Note (c)) | 2,057,144 | 1,429,235 |
| Prepaid value added taxes and other taxes | 1,380,896 | 950,873 |
| Other receivables | 3,820,682 | 3,174,694 |
| | 21,540,877 | 19,043,452 |
| Provision for impairment | (312,220) | (310,750) |
| | 21,228,657 | 18,732,702 |

Notes:

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

| | 30 June 2020 RMB'000 | 31 December 2019 RMB'000 |
|-----------------------------------|-------------------------------------|--------------------------------|
| Within 180 days | 4,683,607 | 4,121,346 |
| Over 180 days and within 365 days | 287,634 | 329,787 |
| Over 365 days | 708,372 | 740,427 |
| | 5,679,613 | 5,191,560 |

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9.

- (b) Bidding deposits for land use rights mainly represented deposits the Group placed with various municipal governments for the participation in various land auctions. These deposits will be deducted against the total land costs to be paid, if the Group wins the bid at the auction. If the Group does not win, the amount will be fully refunded.
- (c) As at 30 June 2020, loan receivables of RMB2,057,144,000 (31 December 2019: RMB1,429,235,000) 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.

As at 30 June 2020, a provision of RMB312,220,000 (31 December 2019: RMB310,750,000) was made against the gross amount of trade receivables, other receivables and loan receivables.

As at 30 June 2020, the fair value of trade receivables, bidding deposits for land use rights, loan receivables and other receivables of the Group approximate their carrying amounts, as the impact of discounting is not significant.

As at 30 June 2020 and 31 December 2019, trade and other receivables of the Group were mainly denominated in RMB.

14 Cash and Cash Equivalents and Restricted Cash

| | 30 June 2020 | 31 December 2019 |
|---------------------------|-------------------------|---------------------|
| | RMB'000 | RMB'000 |
| Restricted cash | 7,613,792 | 7,265,779 |
| Cash and cash equivalents | 62,307,575 | 52,357,251 |
| | 69,921,367 | 59,623,030 |

As at 30 June 2020, the Group's bank deposits of approximately RMB1,300,103,000 (31 December 2019: RMB1,074,895,000) was restricted and deposited in certain banks as guarantee deposits for mortgage loan facilities granted by the banks to the purchasers of the Group's properties. In addition, the Group's cash of approximately RMB6,313,689,000 (31 December 2019: RMB6,190,884,000) were pledged as collateral for the Group's borrowings.

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

The effective interest rate on bank deposits as at 30 June 2020 was 0.34% (31 December 2019: 0.34%).

15 Share Capital

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

| | Par value | Number of Shares | Nominal value of ordinary shares | |
|---|-----------|---------------------|-------------------------------------|--------------------------|
| | HK\$ | '000 | HK\$'000 | Equivalent to RMB'000 |
| Authorised: | | | | |
| At 30 June 2020 and 31 December 2019 | 0.1 | 5,000,000 | 500,000 | |
| Issued and fully paid: | | | | |
| At 1 January 2020 | | 3,301,493 | 330,149 | 341,575 |
| Placing and subscription of shares (Note) | | 236,204 | 23,620 | 21,275 |
| At 30 June 2020 | | 3,537,697 | 353,769 | 362,850 |
| At 1 January 2019 and 30 June 2019 | | 3,301,493 | 330,149 | 341,575 |

Note:

On 31 January 2020, the Company has issued a total of 158,000,000 shares at HK\$29.58 per share in accordance with the placing and subscription agreement dated 17 January 2020, a share premium of RMB4,126,653,000 was recorded.

On 5 May 2020, the Company has issued a total of 78,204,000 shares at HK\$29.73 per share in accordance with the placing and subscription agreement dated 22 April 2020, a share premium of RMB2,111,795,000 was recorded.

The issued shares rank pari passu to the then existing shares.

For the six months ended 30 June 2020

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

The Company's board of directors (the "Board") approved and adopted the Share Award Scheme on 30 December 2011 (the "Share Scheme"). Unless terminated earlier by the Board, the Share Scheme is valid and effective for a term of 8 years commencing on 30 December 2011. The maximum number of shares to be awarded must not exceed 34,659,508 shares (i.e. 1% of issued shares of the Company as at 30 December 2011). On 13 April 2018, the Board approved the maximum number of shares to be awarded change to 69,319,016 shares (i.e. 2% of issued shares of the Company as at 30 December 2011). On 26 March 2019, the Board approved the Share Scheme to be valid and effective until 30 December 2027.

