SHIMAO 世茂房地產

SHIMAO PROPERTY HOLDINGS LIMITED
世茂房地產控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 813)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

RESULTS HIGHLIGHTS

1. Contracted sales reached RMB72.32 billion for the first half of 2018, representing a significant year-on-year increase of 60.3%. Contracted sold area increased from 2.71 million sq.m. in the corresponding period of 2017 to 4.51 million sq.m. in the first half of 2018, representing a significant year-on-year increase of 66.5%.

2. As at 30 June 2018, the Group's land bank was approximately 51.62 million sq.m. (before interests). During the first half of 2018, the Group acquired land reserves of 7.73 million sq.m. (before interests).

3. Revenue increased by 18.8% to RMB42.571 billion (1H 2017: RMB35.822 billion). Revenue from hotels, rentals and property management and other income increased by 14.7% to RMB1.898 billion.

4. Gross profit margin increased to 31.0% from 29.6% for the corresponding period in 2017. Gross profit increased by 24.7% to RMB13.207 billion (1H 2017: RMB10.591 billion).

5. Net profit from core business attributable to shareholders increased by 20.2% to RMB4.401 billion (1H 2017: RMB3.661 billion). Net profit margin from core business attributable to shareholders increased by 0.9% to 14.3% from 13.4% for the corresponding period in 2017.

6. As at 30 June 2018, net gearing ratio was 62.7%, increased by 3.8% compared with that as at 31 December 2017. The Group had sufficient capital funds, with book cash in the amount of approximately RMB36.036 billion, the balance of available banking facilities of approximately RMB20.000 billion.

7. The Board declared the payment of an interim dividend of HK50 cents per share (1H 2017: interim dividend of HK40 cents), representing a year-on-year increase of 25%.

CHAIRMAN'S STATEMENT

Dear shareholders,

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

Market Review

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

Performance

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

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

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

Land Reserves

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

Financial Strategy

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

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

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

Organizational Efficiency

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

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

Diversification

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

In terms of hotel business line, the Group cooperated with Starwood Capital to start up a Chinese hotel brand with extensive experience and strong capital. As of July, on the first anniversary of its establishment, Shimao Star Hotel Group ("Shimao Star") already has 6 unique hotel brands, namely, Yu Resort, Yuluxe, Yu Hotels, Yu Residence, MiniMax and Mini, provide high-end full services and middle-end selected services. As of now, there are 8 hotels under Shimao Star that have been operating smoothly, and 47 more are ready to be introduced to the market, including 6 overseas hotels.

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

After more than a decade of development, Shimao's commercial sector has now entered 25 cities and has more than 45 commercial projects. In the second half of 2018, Shanghai Shimao Festival City, located on Nanjing East Road, the "First Commercial Pedestrian Street in China", has undergone 18 months of drastic transformation and upgrading, and will soon to be re-launched. This is a new starting point for the Group to create a uniquely influential commercial brand.

In addition, relying on the advantages of international industrial clusters and cultural resources, the themed pavilion of China's first "Hello Kitty – the Bund Tour", which is customized by the Group and Japan's very own Sanrio, will be located at Shanghai Shimao Festival City, becoming the new cultural highlight on Nanjing East Road Pedestrian Street.

Under the background of urban transformation and upgrade, the Group has established a comprehensive strategic partnership with SenseTime, the world's leading artificial intelligence platform, to meet the needs of the city and contribute to the urban intelligent upgrade.

Social Responsibility

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

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

"Flourishing youths lead to a flourishing nation". The Group promoted the beauty of Ancient Capital Chang'an and Silk Road by the activities of "We are family • Silk Road Chang'an" to enhance the youth exchange experiences between Hong Kong and the Mainland, which helps to establish a profound national pride, and enable the youths to better search and connect with their Chinese heritage.

