SHIMAO 世茂房地產

SHIMAO PROPERTY HOLDINGS LIMITED
世 茂 房 地 產 控 股 有 限 公 司
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 813)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

RESULTS HIGHLIGHTS

1. Contracted sales in 2019 reached RMB260.066 billion, representing a significant year on-year increase of 47.6%. Contracted gross floor area increased from 10.687 million sq.m. in 2018 to 14.656 million sq.m. in 2019, representing a significant year-on-year increase of 37.1%.

2. As at 31 December 2019, the Group's land bank was approximately 76.79 million sq.m. (before interests). During the year of 2019, the Group acquired land bank of 30.92 million sq.m. (before interests).

3. Revenue increased by 30.4% to RMB111.517 billion (2018: RMB85.513 billion). Revenue from hotels, commercial properties operation, property management income, and others increased by 35.2% to RMB6.226 billion.

4. Gross profit increased by 26.6% to RMB34.131 billion (2018: RMB26.949 billion). Gross profit margin was 30.6%.

5. Net profit from core business for the year increased by 30.6% to approximately RMB15.325 billion (2018: RMB11.732 billion). Net profit from core business attributable to shareholders for the year increased by 22.5% to approximately RMB10.478 billion (2018: RMB8.551 billion). Net profit margin from core business attributable to shareholders was 14.1%.

6. As at 31 December 2019, net gearing ratio was 59.7%. As at 31 December 2019, the Group had sufficient capital funds, with book cash in the amount of approximately RMB59.623 billion, the balance of available facilities from bank and other financial institutions of approximately RMB50.000 billion. Moody's upgraded the Group's credit rating to Ba1.

7. The Board proposed the payment of a final dividend of HK85 cents per share. Together with an interim dividend of HK60 cents per share, the total dividend for the year will amount to HK$1.45 per share, representing a year-on-year increase of 20.8%.

CHAIRMAN'S STATEMENT

Dear shareholders,

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

Market and Outlook

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

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

Sales Performance

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

Shimao's Strategies

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

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

Flexible and Diverse Way of Land Acquisition

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

At the same time, Shimao will strictly follow the latest policies and urban development planning in various cities. In addition to public auction, the Group will also develop diversified methods such as cooperation, acquisition and strategic purchase to further expand its land acquisition.

Uphold Prudent Financial Policy

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

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

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

Diversified Business Layout

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

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

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

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

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

Social Responsibility

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

Final Dividend

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

Acknowledgement

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

Hui Wing Mau
Chairman

Hong Kong, 30 March 2020

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Property Development

1) *Recognized Sales Revenue*

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

2) *Steady Sales Growth*

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

In 2019, the Group, under the premise of stable operation in market, and for one hand, based on various regulatory policies to tackle problems in a stable manner, strengthened the city-based and rational implementation for policies as well as the structural optimization, and promoted the performance growth with a forward-looking layout. Looking forward to 2020, the Group will launch saleable areas of approximately 19.92 million sq.m.. Together with the saleable areas of approximately 8.24 million sq.m. as at 31 December 2019, the Group's total saleable areas in 2020 will be approximately 28.16 million sq.m..

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

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

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

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

The land parcels acquired by the Group in 2019 are as follows:

