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 2019

RESULTS HIGHLIGHTS

1. Contracted sales reached RMB100.34 billion for the first half of 2019, representing a significant year-on-year increase of 38.7%. Contracted gross floor area increased from 4.51 million sq.m. in the corresponding period of 2018 to 5.56 million sq.m. in the first half of 2019, representing a year-on-year increase of 23.3%.

2. As at 30 June 2019, the Group's land bank was approximately 64.07 million sq.m. (before interests). During the first half of 2019, the Group acquired land reserves of 14.12 million sq.m. (before interests).

3. Revenue increased significantly by 32.9% to RMB56.564 billion (1H 2018: RMB42.571 billion). Revenue from hotels, commercial properties operation, property management and others increased by 75.3% to RMB3.328 billion.

4. Gross profit increased by 28.9% to RMB17.020 billion (1H 2018: RMB13.207 billion). Gross profit margin maintained at a stable level of 30.1%.

5. Net profit from core business increased by 23.8% to approximately RMB7.576 billion (1H 2018: RMB6.121 billion). Net profit from core business attributable to shareholders increased by 20.6% to approximately RMB5.309 billion (1H 2018: RMB4.401 billion). Net profit margin from core business attributable to shareholders was 13.7%.

6. As at 30 June 2019, net gearing ratio was 59.6%. The Group had sufficient capital funds, with book cash in the amount of approximately RMB52.234 billion, and available facilities from banks and other financial institutions of approximately RMB40.000 billion.

7. The Board declared the payment of an interim dividend of HK60 cents per share (1H 2018: interim dividend of HK50 cents), representing a year-on-year increase of 20%.

CHAIRMAN'S STATEMENT

Dear shareholders,

I am pleased to present the interim results of Shimao Property Holdings Limited ("Shimao Property", "Shimao" or the "Company", together with its subsidiaries, the "Group") for the six months ended 30 June 2019.

Market and Outlook

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

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

Sales Performance

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

Shimao's Strategies

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

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

Project Quality

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

Flexible and Diverse Way of Land Acquisition

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

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

Uphold Prudent Financial Policy

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

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

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

Diversified Business Layout

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

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

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

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

Social Responsibility

The responsibility is integrated in the blood, while the originality is inherited by hard work. When it comes to another side of the durable growth, the Group also pays close attention to the implementation of corporate social responsibility with its capital advantages, fulfilling its responsibilities to the fullest. Facilitating the inheritance of Chinese culture, Shimao jointly works with the Palace Museum and its cultural derivatives, thus bringing new momentum for building confidence in Chinese culture. Shimao upholds the concept that "Flourishing youths lead to a flourishing nation". Through constantly holding activities like "We are Family" youth exchange programs of New Home Association, Shimao offers opportunities for the Hong Kong youth to experience the glory of Chinese civilization, thus enhancing the communication between the young people in mainland China and those in Hong Kong and further strengthening their national pride through cultural tours. Shimao actively participates in poverty alleviation by providing medical assistance. Through carrying out "The Belt and Road Eradication of Cataract Blindness", "Special Prevention and Control of Tibetan Hydatid Disease", "Spectacled Brother for Children with Serious Illnesses" and other public welfare projects, Shimao brings hopes to patients suffering from illness.