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

A Trust was constituted to manage the Share Scheme, and a wholly owned subsidiary of the Company incorporated in the British Virgin Islands was designated as Trustee. Up to 30 June 2020, the Trust purchased 36,006,000 ordinary shares from market, totaling HK\$523,258,000 (equivalent to RMB426,551,000), of which 43,356,984 shares were granted to eligible employees according to the Share Scheme. Up to 30 June 2020, among the shares granted, 32,439,751 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 period are as follows:

| | Number of unvested shares granted | |
|----------------------------|--|-------------|
| | Six months ended 30 June | |
| | 2020 | 2019 |
| Unvested shares, beginning | 8,949,186 | 7,378,348 |
| Granted | 4,341,514 | 5,683,969 |
| Vested | (5,651,389) | (4,113,131) |
| Unvested shares, ending | 7,639,311 | 8,949,186 |

The weighted average fair value of the unvested shares granted during the six months ended 30 June 2020 is HK\$250,569,401, equivalent to RMB228,880,113 (2019: HK\$212,990,627, equivalent to RMB187,359,335).

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

| | Number of shares issued | |
|--------------------------------------|--------------------------------|-------------|
| | As at 30 June | |
| | 2020 | 2019 |
| | '000 | '000 |
| Shares issued | 3,537,697 | 3,301,493 |
| Treasury shares for the Share Scheme | (3,566) | (9,218) |
| Shares outstanding | 3,534,131 | 3,292,275 |

For the six months ended 30 June 2020

16 Borrowings

| | 30 June 2020 RMB'000 | 31 December 2019 RMB'000 |
|---|-------------------------------------|--------------------------------|
| Borrowings included in non-current liabilities | | |
| Long-term bank borrowings | | |
| – secured by assets (Note (i)) | 15,179,398 | 9,315,671 |
| – secured by shares of subsidiary guarantors (Note (iii)) | 25,137,872 | 18,491,894 |
| – unsecured (Note (iii)) | 16,842,879 | 13,843,038 |
| Long-term borrowings from other financial institutions | | |
| – secured by assets (Note (i)) | 6,207,090 | 10,878,780 |
| – secured by shares | – | 500,000 |
| – unsecured | 681,437 | 1,040,563 |
| Senior notes – secured (Note (v)) | 32,545,782 | 32,052,154 |
| Medium-term notes – unsecured (Note (vi)) | 4,000,000 | 4,800,000 |
| Long-term bonds – unsecured (Note (vii)) | 27,272,805 | 17,677,305 |
| Domestic corporate bonds – unsecured (Note (viii)) | 5,736,341 | 5,735,381 |
| Private placement notes – unsecured (Note (ix)) | 1,000,000 | – |
| | 134,603,604 | 114,334,786 |
| Less: Portion of long-term bank borrowings due within one year | (10,938,100) | (7,206,935) |
| Portion of long-term borrowings from other financial institutions due within one year | (3,255,437) | (3,214,563) |
| Portion of senior notes due within one year | (947,561) | – |
| Portion of medium-term notes due within one year | (2,500,000) | (2,300,000) |
| Portion of long-term bonds due within one year | (11,299,900) | (11,299,900) |
| Portion of domestic corporate bonds due within one year | (3,996,655) | (540,000) |
| Amounts due within one year | (32,937,653) | (24,561,398) |
| | 101,665,951 | 89,773,388 |
| Borrowings included in current liabilities | | |
| Short-term bank borrowings | | |
| – secured by assets (Note (i)) | 100,000 | – |
| – secured by shares (Note (iv)) | 1,000,000 | 500,000 |
| – unsecured | 5,346,621 | 10,693,549 |
| Short term borrowings from other financial institutions | | |
| – secured by assets (Note (i)) | 162,800 | 27,000 |
| – unsecured | 19,300 | – |
| Short-term bonds – unsecured (Note (x)) | – | 1,000,000 |
| Current portion of non-current borrowings | 32,937,653 | 24,561,398 |
| | 39,566,374 | 36,781,947 |

For the six months ended 30 June 2020

16 Borrowings (CONTINUED)

Movement of borrowings is analysed as follows:

| | Six months ended 30 June | |
|---|---------------------------------|----------------|
| | 2020 | 2019 |
| | RMB'000 | RMB'000 |
| Opening balance at 1 January | 126,555,335 | 109,131,766 |
| Additions of borrowings | 36,041,275 | 28,980,296 |
| Acquisition of subsidiaries (Note 28(b)) | 7,781,212 | – |
| Transfer from joint ventures to subsidiaries (Note 28(a)) | 7,365,900 | 1,000,000 |
| Amortisation of issuance expenses | 152,860 | 106,910 |
| Reductions of borrowings | (37,956,820) | (23,996,887) |
| Foreign exchange losses | 1,292,563 | 243,604 |
| Closing balance at 30 June | 141,232,325 | 115,465,689 |

Notes:

- (i) As at 30 June 2020, the Group's total secured bank borrowings and borrowings from other financial institutions of RMB21,649,288,000 (31 December 2019: RMB20,221,451,000) were secured by its property and equipment, investment properties, land use rights, properties under development, completed properties held for sale and restricted cash.