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

Acknowledgement

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

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

Hui Wing Mau
Chairman

Hong Kong, 28 August 2018

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Property Development

1) *Recognized Sales Revenue*

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

2) *Steady Sales Growth*

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

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

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

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

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

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

The land parcels acquired (including in progress) by the Group during the reporting period are as follows:

New Land Parcels	Date of Acquisition	Usage	Land Cost (Attributable Interests) *(RMB million)*	Total Planned GFA (Before Interests) *(sq.m.)*	Cost per sq.m. *(RMB)*	Group's Interest
1. Block 3, Unit 19 of Qianhai Shenzhen-Hong Kong Cooperation Zone in Shenzhen	January 2018	Commercial office	2,250	73,500	30,612	100%
2. Tianjin Wuqing No. 2016-70 Parcel	January 2018	Residential, commercial service and educational	3,199	266,485	12,004	100%
3. Zhengzhou Guancheng District Jinluowan Project	January 2018	Commercial and residential	863	451,113	3,750	51%
4. Shenzhen Pingshan Centre	January 2018	Commercial and service	1,124	182,000	10,291	60%
5. Fuzhou 2017-49 (Sanjiangkou)	January 2018	Residential	560	187,910	8,760	34%
6. Longyan Shanghang Honor Project	January 2018	Residential	125	60,750	4,031	51%
7. Fuzhou Jin'an 2017-57 & 58	January 2018	Residential	1,405	151,397	9,280	100%
8. Taizhou Jiaojiang District Zhang'an Project	January 2018	Residential and commercial	341	222,292	4,517	34%
9. Zhangzhou 2017P08 (Longwen District Minnan Watertown 05 Parcel)	January 2018	Residential, commercial service and retirement	1,836	333,826	10,784	51%
10. Zhangzhou 2017P11 (Longwen District An'deguang Parcel)	January 2018	Residential and commercial service	148	72,957	2,029	100%
11. Beijing Fengtai Xiaowayao Parcel	January 2018	Residential	1,531	76,160	41,032	49%
12. Ningbo Zhenhai District Luotuo Project	February 2018	Residential and commercial	353	81,200	8,706	50%

New Land Parcels	Date of Acquisition	Usage	Land Cost (Attributable Interests) *(RMB million)*	Total Planned GFA (Before Interests) *(sq.m.)*	Cost per sq.m. *(RMB)*	Group's Interest
13. Zhangzhou Danxia Parcel	February 2018	Integrated commercial and residential	157	95,347	5,500	30%
14. Shijiazhuang Luquan Parcel	February 2018	Residential	145	38,297	4,725	80%
15. Phase II of Quanzhou Yuexin	March 2018	Commercial service	167	108,381	2,530	61%
16. Jinan Jiyang Chengbo Lake	March 2018	Residential and commercial	421	419,711	1,432	70%
17. Changchun Lianhua Mountain 92, 94, 98, 99, 102	March 2018	Residential	254	496,289	819	63%
18. Guangdong Huidong Qingyun	March 2018	Residential and commercial	456	152,545	2,993	100%
19. Quanzhou Taishang S2017-06 (Baiqi Lake)	March 2018	Commercial and residential	870	482,412	3,060	59%
20. Longyan S2018 Pai-1 (Dongshan B08)	March 2018	Residential	136	63,085	2,156	100%
21. Putian Compound	March 2018	Retail commercial and residential	410	152,258	4,762	57%
22. Quanzhou Jinjiang P2017-22 (Xintang)	April 2018	Commercial and residential	857	268,632	3,190	100%
23. Fuzhou 2018-01 Parcel	April 2018	Ordinary commodity housing, shopping mall and restaurant	662	231,902	14,282	20%
24. Fuzhou 2018-03 Parcel	April 2018	Ordinary commodity housing	590	51,009	11,567	100%
25. Nanping High-speed Railway New District B6-1 (2018-Pai J03)	April 2018	Commercial and residential	102	125,629	811	100%
26. Phase II of Nanping 2011-J-07 Parcel B (13-1-50-2) (Yongsen)	April 2018	Other ordinary commodity housing	64	170,414	1,250	30%
27. Xiamen X2017P07 (Xiang'an Xinwei)	April 2018	Residential	903	45,880	19,682	100%
28. Nanping Yanping District 2018-J-1	April 2018	Other ordinary commodity housing	95	67,680	1,404	100%
29. Deyang 60 Acres	April 2018	R21 (Residential, excluding commercial)	651	132,441	4,918	100%
30. Fuzhou Fuqing 2018 Pai-15	May 2018	Commercial service and residential	1,202	299,976	4,007	100%
31. Jiaxing Pinghu 2018 Ping-No. 29 Project	May 2018	Urban residential	1,322	146,971	8,996	100%
32. Fuzhou Minqing New City	May 2018	Commercial and residential	85	120,934	3,498	20%

