

SHIMAO 
G R O U P

世茂集團

SHIMAO GROUP HOLDINGS LIMITED

世茂集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立之有限公司)

Stock Code 股份代號 : 813

ANNUAL REPORT 年報 2020





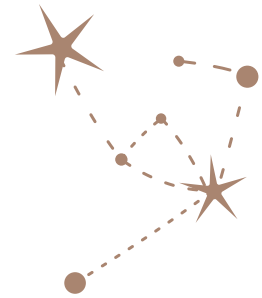
✦ Zhaoping Shimao No. 1 Riverside



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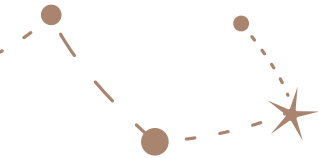
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NATIONWIDE QUALITY LAND RESERVES



Penetrated in more than **100** major cities,
with **434** projects,
a total area of **81.75** million sq.m.
(before interests) land bank

(as at 31 December 2020)



NATIONWIDE QUALITY LAND RESERVES ✦

★ Zhejiang District

Wenzhou Shimao Shine Estuary
 Quzhou Impressive Mansion
 Wenzhou Longwan Project
 Ningbo Shimao Shine Metropolis
 Shaoxing Cloud Mansion
 Hangzhou Shimao Wisdom Tower

★ Central China District

Zhengzhou Shimao Zhenxing Shine City
 Wuhan Shimao Splendid River
 Hefei Shimao Classic Chinese Chic
 Jingzhou Shimao Cloud Build River
 Wuhan Shimao Endless Future
 Changsha Shimao Global Financial Center

★ Shandong District

Dezhou Shimao Four Seasons
 Jinan Changqing Shimao Festival City
 Weifang Shimao Cloud Atlas
 Jinan Junmaofu
 Jinan Shimao Metropolis
 Weihai Shimao The Atrium

★ Northern China District

Beijing Shimao Loong Palace
 Beijing Royal Palace
 Beijing Classic Chinese Chic
 Beijing Shimao Sanli Mansion
 Beijing Bright Moon in Forest
 Beijing Shimao Honor of China
 Beijing Shimao Cultural Landscape

★ Western District

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

★ Jiangsu and Shanghai District

Yangzhou Shimao Shine Stars
 Nanjing Shimao Honor of China
 Shanghai Natural City
 Nanjing Shimao Shine Future
 Nanjing Shimao Shine Bay
 Nanjing Suning Shimao Shine Cloud

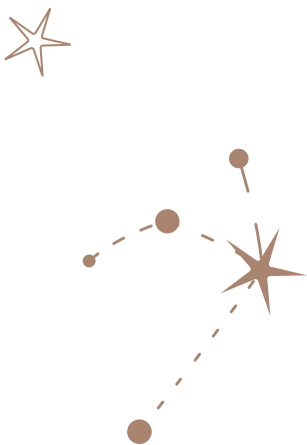
★ Straits Development District

Guangzhou Shimao Swan Bay
 Guangzhou Shimao Beyond Sky
 Dongguan Riverside Purple Town
 Shenzhen Longgang Shimao Shenzhen-Hong Kong International Centre
 Shenzhen Shimao The Great Mogul
 Zhuhai Shimao Hong Kong Zhuhai Macao Port City
 Shimao Sanya International Financial Center
 Fuzhou Shimao The River One
 Ningde Times Castle
 Quanzhou Huian Shimao The One
 Pingtan Shimao Straits Love Island
 Haikou Shimao Shine Bund
 Foshan Shimao Classic Chinese Chic
 Fuzhou Changle Shimao Shine City
 Zhaoqing Shimao No.1 Riverside
 Nanning Wuxiang Lantingfu
 Dongguan Riverside Shine Town
 Fuzhou Zhenro Shimao Tangyue Mountain South

★ HKSAR

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

Remarks: Only the key projects are listed above



CORPORATE INFORMATION



◇ Xiamen Imperial Villa

Board of Directors

Executive Directors

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

Non-executive Director

Ye Mingjie

Independent Non-executive Directors

Kan Lai Kuen, Alice
Lyu Hong Bing
Lam Ching Kam

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Company Secretary

Lam Yee Mei, Katherine

Auditor

PricewaterhouseCoopers



◇ Pingtan Shimao Shine City

Principal Place of Business in Hong Kong

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Lippo Centre
89 Queensway
Hong Kong
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Facsimile: (852) 2511 0287
Website: www.shimaogroup.hk

Registered Office

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

Hong Kong Branch Share Registrar and Transfer Office

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

Principal Share Registrar and Transfer Office

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

Place of Listing

The Stock Exchange of Hong Kong Limited
Stock code: 813

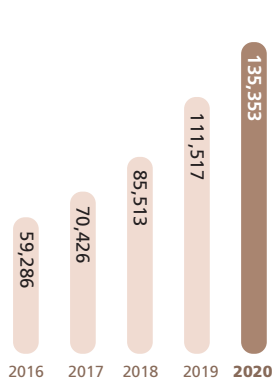
Investor and Media Relations

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FIVE YEARS FINANCIAL SUMMARY

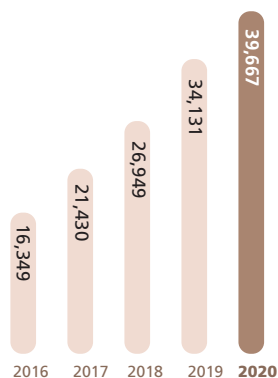
REVENUE

(RMB million)



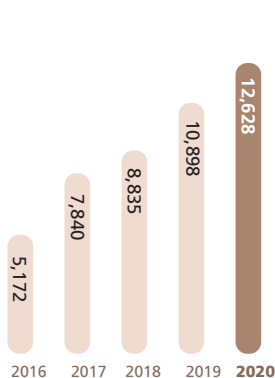
GROSS PROFIT

(RMB million)



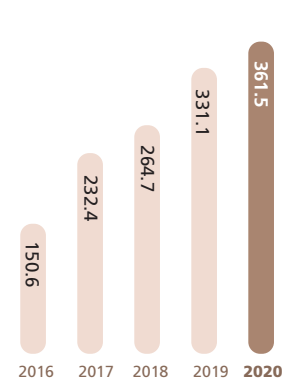
PROFIT ATTRIBUTABLE TO SHAREHOLDERS

(RMB million)



BASIC EARNINGS PER SHARE

(RMB cents)



FIVE YEARS FINANCIAL SUMMARY †



	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000
Revenue	135,352,755	111,516,981	85,512,704	70,425,874	59,286,161
Cost of sales	(95,685,488)	(77,386,427)	(58,563,625)	(48,996,361)	(42,937,532)
Gross profit	39,667,267	34,130,554	26,949,079	21,429,513	16,348,629
Fair value gains on investment properties	397,539	2,335,257	1,910,251	679,484	1,996,673
Other income/other gains – net	1,029,335	351,639	297,280	545,095	838,785
Selling and marketing costs	(4,416,344)	(2,824,871)	(2,023,438)	(1,461,804)	(1,352,643)
Administrative expenses	(5,498,682)	(4,381,122)	(3,429,512)	(2,989,871)	(2,742,720)
(Provision for)/reversal of impairment losses on financial assets	(482,918)	(70,375)	25,529	–	–
Other operating expenses	(503,530)	(337,635)	(520,488)	(523,702)	(268,509)
Operating profit	30,192,667	29,203,447	23,208,701	17,678,715	14,820,215
Finance income/(costs) – net	3,315,459	(284,920)	(337,027)	1,328,414	(1,175,946)
Fair value changes of convertible redeemable preferred shares	(75,860)	–	–	–	–
Share of results of associated companies and joint ventures accounted for using the equity method	159,320	96,825	(233,469)	(315,376)	(448,391)
Profit before income tax	33,591,586	29,015,352	22,638,205	18,691,753	13,195,878
Income tax expenses	(14,129,120)	(12,635,387)	(10,327,273)	(8,121,060)	(5,685,493)
Profit for the year	19,462,466	16,379,965	12,310,932	10,570,693	7,510,385
Profit for the year attributable to equity holders of the Company	12,627,679	10,897,600	8,834,790	7,840,494	5,171,855
Non-current assets	134,194,728	117,528,198	88,748,017	85,027,201	72,712,665
Current assets	455,558,422	353,925,869	288,848,834	222,531,472	189,190,340
Total assets	589,753,150	471,454,067	377,596,851	307,558,673	261,903,005
Non-current liabilities	117,162,151	97,399,453	84,421,747	75,334,749	55,077,089
Current liabilities	320,096,247	257,350,428	187,894,927	135,477,127	118,608,923
Total liabilities	437,258,398	354,749,881	272,316,674	210,811,876	173,686,012
Net assets	152,494,752	116,704,186	105,280,177	96,746,797	88,216,993
Equity attributable to equity holders of the Company	88,002,060	66,254,881	59,234,206	57,634,683	52,456,051
Non-controlling interests	64,492,692	50,449,305	46,045,971	39,112,114	35,760,942
Total equity	152,494,752	116,704,186	105,280,177	96,746,797	88,216,993

CHAIRMAN'S STATEMENT

Dear shareholders,

I am pleased to present the annual results of Shimao Group Holdings Limited ("Shimao Group", "Shimao" or the "Company", together with its subsidiaries, the "Group") for the year ended 31 December 2020.