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

| | 30 June | 31 December |
|------------------------------------|-------------------|--------------------|
| | 2020 | 2019 |
| | RMB'000 | RMB'000 |
| Properties under development | 31,652,393 | 27,725,733 |
| Investment properties | 24,455,429 | 30,571,000 |
| Restricted cash | 6,313,689 | 6,190,884 |
| Completed properties held for sale | 4,528,660 | 1,828,144 |
| Land use rights | 2,557,161 | 1,351,922 |
| Property and equipment | 1,615,980 | 2,011,001 |
| | 71,123,312 | 69,678,684 |

16 Borrowings (CONTINUED)

Notes: (continued)

- (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, 5% out of the loan principal will mature in 2019, 25% will mature in 2020 and 70% will mature in 2021. The loan facilities were guaranteed by certain subsidiaries of the Group, and secured by pledge of the shares of these subsidiary guarantors. As at 30 June 2020, US\$680,000,000 and HK\$5,890,000,000 have been drawn down. As at 30 June 2020, US\$578,000,000 and HK\$5,006,500,000 of the principal remained outstanding (31 December 2019: US\$646,000,000 and HK\$5,595,500,000).

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 30 June 2020, 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, 5% out of the loan principal will mature in 2021, 35% will mature in 2022 and 60% will mature in 2023. As at 30 June 2020, US\$837,850,000 and HK\$3,994,000,000 have been drawn down.

- (iii) As at 30 June 2020, included in the unsecured borrowings, borrowings of RMB130,969,000 (31 December 2019: RMB137,119,000) were guaranteed by Mr. Hui Wing Mau.
- (iv) As at 30 June 2020, 430,000,000 shares (31 December 2019: 180,000,000) of Shimao Jianshe Co., Ltd. ("Shimao Jianshe") have been pledged for total bank borrowings of RMB1,000,000,000 (31 December 2019: RMB500,000,000) for the Group companies.
- (v) On 22 June 2017 and 28 June 2017, the Company issued senior notes with total principal of US\$450,000,000 and US\$150,000,000 at a fixed interest rate of 4.750% due on 3 July 2022. On 4 December 2017, the Company issued senior notes with total principal of US\$400,000,000 at a fixed interest rate of 4.750% due on 11 December 2022.

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

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

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

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

16 Borrowings (CONTINUED)

Notes: (continued)

- (v) 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.

- (vi) On 6 January 2017, Shanghai Shimao issued the first phase of medium-term notes with total principal of RMB1,300,000,000 at a fixed interest rate of 4.50% due on 5 January 2020, which was redeemed on 2 January 2020. The total redemption price paid was RMB1,358,500,000 including the principal amount of RMB1,300,000,000 plus accrued and unpaid interest of RMB58,500,000 to the redemption date.

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.

On 9 January 2020, Shanghai Shimao issued medium-term notes with total principal of RMB500,000,000 at a fixed interest rate of 4.12% due on 9 January 2023.

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

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

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.

16 Borrowings (CONTINUED)

- (vii) On 5 March 2020, 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 3.60% due on 5 March 2023.

On 25 March 2020, Shimao Jianshe issued the first phase of long-term bonds with aggregate amount of RMB1,700,000,000 at a fixed interest rate of 3.23% due on 24 March 2023 and RMB2,800,000,000 at a fixed interest rate of 3.90% due on 25 March 2025. On 11 May 2020, Shimao Jianshe issued the second phase of long-term bonds with aggregate amount of RMB3,100,000,000 at a fixed interest rate of 3.20% due on 11 May 2023.

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

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

On 22 September 2018, the Company redeemed domestic corporate bonds with total principal of RMB50,000,000 at a fixed interest rate of 3.7%, which was originally due on 22 September 2018. 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 19 September 2019, the Company redeemed domestic corporate bonds with total principal of RMB2,960,000,000 at a fixed interest rate of 3.9%, which was originally due on 22 September 2019. 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.