	New Land Parcels	Date of Acquisition	Usage	Land Cost (Attributable Interests) *(RMB million)*	Total Planned GFA (Before Interests) *(sq.m.)*	Cost per sq.m. *(RMB)*	Group's Interest
1.	Beijing Chaoyang Jiangtai	February 2019	Mixed residential and public construction	1,704	160,145	21,281	50%
2.	Qingdao Taihu Road Parcel	February 2019	Residential	110	84,716	2,550	51%
3.	Putian Xiuyu District Nos. PS Pai-2019-2/2019-3	February 2019	Residential	180	243,974	1,476	49%/ 51%
4.	Fuzhou Mazongdi No. 2019-02 Parcel	February 2019	Commercial and residential	242	67,877	7,131	50%
5.	Hainan Huaya Asset Portfolio Project (Haikou Huaya Bund Centre/ Qionghai Huaya Baoli Mingzhu/ Wanning Huaya In the Garden/ Wanning Huaya Joy Town)	February 2019	Commercial and residential	314	190,413	5,534	20%/ 20%/ 40%/ 30%
6.	Jinan Changqing Dongwang Parcel	March 2019	Residential	950	235,667	4,031	100%
7.	Hangzhou Lin'an Project	March 2019	Commercial and residential	1,350	147,161	9,174	100%
8.	Shishi 2018S-26/2018S-27	March 2019	Commercial and residential	884	291,222	3,035	100%
9.	Nanning GC2019-017	March 2019	Commercial and residential	236	80,185	6,000	49%
10.	Maoming WG2019-05	March 2019	Residential, science and educational	337	258,546	1,303	100%
11.	Nanchang Cathay Courtyard-Nanchang Courtyard Project	March 2019	Commercial and residential	82	141,341	1,698	34%
12.	Hebei Xianghe Wantong	March 2019	Residential	2,360	775,000	4,350	70%
13.	Nanjing Yuhuatai District Xishanqiao Street-Ningwu Railway South C2 and C3 Parcels	March 2019	Commercial and residential	1,428	168,798	16,588	51%
14.	Fuzhou Jin'an District 2019-10/ Cangshan District 2019-12	March 2019	Commercial and residential	2,065	206,090	10,020	100%
15.	Fuzhou Changle 2019-2/Changle 2019-4	March 2019	Commercial and residential	438	49,449	8,847	100%
16.	Hangzhou Jiangcun Project	March 2019	Commercial and residential	1,811	183,454	10,966	90%
17.	Zhangzhou Hong Shu Wan Project	March 2019	Commercial and residential	1,834	370,629	12,371	40%
18.	Putian Zhongtan Resettlement Housing Project	March 2019	Residential	25	37,815	3,239	20%
19.	Lanzhou Qilihe Hongjian Project	March 2019	Residential	448	196,993	4,545	50%
20.	Nanchang Jiangnan Courtyard-Yinmeng Lake Project	March 2019	Commercial, residential, cultural and entertainment, and tourism	1,943	871,628	4,371	51%
21.	Anhui Ma'anshan Jiangwan New Town Project	March 2019	Commercial and residential	2,792	1,888,040	2,900	51%
22.	Shaoxing Binhai New Town J2 Parcel	April 2019	Commercial and residential	336	208,034	1,617	100%
23.	Xinyang Nanwan Lake Project	April 2019	Residential	100	92,084	1,357	80%
24.	Kunming Guandu District Shuangfeng Project (177 acres)	April 2019	Residential	1,257	380,439	6,476	51%

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
25.	Kunming Wujiaba Central Park Project	April 2019	Residential and commercial	816	163,031	5,003	100%
26.	Zhaoqing YS01008 and YS1009-2	April 2019	Commercial and residential	528	164,574	3,209	100%
27.	Wenzhou Tangxia Central District C-5-8 Parcel	April 2019	Residential	633	51,224	12,363	100%
28.	Parcel at the Northwest of the Intersection of Dongsan Road and Jinjishan Road in Zhuji	April 2019	Commercial and residential	178	83,376	6,479	33%
29.	Mianyang Puming Project	April 2019	Type II residential with commercial	666	190,800	3,491	100%
30.	Tianjin South Lake Project 2019-010	April 2019	Operational	219	221,828	5,099	19%
31.	Nanping Jianyang 2019-P-03	April 2019	Commercial and residential	154	127,872	3,644	33%
32.	Parcel at the North of the Vocational and Technical College in Lishui	April 2019	Urban residential, retail and commercial	1,017	85,163	11,942	100%
33.	Fuzhou Jin'an District 2019-13 Puxia Parcel	April 2019	Commercial and residential	371	128,769	14,390	20%
34.	Hefei Changfeng County CF201906/CF201909	April 2019	Residential	1,410	185,150	7,615	100%
35.	Weifang Ge'er Tao Yuan Li Parcel (123 acres)/Weifang Ge'er Zhuohe Parcel (185 acres)	April 2019	Commercial and residential	1,024	424,336	3,016	80%
36.	Wenzhou Tangxia Central District C-7-4/C-7-5 Parcels	April 2019	Residential, science and educational	380	34,369	11,062	100%
37.	Chongqing Pengshui Liangjiang City Phase II	April 2019	Commercial and residential	306	329,715	1,820	51%
38.	Nanning GC2019-016 Parcel	May 2019	Residential	117	57,423	5,100	40%
39.	Shandong Pingdu Parcel	May 2019	Residential, commercial and educational	29	91,777	764	41%
40.	Guangzhou Foshan Courtyard	May 2019	Commercial and residential	778	481,500	2,021	80%
41.	Guangzhou Zengcheng Project	May 2019	Commercial and residential	2,500	1,074,707	5,815	40%
42.	Suzhou Dianshan Lake Project	May 2019	Residential	444	398,058	5,576	20%
43.	Wenzhou Core District South Unit A-19 Parcel	May 2019	Residential, commercial, and food and beverage	738	124,266	17,994	33%
44.	Yueqing Hongqiao Town Xitang Village Parcel	May 2019	Commercial and residential	739	195,775	7,544	50%
45.	Zhaoqing Sihui Zhenshan Street Yaosha Village Committee Lot	May 2019	Commercial and residential	263	166,304	3,164	50%
46.	Fu'an Hukou District D02 Parcel	June 2019	Commercial and residential	277	171,950	2,681	60%
47.	Parcel at the Northeast of the Intersection of Lihu Road and Old Hubin Road in Wuxi	June 2019	Commercial and residential	728	55,341	13,155	100%
48.	Putian No. PS Pai 2019-14	June 2019	Residential	109	56,034	3,953	49%
49.	Fuzhou Yongtai No. 2019-09 Parcel	June 2019	Commercial and residential	388	151,255	3,207	80%
50.	Zhenjiang Runzhou District Guantang Area Yuanyang School North	June 2019	Commercial and residential	355	116,006	3,600	85%
51.	Zhoushan DH-47-04-02, 06 and 07 Parcels (Zhu Shan Men Residence Parcel)	June 2019	Commercial and residential	209	66,238	6,299	50%
52.	Parcel at the Northwest of the Intersection of Renmin South Road and Wenchang Road in Zhuji	June 2019	Commercial and residential	106	41,480	6,407	40%
53.	Zhuji Chengxi Business District	June 2019	Residential	279	148,603	5,686	33%
54.	Zhangjiakou Huailai Project	June 2019	Commercial	293	203,474	2,823	51%
55.	Shenzhen Longgang District Henggang Street Silian Community Xianhe Residents Group Old Village Area	June 2019	Commercial and residential	279	270,149	5,164	20%