New Land Parcels	Date of Acquisition	Usage	Land Cost (Attributable Interests) *(RMB million)*	Total Planned GFA (Before Interests) *(sq.m.)*	Cost per sq.m. *(RMB)*	Group's Interest
33. Quanzhou Julong Town	May 2018	Commercial and residential	494	255,737	3,785	51%
34. Wenzhou Pingyang Ao'jiang Binjiang Centre F-01-01 Parcel	May 2018	Urban residential, wholesale & retail	804	120,016	6,703	100%
35. Wenzhou Pingyang Ao'jiang Binjiang Centre F-02-01 Parcel	May 2018	Urban residential, wholesale & retail	262	116,716	6,794	33%
36. Jinjiang 2017-38 (Neikeng)	May 2018	Commercial and residential	36	137,104	1,058	25%
37. Jinan Zhangqiu Fukang	May 2018	Residential	349	75,623	4,610	100%
38. Quanzhou 2018-2 (Licheng)	May 2018	Commercial and residential	556	110,762	5,020	100%
39. Xiamen 2018HP01 (Haicang Maluan Bay)	June 2018	Residential and commercial service	727	116,000	25,086	25%
40. Zibo Honglian Lake	June 2018	Residential	191	108,000	3,921	45%
41. Fu'an Wanyu Jinlan Bay	June 2018	Residential	59	132,898	895	50%
42. Sanming Changxing Road D-2	June 2018	Other ordinary commodity housing	217	68,341	3,171	100%
43. Wenzhou Pingyang Ao'jiang Binjiang G-07-03 Parcel	June 2018	Urban residential	169	54,770	6,156	50%
44. Huzhou Lianshi Central Primary School South Parcel	June 2018	Urban residential	415	127,692	3,250	100%
45. North of Qingyuan Avenue and East of Xuefu Road, Yixing Economic Development Zone	June 2018	Urban residential	546	87,838	6,216	100%
46. Yinchuan Gongyong Garden East Parcel	June 2018	Residential	178	42,150	4,220	100%
47. Changsha Zhengyuan	June 2018	Commercial and residential	881	259,994	6,162	55%
48. Jiangxi Ji'an Guhou River Project	June 2018	Type II residential	405	85,943	4,708	100%
Total			29,573	7,728,967	5,966	

Geographically, the Group adjusted its strategy in anticipation of the continuation of the government's differentiated policy for specific cities. In addition to the first- and second-tier cities, the Group acquired land in the nearby third-tier and fourth-tier cities which may benefit from the spilt-over demand from the first-tier and second-tier cities. In respect of land cost, the average floor price of the new land reserves was approximately RMB5,966 per sq.m. The Group has been prudent in increasing its land reserves by following its longstanding prudent policy and strives to maintain a balance between development opportunity and risk control. As at 30 June 2018, the Group's average land cost was RMB5,325 per sq.m. The relatively low land cost provides effective assurance for the Group's endeavor for a higher profit margin in the future.

Property Investment

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

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

Hotel Operations

As of 30 June 2018, the Group had a total of 19 hotels in operation, including Le Royal Méridien Shanghai, Hyatt on the Bund Shanghai, The Yuluxe Sheshan, A Tribute Portfolio Hotel, Shanghai, Hilton Nanjing Riverside, Holiday Inn Mudanjiang, Holiday Inn Shaoxing, DoubleTree by Hilton Wuhu, Crowne Plaza Shaoxing, InterContinental Fuzhou, Hilton Tianjin Eco-City, DoubleTree by Hilton Ningbo Chunxiao, Hilton Wuhan Riverside, Conrad Xiamen, DoubleTree by Hilton Ningbo Beilun, Hilton Yantai, Hilton Shenyang and three hotels entrusted to Shimao Star for management. Currently, the Group has around 6,400 hotel guest rooms, with Hilton Shenyang commencing operation in the first half of 2018. In the first half of 2018, the Group's hotels achieved a total revenue of RMB0.88 billion, representing a year-on-year increase of 8.5%, with an EBITDA of RMB270 million, representing a year-on-year increase of 5.1%. Due to renovation of Shanghai Shimao International Plaza, the revenue of Le Royal Méridien Shanghai decreased by 14.9% in the first half of this year. Should it not be taken into account, the Group's revenue from hotel operations would have increased by 14.9%, and the EBITDA would have increased by 15.3% compared with the same period of the previous year.