- (ix) On 20 January 2020, Shanghai Shimao issued the first phase of private placement notes with aggregate principal amount of RMB500,000,000 at a fixed interest rate of 4.50% due on 19 January 2023. On 26 April 2020, Shanghai Shimao issued the second phase of private placement notes with aggregate amount of RMB500,000,000 at a fixed interest rate of 3.70% due on 25 April 2023.

- (x) 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, which was redeemed on 23 March 2020. The total redemption price paid was RMB1,036,700,000 including the principal amount of RMB1,000,000,000 plus accrued and unpaid interest of RMB36,700,000 to the redemption date.

As at 30 June 2020, borrowings with a total carrying amount of RMB51,964,754,000 (31 December 2019: RMB47,389,666,000) are denominated in US dollar, borrowings with a total carrying amount of RMB24,107,141,000 (31 December 2019: RMB25,220,523,000) are denominated in HK dollar and borrowings with a total carrying amount of RMB1,322,915,000 (31 December 2019: RMB1,249,875,000) are denominated in JPY Yen.

17 Convertible Redeemable Shares of Subsidiary

On 30 April 2020, strategic investors (“Investors”) entered into a Series A Preferred Share Purchase Agreement (the “Share Agreement”) with the Company and certain of its subsidiaries Best Cosmos Limited (“Best Cosmos”) and Shimao Services, pursuant to which the Investors agreed to subscribe for an aggregate of 5,000 Series A convertible redeemable preferred shares of Shimao Services (the “CPS”) at a total consideration of RMB864,500,000. Simultaneous with the subscription, the Investors purchased from Best Cosmos an aggregate of 5,000 ordinary shares of Shimao Services to be re-designated into CPS on a one to one basis at a total consideration of RMB864,500,000.

Each CPS shall be automatically converted, based on the then-effective applicable conversion price, without the payment of any additional consideration, into fully-paid and non-assessable ordinary shares of Shimao Services upon the closing of an initial public offering of ordinary shares of Shimao Services on the Main Board of the Stock Exchange or voluntary conversion by CPS holders, as stipulated by the Share Agreement.

The CPS holders have redemption right against the Company and Best Cosmos that was exercisable if (i) an initial public offering of the shares of Shimao Services does not take place by 8 May 2022, (ii) any material breach by the Company, Best Cosmos and Shimao Services as stipulated by the Share Agreement; or (iii) the occurrence of a change of control event as set out in the Share Agreement. Such right exercisable under (i) above shall terminate upon listing of shares of Shimao Services, whereas the rights exercisable under (ii) and (iii) above had terminated on the calendar day before the first submission of the listing application form of Shimao Services with the Stock Exchange. Such redemption rights will automatically be restored in full force when the listing fails to be successfully completed.

According to the Share Agreement, in the event that Shimao Services is unable to achieve a certain level of financial performance for the financial year ending 31 December 2021, the Investors shall have the right to require the Company and Best Cosmos to compensate the Investors by either transferring additional shares of Shimao Services at no cost or in cash.

The CPS is accounted for as a liability of the Group and fair value change of CPS are recognised in the profit or loss account of the Group.

The movements of the CPS are set out as below:

| | RMB'000 |
|----------------------|-----------|
| As at 1 January 2020 | – |
| Issuance of CPS | 1,729,000 |
| Change in fair value | 20,076 |
| At at 30 June 2020 | 1,749,076 |

18 Trade and Other Payables

| | 30 June 2020 RMB'000 | 31 December 2019 RMB'000 |
|---------------------------|-------------------------------------|--------------------------------|
| Trade payables (Note (a)) | 78,671,076 | 68,618,406 |
| Other payables (Note (b)) | 4,803,476 | 4,466,369 |
| Other taxes payable | 4,222,237 | 3,329,916 |
| Accrued expenses | 2,379,793 | 2,642,895 |
| | 90,076,582 | 79,057,586 |

Notes:

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

| | 30 June 2020 RMB'000 | 31 December 2019 RMB'000 |
|--------------------------------|-------------------------------------|--------------------------------|
| Within 90 days | 78,287,711 | 68,295,163 |
| Over 90 days and within 1 year | 383,365 | 323,243 |
| | 78,671,076 | 68,618,406 |

(b) Other payables comprise:

| | 30 June 2020 RMB'000 | 31 December 2019 RMB'000 |
|--|-------------------------------------|--------------------------------|
| Deposits received from customers | 2,087,053 | 2,043,550 |
| Deposits from constructors | 613,537 | 511,103 |
| Rental deposits from tenants and hotel customers | 925,580 | 897,894 |
| Fees collected from customers on behalf of government agencies | 301,056 | 268,134 |
| Others | 876,250 | 745,688 |
| | 4,803,476 | 4,466,369 |