	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
56.	Taizhou Tiantai County TFX01-0203 Parcel	June 2019	Residential	243	80,835	5,889	51%
57.	Changzhou Dingtang River Project	June 2019	Commercial and residential	1,284	283,448	9,243	49%
58.	Xingyang Zhengxing No. (2019) 14-3	June 2019	Residential	98	116,726	2,533	33%
59.	Guangzhou Swan Bay Phase II	June 2019	Residential	2,780	47,007	59,136	100%
60.	Guangzhou Jiasheng Project	June 2019	Wholesale and retail, and urban residential	2,195	43,312	50,678	100%
61.	Tianjin Gulang Shuizhen Project	July 2019	Commercial and residential	3,656	1,667,175	4,300	51%
62.	Hangzhou Dacheng Yard Project	July 2019	Residential	560	252,892	7,381	30%
63.	Jinan First Machine Tools Factory Project	July 2019	Commercial and residential	1,624	422,589	7,685	50%
64.	Huainan Dongshan Swan Bay	July 2019	Residential	81	348,524	1,157	20%
65.	Huainan Park Swan Bay	July 2019	Residential	758	749,622	1,264	80%
66.	Zhoushan Baiquan Parcel	July 2019	Residential	130	80,134	4,900	33%
67.	Jiangmen Yinhu Bay Project	July 2019	Commercial and residential	2,800	700,000	5,714	70%
68.	Jiangmen Taishan Sanhe Spring Town	July 2019	Commercial and residential	1,300	885,747	1,957	75%
69.	Chaohu Project	July 2019	Residential	236	119,977	4,918	40%
70.	Nanjing NO.2019G30 Parcel	July 2019	Commercial and residential	754	177,293	12,691	34%
71.	Fuzhou Lianjiang 2019-12 Parcel	July 2019	Commercial and residential	141	87,816	4,578	35%
72.	Hanzhong Jiangnan East Road Project	July 2019	Commercial and residential	72	200,871	1,189	30%
73.	Chongqing Zhongmin Aipu Asset Portfolio	July 2019	Commercial and residential	3,280	798,566	8,215	50%
74.	Chongqing Banan Project Asset Portfolio	July 2019	Commercial and residential	775	280,000	5,536	50%
75.	Anqing Yixiu District No. 2019-26 Parcel	July 2019	Residential	157	161,173	2,873	34%
76.	Ningde 2019P01/Ningde 2019P04	July 2019	Commercial and residential	579	298,500	4,848	40%
77.	Parcel at the Southwest of the Intersaction of Binhu Road and Xiangyang Avenue in Xuancheng	July 2019	Residential	211	127,474	3,373	49%
78.	Yiwu International Lugang Logistics Park 1-29# Parcel	July 2019	Residential	336	127,279	5,171	51%
79.	Jingzhou P(2013)007	August 2019	Residential	90	60,807	2,902	51%
80.	Jinan Changqing Dongwang A3/B1 Parcel	August 2019	Commercial and residential	590	227,552	2,592	100%
81.	Taian New City 9# and 7# Parcel	August 2019	Residential	832	446,274	3,657	51%
82.	Taian Tianping Lake Parcel	August 2019	Residential	181	106,863	5,455	31%
83.	Wenzhou Development Zone West District C Parcel\ D12 Parcel	August 2019	Commercial and residential	1,937	353,797	10,947	50%
84.	Zhangzhou Tahoe Xiangshan Bay Project	September 2019	Commercial and residential	505	879,417	1,914	30%
85.	Zhangzhou Tahoe Qingyun Town Project	September 2019	Commercial and residential	117	349,874	668	50%
86.	West of Zibo CBD Cultural Centre	September 2019	Commercial and residential	906	690,000	2,625	50%
87.	Zhangjiajie GTJY2019-66 Zhangjiajie GTJY2019-67	September 2019	Commercial and residential	215	457,891	941	50%
88.	Yulin Park 9 Miles, Yulin Yuehu Bay	September 2019	Commercial and residential	263	606,879	1,443	30%
89.	Chongqing Wanzhou Ruyi	October 2019	Commercial and residential	600	537,906	1,859	60%
90.	Nan'an 2019P09	October 2019	Residential	22	65,816	1,702	20%
91.	Zhuhai Hong Kong-Zhuhai-Macao Bridge Project	October 2019	Business, tourism and commercial complex	5,640	967,708	5,828	100%
92.	East of Dong'an Road and South of Xihuyuan Road of Zhangjiagang	October 2019	Commercial service	19	25,918	2,469	30%
93.	Baotou Kunbei District Project	October 2019	Commercial and residential	534	223,002	2,395	100%
94.	Pingtan 2019G045	October 2019	Commercial and residential	402	114,472	5,849	60%
95.	Beijing Fangshan Project	November 2019	Residential	850	71,582	11,874	100%
96.	Parcels D and E of Qingdao Central Garden	November 2019	Commercial and residential	1,079	266,787	4,043	100%