Interim Dividend

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

Appreciation

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

Hui Wing Mau
Chairman

Hong Kong, 27 August 2019

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Property Development

1) *Recognized Sales Revenue*

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

2) *Steady Sales Growth*

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

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

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

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

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

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

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

	New Land Parcels	Date of Acquisition	Usage	Land Cost (Attributable Interests) *(RMB million)*	Total Planned GFA (Before Interests) *(sq.m.)*	Cost per sq.m. *(RMB)*	Group's Interest
1.	Beijing Chaoyang Jiangtai	February 2019	Mixed residential and public construction	1,704	160,145	21,281	50%
2.	Qingdao Taihu Road Parcel	February 2019	Residential	110	84,716	2,550	51%
3.	Putian Xiuyu District Nos. PS Pai-2019-2/ 2019-3	February 2019	Residential	180	243,974	1,476	49%/ 51%
4.	Fuzhou Mazongdi No. 2019-02 Parcel	February 2019	Commercial and residential	242	67,877	7,131	50%
5.	Hainan Huaya Asset Portfolio Project (Haikou Huaya Bund Centre/ Qionghai Huaya Baoli Mingzhu/ Wanning Huaya In the Garden/ Wanning Huaya Joy Town)	February 2019	Commercial and residential	314	190,413	5,534	20%/ 20%/ 40%/ 30%
6.	Jinan Changqing Dongwang Parcel	March 2019	Residential	950	235,667	4,031	100%
7.	Lin'an Project	March 2019	Commercial and residential	929	310,463	6,107	49%
8.	Shishi 2018S-26/2018S-27	March 2019	Commercial and residential	884	291,222	3,035	100%
9.	Nanning GC2019-017	March 2019	Commercial and residential	236	80,185	6,000	49%
10.	Maoming WG2019-05	March 2019	Residential, science and educational	337	258,546	1,303	100%
11.	Cathay Courtyard-Nanchang Courtyard Project	March 2019	Commercial and residential	82	141,341	1,698	34%
12.	Hebei Xianghe Wantong	March 2019	Residential	2,360	775,000	4,350	70%
13.	Nanjing Yuhuatai District Xishanqiao Street-Ningwu Railway South C2 and C3 Parcels	March 2019	Commercial and residential	1,428	168,798	16,588	51%

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
14. Fuzhou Jin'an District 2019-10/ Cangshan District 2019-12	March 2019	Commercial and residential	2,065	206,090	10,020	100%
15. Fuzhou Changle 2019-2/Changle 2019-4	March 2019	Commercial and residential	438	49,449	8,847	100%
16. Hangzhou Jiangcun Project	March 2019	Commercial and residential	1,026	183,454	11,413	49%
17. Zhangzhou Hong Shu Wan Project	March 2019	Commercial and residential	1,834	370,629	12,371	40%
18. Putian Zhongtan Resettlement Housing Project	March 2019	Residential	25	37,815	3,239	20%
19. Lanzhou Qilihe Hongjian Project	March 2019	Residential	448	196,993	4,545	50%
20. Nanchang Jiangnan Courtyard-Yinmeng Lake Project	March 2019	Commercial, residential, cultural and entertainment, and tourism	1,943	871,628	4,371	51%
21. Anhui Ma'anshan Jiangwan New Town Project	March 2019	Commercial and residential	2,792	1,888,040	2,900	51%
22. Shaoxing Binhai New Town J2 Parcel	April 2019	Commercial and residential	336	208,034	1,617	100%
23. Xinyang Nanwan Lake Project	April 2019	Residential	100	92,084	1,357	80%
24. Anhui Kunming Guandu District Shuangfeng Project (177 acres)	April 2019	Residential	1,257	380,439	6,476	51%
25. Kunming Wujiaba Central Park Project	April 2019	Residential and commercial	816	163,031	5,003	100%
26. Zhaoqing YS01008 and YS1009-2	April 2019	Commercial and residential	528	164,574	3,209	100%
27. Wenzhou Tangxia Central District C-5-8 Parcel	April 2019	Residential	633	51,224	12,363	100%
28. Parcel at the Northwest of the Intersection of Dongsan Road and Jinjishan Road in Zhuji	April 2019	Commercial and residential	178	83,376	6,479	33%
29. Mianyang Puming Project	April 2019	Type II residential with commercial	666	190,800	3,491	100%
30. Tianjin South Lake Project 2019-010	April 2019	Operational	219	221,828	5,099	19%
31. Nanping Jianyang 2019-P-03	April 2019	Commercial and residential	154	127,872	3,644	33%
32. Parcel at the North of the Vocational and Technical College in Lishui	April 2019	Urban residential, retail and commercial	1,017	85,163	11,942	100%
33. Fuzhou Jin'an District 2019-13 Puxia Parcel	April 2019	Commercial and residential	371	128,769	14,390	20%