The first half of 2018 was the first complete half-year operating period of Shimao Star since its establishment, during which, Shimao Star successfully signed 21 self-owned brand hotel projects, 1.31 times of that signed in the whole year of 2017. Specifically, following the opening of Yuluxe Hotel and Yu Residence in Bali in 2017, Shimao Star once again went overseas by signing 4 new projects in Indonesia and Malaysia, namely Yuluxe Hotel Lombok (龍目島茂御度假酒店), Yu Resort Lombok (龍目島御榕莊酒店), Mini Hotel Malacca (馬六甲動漫睿選酒店) and MiniMax Hotel Malacca (馬六甲動漫睿選尚品酒店). As of 30 June 2018, Shimao Star's hotels in operation and under development included 5 luxury resorts, "Yu Resort", 10 luxury five-star standard hotels, "Yuluxe", 3 high-end full-service hotels, "Yu Hotels", 3 luxury serviced apartments, "Yu Residence", 12 high-end inspirational selected hotels, "MiniMax", 21 inspirational selected hotels, "Mini", and one hotel entrusted to a third party for management. Of the 55 hotels mentioned above, 8 have been put into operation and 47 were in preparation for opening. Shimao Star's hotels have established significant presence in the first-tier and second-tier cities such as Shanghai, Chengdu, Wuhan, Xiamen, and Nanjing, as well as the emerging cities with great potential in economic development and tourist hotspots, such as Kunming, Nanchang, Jiaxing, Emeishan and Yangshuo. Looking forward, while maintaining its focus on the fast-growing hotel market in China, Shimao Star will actively explore overseas markets and determinedly pursue its goal of developing 100 hotels in four years, and striving to be a Chinese hotel group with global presence.

In the second half of 2018, Shimao Star will actively explore for new projects, and constantly enhance its brand image and operation of its hotels, as an effort to maintain revenue growth. Its membership scheme "Shimao Star Dream Club (世茂喜達夢享會)" will be officially opened soon with the aim of enhancing customer loyalty as well as providing a stronger customer source for its opened and upcoming hotels. The Mini series will also officially introduce its upgraded brand image in the near future, aiming to create a comfortable and special experience for the new generation of travelers with a new image of "Inspirational Selected Hotel". The whole-new brand planning contemplated by Shimao Star in cooperation with Starwood Capital which is specially tailored for the millennial generation will also be officially launched soon. In addition, Shimao Star's first luxury five-star standard hotel in western China, Yuluxe Hotel Chengdu, was opened on 18 August 2018 with a grand ceremony. The hotel, boasting a unique design of traditional Sichuan culture engraved with a natural combination of tradition with modernity, is to create a whole new exciting journey for business travelers. InterContinental Shanghai Wonderland, which is widely viewed as one the world's architectural wonders, will also be officially opened in the fourth quarter of 2018. With an offering of stunning underwater rooms and restaurants as well as a variety of entertainment facilities for cliff-climbing and water sports, it is bound to become a tourist hotspot in Shanghai. In addition, Le Méridien Hangzhou is scheduled to be opened in the fourth quarter of 2018. The total number of hotel guest rooms in the three hotels exceed 800. In the second half of 2018, Shimao will strive to realize the full potential of its hotels to cater for the diversified needs of its customers and actively explore new income sources.