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97.	Tianjin Hai'er Century Mansion Project	November 2019	Commercial and residential	1,136	260,295	7,274	60%
98.	Xiamen Huaxi Project	November 2019	Residential	888	149,720	9,883	60%
99.	Xiamen Yunjie Project	November 2019	Commercial finance	513	126,420	8,108	50%
100.	Fuqing Huayuan Parcel	November 2019	Commercial and residential	290	157,654	4,085	45%
101.	No. 201905 of Minqing County, Fuzhou	November 2019	Residential	401	136,946	2,928	100%
102.	Parcel II of Qiaotou, Masangxi, Dadukou, Chongqing	November 2019	Commercial and residential	277	150,109	5,429	34%
103.	Parcel NCG041-0107 of the South of Yucheng Street, Taizhou	December 2019	Commercial and residential, science and educational	577	189,396	6,088	50%
104.	Parcel I of the North of the Maternal and Child Health Centre of Dongshan County, Zhangzhou	December 2019	Commercial and residential	133	115,563	1,919	60%
105.	Meilin of Futian District, Shenzhen	December 2019	Commercial service (resettlement properties)	784	76,030	21,044	49%
106.	Redevelopment Project of Qinghu, Longhua District, Shenzhen	December 2019	Commercial and residential	4,023	299,738	26,316	51%
107.	Huaibei Xiangshan District Fangding Parcel	December 2019	Residential	608	300,592	2,023	100%
108.	Jiaxing Tongxiang Zhendong New District	December 2019	Residential and hostels	658	97,406	6,755	100%
109.	Tianshui County Project of Tianshui	December 2019	Commercial and residential	718	514,482	2,737	51%
110.	Fuzhou Mawei 2019-08	December 2019	Residential	304	42,646	7,131	100%
111.	Quanzhou 2019 Pai-16#	December 2019	Commercial service	9	4,454	2,593	75%
112.	Quanzhou 2019 Pai-19#	December 2019	Commercial and residential	23	34,109	891	75%
113.	Quanzhou 2019 Pai-21#	December 2019	Commercial and residential	45	65,250	920	75%
114.	Suzhou WJ-J-2019-015	December 2019	Residential	958	52,953	18,089	100%
115.	Fuzhou Nancheng Feicuicheng	December 2019	Commercial and residential	171	242,011	2,082	34%
Total				90,897	30,915,528	5,035	