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
34. Hefei Changfeng County CF201906/ CF201909	April 2019	Residential	1,410	185,150	7,615	100%
35. Weifang Ge'er Tao Yuan Li Parcel (123 acres)/Weifang Ge'er Zhuohe Parcel (185 acres)	April 2019	Commercial and residential	1,024	424,336	3,016	80%
36. Wenzhou Tangxia Central District C-7-4/C-7-5 Parcels	April 2019	Residential, science and educational	380	34,369	11,062	100%
37. Chongqing Pengshui Liangjiang City Phase II	April 2019	Commercial and residential	306	329,715	1,820	51%
38. Nanning GC2019-016 Parcel	May 2019	Residential	117	57,423	5,100	40%
39. Shandong Pingdu Parcel	May 2019	Residential, commercial and educational	29	91,777	764	41%
40. Guangzhou Foshan Courtyard	May 2019	Commercial and residential	323	481,500	2,236	30%
41. Guangzhou Zengcheng Project	May 2019	Commercial and residential	3,205	1,074,707	6,086	49%
42. Suzhou Dianshan Lake Project	May 2019	Residential	444	398,058	5,576	20%
43. Wenzhou Core District South Unit A-19 Parcel	May 2019	Residential, commercial, and food and beverage	2,236	124,266	17,994	100%
44. Yueqing Hongqiao Town Xitang Village Parcel	May 2019	Commercial and residential	739	195,775	7,544	50%
45. Zhaoxing Sihui Zhenshan Street Yaosha Village Committee Lot	May 2019	Commercial and residential	526	166,304	3,164	100%
46. Fu'an Hukou District D02 Parcel	June 2019	Commercial and residential	369	171,950	2,681	80%
47. Parcel at the Northeast of the Intersection of Lihu Road and Old Hubin Road in Wuxi	June 2019	Commercial and residential	728	55,341	13,155	100%
48. Putian No. PS Pai 2019-14	June 2019	Residential	109	56,034	3,953	49%
49. Fuzhou Yongtai No. 2019-09 Parcel	June 2019	Commercial and residential	485	151,255	3,207	100%
50. Zhenjiang Runzhou District Guantang Area Yuanyang School North	June 2019	Commercial and residential	418	116,006	3,600	100%
51. Zhoushan DH-47-04-02, 06 and 07 Parcels (Zhu Shan Men Residence Parcel)	June 2019	Commercial and residential	417	66,238	6,299	100%
52. Guangzhou Swan Bay Phase II	June 2019	Residential	2,780	47,007	59,136	100%
53. Guangzhou Jiasheng Project	June 2019	Wholesale and retail, and urban residential	2,195	43,312	50,678	100%

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
54. Zhangjiakou Huailai Project	June 2019	Commercial	293	203,474	2,823	51%
55. Shenzhen Longgang District Henggang Street Silian Community Xianhe Residents Group Old Village Area	June 2019	Residential	279	270,149	5,164	20%
56. Taizhou Tiantai County TFX01-0203 Parcel	June 2019	Residential	476	80,835	5,889	100%
57. Changzhou Dingtang River Project	June 2019	Commercial and residential	2,620	283,448	9,243	100%
58. Xingyang Zhengxing No. (2019) 14-3	June 2019	Residential	98	116,726	2,533	33%
59. Parcel at the Northwest of the Intersection of Renmin South Road and Wenchang Road in Zhuji	June 2019	Commercial and residential	106	41,480	6,407	40%
60. Zhuji Chengxi Business District	June 2019	Residential	845	148,603	5,686	100%
Total			49,554	14,124,878	5,581	

Geographically, the Group adjusted its strategy in anticipation of the continuation of the government's differentiated policy for specific cities. In addition to the first-tier and second-tier cities, the Group acquired land in the nearby third-tier and fourth-tier cities which may benefit from the spilt-over demand from the first-tier and second-tier cities. In respect of land cost, the average floor price of the new land reserves was approximately RMB5,581 per sq.m.. The Group has been prudent in increasing its land reserves by following its longstanding prudent policy and strives to maintain a balance between development opportunity and risk control. As at 30 June 2019, the Group's average land cost was RMB5,446 per sq.m.. The relatively low land cost provides effective assurance for the Group's endeavor for a higher profit margin in the future.