FINANCIAL ANALYSIS

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

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

Revenue

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

The components of the revenue are analysed as follows:

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

(i) ***Sales of Properties***

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

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

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

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

(ii) Hotel Income

Hotel operation income is analysed as follows:

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

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

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

(iii) Rental income, Property Management and Others income

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

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

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

Cost of Sales

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

Cost of sales are analysed as follows:

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

Fair Value Gains on Investment Properties – Net

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

Other Income/Other Gains – Net

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

Selling and Marketing Costs and Administrative Expenses

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

Operating Profit

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

Finance Income/(Costs) – Net

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

Share of Results of Associated Companies and Joint Ventures

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

Taxation

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

Profit Attributable to Shareholders

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

Liquidity and Financial Resources

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

As of 30 June 2018, the Group had aggregate cash and bank balances (including restricted cash balances) of approximately RMB36.036 billion (31 December 2017: RMB33.007 billion), total borrowings amounted to approximately RMB98.485 billion (31 December 2017: RMB87.505 billion). Total net borrowings were approximately RMB62.449 billion (31 December 2017: RMB54.498 billion). Net gearing ratio is measured by the total net borrowings (total amount of borrowings net of aggregate cash and bank balances (including restricted cash balances)) over the total equity (excluding perpetual capital instruments). Net gearing ratio increased from approximately 58.9% as at 31 December 2017 to approximately

62.7% as at 30 June 2018. The increase of net gearing ratio is to support the Group's higher quality development and to obtain more premium land reserve. What's more, net gearing ratio still remained on a healthy level which was a solid foundation for the Group's sustained growth and the ability to handle the complicated economic environment.

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

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

The borrowings were denominated in different currencies set out below:

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

Financing Activities

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

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

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

Secondly, in March and June 2018, the Group separately issued the dim sum bond amounting to RMB950 million and RMB1,200 million with the interest rate of 5.75% to defend the foreign exchange risk. The market reaction to the bond is intensively which reflected the great confidence of the market to the performance and the future of the Group.

Thirdly, the Group successfully issued “Shimao-Huaneng-Kaiyuan housing lease trust beneficiary ABS” on the Shanghai Stock Exchange in July 2018. It was the first issuance of housing lease shelf rental ABS in China and set up a new benchmark of the Group in exploring the financing innovations. The term of ABS was 20 years and the interest rate was 5.6%. The total scale was RMB1 billion and the first drawdown amount was RMB0.5 billion.

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

In view of the steady operating and financial performance of the Group, all the credit rating agencies maintained the rating of the Group and its subsidiaries. Standard & Poor’s maintained the Group’s long-term corporate credit rating at “BB+”, the outlook at stable. Moody’s maintained the Group’s long-term corporate credit rating at “Ba2”, the outlook at stable. Fitch Rating maintained the Group’s long-term corporate credit rating at “BBB-” and the outlook at stable. As to the domestic credit rating agencies, CCXI and United Rating Co., Ltd, both maintained the Group’s long-term corporate credit rating at the highest rating of “AAA”.

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

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

Foreign Exchange Risks

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

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

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

Pledge of Assets

As of 30 June 2018, the Group had pledged property and equipment, investment properties, land use rights, properties under development, completed properties held for sale and restricted cash with a total carrying amount of RMB50.713 billion to secure bank facilities granted to the Group. The corresponding bank and other loans amounted to approximately RMB18.544 billion.

Contingencies

As of 30 June 2018, the Group had provided guarantees for approximately RMB15.712 billion in respect of the mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. In addition, the Group had provided guarantees for approximately RMB8.182 billion in its portion of equity interests in certain associated companies and joint ventures for their borrowings.

Capital and Property Development Expenditure Commitments

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

Employees and Remuneration Policy

As of 30 June 2018, the Group employed a total of 9,107 employees. Total remuneration for the period amounted to approximately RMB965 million. The Group has adopted a performance-based rewarding system to motivate its staff. The Board adopted a share award scheme (the "Share Award Scheme") of the Company on 30 December 2011. The purpose of the Share Award Scheme is to recognize the contributions by outstanding employees of the Group and to provide them with incentives in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group. In relation to staff training, the Group also regularly provided different types of programmes for its staff to improve their skills and develop their respective expertise.