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

Commercial Properties Operation

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

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

Property Management

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

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

Hotel Operations

As of 31 December 2019, the Group had a total of 22 hotels in operation, including Le Royal Méridien Shanghai, Hyatt on the Bund Shanghai, The Yuluxe Sheshan, A Tribute Portfolio Hotel, Shanghai, Hilton Nanjing Riverside, Holiday Inn Mudanjiang, Holiday Inn Shaoxing, DoubleTree by Hilton Wuhu, Crowne Plaza Shaoxing, InterContinental Fuzhou, Hilton Tianjin Eco-City, DoubleTree by Hilton Ningbo Chunxiao, Hilton Wuhan Riverside, Conrad Xiamen, DoubleTree by Hilton Ningbo Beilun, Hilton Yantai, Hilton Shenyang, Le Méridien Hangzhou Binjiang, InterContinental Shanghai Wonderland and four hotels entrusted to Shimao Star for management. Currently, the Group has around 7,200 hotel guest rooms. Shimao's hotels have always been committed to understanding the needs of guests and capitalize its platform and resources in product design. It has designed various products for different target groups and scenarios for better experience and more sources of revenue. We have established a company designated for the retail of quality hotel products under a new model of hotel operation. In 2019, the Group's hotels achieved a total revenue of RMB2.10 billion, representing a year-on-year increase of 9.9%, with an EBITDA of RMB634 million, representing a year-on-year increase of 7.7%. Due to the partial renovation and reconstruction, the revenue of Le Royal Méridien Shanghai and The Yuluxe Sheshan, A Tribute Portfolio Hotel, Shanghai decreased by 28.5% compared with the previous year. Should these two hotels not be taken into account, the Group's revenue from hotel operations would have increased by 22.1%, and the EBITDA would have increased by 29.8% compared with the previous year.

In the first half of 2019, Shimao Star officially released a new lifestyle brand designed specifically for the millennial generation in China, ETHOS, corresponding to their era recognition "distinguishing character, manifested sentiment", which becomes the exclusive hotel brand partner of Li-Ning during 2020 Paris Fashion Week, to jointly appear on the international stage. Shimao ETHOS Hotel Xiamen, the first hotel under the brand name of ETHOS, was grandly opened in the end of 2019.

Through system upgrade and active promotion, the members of "Shimao Star Dream Club", the Shimao Star membership scheme, has increased to around 400,000 in total in 2019, which is a very impressive rapid growth. As of 31 December 2019, Shimao Star successfully signed 39 self-owned brand hotel projects, 8 overseas projects, and hotels in operation and in preparation for opening included 3 luxury resorts, "Yu Resort", 13 luxury hotels, "Yuluxe", 7 luxury serviced apartments, "Yu Residence", 17 high-end hotels, "Yu Hotels", 3 lifestyle boutique hotels, "ETHOS", 15 high-end inspirational selected hotels, "MiniMax", and 32 inspirational selected hotels, "Mini". Of the 90 hotels, 12 have been put into operation and 78 were in preparation for opening. Shimao Star's hotels have established significant presence in the first-tier and second-tier cities such as Beijing, Shanghai, Shenzhen, Chengdu, Wuhan and Xiamen, as well as the emerging cities with great potential in economic development and tourist hotspots, such as Kunming, Nanchang and Wuxi. In terms of overseas markets, following the opening of Yuluxe Hotel and Yu Residence in Bali, Yuluxe Hotel Lombok, Yu Resort Lombok, Mini Hotel Malacca and MiniMax Hotel Malacca, Shimao Star once again went overseas by signing 2 new projects in Malaysia, namely Eco-City Yu Hotel Bentong Malaysia and Eco-City Yu Resort Hotel Bentong Malaysia. Looking forward, while maintaining its focus on the fast-growing hotel market in China, Shimao Star will actively explore overseas markets, and striving to be a Chinese hotel group benchmark with global presence.