19 Amounts Due to Related Parties

| | 30 June 2020 RMB'000 | 31 December 2019 RMB'000 |
|---------------------------|-------------------------------------|--------------------------------|
| Joint ventures | 23,125,269 | 23,639,641 |
| Associated companies | 7,544,279 | 4,159,537 |
| Non-controlling interests | 17,128,333 | 13,703,265 |
| Total | 47,797,881 | 41,502,443 |

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

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

For the six months ended 30 June 2020

20 Expenses by Nature

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

| | Six months ended 30 June | |
|--|--------------------------|-----------------|
| | 2020 RMB'000 | 2019 RMB'000 |
| Cost of properties sold and others | 44,572,191 | 38,791,754 |
| Including: interests capitalised | 2,986,281 | 2,494,896 |
| land and construction cost | 40,652,827 | 35,690,188 |
| Staff costs – including directors' emoluments | 1,435,728 | 1,243,625 |
| Advertising, promotion and commission costs | 998,259 | 642,976 |
| Corporate and office expenses | 569,296 | 491,330 |
| Taxes and surcharges on sales of properties | 385,293 | 319,160 |
| Depreciation (Note 6) | 365,422 | 331,969 |
| Direct expenses arising from hotel operation | 352,941 | 679,161 |
| Consulting fee | 299,759 | 265,129 |
| Depreciation and amortisation of right-of-use assets (Note 7) | 114,179 | 99,116 |
| Provision for impairment losses on completed properties held for sale | 67,512 | 26,154 |
| Charitable donations | 61,609 | 40,148 |
| Auditor's remuneration | 7,000 | 5,500 |
| Provision for/(reversal of) impairment losses on financial assets | 1,414 | (22,536) |
| Others | 361,762 | 187,316 |
| Total cost of sales, selling and marketing costs, administrative expenses, provision for/(reversal of) impairment losses on financial assets and other operating expenses | 49,592,365 | 43,100,802 |

21 Other Income/Other Gains – Net

| | Six months ended 30 June | |
|---|--------------------------|-----------------|
| | 2020 RMB'000 | 2019 RMB'000 |
| Other income | | |
| Government grants received | 76,585 | 28,809 |
| Other gains – net | | |
| Gain on acquisition (Note 28(a) and Note 28(b)) | 195,813 | 16,257 |
| Forfeit deposits and contract termination income (Note) | 33,578 | 2,578 |
| Gain on disposal of a subsidiary (Note 28(c)) | 13,467 | 3,996 |
| Gain on investment in structured products issued by banks | 4,107 | – |
| Gain on financial assets at FVPL | 2,660 | 296 |
| Loss on disposal of an associated company (Note 8(a)) | (38) | – |
| Loss on closure of joint ventures (Note 8(b)) | (455) | – |
| (Loss)/gain on derivative financial instruments | (14,748) | 18,374 |
| Loss on disposal of joint ventures (Note 8(b)) | (20,712) | – |
| Others | 63,228 | 11,512 |
| | 276,900 | 53,013 |
| | 353,485 | 81,822 |

Note:

This represents forfeit deposits and contract termination income received from property buyers who do not execute sales and purchase agreements on property sales or from tenants who early terminate tenancy agreements.

22 Finance Costs – Net

| | Six months ended 30 June | |
|--|--------------------------|-----------------|
| | 2020 RMB'000 | 2019 RMB'000 |
| Finance income | | |
| – interest income on short-term bank deposits | (560,549) | (479,729) |
| Finance income | (560,549) | (479,729) |
| Interest on bank borrowings | | |
| – wholly repayable within five years | 3,066,441 | 2,322,516 |
| – not wholly repayable within five years | 153,757 | 447,556 |
| Interest on senior notes | | |
| – wholly repayable within five years | 757,089 | 703,105 |
| – not wholly repayable within five years | 200,345 | 89,726 |
| Interest on borrowings from other financial institutions | | |
| – wholly repayable within five years | 294,606 | 498,122 |
| Interest charges paid/payable for lease liabilities | | |
| – wholly repayable within five years | 6,370 | 8,565 |
| | 4,478,608 | 4,069,590 |
| Net foreign exchange losses | 1,304,103 | 239,260 |
| Less: interest and foreign exchange losses capitalised | (4,508,471) | (3,659,551) |
| Finance costs | 1,274,240 | 649,299 |
| Finance costs – net | 713,691 | 169,570 |