UNAUDITED INTERIM RESULTS

The Board is pleased to present the unaudited consolidated results of the Group for the six months ended 30 June 2018 together with comparative figures. These interim financial statements have not been audited, but have been reviewed by the Company's Audit Committee.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2018

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2018

		Unaudited Six months ended 30 June	
		2018	2017
	Note	***RMB'000***	*RMB'000*
Profit for the period attributable to:			
Equity holders of the Company		**4,270,704**	3,879,244
Non-controlling interests		**1,911,348**	1,486,879
		6,182,052	5,366,123
Total comprehensive income for the period attributable to:			
Equity holders of the Company		**4,228,559**	3,857,112
Non-controlling interests		**1,881,369**	1,471,655
		6,109,928	5,328,767
Earnings per share for profit attributable to the equity holders of the Company			
– Basic (RMB cents)	*10*	**126.64**	114.95
– Diluted (RMB cents)	*10*	**126.37**	114.77

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2018

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

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 30 JUNE 2018

	Note	Unaudited 30 June 2018 *RMB'000*	Audited 31 December 2017 *RMB'000*
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital		**348,864**	348,864
Share premium		**2,568**	100,282
Reserves			
– Proposed dividend		**1,457,489**	1,638,371
– Retained earnings		**53,713,634**	52,956,128
– Others		**2,645,618**	2,591,038
		58,168,173	57,634,683
Non-controlling interests			
Perpetual capital instruments		**4,000,000**	4,200,000
Other non-controlling interests		**41,443,512**	34,912,114
		45,443,512	39,112,114
Total equity		**103,611,685**	96,746,797
LIABILITIES			
Non-current liabilities			
Borrowings		**69,322,645**	69,309,472
Deferred income tax liabilities		**6,553,107**	6,025,277
		75,875,752	75,334,749
Current liabilities			
Trade and other payables	*6*	**39,922,323**	33,524,265
Dividend payable		**1,713,359**	–
Advanced proceeds received	*3(b)*	**–**	34,117,188
Contract liabilities		**35,772,693**	–
Income tax payable		**17,732,811**	15,641,375
Borrowings		**29,162,672**	18,195,220
Finance lease liabilities		**66,228**	130,560
Amounts due to related parties		**29,754,557**	33,868,519
		154,124,643	135,477,127
Total liabilities		**230,000,395**	210,811,876
Total equity and liabilities		**333,612,080**	307,558,673

SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2018

1 GENERAL INFORMATION AND BASIS OF PREPARATION

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

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

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

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

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

2 ACCOUNTING POLICIES

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

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

2.1 New and amended standards adopted by the Group

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

- HKFRS 9 Financial Instruments, and
- HKFRS 15 Revenue from Contracts with Customers.

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

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

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

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

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

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

(i) HKFRS 16, Leases

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

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

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

3 CHANGES IN ACCOUNTING POLICIES

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

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

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

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

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

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

(i) Classification and measurement

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

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

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

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

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

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

(ii) Impairment of financial assets

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

- Trade and other receivables

- Amounts due from related parties

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

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

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

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

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

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies. The Group adopted HKFRS 15 using the modified retrospective approach which means that the cumulative impact of the adoption (if any) will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

The effects of the adoption of HKFRS 15 are as follows:

- *Presentation of contract assets and liabilities*

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

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

• *Accounting for property development activities*

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

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

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

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

(c) Accounting policies applied from 1 January 2018

(i) Financial assets

- Investments and other financial assets

  Classification

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

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

  - Those to be measured at amortised cost.

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

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

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

  Measurement

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

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

Debt instruments

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

- Financial assets at amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- Financial assets at FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

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

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

Impairment

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

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

(ii) Derivatives

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

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

(iii) Revenue Recognition

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

- provides all of the benefits received and consumed simultaneously by the customer;

- creates and enhances an asset that the customer controls as the Group performs; or

- do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

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

- direct measurements of the value transferred by the Group to the customer; or

- the Group's efforts or inputs to the satisfaction of the performance obligation.