In 2020, the Company will complete the renovation of Le Royal Méridien Shanghai and The Yuluxe Sheshan, A Tribute Portfolio Hotel, Shanghai. In addition, Yu Resort Wuyishan (the first self-owned brand luxury resort), Sheraton Hong Kong Tung Chung and Four Points by Sheraton Hong Kong Tung Chung are scheduled to commence operation in the second half of 2020. The completion of renovation of two hotels at prime locations and the opening of three luxury hotels will boost the operation results of hotel business. The performance of the hotel industry for the first quarter of 2020 has been affected by the epidemic and will see a temporary decline. However, in the long run, it provides an opportunity for business expansion, product and service innovation as well as professional training. We believe the tourism industry will have a strong rebound when the epidemic is over.

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

FINANCIAL ANALYSIS

Key consolidated income statement figures are set out below:

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

Revenue

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

The components of the revenue are set out as follows:

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

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

(i) Sales of Properties

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

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

(ii) Hotel Income

Hotel operation income is analysed as follows:

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

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

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

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

Commercial properties operation income is analysed as follows:

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

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

Cost of Sales

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

Cost of sales are analysed as follows:

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

Fair Value Gains on Investment Properties – Net

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

Other Income/Other Gains – Net

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

Selling and Marketing Costs and Administrative Expenses

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

Operating Profit

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

Finance (Costs)/Income – Net

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

Share of Results of Associated Companies and Joint Ventures

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

Taxation

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

Profit Attributable to Shareholders

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

Liquidity and Financial Resources

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

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

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

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

Financing Activities

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

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

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

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

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

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

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

Foreign Exchange Risks

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

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

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

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

Pledge of Assets

As of 31 December 2019, the Group had pledged property and equipment, investment properties, land use rights, properties under development, completed properties held for sale and restricted cash with a total carrying amount of RMB69.679 billion to secure bank facilities granted to the Group. The corresponding bank and other loans amounted to approximately RMB19.358 billion.

Contingencies

As of 31 December 2019, the Group had provided guarantees for approximately RMB19.119 billion in respect of the mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. In addition, the Group had provided guarantees for approximately RMB9.503 billion in its portion of equity interests in associated companies and joint ventures for their borrowings.

Capital and Property Development Expenditure Commitments

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

Employees and Remuneration Policy

As of 31 December 2019, the Group employed a total of 10,854 employees, among whom 5,636 were engaged in property development. Total remuneration for the year amounted to approximately RMB2.642 billion. The Group has adopted a performance-based rewarding system to motivate its staff. The board of directors of the Company (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.

ANNUAL RESULTS

The Board is pleased to present the audited consolidated results of the Group for the year ended 31 December 2019 together with comparative figures for 2018. These annual results have been reviewed by the Company's Audit Committee.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

		Year ended 31 December	
		2019	2018
	Note	***RMB'000***	*RMB'000*
Revenue	*3*	**111,516,981**	85,512,704
Cost of sales	*6*	**(77,386,427)**	(58,563,625)
Gross profit		**34,130,554**	26,949,079
Fair value gains on investment properties – net		**2,335,257**	1,910,251
Other income/other gains – net		**351,639**	297,280
Selling and marketing costs	*6*	**(2,824,871)**	(2,023,438)
Administrative expenses	*6*	**(4,381,122)**	(3,429,512)
(Provision for)/reversal of impairment losses on financial assets	*6*	**(70,375)**	25,529
Other operating expenses	*6*	**(337,635)**	(520,488)
Operating profit		**29,203,447**	23,208,701
Finance income		**923,869**	786,116
Finance costs		**(1,208,789)**	(1,123,143)
Finance costs – net	*7*	**(284,920)**	(337,027)
Share of results of associated companies and joint ventures accounted for using the equity method		**96,825**	(233,469)
Profit before income tax		**29,015,352**	22,638,205
Income tax expense	*8*	**(12,635,387)**	(10,327,273)
Profit for the year		**16,379,965**	12,310,932

		Year ended 31 December	
		2019	2018
	Note	***RMB'000***	*RMB'000*
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Translation reserves		**–**	137
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		**19,591**	(290,843)
Other comprehensive income		**19,591**	(290,706)
Total comprehensive income for the year		**16,399,556**	12,020,226
Profit for the year attributable to:			
Equity holders of the Company		**10,897,600**	8,834,790
Non-controlling interests		**5,482,365**	3,476,142
		16,379,965	12,310,932
Total comprehensive income for the year attributable to:			
Equity holders of the Company		**10,911,548**	8,663,562
Non-controlling interests		**5,488,008**	3,356,664
		16,399,556	12,020,226
Earnings per share for profit attributable to the equity holders of the Company			
– Basic (RMB cents)	*10*	**331.1**	264.7
– Diluted (RMB cents)	*10*	**330.6**	264.1