For the six months ended 30 June 2020

23 Income Tax Expense

| | Six months ended 30 June | |
|---|--------------------------|-----------------|
| | 2020 RMB'000 | 2019 RMB'000 |
| Current income tax | | |
| – PRC enterprise and withholding income tax | 3,492,971 | 3,155,586 |
| – PRC land appreciation tax | 3,145,942 | 3,045,600 |
| | 6,638,913 | 6,201,186 |
| Deferred income tax | | |
| – PRC enterprise and withholding income tax | 321,881 | 253,248 |
| | 6,960,794 | 6,454,434 |

(a) Hong Kong profits tax

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

(b) PRC enterprise income tax

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

(c) PRC land appreciation tax

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

(d) PRC withholding income tax

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

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

24 Dividends

| | Six months ended 30 June | |
|---|--------------------------|-----------|
| | 2020 | 2019 |
| | RMB'000 | RMB'000 |
| Final dividends payable of HK85 cents (2018: HK70 cents) per ordinary share (Note (a)) | 2,746,633 | 1,971,784 |
| Proposed interim dividends of HK70 cents (2019: HK60 cents) per ordinary share (Note (b)) | 2,225,530 | 1,783,599 |
| | 4,972,163 | 3,755,383 |

Notes:

- (a) A final dividend in respect of the year ended 31 December 2019 of HK85 cents per ordinary share, amounting to approximately HK\$3,007,043,000 (equivalent to RMB2,746,633,000) was proposed at the Company's board meeting held on 30 March 2020, and was approved at the annual general meeting of the Company held on 27 May 2020.
- (b) An interim dividend in respect of the six months ended 30 June 2019 of HK60 cents per ordinary share, amounting to approximately HK\$1,980,896,000 (equivalent to RMB1,783,599,000) was paid in September 2019.

At a meeting held on 25 August 2020, the Board declared an interim dividend of HK60 cents per ordinary share and a special dividend of HK10 cents per ordinary share for the six months ended 30 June 2020, amounting to approximately HK\$2,476,388,000 (equivalent to RMB2,225,530,000). This proposed dividend is not reflected as a dividend payable in this condensed consolidated financial information.

25 Earnings Per Share

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

| | Six months ended 30 June | |
|--|--------------------------|-----------|
| | 2020 | 2019 |
| Profit attributable to the equity holders of the Company (RMB'000) | 5,265,571 | 5,105,035 |
| Weighted average number of ordinary shares in issue (thousands) | 3,451,115 | 3,289,981 |
| Basic earnings per share (RMB cents) | 152.58 | 155.17 |

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. The conversion of the convertible redeemable shares of subsidiary would result in an anti-dilutive effect on the diluted earnings per share for the six months ended 30 June 2020.

| | Six months ended 30 June | |
|---|--------------------------|-----------|
| | 2020 | 2019 |
| Profit attributable to the equity holders of the Company (RMB'000) | 5,265,571 | 5,105,035 |
| Weighted average number of ordinary shares in issue (thousands) | 3,451,115 | 3,289,981 |
| Adjustments for shares granted under the Share Scheme (thousands) | 5,252 | 4,713 |
| Weighted average number of ordinary shares for diluted earnings per share (thousands) | 3,456,367 | 3,294,694 |
| Diluted earnings per share (RMB cents) | 152.34 | 154.95 |

For the six months ended 30 June 2020

26 Contingencies and Financial Guarantee Contracts

(a) The Group had the following contingent liabilities:

| | 30 June 2020 RMB'000 | 31 December 2019 RMB'000 |
|---|-------------------------------------|--------------------------------|
| Guarantees in respect of mortgage facilities for certain purchasers | 23,423,397 | 19,119,460 |

Note:

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

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

| | Year of maturity | 30 June 2020 RMB'000 | 31 December 2019 RMB'000 |
|-------------------------------------|-------------------------|-------------------------------------|--------------------------------|
| Guarantees in respect of borrowings | 2020-2024 | 9,809,052 | 9,503,366 |

Note:

The Group and other shareholders provided guarantees in proportion of their respective equity interests in certain joint ventures and associated companies for their bank borrowings. The guarantees provided by the Group amounted to RMB9,809,052,000 as at 30 June 2020 (31 December 2019: RMB9,503,366,000). The fair value of the financial guarantee contracts are not significant. The Directors are of the view that such obligation will not cause an outflow of the Group's resources embodying economic benefits.