Market and Outlook

In 2020, despite the enormous impact of the COVID-19 pandemic on the global economy, the central government maintained its policy of "houses are for inhabiting, not for speculation". The real estate market in China remained steady in general as local governments continued to adopt differentiated policies in a flexible manner. The outbreak of the pandemic at the beginning of 2020 led to suspended production and sales. The real estate market was seriously affected. The sales of commodity properties in China in January and February recorded a year-on-year decrease of 35.9%. Due to continuous effectiveness of epidemic prevention and control measures, the resumption of production and operation of various industries have been progressing in an orderly manner since March. In addition, monetary policies remained relatively loose with reasonable and sufficient market liquidity. Many cities introduced loose policies on both supply and demand fronts, resulting in rapid recovery of the overall market. In the second half of the year, given the increasing housing prices and land prices, some cities strengthened their regulatory measures and tightened the policy towards the real estate market. However, as both supply and demand increased, the sales and sales area of commodity properties in China recorded historical highs. According to the National Bureau of Statistics, the sales of commodity properties in China in 2020 amounted to RMB17,361.3 billion, representing a year-on-year increase of 8.7%, while the sales area of commodity properties was 1.76 billion sq.m., representing a year-on-year increase of 2.6%.



2021 is the beginning of the 14th Five-Year Plan of China and witnesses major changes unseen in a century. Although the impacts of the COVID-19 pandemic on the macro economy remain uncertain, the economy of China is expected to improve in the long run. Governments of many countries will maintain their loose monetary policies to cope with the economic impacts of the COVID-19 pandemic. In order to prevent potential financial risks and maintain the stable and sound development of the real estate and financial markets, the central government will accelerate the regulation on real estate finance by further tightening credit for the real estate industry. Moreover, the overarching principle of "houses are for inhabiting, not for speculation" will remain unchanged. With the objective of "stabilizing land prices, housing prices and market expectation", it is expected that regulatory policies will continue to be imposed on the real estate market and sales of commodity properties in China will slightly slow down. In addition, with the progress of new urbanization, property markets in first-tier and second-tier cities will remain stable in general, while downward pressure in third-tier and fourth-tier cities will increase, leading to further differentiation among cities.



✦ Shimao Maritime Silk Road Museum

Sales Performance

The beginning of 2020 was difficult with the onset of the pandemic. Shimao continued to improve products and remained prudent. The contracted sales amounted to RMB300.31 billion in 2020, representing a year-on-year increase of 15.5%, and the annual sales target was achieved. The aggregate contracted sales area was 17.126 million sq.m., representing a year-on-year increase of 16.8%. The average selling price was RMB17,536 per sq.m.. During the year, the Group strategically adjusted supply according to market conditions to properly manage volume-price balance. The overall sell-through rate of saleable value was 63%, higher than the target proposed at the beginning of 2020. The Group has achieved “quality growth” for four consecutive years notwithstanding the pandemic impacts.

Prudent Replenishment of Premium Land Bank

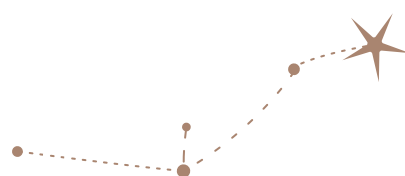
The Group persistently upheld prudent attitude and was both prudent and proactive in replenishing land bank. In the first half of 2020, the transaction volume of land sales dropped sharply due to the pandemic. Shimao took the opportunities to acquire land bank of 12.32 million sq.m., accounting for 80% of the new land acquired in 2020. With the containment of the pandemic and relatively loose monetary policies, the land market began to pick up in the second half of the year and land prices remained high. The Group became more prudent in replenishing land bank.

✦ CHAIRMAN'S STATEMENT



◇ Yiwu Shimao Jiangchoufu

Considering the intensifying differentiation among cities, Shimao continuously deepened cultivation of the “core city clusters” with focus on the first-tier and second-tier cities and advanced third-tier and fourth-tier cities with remarkable economic development and strong demand. In 2020, the Group adopted a diversified land acquisition strategy to increase land bank by 15.35 million sq.m.. In terms of total land premium, first-tier and second-tier cities and advanced third-tier and fourth-tier cities accounted for more than 91% of the land acquired. In respect of land cost, the average cost of the new land acquired was RMB5,916 per sq.m.. As of 31 December 2020, the Group penetrated in more than 100 major cities across the country, with 434 projects and a total area of 81.75 million sq.m. (before interests) quality land. The average land cost was RMB5,188 per sq.m.. Based on its development portfolio, Shimao has total saleable value of over RMB1,380.0 billion in popular regions across the country, of which total saleable value of over RMB395.0 billion and RMB345.0 billion were located in the Guangdong-Hong Kong-Macao Greater Bay Area and the Yangtze River Delta region, respectively. The premium land bank and relatively reasonable land cost have provided a solid and good foundation for long term development of Shimao.





Prudent Financial Strategies

In 2020, under the regulatory policies of “Three Red Lines” and “Real Estate Loan Centralized Management”, Shimao strictly observed market regulations by fully satisfying the financial indicator requirements of the “Three Red Lines” and became a “Green Camp” property enterprise.

Cash collection of the year of the Group amounted to RMB225.2 billion. The Group dynamically adjusted the timing of investment to maintain sufficient cash flow. As at 31 December 2020, the Group had book cash of RMB68.47 billion. Net gearing ratio was 50.3%, representing a year-on-year decrease of 7.1 percentage points, which has been maintained below 60% for nine consecutive years.

Shimao actively optimized its capital structure by properly expanding shareholder base and increasing equity interest through share placings at suitable time and at reasonable level, as well as spin-off and separate listing of property management business. The Group had a healthy debt structure with a high cash to short-term debt ratio. The financing channels of the Group were secured. The interest rate of 5-year domestic corporate bonds and 10-year offshore USD senior notes of the Group were as low as 3.2% and 3.45%, respectively.

The Group received positive review from domestic and overseas credit rating institutes. Moody's and Standard & Poor's upgraded the outlook to “positive” for the Group's “Ba1” and “BB+” credit ratings, respectively, while Fitch maintained its investment grade rating. Major domestic rating institutes maintained the highest corporate credit rating of Shimao of “AAA”. The Company's share was admitted as a constituent stock in the Hang Seng China Enterprises Index since June 2020, becoming one of the 50 constituent stocks.

Shimao will continue to maintain its prudent financial policies and decentralize the financial management. Shimao will strengthen its risk management in response to the new regulatory environment and exhibit its resilience in the transformation of the industry into long-term, steady and healthy development.

Diversified “Giant Aircraft Strategy”

2021 is a crucial year for Shimao to achieve “quality growth” for five consecutive years. Striving for the vision of “Century Shimao”, the Group will actively promote the diversified business layout of “Giant Aircraft Strategy” with property development as its main body; commercial properties operation, hotel operation, property management and finance as its solid wings; investments in advanced technology, medical treatment, education, elderly care and culture as key empenage for balanced development. The “Aircraft” flown at full speed not only strengthens Shimao's competitiveness during the market cycle, but also brings strong driving force for its sustainable development.

✦ CHAIRMAN'S STATEMENT

In respect of property management business, 2020 was the closing year of the first "Three-year Development Plan" of Shimao Services Holdings Limited ("Shimao Services"). After three years of continuous reforms and breakthroughs, Shimao Services achieved outstanding results. The three-year compound annual growth rates of revenue and net profit of Shimao Services from 2018 to 2020 were 94.3% and 122.7%, respectively, consolidating a leading position in the industry. The gross floor area ("GFA") under management and contracted GFA also recorded substantial growth. As of 31 December 2020, the GFA under management and contracted GFA of Shimao Services reached 146 million sq.m. and 201 million sq.m., respectively. In 2021, Shimao Services will launch the second "Three-year Strategic Plan". Committed to the concept of "BETTER SMART LIFE", Shimao Services will concentrate services on users, assets and cities and work to develop three major businesses, namely basic property management services, value-added services and smart city services, forming a "1+1+X" business system.

In respect of hotel business, Shimao always focuses on the development and operation of city-class and world-class landmark hotels. As of 31 December 2020, Shimao hotels penetrated in core cities, with 27 hotels (including hotels under development) of international brands and 121 hotels (including hotels under development and management services) of self-owned brands. Shimao had 24 hotels in operation, including Hyatt on the Bund Shanghai, InterContinental Shanghai Wonderland, Conrad Xiamen and others, with over 7,600 guest rooms. The first hotel of luxury resorts brand "Yutopia", Yutopia Wuyi Mountain Retreat, had its grand opening in September 2020. Sheraton Hong Kong Tung Chung Hotel was also grandly opened in December 2020. The tourism industry was affected by the COVID-19 pandemic, in particular the international tourism. As the pandemic dragged on, the hospitality industry in China has entered the dual-circle development stage with focus on internal circle. Shimao hotel proactively changed its operation plan and its operation results began to recover steadily since the second quarter. In 2021, Hilton Changsha Riverside and Yuluxe Hotel Changchun Lianhua Mountain are scheduled to commence operation successively. The revenue from the hotel business is expected to rise steadily.