CONSOLIDATED BALANCE SHEET
As at 31 December 2019

		As at 31 December	
		2019	2018
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Property and equipment		**15,922,942**	14,577,637
Right-of-use assets		**8,217,754**	–
Investment properties		**56,062,747**	36,891,022
Land use rights		**–**	7,965,764
Intangible assets		**2,009,346**	1,840,658
Investments accounted for using the equity method		**24,167,175**	16,966,160
Amount due from related parties		**1,440,840**	1,589,737
Financial assets at fair value through other comprehensive income		**988,995**	981,680
Financial assets at fair value through profit or loss		**179,637**	176,727
Deferred income tax assets		**3,055,128**	2,806,563
Other non-current assets		**5,483,634**	4,952,069
		117,528,198	88,748,017
Current assets			
Inventories		**234,467,515**	192,689,769
Trade and other receivables and prepayments	*4*	**18,732,702**	19,922,877
Prepayment for acquisition of land use rights		**13,651,351**	6,321,397
Prepaid income taxes		**4,407,190**	3,715,789
Amounts due from related parties		**22,981,077**	16,609,749
Derivative financial instruments		**63,004**	12,468
Restricted cash		**7,265,779**	5,888,489
Cash and cash equivalents		**52,357,251**	43,688,296
		353,925,869	288,848,834
Total assets		**471,454,067**	377,596,851

	Note	As at 31 December 2019 RMB'000	2018 RMB'000
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital		**341,575**	341,575
Reserves		**65,913,306**	58,892,631
		66,254,881	59,234,206
Non-controlling interests			
Perpetual capital instruments		**4,665,000**	5,100,000
Other non-controlling interests		**45,784,305**	40,945,971
		50,449,305	46,045,971
Total equity		**116,704,186**	105,280,177
LIABILITIES			
Non-current liabilities			
Borrowings		**89,773,388**	77,825,292
Lease liabilities		**93,009**	–
Deferred income tax liabilities		**7,533,056**	6,596,455
		97,399,453	84,421,747
Current liabilities			
Trade and other payables	*5*	**79,057,586**	50,585,171
Contract liabilities		**74,652,393**	47,173,444
Income tax payable		**25,216,120**	20,595,196
Borrowings		**36,781,947**	31,306,474
Lease liabilities		**139,939**	–
Amounts due to related parties		**41,502,443**	38,234,642
		257,350,428	187,894,927
Total liabilities		**354,749,881**	272,316,674
Total equity and liabilities		**471,454,067**	377,596,851

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

(a) New and amended standards adopted by the Group

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

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

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

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

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments,discounted using the lessee's incremental borrowing rate as of 1 January 2019 in each territory or region where the lease assets are located. The weighted average discount rate applied to the lease liabilities on 1 January 2019 was 5.59%.

(1) Practical expedients applied

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

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

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

(2) Measurement of lease liabilities

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

(3) Measurement of right-of-use assets

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

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

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

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

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

(5) Lessor accounting

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

(b) New standards and interpretations not yet adopted

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

		Effective for annual periods beginning on or after
HKAS 1 and HKAS 8 (Amendments)	Definition of Material	1 January 2020
HKFRS3 (Amendments)	Definition of a Business	1 January 2020
Revised Conceptual Framework	Revised Conceptual Framework for Financial Reporting	1 January 2020
HKFRS 17	Insurance contracts	1 January 2021

3 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 profit before tax. The information provided to the CODM is measured in a manner consistent with that in the financial statements.

(a) Revenue

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

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

(b) Segment information

Year ended 31 December 2019

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

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

** *Unallocated mainly represent corporate level activities*

The segment assets and liabilities at 31 December 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 method	**1,109,016**	**23,058,159**	**–**	**24,167,175**
Intangible assets	**1,709,730**	**168,688**	**130,928**	**2,009,346**
Other segment assets	**122,906,077**	**289,287,380**	**26,299,568**	**438,493,025**
Total segment assets	**125,724,823**	**312,514,227**	**26,430,496**	**464,669,546**
Deferred income tax assets				**3,055,128**
Financial assets at FVOCI				**988,995**
Financial assets at FVPL				**179,637**
Derivative financial instruments				**63,004**
Other assets				**2,497,757**
Total assets				**471,454,067**
Borrowings	**21,949,203**	**43,535,975**	**29,980**	**65,515,158**
Other segment liabilities	**52,438,277**	**141,111,002**	**25,734,359**	**219,283,638**
Total segment liabilities	**74,387,480**	**184,646,977**	**25,764,339**	**284,798,796**
Corporate borrowings				**61,428,177**
Deferred income tax liabilities				**7,533,056**
Other liabilities				**989,852**
Total liabilities				**354,749,881**