Property Investment

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

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

Hotel Operations

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

In the first half of 2019, Shimao Star officially released a new lifestyle brand designed specifically for the millennial generation in China, ETHOS（凡象）, corresponding to their era recognition "distinguishing character, manifested sentiment"（生而不凡 不拘萬象）, which becomes the exclusive hotel brand partner of China Li-Ning during 2020 Paris Fashion Week, to jointly appear on the international stage. The membership scheme "Shimao Star Dream Club (世茂喜達夢享會)", through the update and active promotion of the system, has increased the number of members by nearly 300,000, which is an impressively rapid development. As of 30 June 2019, Shimao Star successfully signed 17 self-owned brand hotel projects, and hotels in operation and under development included 3 luxury resorts, "Yu Resort", 11 luxury hotels, "Yuluxe", 12 high-end hotels, "Yu Hotels", 5 luxury serviced apartments, "Yu Residence", 2 lifestyle boutique hotels, "ETHOS (凡象)", 14 high-end inspirational selected hotels, "MiniMax", 30 inspirational selected hotels, "Mini", and one hotel entrusted by a third party for management. Of the 78 hotels, 11 have been put into operation and 67 were in preparation for opening. Shimao Star's hotels have established significant presence in the first-tier and second-tier cities such as Beijing, Shanghai, Shenzhen, Chengdu, Wuhan and Xiamen, as well as the emerging cities with great potential in economic development and tourist hotspots, such as Kunming, Nanchang, Jiaxing and Wuxi. In terms of overseas markets, following the opening of Yuluxe Hotel and Yu Residence in Bali, Yuluxe Hotel Lombok (龍目島茂御度假酒店), Yu Resort Lombok (龍目島御榕莊酒店), Mini Hotel Malacca (馬六甲動漫睿選酒店) and MiniMax Hotel Malacca (馬六甲動漫睿選尚品酒店), Shimao Star once again went overseas by signing 2 new projects in Malaysia, namely Eco-City Yu Hotel Bentong Malaysia（馬來西亞文冬生態城世御酒店）and Eco-City Yu Resort Hotel Bentong Malaysia（馬來西亞文冬生態城御榕莊酒店）. Looking forward, while maintaining its focus on the fast-growing hotel market in China, Shimao Star will actively explore overseas markets, and striving to be a Chinese hotel group benchmark with global presence.

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

In the second half of 2019, Shimao Star will actively explore for new projects, expecting to achieve 100 opening and contracting projects, and constantly enhance its brand image and operation of its hotels, as an effort to maintain revenue growth. Its membership scheme "Shimao Star Dream Club (世茂喜達夢享會)" will be continuously promoted through diversified reward activities, with the aim of enhancing customer loyalty as well as providing a stronger customer source for its opened and upcoming hotels. The new lifestyle brand ETHOS's first hotel, Shimao ETHOS Hotel Xiamen, will be grandly opened in September 2019. The hotel creatively combines China's history and modern design with the local customs of Ludao and blends the Chinese manufacturing technology and wisdom with trendy arts to customize a journey for millennial generation customers, and make them feel a national pride. Shimao ETHOS Hotel Wuhan is also expected to be unveiled in the fourth quarter. In the second half of 2019, Shimao Star will strive to realize the full potential of its hotels to cater for the diversified needs of its customers and actively explore new income sources.

FINANCIAL ANALYSIS

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

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

Revenue

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

The components of the revenue are analysed as follows:

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

* *The components of revenue are reclassified this period, with figures of 1H2018 accordingly adjusted.*
** *The income does not include revenue of related parties or that from the Group.*

(i) Sales of Properties

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

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

(ii) Hotel Income

Hotel operation income is set out as follows:

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

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

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

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

Commercial properties operation income is analysed as follows:

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

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

Cost of Sales

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

Cost of sales are analysed as follows:

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

Fair Value Gains on Investment Properties – Net

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

Other Income/Other Gains – Net

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

Selling and Marketing Costs and Administrative Expenses

The Group strictly linked actual cost with performance ratio through overall budget management and dynamic tracking. Selling and marketing costs and administrative expenses arising from property sales accounted for 2.3% of contracted sales in the first half of 2019 (1H 2018: 2.3%), which was competitive in the market.

Operating Profit

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

Finance (Costs)/Income – Net

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

Share of Results of Associated Companies and Joint Ventures

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

Taxation

The Group's tax provisions amounted to approximately RMB6,454 million for the period, in which PRC land appreciation tax ("LAT") was RMB3,046 million (1H 2018: RMB5,233 million, in which LAT was RMB2,399 million). The increase in LAT was in line with the growth in gross margin.