◇ Nanchang Shimao Tahoe Cathay Courtyard

◇ Zhangzhou Poly Shimao Shine Bund



◇ Yutopia Wuyi Mountain Retreat

✦ CHAIRMAN'S STATEMENT

In respect of commercial and entertainment business, Shimao endeavors to create different types of commercial benchmarking projects. Following the development over the years, Shimao has penetrated in over 30 cities with over 60 commercial and theme entertainment projects (including projects under development). During the year, although the general environment was sluggish, the occupancy rate of many commercial projects under Shimao had risen against the trend, and the overall occupancy rate of certain projects reached 95%. Newly completed Shenzhen Shimao Qianhai Center and Changsha Shimao Global Financial Center have attracted a number of well-known companies to move in. Moreover, the first Smurf theme park in Asia-Pacific region, jointly developed by Shimao and Belgium Smurfs copyright owner, was officially launched in May 2020. It had attracted more than 700,000 visitors in half a year and has become one of the most popular indoor parent-child parks in the Yangtze River Delta region.



✦ Yancheng Shimao Shine City

Social Responsibility

For the past 30 years, Shimao has always stayed true to its original value of achieving corporate development and fulfilling social responsibility. Over the years, Shimao has committed to eradicate poverty, especially in medical assistance. As of the end of 2020, Shimao has donated more than RMB1.7 billion and served population of more than 22.00 million. As a devoted participant in the urbanization of China, Shimao actively explores and applies green buildings to empower cities. As of the end of 2020, the total area of green buildings developed by Shimao was 64.636 million sq.m., representing a year-on-year increase of 28%, including six LEED Gold buildings. Moreover, Shimao has long been dedicated to exploring and developing the cultural and creative sectors, with a mission to promote the inheritance of the Chinese culture. In January 2021, Shimao Maritime Silk Road Museum had its grand opening, boosting the confidence of the national culture and creating a new chapter of empowerment.



✦ Nanjing Mingfa Shimao Royal Real

Final and Special Dividends

To demonstrate our appreciation for our shareholders' support and to celebrate the separate listing of Shimao Services on the Main Board of the Hong Kong Stock Exchange, the board of directors of the Company (the "Board") has proposed the payment of a final dividend of HK90 cents per share (2019: HK85 cents per share) and a special dividend of HK20 cents per share. Together with an interim dividend of HK60 cents per share and the payment of a special dividend of HK10 cents per share in response to the introduction of strategic investors by Shimao Services, the total dividend for the year will amount to HK\$1.80 per share (2019: HK\$1.45 per share).

Acknowledgement

In 2020, although the outburst of the COVID-19 pandemic has posed an ordeal, Shimao unified to achieve progress and stable growth. On behalf of the Board, I would like to thank our shareholders, partners, local governments and customers for their tremendous support. I would also like to extend my heartfelt gratitude and deepest respect to our directors, management and staff for all their valuable contributions. The Group's success together with fulfillment of corporate goals are attributable to their support and engagement. Shimao will continue to have deep insight into the needs of urban life with "Spirit of Craftmanship" and actively facilitate urban development with the Group's diversified business for a better life of people.

Hui Wing Mau

Chairman

Hong Kong, 30 March 2021



MANAGEMENT DISCUSSION AND ANALYSIS





✦ MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Property Development

1) Recognized Sales Revenue

The Group generates its revenue primarily from sales of properties, property management, commercial properties operation and hotel operation. For the year ended 31 December 2020, revenue of the Group reached RMB135.35 billion, representing an increase of 21.4% as compared to RMB111.52 billion in 2019. During the year, revenue from property sales amounted to RMB126.13 billion, accounting for 93.2% of the total revenue and representing an increase of 19.8% as compared to 2019. The recognized sales area was 8.306 million sq.m., representing an increase of 18.3% as compared to 2019. The average recognized selling price was RMB15,187 per sq.m..

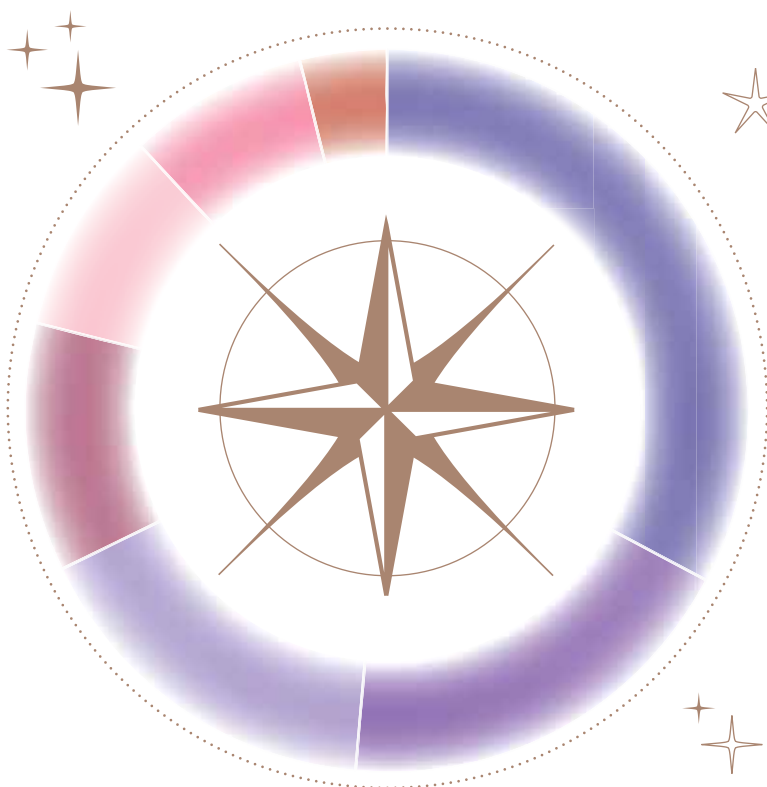
2) Steady Sales Growth

With respect to property sales, the Group's contracted sales and aggregate contracted sales area were RMB300.31 billion and 17.126 million sq.m. in 2020, representing a year-on-year increase of 15.5% and 16.8% respectively. The average selling price was RMB17,536 per sq.m.. "Quality growth" was steadily achieved.



✦ Qingdao Shimao Enjoy Your Sea

The breakdown of recognized sales for 2020 by districts is set out as follows:



◆ Straits Development District	33.0%
◆ Zhejiang District	18.6%
◆ Jiangsu and Shanghai District	16.2%
◆ Northern China District	11.1%
◆ Western District	9.2%
◆ Shandong District	8.2%
◆ Central China District	3.7%



In 2020, the Group actively coped with the impact of the COVID-19 pandemic and boosted the steady growth in performance with a forward-looking layout by seizing the opportunity of differentiated policies adopted by various local governments in a flexible manner and the relatively loose monetary policies. Looking forward to 2021, the Group will launch saleable areas of approximately 20.37 million sq.m.. Together with the saleable areas of approximately 10.59 million sq.m. as at 31 December 2020, the Group's total saleable areas in 2021 will be approximately 30.96 million sq.m..

Key projects available for sale in 2021 are set out as follows:

District	Project	Saleable Area (sq.m.)
Straits Development District	Guangzhou Asian Games City	348,439
	Fuzhou Difengjiang	169,489
	Guangzhou Financial City	152,000
	Ningde Tianshan East	132,300
	Guangzhou Zengjiang	96,400
	Hangzhou Lin'an	88,000
	Fuzhou Quantou	81,000
Northern China District	Beijing Tongzhou North District	157,255
	Beijing Fenzhongsi	118,400
	Tianjin Wuqing Huangzhuang	66,499
Jiangsu and Shanghai District	Huaibei Quanshan Road	147,300
	Nanjing Jiangpu G24	127,300
	Changzhou Dingtang River	108,000
	Shanghai Jiamei Road	37,221
	Nanjing Xiaguan	34,353
Zhejiang District	Wenzhou Hongqiao	121,463
	Shaoxing Dayue Road	99,318
	Jiaxing Pinghu	75,449
	Ningbo Panhuo	63,300
	Yiwu Gumutang	56,200
Western District	Chongqing Wanzhouruyi	173,398
	Chongqing Banan	99,207
	Chongqing Qiansimen	58,484
Central China District	Wuhan Splendid River	72,166
	Hefei Gaoxin	62,410
Sub-total (key projects above)		2,745,351
Other projects available for sale in 2021		17,620,451
Completed inventory		2,197,214
Uncompleted projects available for sale as of 31 December 2020		8,394,154
Total		30,957,170

MANAGEMENT DISCUSSION AND ANALYSIS

◇ Taian Wuyue Fenghua



3) Strategically adjusted development plans to maintain quality growth

The Group strategically adjusted supply and development plans according to market conditions to properly manage volume-price balance. In 2020, the Group's floor area under construction was 57.73 million sq.m.. The aggregate GFA completed was approximately 9.87 million sq.m., representing an increase of 4%, when compared with the corresponding period of the previous year of 9.51 million sq.m.. Looking forward to 2021, the Group will maintain its quality growth with the planned floor area under construction of approximately 60.00 million sq.m. and the GFA completed of approximately 11.50 million sq.m..

4) Prudent Replenishment of Premium Land Bank for Long-Term Sustainable Development

Considering the intensifying differentiation among cities, Shimao continuously deepened cultivation of the "core city clusters" with focus on the first-tier and second-tier cities and advanced third-tier and fourth-tier cities with remarkable economic development and strong demand. In 2020, the Group adopted a diversified land acquisition strategy to increase land bank by 15.35 million sq.m.. In terms of total land premium, first-tier and second-tier cities and advanced third-tier and fourth-tier cities accounted for more than 91% of the land acquired. In respect of land cost, the average cost of the new land acquired was RMB5,916 per sq.m.. As of 31 December 2020, the Group penetrated in more than 100 major cities across the country, with 434 projects and a total area of 81.75 million sq.m. (before interests) quality land. The average land cost was RMB5,188 per sq.m.. Based on its development portfolio, Shimao has total saleable value of over RMB1,380.0 billion in popular regions across the country, of which total saleable value of RMB395.0 billion and RMB345.0 billion were located in the Guangdong-Hong Kong-Macao Greater Bay Area and the Yangtze River Delta region, respectively. The premium land bank and relatively reasonable land cost have provided a solid and good foundation for long term development of Shimao.