Year ended 31 December 2018

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

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

** *Unallocated mainly represent corporate level activities*

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

	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

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

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

4 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

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

Notes:

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

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

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

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

(c) As at 31 December 2019, loan receivables of RMB1,429,235,000 (31 December 2018: RMB1,885,048,000) were secured by the pledge of certain properties, notes receivable or credit guaranty of borrowers, bearing interest rate at a range from 4.2% to 18.0% per annum and repayable within one year.

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value. As at 31 December 2019, the fair value of trade receivables, bidding deposits for land use rights, loan receivables and other receivables of the Group approximate their carrying amounts, as the impact of discounting is not significant.

5 TRADE AND OTHER PAYABLES

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

Notes:

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

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

(b) Other payables comprise:

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

6 EXPENSES BY NATURE

Expenses included in cost of sales, selling and marketing costs, administrative expenses and other operating expenses are analysed as follows:

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

7 FINANCE COSTS – NET

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

8 INCOME TAX EXPENSE

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

(a) Hong Kong profits tax

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

(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 the PRC enterprise income tax purposes.

(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 arrangements between the PRC and Hong Kong.

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

9 DIVIDENDS

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

Notes:

(a) An interim dividend in respect of the six months ended 30 June 2019 of HK60 cents per ordinary share, amounting to HK$1,980,896,000 (equivalent to RMB1,783,599,000) was paid in September 2019 (2018: RMB1,457,489,000).

(b) At a meeting held on 30 March 2020, the directors proposed a final dividend of HK85 cents per ordinary share for the year ended 31 December 2019. This proposed dividend is not reflected as a dividend payable in these consolidated financial statements, but will be reflected as an appropriation for the year ending 31 December 2019 upon approval by the shareholders at the forthcoming annual general meeting of the Company.

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

10 EARNINGS PER SHARE

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

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

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

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

11 EVENTS AFTER THE REPORTING PERIOD

(a) In January 2020, the Company issued 158,000,000 new shares. The net proceeds received by the Company was approximately HK$4,638 million.

(b) In March 2020, the Group obtained RMB6.5 billion low cost financing (3.23-3.9% interest per annum) including RMB4.5 billion corporate bonds issued by Shimao Jianshe, with interest rate for the 5-year bonds at 3.23% and that for the 7-year bonds was 3.9%.

(c) The worldwide outbreak of coronavirus ("Coronavirus Pandemic") began in January 2020. Having reviewed the market condition, operation, sufficiency of the Group's working capital and financing, the Directors of the Company considered the Coronavirus Pandemic does not have a significant adverse impact on the Group's financial position as at 31 December 2019 and financial performance for the year then ended.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Compliance with Model Code set out in Appendix 10 to the Listing Rules

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 Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "HKEx") 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 year ended 31 December 2019.

Compliance with the Corporate Governance Code

The Company had complied with the code provisions set out in the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2019 except for one deviation as set out below.

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

Purchase, Sale or Redemption of Listed Securities

During the year ended 31 December 2019,

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

(2) Shanghai Shimao Co., Ltd., a 59.74%-owned subsidiary of the Company, redeemed an aggregate principal amount of RMB2,000,000,000 of long-term bonds at a fixed interest rate of 3.29% due in March 2019 and an aggregate principal amount of RMB1,500,000,000 of long-term bonds at a fixed interest rate of 3.38% due in July 2019.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2019.

Annual General Meeting

The 2020 annual general meeting of the Company (the "AGM") will be held on Wednesday, 27 May 2020. A notice convening the AGM will be published and dispatched to the shareholders of the Company in the manner as required by the Listing Rules in due course.

Final Dividend

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

Closure of Register of Members

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

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

(ii) on Tuesday, 2 June 2020 and Wednesday, 3 June 2020, for the purpose of ascertaining shareholders' entitlement to the proposed final dividend. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at the address as set out in sub-paragraph (i) above no later than 4:30 p.m. on Monday, 1 June 2020.

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

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

Hong Kong, 30 March 2020

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