Profit Attributable to Shareholders

Profit attributable to shareholders for the period increased by 19.5% from approximately RMB4.271 billion in first half of 2018 to RMB5.105 billion in the first half of 2019. The increase was mainly due to the increase of core profit. Excluding the net impact of major after-tax non-cash items, net profit from core business for the period increased by 23.8% to approximately RMB7.576 billion (1H 2018: RMB6.121 billion), and net profit from core business attributable to shareholders for the period increased by 20.6% in the first half of 2018 to approximately RMB5.309 billion. Net profit margin from core business attributable to shareholders was 13.7% in the first half of 2019.

Liquidity and Financial Resources

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

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

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

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

Financing Activities

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

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

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

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

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

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

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

Foreign Exchange Risks

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

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

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

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

Pledge of Assets

As of 30 June 2019, the Group had pledged property and equipment, investment properties, land use rights, properties under development, completed properties held for sale and restricted cash with a total carrying amount of RMB57.078 billion to secure bank facilities granted to the Group. The corresponding bank and other loans amounted to approximately RMB17.614 billion.

Contingencies

As of 30 June 2019, the Group had provided guarantees for approximately RMB21.030 billion in respect of the mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. In addition, the Group had provided guarantees for approximately RMB9.276 billion in its portion of equity interests in associated companies and joint ventures for their borrowings.

Capital and Property Development Expenditure Commitments

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

Employees and Remuneration Policy

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

UNAUDITED INTERIM RESULTS

The Board is pleased to present the unaudited consolidated results of the Group for the six months ended 30 June 2019 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 2019

		Unaudited Six months ended 30 June	
		2019	2018
	Note	***RMB'000***	*RMB'000*
Revenue	*4(a)*	**56,564,070**	42,570,925
Cost of sales		**(39,544,147)**	(29,363,559)
Gross profit		**17,019,923**	13,207,366
Fair value gains on investment properties – net		**632,195**	986,744
Other income/other gains – net		**81,822**	178,519
Selling and marketing costs		**(1,030,949)**	(672,163)
Administrative expenses		**(2,312,802)**	(1,710,625)
Reversal of impairment losses on financial assets		**22,536**	10,287
Other operating expenses		**(235,440)**	(64,556)
Operating profit		**14,177,285**	11,935,572
Finance income		**479,729**	372,674
Finance costs		**(649,299)**	(760,057)
Finance costs – net		**(169,570)**	(387,383)
Share of results of associated companies and joint ventures accounted for using equity method		**15,904**	(133,561)
Profit before income tax		**14,023,619**	11,414,628
Income tax expense	*8*	**(6,454,434)**	(5,232,576)
Profit for the period		**7,569,185**	6,182,052

	Note	Unaudited Six months ended 30 June 2019 RMB'000	2018 RMB'000
Other comprehensive income			
Item that may be reclassified to profit or loss			
Translation reserves		**–**	854
Item that will not be reclassified to profit or loss			
Fair value gains/(losses) on financial assets at fair value through other comprehensive income, net of tax		**22,088**	(72,978)
Other comprehensive income		**22,088**	(72,124)
Total comprehensive income for the period		**7,591,273**	6,109,928
Profit for the period attributable to:			
Equity holders of the Company		**5,105,035**	4,270,704
Non-controlling interests		**2,464,150**	1,911,348
		7,569,185	6,182,052
Total comprehensive income for the period attributable to:			
Equity holders of the Company		**5,118,618**	4,228,559
Non-controlling interests		**2,472,655**	1,881,369
		7,591,273	6,109,928
Earnings per share for profit attributable to the equity holders of the Company			
– Basic (RMB cents)	*10*	**155.17**	126.64
– Diluted (RMB cents)	*10*	**154.95**	126.37