The land parcels acquired by the Group in 2020 are as follows:

New Land Parcels	Date of Acquisition	Usage	Land Cost (Attributable Interests) (RMB million)	Total Planned GFA (Before Interests) ('000 sq.m.)	Cost per sq.m. (RMB)	Group's Interest
1. Qingdao Xin'an Parcel	January 2020	Residential	1,083	352	3,073	100%
2. Jinan Tangye Project (Project cooperated with Shanghai Shimao Co., Ltd. ("Shanghai Shimao"))	January 2020	Commercial	1,007	388	2,597	100%
3. Wuhan Zuolingshicheng Project (Project cooperated with Shanghai Shimao)	January 2020	Residential and commercial	355	268	4,405	30%
4. Yiwu Gumutang Parcel	February 2020	Residential and ancillary commercial	768	183	8,411	50%

MANAGEMENT DISCUSSION AND ANALYSIS *

◇ Yixing Shimao Shine City



New Land Parcels	Date of Acquisition	Usage	Land Cost (Attributable Interests) (RMB million)	Total Planned GFA (Before Interests) ('000 sq.m.)	Cost per sq.m. (RMB)	Group's Interest
5. Wenzhou Oujiangkou Shoal Phase I E-16-03 Parcel	February 2020	Residential and ancillary commercial	1,202	239	5,032	100%
6. Beijing Changping District Dongxiaokou Town HC-022, HC-027 Parcels	March 2020	Residential	2,703	170	37,407	43%
7. Dongguan Wanjiang No. 2020WR004 Parcel	March 2020	Residential and ancillary commercial	555	98	16,725	34%
8. Foshan Chancheng Green Island Lake Parcel	March 2020	Residential	1,053	154	10,220	67%
9. Fuqing No. 2020-3 Parcel	April 2020	Residential and ancillary commercial	549	283	5,717	34%
10. Haikou Yuetai Lanxin Project	April 2020	Residential	868	225	7,708	50%
11. Parcel II of Hetandi, Duanzhou District, Zhaoqing	April 2020	Residential and ancillary commercial	1,043	398	2,623	100%
12. Fuzhou Changle 2020-01# Hangcheng No. 8 Parcel	April 2020	Residential and ancillary commercial	600	99	12,063	50%
13. Fuzhou 2020-15# Jinjixinyuan Parcel	April 2020	Residential and ancillary commercial	724	127	14,255	40%
14. Beijing Gongti West Road No. 3 Project	May 2020	Residential	145	28	52,605	10%
15. Shaoxing Jinghu Dayue Road No. 6 Parcel	May 2020	Residential and ancillary commercial	1,261	209	12,066	50%
16. Dongguan Shatian Town Fulusha Village 2020WR010	May 2020	Residential and ancillary commercial	505	126	11,785	34%
17. Parcel II of Difengjiang, Fuzhou (Project cooperated with Shanghai Shimao)	May 2020	Residential and commercial	3,137	520	11,832	51%
18. Parcel at the South of Xingying Peninsula, Tanzhou Village, Shunde, Foshan	May 2020	Residential and ancillary commercial	1,376	125	11,000	100%
19. Ningbo Panhuo Parcel (Project cooperated with Shanghai Shimao)	June 2020	Residential and commercial	3,380	221	15,318	100%
20. Dongguan Humen Town Longyan Community Parcel	June 2020	Residential and ancillary commercial	1,283	151	17,303	49%

MANAGEMENT DISCUSSION AND ANALYSIS

New Land Parcels	Date of Acquisition	Usage	Land Cost (Attributable Interests) (RMB million)	Total Planned GFA (Before Interests) ('000 sq.m.)	Cost per sq.m. (RMB)	Group's Interest
21. Parcel I of Xingzhi Technology Town, Yaohua Street, Qixia District, Nanjing	July 2020	Residential	2,523	593	9,455	45%
22. Beijing Fenzhongsi L41 Parcel	July 2020	Residential	3,341	88	75,519	50%
23. Beijing Fenzhongsi L-39 Parcel	July 2020	Residential	2,105	55	77,893	49%
24. Parcel 21-02, Unit JDC2-0202, Nanxiang Town, Jiading District, Shanghai	July 2020	Residential	526	39	27,254	49%
25. Parcel III of Hetandi, Duanzhou District, Zhaoqing (Project cooperated with Shanghai Shimao)	July 2020	Residential and commercial	1,684	494	3,410	100%
26. Parcel of Daliang Street, Shunde, Foshan (TD2020 (SD) No. WG0023)	August 2020	Residential	660	251	10,517	25%
27. Parcels B, C and D of Yuechuan, Sanya (Project cooperated with Shanghai Shimao)	November 2020	Commercial	1,169	165	7,082	100%
28. Chengdu Anjing Project (165 acres) (Project cooperated with Shanghai Shimao)	November 2020	Residential and commercial	1,330	265	5,018	100%
Others (Projects with total land cost less than RMB1.0 billion)	2020		14,229	9,033		
Total			51,164	15,347	5,916	

Commercial Properties Operation

In respect of commercial properties operation, Shimao Group is principally engaged in the development of commercial properties through a subsidiary, Shanghai Shimao. Adhering to its mission of "improving the quality of urban life", Shanghai Shimao is committed to the professional development and operation of integrated commercial properties. Through its experienced and outstanding management team in integrated commercial properties operation, the scale of its assets has been effectively enlarged and the operating results have improved steadily. The development objective of enhancing properties' value has been achieved.

In 2020, although the general environment was sluggish, the occupancy rate of many commercial projects under Shimao had risen against the trend, and the overall occupancy rate of certain projects reached 95%. Newly completed Shenzhen Shimao Qianhai Center and Changsha Shimao Global Financial Center have attracted a number of well-known companies to move in. In the second half of 2020, Qingdao Shimao 52+ Minimall and Changsha Shimao 52+ Minimall commenced their operation successively, empowering urban life with a commercial complex with diversified shops and brands. In respect of entertainment business, the first Smurf theme park in Asia-Pacific region, jointly developed by Shimao and Belgium Smurfs copyright owner, was officially launched in May 2020. It had attracted more than 700,000 visitors in half a year and has become one of the most popular indoor parent-child parks in the Yangtze River Delta region. In addition, Shimao commercial was highly recognized by its peers in 2020 and received several prizes awarded by professional institutions, such as ranked 11 of "Top 100 Commercial Properties Value of China Property Enterprises" (2020中國房產商業物業價值Top 100) and "Outstanding Enterprise of the tenth session (2020) of IF • Commercial Property Annual Meeting" (第十屆(2020)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, Shimao Group is engaged in property management business through a subsidiary, Shimao Services. 2020 concluded the first “Three-year Development Plan” for Shimao Services. In the past three years, Shimao Services sustained its transformation and breakthroughs, and recorded swift high-quality growth. In 2020, the revenue of Shimao Services amounted to RMB5.03 billion, representing a year-on-year increase of 101.9% and consolidating a leading position in the industry. During the year, the GFA under management and contracted GFA also recorded substantial growth. As of 31 December 2020, the GFA under management and contracted GFA of Shimao Services reached 146 million sq.m. and 201 million sq.m., respectively, representing increases of 114.4% and 99.4% respectively as compared to 31 December 2019.

In 2021, Shimao Services will launch the second “Three-year Strategic Plan”. Committed to the concept of “BETTER SMART LIFE”, Shimao Services will concentrate services on users, assets and cities and work to develop three business segments, namely basic property management services, value-added services and smart city services. As such, a “1+1+X” business system will take shape. The business system of Shimao Services will focus on basic property services, with the scale amplified through “internal growth and external expansion”, which is to take place in tandem with quality and efficiency enhancement. In addition, Shimao Services seeks to cultivate professional capabilities by establishing presence in high-potential channels with a focus on users and assets, to drive the development of value-added services. Going forward, Shimao Services will strive to meet the demand of municipal services of local governments and explore the provision of more intensive services for the government and enterprises, as it grows its presence in smart municipal services.

Hotel Operation

As of 31 December 2020, the Group had a total of 24 hotels in operation, including Hyatt on the Bund Shanghai, InterContinental Shanghai Wonderland, Le Royal Méridien Shanghai, Conrad Xiamen, Hilton Wuhan Riverside, The Yuluxe Sheshan, A Tribute Portfolio Hotel, Shanghai, InterContinental Fuzhou, Hilton Nanjing Riverside, Hilton Shenyang and Crowne Plaza Shaoxing. The first hotel of luxury resorts brand “Yutopia”, Yutopia Wuyi Mountain Retreat, the first Song Dynasty style “Drift Tranquilly (舟行謐境)” vacation experience space in China as well, had its grand opening in September 2020. Sheraton Hong Kong Tung Chung Hotel was also grandly opened in December 2020. Renovation of Le Royal Méridien Shanghai and The Yuluxe Sheshan, A Tribute Portfolio Hotel, Shanghai was completed. Currently, the Group has more than 7,600 hotel guest rooms. In addition, the Group had 6 directly managed leased hotels, including MiniMax Hotel Shanghai Songjiang, MiniMax Premier Hotel Shanghai Hongqiao, MiniMax Hotel Xiamen Central, MiniMax Premier Hotel Chengdu City Center, ETHOS Hotel Xiamen and the new addition of ETHOS Hotel Wuhan Riverside, offering over 1,100 hotel guest rooms. In 2020, the tourism industry was affected by the COVID-19 pandemic, in particular the international tourism. As the pandemic dragged on, the hospitality industry in China has entered the dual-circle development stage with focus on internal circle. Shimao hotel proactively changed its operation plan and adopted progressive and well-planned measures. The overall performance has been gradually recovered in the second half of the year. Shimao accommodated more than 6.60 million guests during the year.