(c) Contingencies for litigation

A bank filed a litigation against Shanghai Shimao, a subsidiary of the Company, alleging that Shanghai Shimao should repay the principal and interest of the borrowings in a total amount of approximately RMB390,000,000 on behalf of Hangzhou Shimao Century Property Co., Ltd. ("Hangzhou Shimao"), an associated company of Shanghai Shimao, since Hangzhou Shimao was in financial difficulty and Shanghai Shimao once provided guarantee in respect to its borrowings. The provision charge amounting to approximately RMB53,210,000 has been recognised in profit or loss within 'Other income/other gains – net' during the year ended 31 December 2016. As at 30 June 2020, the legal litigation is still in trial process. In the opinion of the Directors, after taking into consideration the appropriate legal advice, the outcome of this legal litigation will not give rise to any significant loss beyond the estimated amounts provided as at 30 June 2020, 31 December 2019, 2018, 2017 and 2016. No more provision has been accrued or reversed during the six months ended 30 June 2020.

For other litigation against the Group, the Directors are of the view that they would not cause an outflow of the Group's resources embodying economic benefits as at 30 June 2020.

27 Commitments

Commitments for capital and property development expenditure

| | 30 June 2020 RMB'000 | 31 December 2019 RMB'000 |
|--|-------------------------------------|--------------------------------|
| Contracted but not provided for | | |
| – Properties being developed for sale | 43,264,098 | 43,023,356 |
| – Land use rights (including those related to associated companies and joint ventures) | 22,537,401 | 26,959,655 |
| – Property and equipment and investment properties | 2,836,274 | 2,448,055 |
| | 68,637,773 | 72,431,066 |

28 Significant Acquisition or Disposal of Subsidiaries and Transactions With Non-Controlling Interests

(a) Certain joint ventures transferred to subsidiaries

For the six months ended 30 June 2020, the Group acquired additional equity interests of several joint ventures of the Group, at a consideration of RMB754,161,000. After the acquisition, the Group gained control over these companies. The purchase resulted in a net cash inflow of RMB1,244,979,000 and a net gain of RMB195,302,000 was recognised from these acquisitions.

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

| | RMB'000 |
|---|------------------|
| Recognised amounts of identifiable assets acquired and liabilities assumed: | |
| Cash and cash equivalents | 1,999,140 |
| Properties under development | 19,856,565 |
| Prepaid income taxes | 340,330 |
| Trade and other receivables and prepayments | 4,539,276 |
| Property and equipment (Note 6) | 1,994 |
| Deferred income tax assets | 91,957 |
| Borrowings (Note 16) | (7,365,900) |
| Contract liabilities | (14,420,645) |
| Income tax payable | (85,035) |
| Trade and other payables | (3,067,443) |
| Deferred income tax liabilities | (94,782) |
| Total identifiable net assets | 1,795,457 |
| Non-controlling interests | (340,257) |
| Total acquired net assets | 1,455,200 |
| Fair value of previously held interests in the joint ventures (Note 8(b)) | (505,737) |
| Cash consideration paid | (754,161) |
| Gain on acquisition (Note 21) | 195,302 |
| Cash consideration paid | (754,161) |
| Cash and cash equivalents in the entities acquired | 1,999,140 |
| Net cash inflow from acquisition | 1,244,979 |

28 Significant Acquisition or Disposal of Subsidiaries and Transactions With Non-Controlling Interests*(CONTINUED)***(b) Acquisition of subsidiaries**

For the six months ended 30 June 2020, the Group acquired the equity interests in several companies, at a consideration of RMB441,832,000. After the acquisition, the Group gained control over these companies. The purchase resulted in a net cash inflow of RMB1,291,482,000 and a net gain of RMB511,000 was recognised from these acquisitions.

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

| | RMB'000 |
|---|------------------|
| Recognised amounts of identifiable assets acquired and liabilities assumed: | |
| Cash and cash equivalents | 1,733,314 |
| Completed properties held for sale | 2,506,147 |
| Properties under development | 20,092,270 |
| Trade and other receivables and prepayments | 4,364,153 |
| Prepaid income taxes | 264,727 |
| Property and equipment (Note 6) | 173,062 |
| Deferred income tax assets | 14,390 |
| Borrowings (Note 16) | (7,781,212) |
| Contract liabilities | (15,134,732) |
| Income tax payable | (16,497) |
| Trade and other payables | (5,691,090) |
| Deferred income tax liabilities | (24,971) |
| Total identifiable net assets | 499,561 |
| Non-controlling interests | (239,222) |
| Total acquired net assets | 260,339 |
| Goodwill (Note 6) | 182,004 |
| Cash consideration paid | (441,832) |
| Gain on acquisition (Note 21) | 511 |
| Cash consideration paid | (441,832) |
| Cash and cash equivalents in the entities acquired | 1,733,314 |
| Net cash inflow from acquisition | 1,291,482 |