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2019

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

	Note	**Unaudited 30 June 2019** *RMB'000*	Audited 31 December 2018 *RMB'000*
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital		**341,575**	341,575
Share premium		**31,465**	31,465
Reserves			
– Retained earnings		**58,720,548**	55,861,308
– Other reserves		**3,103,291**	2,999,858
		62,196,879	59,234,206
Non-controlling interests			
Perpetual capital instruments		**5,100,000**	5,100,000
Other non-controlling interests		**43,979,814**	40,945,971
		49,079,814	46,045,971
Total equity		**111,276,693**	105,280,177
LIABILITIES			
Non-current liabilities			
Borrowings		**83,410,134**	77,825,292
Lease liabilities	*3*	**125,566**	–
Deferred income tax liabilities		**6,851,838**	6,596,455
		90,387,538	84,421,747
Current liabilities			
Trade and other payables	*6*	**64,227,670**	50,585,171
Dividend payable		**2,033,027**	–
Contract liabilities		**52,945,385**	47,173,444
Income tax payable		**22,379,815**	20,595,196
Borrowings		**32,055,555**	31,306,474
Lease liabilities	*3*	**131,459**	–
Amounts due to related parties		**40,499,639**	38,234,642
		214,272,550	187,894,927
Total liabilities		**304,660,088**	272,316,674
Total equity and liabilities		**415,936,781**	377,596,851

SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2019

1 GENERAL INFORMATION AND BASIS OF PREPARATION

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

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

This interim condensed consolidated financial information is presented in thousands of Renminbi ("RMB'000"), unless otherwise stated, and was approved for issue on 27 August 2019.

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

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

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

2 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2018, as described in those annual financial statements.

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

2.1 New and amended standards adopted by the Group

A number of new or amended standards become applicable for the current reporting period, and the Group had to change its accounting policies accordingly.

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

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

2.2 The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2019 and have not been early adopted by the Group:

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

3 CHANGES IN ACCOUNTING POLICIES

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

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

3.1 Adjustments recognised on adoption of HKFRS 16

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

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

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

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

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

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

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

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

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

(i) Impact on segment disclosures and earnings per share

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

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

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

(ii) Practical expedients applied

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

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

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

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

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

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

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

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

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

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

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

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

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

(i) ***Extension and termination options***

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

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

4 SEGMENT INFORMATION

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

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

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

(a) Revenue

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

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

(b) Segment information

The segment results for the six months ended 30 June 2019 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	11,720,377	41,515,860	–	–	53,236,237
– Recognised at a point in time	11,378,086	40,524,079	–	–	51,902,165
– Recognised over time	342,291	991,781	–	–	1,334,072
– Hotel operation income	124,659	–	871,833	–	996,492
– Commercial properties operation income	501,488	220,401	–	–	721,889
– Property management and other income	107,871	1,501,581	–	–	1,609,452
Total revenue	12,454,395	43,237,842	871,833	–	56,564,070
Operating profit/(loss)	3,580,991	11,016,051	104,463	(524,220)	14,177,285
Finance income	107,463	350,224	562	21,480	479,729
Finance costs	(208,994)	(40,886)	(9,427)	(389,992)	(649,299)
Share of results of associated companies and joint ventures accounted for using the equity method	175,024	(159,120)	–	–	15,904
Profit/(loss) before income tax	3,654,484	11,166,269	95,598	(892,732)	14,023,619
Income tax expense					(6,454,434)
Profit for the period					7,569,185
Other segment items are as follows:					
Capital and property development expenditure	15,594,343	43,158,508	1,120,205	–	59,873,056
Fair value gains on investment properties	451,705	180,490	–	–	632,195
Fair value gains on derivative financial instruments	–	–	–	18,374	18,374
Depreciation	42,364	61,316	201,930	26,359	331,969
Depreciation and amortization of right-of-use assets	56,564	9,244	33,308	–	99,116
Provision for/(reversal of) impairment losses on financial assets	4,367	(26,849)	(54)	–	(22,536)