In 2020, Shimao hotel successfully completed the digital marketing program and strengthened the cooperation with Ctrip, Fliggy, WeChat and recorded annual online sales of more than RMB0.14 billion. At the same time, as a leader in cross-over cooperation in the hotel industry, Shimao has established cooperation with various brands, including Max Mara, Youku (We Are Young), Ximalaya App and other popular brands in China such as Li-Ning to create a versatile platform for premium lifestyle.

As at the end of 2020, Shimao had 27 hotels (including hotels under development) of international brands and 121 hotels (including hotels under development and management services) of self-owned brands. The Group entered into contracts for the operation of 32 additional hotels in 2020, of which 22 hotels, or 69%, are located in first-tier and second-tier cities.

* MANAGEMENT DISCUSSION AND ANALYSIS

◇ Tianjin Shimao Classic Chinese Chic



Financial Analysis

Key consolidated income statement figures are set out below:

	2020	2019
	RMB million	RMB million
Revenue	135,353	111,517
Gross profit	39,667	34,131
Operating profit	30,193	29,203
Profit attributable to shareholders	12,628	10,898
Earnings per share – Basic (RMB cents)	361.5	331.1

Revenue

For the year ended 31 December 2020, the revenue of the Group was approximately RMB135,353 million (2019: RMB111,517 million), representing an increase of 21.4% over 2019. 93.2% (2019: 94.4%) of the revenue was generated from the sales of properties and 6.8% (2019: 5.6%) from hotel operation, commercial properties operation, property management and others.

The components of the revenue are set out as follows:

	2020	2019
	RMB million	RMB million
Sales of properties	126,133	105,291
Hotel operation income	1,447	2,097
Commercial properties operation income	1,538	1,428
Property management income, and others	6,235	2,701
Total	135,353	111,517

* 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 2020 and 2019 are set out below:

	2020		2019	
	Area (sq.m.)	RMB million	Area (sq.m.)	RMB million
Straits Development District	2,959,329	41,643	2,347,278	34,783
Zhejiang District	1,095,066	23,481	779,388	15,890
Jiangsu and Shanghai District	1,310,412	20,437	1,175,334	23,863
Northern China District	404,869	14,006	477,578	8,460
Western District	1,120,663	11,588	984,763	10,082
Shandong District	1,081,458	10,322	810,742	7,748
Central China District	333,763	4,656	443,727	4,465
Total	8,305,560	126,133	7,018,810	105,291

(ii) Hotel Income

Hotel operation income is set out as follows:

	Date of Commencement	2020 RMB million	2019 RMB million
InterContinental Shanghai Wonderland	November 2018	265	279
Hyatt on the Bund Shanghai	June 2007	169	394
Conrad Xiamen	August 2016	118	158
Le Royal Méridien Shanghai	September 2006	110	215
The Yuluxe Sheshan, A Tribute Portfolio Hotel, Shanghai	November 2005	97	115
Crowne Plaza Shaoxing	March 2014	73	86
Hilton Wuhan Riverside	July 2016	72	125
Hilton Nanjing Riverside	December 2011	72	97
InterContinental Fuzhou	January 2014	66	101
Hilton Shenyang	January 2018	64	87
Hilton Yantai	August 2017	49	67
Le Méridien Hangzhou Binjiang	September 2018	49	59

◇ Qingyuan Cloud Mansion



MANAGEMENT DISCUSSION AND ANALYSIS

	Date of Commencement	2020 RMB million	2019 RMB million
DoubleTree by Hilton Wuhu	October 2013	46	65
Hilton Tianjin Eco-City	April 2015	45	62
DoubleTree by Hilton Ningbo Beilun	December 2016	43	54
Yuluxe Hotel Taizhou	August 2014	29	32
DoubleTree by Hilton Ningbo Chunxiao	December 2015	19	24
Holiday Inn Mudanjiang	December 2010	17	32
Yutopia Wuyi Mountain Retreat	September 2020	15	–
Holiday Inn Shaoxing	September 2011	14	32
Sheraton Hong Kong Tung Chung Hotel	December 2020	6	–
Others		9	13
Total		1,447	2,097

Hotel operation income decreased by approximately 31.0% to RMB1,447 million in 2020 from RMB2,097 million in 2019. The decrease of income was mainly due to the decline in international visitors caused by the pandemic of COVID-19. But since the second half of 2020, falls in hotel income had clearly eased.

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

Commercial properties operation income increased by approximately 7.7% to RMB1,538 million in 2020 from RMB1,428 million in 2019. Rental income slightly increased by 1.1%. Meanwhile, new income growth was achieved through diversified business such as “night market”.

Commercial properties operation income is analysed as follows:

	Date of Commencement	2020 RMB million	2019 RMB million
Rental Income			
Shanghai Shimao Festival City	December 2004	208	230
Beijing Shimao Tower	July 2009	154	172
Jinan Shimao International Plaza	May 2014	152	164
Shaoxing Shimao Dear Town (Commercial)	May 2010	66	82
Shanghai Shimao Tower	December 2018	65	42
Nanjing Yuhua Shimao (Commercial)	December 2018	61	47
Nanjing Straits City (Commercial)	December 2014	55	45
Kunshan Shimao Plaza	April 2012	52	56
Xiamen Shimao Straits Mansion	January 2017	48	58
Shenzhen Shimao Qianhai Center	July 2020	32	–
Suzhou Shimao Canal Scene (Commercial)	June 2010	30	33
Quanzhou Shishi Shimao Skyscraper City	January 2017	26	32
Shanghai Shimao Shangdu	November 2010	24	32

	Date of Commencement	2020 RMB million	2019 RMB million
Changshu Shimao The Centre	January 2009	16	22
Xuzhou Shimao Dongdu (Commercial)	January 2012	10	13
Changsha Shimao Global Financial Center	September 2020	9	–
Wuhu Shimao Riviera Garden (Commercial)	September 2009	5	6
Miscellaneous rental income		63	30
Rental income sub-total		1,076	1,064
Commercial properties related service income		462	364
Total		1,538	1,428

Property management income, and others increased by approximately 130.8% to RMB6,235 million in 2020 from RMB2,701 million in 2019, which were mainly due to significantly increased revenues from property management services and project management.

Cost of Sales

Cost of sales increased by 23.6% to approximately RMB95,685 million in 2020 from RMB77,386 million in 2019, which was in line with the growth in sales.

Cost of sales are analysed as follows:

	2020 RMB million	2019 RMB million
Land costs and construction costs	84,794	69,428
Capitalised borrowing costs	6,298	4,871
Direct operating costs for hotels, commercial properties operation, property management and others	3,885	2,486
Sales taxes	708	601
Total	95,685	77,386

Fair Value Gains on Investment Properties – Net

During the year, the Group recorded aggregate fair value gains of approximately RMB398 million (2019: RMB2,335 million), mainly contributed by the further increase in value of certain investment properties. Aggregate net fair value gains after deferred income tax of approximately RMB100 million (2019: 584 million) recognized was RMB298 million (2019: RMB1,751 million).

* MANAGEMENT DISCUSSION AND ANALYSIS

◇ Foshan Shimao Redsun Lakeside Mansion



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 2.4% of contracted sales in 2020 (2019: 1.9%), which was competitive in the market. The increase was mainly due to the global pandemic of COVID-19 and the diversified product construction (i.e. commercial office).

Share of Results of Associated Companies and Joint Ventures

Share of profits of associated companies and joint ventures increased to profits of approximately RMB159 million in 2020 from RMB97 million in 2019, which was mainly attributable to recognition of profit from Guangzhou Asian Games City Project.

Taxation

The Group's tax provisions amounted to approximately RMB14,129 million for the year, in which PRC land appreciation tax ("LAT") was RMB6,631 million (2019: RMB12,635 million, in which LAT was RMB5,645 million). The increase in LAT was in line with the growth in gross profit.

Profit Attributable to Shareholders

Profit attributable to shareholders for the year increased by 15.9% from approximately RMB10.898 billion in 2019 to RMB12.628 billion in 2020. The increase was mainly attributable to the increase of core profit.

The core profit attributable to shareholders represents profit after tax attributable to shareholders excluding major non-recurring or non-cash items, i.e. the net of tax impact of fair value gains on investment properties, share of results of associated companies and joint ventures, foreign exchange gains and losses arising from borrowings, provision for impairment of financial assets and depreciation and amortization.

Excluding the net impact of major after-tax non-recurring or non-cash items, net profit from core business attributable to shareholders for the year increased by 17.2% to approximately RMB12.283 billion. Net profit margin from core business attributable to shareholders was 13.6% in 2020. Plus after-tax gain attributable to shareholders from the disposal of part of the equity of Shimao Services of approximately RMB2.940 billion, net profit from core business attributable to shareholders for the year increased significantly by 45.2% to approximately RMB15.223 billion.