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

4 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	
	2018	2017
	RMB'000	*RMB'000*
Sales of properties	**40,673,275**	34,167,300
Hotel operation income	**879,955**	810,805
Rental income from investment properties	**385,577**	377,006
Property management and other income	**632,118**	466,666
	42,570,925	35,821,777

(b) Segment information

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

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

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

** *Unallocated mainly represent corporate level activities.*

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

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

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

** *Unallocated mainly represent corporate level activities.*

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

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

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

	Property development and investment			
	Shanghai Shimao	Others	Hotel operation	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Associated companies	200,239	1,144,779	–	1,345,018
Joint ventures	2,107,174	11,494,535	–	13,601,709
Intangible assets	1,709,730	–	130,928	1,840,658
Other segment assets	86,327,419	180,773,033	18,048,407	285,148,859
Total segment assets	90,344,562	193,412,347	18,179,335	301,936,244
Deferred income tax assets				2,523,663
AFS				1,068,775
Derivative financial instruments				1,190
Other assets				2,028,801
Total assets				307,558,673
Borrowings	17,149,556	35,133,395	1,091,500	53,374,451
Other segment liabilities	36,109,134	66,351,538	14,044,160	116,504,832
Total segment liabilities	53,258,690	101,484,933	15,135,660	169,879,283
Corporate borrowings				34,130,241
Deferred income tax liabilities				6,025,277
Other liabilities				777,075
Total liabilities				210,811,876

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

5 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	30 June 2018 *RMB'000*	31 December 2017 *RMB'000*
Bidding deposits for land use rights *(Note (a))*	**9,917,700**	5,228,769
Trade receivables *(Note (c))*	**5,444,813**	4,705,330
Prepayments for construction costs	**3,867,904**	2,464,299
Loan receivables *(Note (b))*	**1,133,156**	528,788
Prepaid business taxes on pre-sale proceeds	**413,553**	585,423
Other receivables	**2,006,285**	2,071,177
	22,783,411	15,583,786

Notes:

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

(b) As at 30 June 2018, loan receivables of RMB1,133,156,000 (31 December 2017: RMB528,788,000) were secured by the pledge of certain properties, notes receivable or credit guaranty of borrowers, bearing interest rate at a range from 4.2% to 14.0% per annum and repayable within one year.

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

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

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

As at 30 June 2018, the fair value of trade receivables, bidding deposits for land use rights, loan receivables and other receivables of the Group approximate their carrying amounts, as the impact of discounting is not significant.

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

6 TRADE AND OTHER PAYABLES

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

Notes:

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

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

(b) Other payables comprise:

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

7 COMMITMENTS

(a) Commitments for capital and property development expenditure

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

(b) Operating lease commitments

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

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

8 INCOME TAX EXPENSE

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

(a) Hong Kong profits tax

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

(b) PRC enterprise income tax

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

(c) PRC land appreciation tax

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

(d) PRC withholding income tax

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

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

9 DIVIDENDS

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

Notes:

(a) A final dividend in respect of the year ended 31 December 2017 of HK60 cents per ordinary share, amounting to approximately HK$2,032,213,000 (equivalent to RMB1,638,371,000) was proposed at the Company's board meeting held on 27 March 2018, and was approved at the annual general meeting of the Company held on 19 June 2018.

(b) An interim dividend in respect of the six months ended 30 June 2017 of HK40 cents per ordinary share, amounting to approximately HK$1,354,809,000 (equivalent to RMB1,152,807,000) was paid in September 2017.

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

10 EARNINGS PER SHARE

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

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

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

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

CORPORATE GOVERNANCE CODE

The Company complied with the code provisions set out in the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months ended 30 June 2018 except for:

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

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

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors of the Company (the "Directors"). 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 2018.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2018,

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

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

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

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2018.

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

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

The register of members of the Company will be closed on Wednesday, 12 September 2018 and Thursday, 13 September 2018 for the purpose of ascertaining shareholders' entitlement to the interim dividend. During these two days no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 11 September 2018.

On behalf of the Board
Shimao Property Holdings Limited
Hui Wing Mau
Chairman

Hong Kong, 28 August 2018

As at the date of this announcement, the Board comprises three Executive Directors, namely, Mr. Hui Wing Mau (Chairman), Mr. Hui Sai Tan, Jason (Vice Chairman) and Ms. Tang Fei; one Non-executive Director, namely, Mr. Liu Sai Fei; and three Independent Non-executive Directors, namely, Ms. Kan Lai Kuen, Alice, Mr. Lu Hong Bing and Mr. Lam Ching Kam.