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

** *Unallocated mainly represent corporate level activities.*

The segment results for the six months ended 30 June 2018 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	11,469,711	29,203,564	–	–	40,673,275
– Recognised at a point in time	11,358,296	28,140,289	–	–	39,498,585
– Recognised over time	111,415	1,063,275	–	–	1,174,690
– Hotel operation income	122,039	–	757,916	–	879,955
– Commercial properties operation income	453,314	40,873	–	–	494,187
– Property management and other income	112,184	411,324	–	–	523,508
Total revenue	12,157,248	29,655,761	757,916	–	42,570,925
Operating profit/(loss)	4,849,564	7,168,969	95,708	(178,669)	11,935,572
Finance income	63,876	296,454	418	11,926	372,674
Finance costs	(156,634)	(16,799)	(10,723)	(575,901)	(760,057)
Share of results of associated companies and joint ventures accounted for the equity method	(1,975)	(131,586)	–	–	(133,561)
Profit/(loss) before income tax	4,754,831	7,317,038	85,403	(742,644)	11,414,628
Income tax expense					(5,232,576)
Profit for the period					6,182,052
Other segment items are as follows:					
Capital and property development expenditure	7,259,050	27,113,592	440,630	–	34,813,272
Fair value gains on investment properties	683,654	303,090	–	–	986,744
Fair value gains on derivative financial instruments	–	–	–	1,988	1,988
Depreciation	39,073	64,394	161,682	30,497	295,646
Amortisation of land use rights	4,935	7,355	20,406	–	32,696
Provision for/(reversal of) impairment losses on financial assets	1,469	(11,965)	209	–	(10,287)

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

** *Unallocated mainly represent corporate level activities.*

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

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

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

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

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

5 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

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

Notes:

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

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

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

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

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

As at 30 June 2019, the fair value of trade receivables, bidding deposits for land use rights, loan receivables and other receivables of the Group approximate their carrying amounts, as the impact of discounting is not significant.

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

6 TRADE AND OTHER PAYABLES

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

Notes:

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

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

(b) Other payables comprise:

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

7 COMMITMENTS

Commitments for capital and property development expenditure

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

8 INCOME TAX EXPENSE

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

(a) Hong Kong profits tax

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

(b) PRC enterprise income tax

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

(c) PRC land appreciation tax

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

(d) PRC withholding income tax

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

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

9 DIVIDENDS

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

Notes:

(a) A final dividend in respect of the year ended 31 December 2018 of HK70 cents per ordinary share, amounting to approximately HK$2,311,045,000 (equivalent to RMB1,971,784,000) was proposed at the Company's board meeting held on 26 March 2019, and was approved at the annual general meeting of the Company held on 18 June 2019.

(b) An interim dividend in respect of the six months ended 30 June 2018 of HK50 cents per ordinary share, amounting to approximately HK$1,665,131,000 (equivalent to RMB1,457,489,000) was paid in September 2018

At a meeting held on 27 August 2019, the Board declared an interim dividend of HK60 cents per ordinary share for the six months ended 30 June 2019, amounting to approximately HK$1,980,986,000 (equivalent to RMB1,783,599,000). This proposed dividend is not reflected as a dividend payable in this condensed consolidated financial information

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	
	2019	2018
Profit attributable to the equity holders of the Company *(RMB'000)*	**5,105,035**	4,270,704
Weighted average number of ordinary shares in issue *(thousands)*	**3,289,981**	3,372,302
Basic earnings per share *(RMB cents)*	**155.17**	126.64

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

	Six months ended 30 June	
	2019	2018
Profit attributable to the equity holders of the Company *(RMB'000)*	**5,105,035**	4,270,704
Weighted average number of ordinary shares in issue *(thousands)*	**3,289,981**	3,372,302
Adjustments for shares granted under Share Scheme *(thousands)*	**4,713**	7,106
Weighted average number of ordinary shares for diluted earnings per share *(thousands)*	**3,294,694**	3,379,408
Diluted earnings per share *(RMB cents)*	**154.95**	126.37

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 2019 except for one deviation as set out below.

The Chairman of the Board was unable to attend the Company's annual general meeting held on 18 June 2019 (as required by the code provision E.1.2 of the Code) due to the sudden change of the schedule.

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 2019.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2019,

(1) the Company redeemed an aggregate principal amount of US$1,100,000,000 of all outstanding 8.375% senior notes due 2022.

(2) Shanghai Shimao Co., Ltd., a 58.92%-owned subsidiary of the Company, redeemed an aggregate principal amount of RMB2,000,000,000 of long-term bonds at a fixed interest rate of 3.29% due in March 2019.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2019.

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has today declared an interim dividend of HK60 cents per ordinary share for the six months ended 30 June 2019. The dividend will be payable on Friday, 27 September 2019 to shareholders whose names appear on the register of members of the Company on Thursday, 12 September 2019.

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

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

Hong Kong, 27 August 2019

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 President) 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.