In May 2020, the Group obtained RMB1.729 billion cash consideration from strategic investors to the Group's subsidiary Shimao Services for convertible redeemable shares of Shimao Services equivalent to 10% of its equity, 5% was issuance of new shares while 5% was disposal of the Group's original interest. In October 2020 (including the issuance of shares pursuant to the partial exercise of the over-allotment option on 25 November 2020), the Group obtained HK\$10.070 billion from public for initial public offering of its subsidiary Shimao Services equivalent to 25% of its equity, 15% was issuance of new shares while 10% was disposal of the Group's original interest. The total after tax gain on these two batches of disposals was approximately RMB2.940 billion, representing the excess of the consideration received from disposal of the Group's original interest over the attributable net assets value thereon, but that was not recognized in the Group's profit and loss account under the applicable accounting standard.

Liquidity and Financial Resources

All the indicators concerned by the "Three Red Lines" regulation were up to standard. The Group rapidly improved to a "Green Camp" enterprise by the end of year 2020.

	As at 31 December	
	2020	2019
Net gearing ratio ¹	50.3%	57.4%
Liabilities to assets ratio ² after excluding receipts in advance	68.1%	70.6%
Cash to current borrowings ratio ³	1.16	1.05

¹ Net gearing ratio is calculated by dividing total borrowings (including current and long-term borrowings) minus cash balances (including restricted cash) by total equity (including perpetual capital instruments).

² Liabilities to assets ratio is calculated by dividing total liabilities minus receipts in advance (including contract liabilities and relevant value-added tax) by total assets minus receipts in advance (including contract liabilities and relevant value-added tax). As at 31 December 2020, contract liabilities and relevant value-added tax were approximately RMB111.4 billion, including contract liabilities of approximately RMB106.1 billion on consolidated balance sheet, and value-added-tax payable of approximately RMB5.3 billion disclosed in other taxes payable of trade and other payables (note 5(b) to the consolidated financial statements).

³ Cash to current borrowings ratio is calculated by dividing cash and cash equivalents minus guarantee deposits for construction of pre-sale properties by current borrowings. As at 31 December 2020, guarantee deposits for construction of pre-sale properties were approximately RMB18.6 billion.

* MANAGEMENT DISCUSSION AND ANALYSIS

◇ Zhuhai Shimao Hong Kong Zhuhai Macao Port City



The maturity of the borrowings of the Group as at 31 December 2020 is set out as follows:

	RMB million
Bank borrowings and borrowings from other financial institutions and bonds	
Within 1 year	29,074
Between 1 and 2 years	45,352
Between 2 and 5 years	33,954
Over 5 years	4,627
Senior notes	
Within 1 year	7,467
Between 1 and 2 years	6,502
Between 2 and 5 years	9,737
Over 5 year	8,430
Total	145,143

Financing Activities

The Group adheres to prudent financial policies, maintaining the financing advantages and keeping a healthy capital structure. The total amount of borrowings increased by 14.7% from approximately RMB126.56 billion as at 31 December 2019 to approximately RMB145.14 billion as at 31 December 2020, of which short-term borrowings was approximately 25.2% and long-term borrowings was approximately 74.8% as at 31 December 2020. Among that approximately 43% were financed from public bond market.

✦ Tianjin Shimao Classic Chinese Chic



In 2020, facing the fluctuation of market conditions, and the tightening policies and increasingly strict supervision in relation to real estate companies imposed by the regulatory authorities, such as “Three Red Lines”, “Real Estate Loan Centralized Management”. Holding in awe and veneration of market and regulations, the Group implemented financing activities prudently, and lowered the debt ratio initiatively, increased the share capital, optimized the capital structure.

Firstly, the Company issued shares through top-up placing and obtained HK\$6.9 billion, won the leading investment of international well-known long-term funds. The Group completed introducing of strategic investors in May and spin-off and separate listing of Shimao Services on the Main Board of Hong Kong Stock Exchange in October and raised over HK\$10 billion successfully. The Group gave full play to the advantages of Hong Kong stock equity financing and effectively defended market systemic risks.

Secondly, Shimao fully capitalized its financing advantages in public bond market, in 2020, the Group issued RMB14.3 billion corporate bond in total, which were all long-term maturity periods. Among that 3.2% interest rate with 5-year period issued by Shanghai Shimao Jianshe Co., Ltd., recorded the lowest of the Group.

In addition, in the context of a substantial easing of relative liquidity in the overseas market, the Group seized the opportunity to issue long-term bonds. In July, US\$300 million of 10-year senior notes with an interest rate of 4.6% was issued. In January 2021, US\$872 million of 10-year senior notes with an interest rate of 3.45% was issued, setting the record of the lowest interest rate and the longest term for the Group’s overseas bond.

Based on the previous resources, the Group continued to develop financial cooperation partners, as at 31 December 2020, the Group had built close strategic cooperation relationships with approximately 60 domestic and overseas financial institutions, including the headquarter-to-headquarter cooperation with major banks, which guaranteed the Group’s mortgages loans. As at the end of 2020, the overall undrawn financing facilities from banks and other financial institutions amounted to RMB70 billion.

Attributable to the sound development of the Group, multiple financing channels, the comprehensive financing costs of the Group was 5.6% as at 31 December 2020, maintaining a low level in the property industry.

✦ MANAGEMENT DISCUSSION AND ANALYSIS

Placing and Subscription

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

On 22 April 2020, the Company entered into the placing and subscription agreement (the "2nd Agreement") with the placing agent and the vendor, Gemfair, pursuant to which, the placing agent conditionally agreed to place to not less than six independent professional, institutional and/or individual investors, on a fully underwritten basis, 78,204,000 existing ordinary shares of the Company at the placing price of HK\$29.73 per share and Gemfair conditionally agreed to subscribe for the same number of new ordinary shares of the Company as the placing shares placed by the placing agent at the placing price. The subscription shares have a nominal value of HK\$7,820,400 and a market value of HK\$2,377 million, based on the closing price of HK\$30.40 per share on the last full trading day prior to the date of the 2nd Agreement. The net price of the subscription is HK\$29.55 per share. The Directors considered that the placing and the subscription represented an opportunity to raise capital for the Company while broadening its shareholder and capital base. The Company intended to apply the net proceeds for the development of the projects, to repay the Company's debts and for general working capital of the Group. Please refer to the announcement of the Company dated 22 April 2020 for further details. On 5 May 2020, the Company has completed the placing of the existing shares as well as the allotment and issuance of shares under the General Mandate. The net proceeds received by the Company after deducting relating fees and expense, were approximately HK\$2,311 million. As of 31 December 2020, the Group has applied the net proceeds of approximately HK\$224 million for the development of the projects, approximately HK\$1,971 million for repaying the Company's debts and approximately HK\$116 million for general working capital.

Foreign Exchange Risks

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

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

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

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

Pledge of Assets

As of 31 December 2020, the Group had pledged property and equipment, investment properties, land use rights, properties under development, completed properties held for sale and restricted cash with a total carrying amount of RMB65.575 billion to secure bank facilities granted to the Group. The corresponding bank and other loans amounted to approximately RMB25.534 billion.

Capital and Property Development Expenditure Commitments

As of 31 December 2020, the Group had contracted capital and property development expenditure but not provided for amounted to RMB58.443 billion.



✦ Beijing Shimao Honor of China

Employees and Remuneration Policy

As of 31 December 2020, the Group employed a total of 24,334 employees (as of 31 December 2019: 20,515 employees, restated), among whom 6,364 were engaged in property development. Total remuneration for the year amounted to approximately RMB3.230 billion. The Group has adopted a performance-based rewarding system to motivate its staff. The board of directors of the Company adopted a share award scheme (the "Share Award Scheme") of the Company on 30 December 2011. The purpose of the Share Award Scheme is to recognize the contributions by certain selected employees of the Group and to provide them with incentives in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group. In relation to staff training, the Group also provides different types of programs for its staff to improve their skills and develop their respective expertise.

REPORT OF THE DIRECTORS

The directors (the "Directors") of Shimao Group Holdings Limited (the "Company") have pleasure in presenting their report and the audited financial statements of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2020.

Principal Activities

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

Results and Dividends

The results of the Group for the year ended 31 December 2020 are set out on pages 78 to 180 of this annual report.

The board of directors of the Company (the "Board") has proposed a final dividend of HK90 cents per ordinary share and a special dividend of HK20 cents per ordinary share for the year ended 31 December 2020. The proposed final and special dividends, together with the interim dividend of HK60 cents per ordinary share and the special dividend of HK10 cents per ordinary share both paid on 25 September 2020, will amount to a total dividend of HK\$1.80 per ordinary share for the year ended 31 December 2020 (2019: HK\$1.45). The proposed final and special dividends, if approved at the forthcoming annual general meeting (the "AGM") to be held on Tuesday, 8 June 2021, will be payable on Monday, 19 July 2021 to shareholders whose names appear on the register of members of the Company on Thursday, 17 June 2021.



◇ Suzhou Shimao Bronze Swallow Terrace

Closure of Register of Members

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

- (i) from Wednesday, 2 June 2021 to Tuesday, 8 June 2021 (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 Tuesday, 1 June 2021; and
- (ii) on Wednesday, 16 June 2021 and Thursday, 17 June 2021, for the purpose of ascertaining shareholders' entitlement to the proposed final and special dividends. In order to qualify for the proposed final and special dividends, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at the address as set out in sub-paragraph (i) above for registration no later than 4:30 p.m. on Tuesday, 15 June 2021.