28 Significant Acquisition or Disposal of Subsidiaries and Transactions With Non-Controlling Interests*(CONTINUED)***(c) Disposal of a subsidiary with loss of control and remaining interest retained as joint venture**

For the six months ended 30 June 2020, the Group disposed equity interest of a subsidiary and the remaining interest of the Group in this joint venture has a fair value of RMB1,250,000,000. The disposal resulted in a net cash outflow of RMB322,725,000 and a net gain of RMB13,467,000.

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

| | RMB'000 |
|--|------------------|
| Cash and cash equivalents | 347,725 |
| Completed properties held for sale | 352,479 |
| Properties under development | 3,725,084 |
| Trade and other receivables and prepayments | 95,345 |
| Prepaid income taxes | 18,137 |
| Property and equipment (Note 6) | 120 |
| Deferred income tax assets | 8,286 |
| Trade and other payables | (448,535) |
| Contract liabilities | (1,625,046) |
| Total identifiable net assets | 2,473,595 |
| Non-controlling interests | (1,212,062) |
| Net assets attribute to the equity holders of the Company | 1,261,533 |
| Total consideration | 25,000 |
| Fair value of interests retained in a joint venture (Note 8(b)) | 1,250,000 |
| Net assets disposed | (1,261,533) |
| Disposal gains (Note 21) | 13,467 |
| Total consideration | 25,000 |
| Less: Cash and cash equivalents in the entities disposed | (347,725) |
| Net cash outflow due to disposal | (322,725) |

28 Significant Acquisition or Disposal of Subsidiaries and Transactions With Non-Controlling Interests*(CONTINUED)***(d) Transaction with non-controlling interests****(i) Capital contribution from non-controlling interests**

For the six months ended 30 June 2020, non-controlling interests made several capital injections into the Group with total consideration of RMB6,584,252,000, which was equal to the carrying amount of non-controlling interests acquired on the date of acquisition.

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

For the six months ended 30 June 2020, the Group acquired additional interests in the subsidiaries for a total consideration of RMB1,942,190,000. The Group recognized a decrease in non-controlling interests of RMB2,251,231,000 and an increase in equity attributable to the equity holders of the Company of RMB309,041,000. The effect of changes in the ownership interest of the Group on the equity attributable to the equity holders of the Company during the period is summarized as follows:

| | The date of acquisition |
|---|------------------------------------|
| | RMB'000 |
| Carrying amount of non-controlling interests acquired | 2,251,231 |
| Consideration paid in current period to non-controlling interests | (1,942,190) |
| Excess of consideration paid recognized in equity | 309,041 |

(iii) From 25 December 2019 to 5 June 2020, the Group accumulated 187,558,342 shares of Shanghai Shimao capital stock certificate through the Shanghai Stock Exchange centralization or decentralization auction trading system, accounting for 5% of Shanghai Shimao's total share capital. After the implementation of this shareholding increase plan is completed, the Group holds 63.92% of Shanghai Shimao's total share capital.

29 Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control.

The Group is controlled by Gemfair Investments Limited (incorporated in the British Virgin Islands), which owns 55.064% of the Company's shares. The ultimate controlling person of the Group is Mr. Hui Wing Mau.

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

| | Six months ended 30 June | |
|---|--------------------------|---------|
| | 2020 | 2019 |
| | RMB'000 | RMB'000 |
| Construction material sold to related companies | 41,139 | 24,386 |
| Brand management fee income | 119,133 | 90,649 |
| | 160,272 | 115,035 |

- (b) Key management compensation

| | Six months ended 30 June | |
|---|--------------------------|---------|
| | 2020 | 2019 |
| | RMB'000 | RMB'000 |
| Emoluments | | |
| – Salaries and other short-term employee benefits | 9,265 | 9,056 |
| – Retirement scheme contributions | 70 | 38 |
| | 9,335 | 9,094 |

30 Subsequent Events

On 6 July 2020, the Company issued senior notes with total principal of US\$300,000,000 at a fixed interest rate of 4.6% due on 13 July 2030. In July 2020, US\$300,000,000 has been drawdown by the Company.

On 7 July 2020, 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 3.76% due on 7 July 2022. In July 2020, RMB1,000,000,000 has been drawdown by Shanghai Shimao.