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



Business Review

A business review of the Group for the year ended 31 December 2020 and a discussion of the Group's future business development and possible risks and uncertainties that the Group may encounter are provided in the Chairman's Statement on pages 8 to 15 and the Management Discussion and Analysis on pages 16 to 33 of this annual report. The financial risk management objectives and policies of the Group are shown in note 3 to the consolidated financial statements. An analysis of the Group's performance during the year using key financial performance indicators is set out in the Five Years Financial Summary on pages 6 to 7 of this annual report. Particulars of important events affecting the Group that have occurred after the reporting period are set out in note 42 to the consolidated financial statements on page 178. The above discussions form part of the Report of the Directors.

REPORT OF THE DIRECTORS



◇ Hangzhou Shimao Begonia Bay

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

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

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

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

Reserves

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

◇ Lishui Shimao Cloud Atlas



Major Customers and Suppliers

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

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

Bank and Other Borrowings

Particulars of bank and other borrowings of the Company and the Group as at 31 December 2020 are set out in note 25 to the consolidated financial statements. The net proceeds is for refinancing the indebtedness of the Company and for business development and other general corporate requirements of the Group.

Donations

Charitable and other donations made by the Group during the year amounted to RMB134,759,000 (2019: RMB83,032,000).

Property and Equipment

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

Share Capital

The Company completed two share placing in January 2020 and May 2020 respectively. For further details, please refer to the section headed "Management Discussion and Analysis".

Details of movements in the share capital of the Company for the year ended 31 December 2020 are set out in note 22 to the consolidated financial statements.

Financial Highlights

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

Pre-Emptive Rights

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

✦ REPORT OF THE DIRECTORS

Directors

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

Executive Directors

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

Non-executive Directors

Mr. Ye Mingjie (appointed on 1 January 2021)
Mr. Liu Sai Fei (resigned on 2 January 2020)

Independent Non-executive Directors

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

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

In accordance with Article 87 of the Articles of Association, three directors, namely, Mr. Hui Sai Tan, Jason, Mr. Lyu Hong Bing and Mr. Lam Ching Kam shall retire from office by rotation respectively at the forthcoming AGM and, all being eligible, have offered themselves for re-election as Directors at the forthcoming AGM.

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



✦ Longyan Dynasty Shimao Literature Mansion

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

Directors' Interests in Transactions, Arrangements and Contracts

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

Management Contracts

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

Share Award Scheme

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



✦ Foshan Shimao Noblesse

✦ REPORT OF THE DIRECTORS

During the year ended 31 December 2020, a total of 4,341,514 shares were granted to certain executive directors and selected employees of the Group under the Share Award Scheme, including awards in respect of 160,419 shares granted to Mr. Hui Sai Tan, Jason, 180,681 shares granted to Ms. Tang Fei and 123,560 shares granted to Mr. Lu Yi (all of them are Directors of the Company). Additionally, 5,651,389 awarded shares have been vested during the year ended 31 December 2020.

Equity-Linked Agreements

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

Disclosure of Interests in Securities

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

As at 31 December 2020, the interests and short position of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise to be notified to the Company and the HKEx pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Appendix 10 of the Listing Rules were as follows:



✦ Ningde Joy Fashion Plaza

(1) Long position in the shares of the Company

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

Notes:

- The interests disclosed represent 1,947,984,000 shares held by Gemfair Investments Limited ("Gemfair") and 351,258,942 shares held by Shiyang Finance Limited ("Shiyang Finance"). Both Gemfair and Shiyang Finance are directly wholly-owned by Mr. Hui Wing Mau. By virtue of the SFO, Mr. Hui Wing Mau is deemed to be interested in shares held by Gemfair and Shiyang Finance.
- The interests disclosed include deemed interests in 255,214 shares granted under the Share Award Scheme.
- The interests disclosed include deemed interests in 254,954 shares granted under the Share Award Scheme.
- The interests disclosed include deemed interests in 174,353 shares granted under the Share Award Scheme.

(2) Long position in the shares of associated corporation – Shimao Services Holdings Limited ("Shimao Services")

Name of Directors	Capacity/Nature of interests	Number of ordinary shares held	Approximate percentage of issued share capital
Hui Wing Mau	Interest of controlled corporation	1,600,142,501 ^(Note 1)	67.689%

Note:

- The interests disclosed represent 31,934,159 shares held by Gemfair, 10,856,342 shares held by Shiyang Finance and 1,557,352,000 shares held by Best Cosmos Limited ("Best Cosmos"), a wholly-owned subsidiary of the Company. The Company is owned as to 55.064% by Gemfair and 9.929% by Shiyang Finance. Both Gemfair and Shiyang Finance are wholly-owned by Mr. Hui Wing Mau. By virtue of the SFO, Mr. Hui Wing Mau is deemed to be interested in shares held by Gemfair, Shiyang Finance and Best Cosmos.

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

Directors' Right to Acquire Shares or Debentures

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

REPORT OF THE DIRECTORS

Interests of Substantial Shareholders

As at 31 December 2020, the interests and short position of substantial shareholders in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

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

Name	Nature of interests	Number of shares or underlying shares held	Approximate percentage of issued share capital
Long position			
Gemfair	Note 1	1,947,984,000	55.064%
Overseas Investment Group International Limited ("Overseas Investment")	Note 2	1,947,984,000	55.064%
Shiyang Finance	Note 3	351,258,942	9.929%
The Capital Group Companies, Inc.	Note 4	215,143,000	6.081%

Notes:

- The interests disclosed represent the interests in the Company which are held by Gemfair, a company which is directly wholly-owned by Mr. Hui Wing Mau.
- The interests disclosed represent the right of Overseas Investment to vote on behalf of Gemfair as a shareholder at general meetings of the Company, pursuant to a deed dated 12 June 2006 between Gemfair and Overseas Investment, as long as Mr. Hui Wing Mau or his close associates (directly or indirectly) hold not less than 30% interest in the Company.
- The interests disclosed represent the interests in the Company which are held by Shiyang Finance, a company which is directly wholly-owned by Mr. Hui Wing Mau.
- The interests disclosed represent the interests in the Company held by The Capital Group Companies, Inc. through its controlled corporation.

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

Directors' Interests in Competing Business

Pursuant to Rule 8.10 of the Listing Rules, the Company disclosed below that during the year ended 31 December 2020, the following Director was considered to have interests in the following businesses which competed or were likely to compete, either directly or indirectly, with the businesses of the Group.

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

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

Permitted Indemnity Provisions

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

Purchase, Sale or Redemption of Listed Securities

During the year ended 31 December 2020,

- (1) Shanghai Shimao Co., Ltd., a 63.92%-owned subsidiary of the Company, redeemed an aggregate principal amount of RMB1,300,000,000 of medium-term notes at a fixed interest rate of 4.50% due on 6 January 2020, an aggregate principal amount of RMB1,000,000,000 of short-term financing bonds at a fixed interest rate of 3.67% due on 25 March 2020, an aggregate principal amount of RMB2,500,000,000 of long-term bonds at a fixed interest rate of 4.95% due on 11 July 2020, an aggregate principal amount of RMB1,000,000,000 of long-term bonds at a fixed interest rate of 5.15% due on 20 September 2020, an aggregate principal amount of RMB500,000,000 of long-term bonds at a fixed interest rate of 5.19% due on 17 October 2020 and an aggregate principal amount of RMB970,000,000 of medium-term notes at an interest rate of 5.00% due on 17 December 2020.
- (2) the Company allotted and issued 158,000,000 shares on 31 January 2020 at an issue price of HK\$29.58 per share on completion of the placing and subscription agreement dated 17 January 2020.
- (3) the Company allotted and issued 78,204,000 shares on 5 May 2020 at an issue price of HK\$29.73 per share on completion of the placing and subscription agreement dated 22 April 2020.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2020.

Connected Transaction

On 11 September 2020, the Company, Best Cosmos, Shimao Services and certain of its subsidiaries, SCC Growth V 2020-B, L.P., SCC Growth IV Holdco A, Ltd., Image Frame Investment (HK) Limited (together with SCC Growth V 2020-B, L.P. and SCC Growth IV Holdco A, Ltd., the "Investors") and Mr. Hui Wing Mau ("Mr. Hui") entered into a deed of amendment (the "Amendment Deed") relating to the shareholders agreement of Shimao Services dated 8 May 2020. Pursuant to the Amendment Deed, the parties agreed that the Company and Best Cosmos shall be released from the undertaking in relation to the redemption provided by the Company and Best Cosmos to the Investors for the repurchase of all or a portion of the equity interests held by the Investors in Shimao Services (the "Redemption Undertaking") and in substitution, Mr. Hui will assume all liabilities and obligations relating to the Redemption Undertaking. In the event that the Investors request Mr. Hui to purchase all the Investors' equity interests in Shimao Services, the consideration payable by Mr. Hui to the Investors would be a sum equivalent to the original subscription price paid by the Investors for all their interests in Shimao Services (totalling approximately US\$244.54 million) plus interest at 8% per annum less any declared and paid dividends on the Investors' equity interests in Shimao Services. No consideration was payable by or to Mr. Hui for the transfer of the Redemption Undertaking.

Mr. Hui is the Chairman, an Executive Director and the controlling shareholders (as defined in the Listing Rules) of the Company. Accordingly, Mr. Hui is a connected person of the Company and the entering into of the Amendment Deed and the potential exercise of the Redemption Undertaking pursuant thereto by the Investors against Mr. Hui could constitute a connected transaction for the Company under Chapter 14A of the Listing Rules.

On 30 October 2020, the Redemption Undertaking terminated and lapsed upon the listing of shares of Shimao Services on the main board of the HKEx.

Details of the above transaction were set out in the announcements of the Company dated 11 September 2020 and 18 September 2020.

Related Party Transactions

The major related party transactions which were undertaken in the normal course of business of the Group are set out in note 41 to the consolidated financial statements. Save as disclosed in this annual report, none of these related party transactions constituted connected transactions or continuing connected transactions for the Company which is discloseable pursuant to Chapter 14A of the Listing Rules.

✦ REPORT OF THE DIRECTORS



Deed of Non-Competition

On 16 October 2020, the Company and Mr. Hui, the ultimate controlling shareholder of the Company (collectively the “Undertaking Controlling Shareholders”) entered into a deed of non-competition (the “Deed of Non-Competition”) in favour of Shimao Services (for itself and for each of its subsidiaries, collectively “Shimao Services Group”).

Each of the Undertaking Controlling Shareholders has unconditionally and irrevocably undertaken to Shimao Services in the Deed of Non-Competition that it/he will not, and will procure its/his close associates (save for members of Shimao Services Group) not to, directly or indirectly conduct or be involved in any business (other than the business of Shimao Services Group) that directly or indirectly competes, or may compete, with the business of Shimao Services Group, being the provision in the PRC of property management services for residential and other properties (including but not limited to governmental and public facilities), value-added services to non-property owners and community value-added services, or hold shares or interest in any companies or business that compete directly or indirectly with the business engaged by Shimao Services Group from time to time, except where the Undertaking Controlling Shareholders and their close associates hold (i) less than 30% of the total issued share capital of any company (whose shares are listed on the HKEx or any other stock exchange); or (ii) less than 30% of interest of any private company, which is engaged in any business that is or may be in competition with any business engaged by any member of Shimao Services Group and they do not possess the right to control the board of directors of such company.

The Deed of Non-Competition will lapse automatically if the Undertaking Controlling Shareholders cease to hold, whether directly or indirectly, 50% or above of the shares of Shimao Services with voting rights or if the shares of Shimao Services cease to be listed on the HKEx.

The Company has confirmed to Shimao Services that during the year ended 31 December 2020, the Group and its close associates (save for members of Shimao Services Group) have complied with the terms of the Deed of Non-Competition.



Continuing Disclosure Pursuant to Rule 13.21 of the Listing Rules

The Company entered into the following agreements:

- (1) A facility agreement on 30 October 2017 between, among others, the Company as borrower, various banks as lenders and The Hongkong and Shanghai Banking Corporation Limited (“HSBC”) as facility agent, dual currency term loan facilities in the amount of US\$680,000,000 and HK\$5,890,000,000 have been made available to the Company for a term of 48 months from the date of the facility agreement.
- (2) A facility agreement on 31 July 2018 between, among others, the Company as borrower and Bank of Communications Co., Ltd. Hong Kong Branch (“BoCom HK”) as lender, a term loan facility in the amount of HK\$1,500,000,000 has been made available to the Company for a term of 48 months from the date of the facility agreement.
- (3) A facility agreement on 14 September 2018 between, among others, the Company as borrower, various banks as lenders and HSBC as facility agent, dual currency term loan facilities in the amount of US\$290,000,000 and HK\$2,614,500,000 have been made available to the Company for a term of 48 months from the date of the facility agreement.
- (4) A facility agreement on 26 June 2019 between, among others, the Company as borrower and BoCom HK as lender, a term loan facility in the amount of HK\$1,500,000,000 has been made available to the Company for a term of 48 months from the date of the facility agreement.
- (5) A facility agreement on 9 August 2019 between, among others, the Company as borrower, various banks as lenders and HSBC as facility agent, dual currency term loan facilities in the amount of US\$837,850,000 and HK\$3,994,000,000 have been made available to the Company for a term of 48 months from the date of the facility agreement.

✦ REPORT OF THE DIRECTORS



✦ Fuzhou Shimao The River One

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

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, throughout the year ended 31 December 2020 and up to the date of this report, the Company has maintained a sufficient public float of more than 25% of the Company's issued shares as required under the Listing Rules.

Corporate Governance

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

Auditor

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

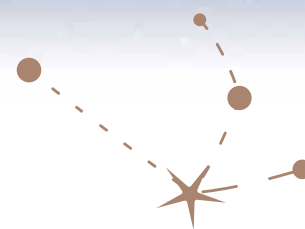
On behalf of the Board

Hui Wing Mau

Chairman

Hong Kong, 30 March 2021

CORPORATE GOVERNANCE REPORT



A. Corporate Governance Practices

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

The Company complied with the code provisions set out in the Corporate Governance Code (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "HKEx") throughout the financial year ended 31 December 2020 with the exception of one deviation, namely, code provision E.1.2 providing for the chairman of the board should attend the annual general meeting. The reason of the said deviation from the relevant code provision is set out under the paragraph on "G.1 Effective Communication" below.

B. Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the directors of the Company (the "Directors"). Before the Group's interim and annual results are announced, notifications are sent to the Directors to remind them not to deal in the securities of the Company during the blackout periods. The Company has made specific enquiry of all Directors and all Directors confirmed that they had complied with the required standard set out in the Model Code during the financial year.



C. Directors

C.1 The Board

As at the date of this report, the board of directors of the Company (the "Board") consisted of eight Directors, comprising four Executive Directors, one Non-executive Director together with three Independent Non-executive Directors who all possess appropriate academic and professional qualifications or related financial management expertise and have brought a wide range of business and financial experience to the Board.

The Board has four scheduled meetings a year at quarterly interval and meets as and when required. During the financial year ended 31 December 2020, four Board meetings were held, all of which were attended by all Directors. All Directors attended Board meetings in person or through electronic means of communication during the year. Details of the attendance records of the Directors are set out in the table on page 56. Apart from formal meetings, matters requiring the Board approval were dealt with by way of written resolutions.



✦ Hangzhou Shimao Classic Chinese Chic

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

C.2 Chairman and President

The roles of the Chairman and the President are complementary, but more importantly, they are distinct and separate with clear division of responsibilities. Mr. Hui Wing Mau, the Chairman, is responsible for providing leadership to the Board in terms of establishing policies and business directions and ensures that the Board discharges its responsibilities. Mr. Hui Sai Tan, Jason, the Vice Chairman and the President, is responsible for the overall operation and executive responsibilities of the Group as well as leading the management of the Group in implementing the strategies and policies established by the Board.

✦ CORPORATE GOVERNANCE REPORT

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

C.3 Board Composition

The Board has a balance of skills and experience appropriate for the Company's business. Given below are names of Directors during the financial year ended 31 December 2020 and up to the date of this report:

Executive Directors

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

Non-executive Directors

Mr. Ye Mingjie (appointed on 1 January 2021)
Mr. Liu Sai Fei (resigned on 2 January 2020)

Independent Non-executive Directors

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

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

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



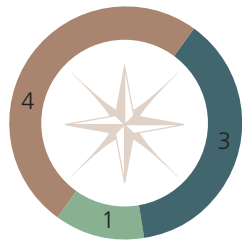
✦ Jiangmen Shimao Imperial Spring

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

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

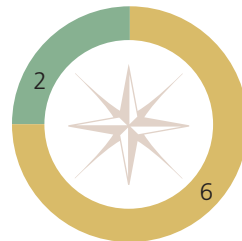
The Board has a balanced composition and the board diversity mix is shown below.

Designation



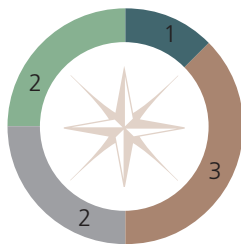
- Executive Directors
- Non-Executive Directors
- Independent Non-Executive Directors

Gender



- male
- female

Age



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

✦ CORPORATE GOVERNANCE REPORT

	Directors' skills, expertise and experience				
	Executive leadership & strategy/directorship experience with other listed company(ies)	Property Development, Property Management & Construction	Mainland China Exposure	Accounting professionals/ financial management expertise	Legal professionals/ regulatory & compliance
Executive Directors					
Mr. Hui Wing Mau (<i>Chairman</i>)	✓	✓	✓		
Mr. Hui Sai Tan, Jason (<i>Vice Chairman and President</i>)	✓	✓	✓		
Ms. Tang Fei	✓	✓	✓	✓	
Mr. Lu Yi (appointed on 2 January 2020)	✓	✓	✓		
Non-executive Director					
Mr. Ye Mingjie (appointed on 1 January 2021)	✓	✓	✓		
Independent Non-executive Directors					
Ms. Kan Lai Kuen, Alice	✓		✓	✓	✓
Mr. Lyu Hong Bing	✓		✓		✓
Mr. Lam Ching Kam	✓	✓	✓		
Coverage (% of entire Board)	100%	75%	100%	25%	25%

C.4 Appointments, Re-election and Removal

Other than Mr. Lu Yi and Mr. Ye Mingjie, each of the Directors has entered into a service contract with the Company for a specific term. However, such term is subject to his/her re-appointment by the Company at annual general meeting upon retirement by rotation pursuant to the articles of association of the Company (the "Articles"). The Articles state that each Director shall retire from office by rotation at least once every three years after he/she was last elected or re-elected and Directors holding offices as chairman and managing director are also subject to retirement by rotation. Accordingly, the term of appointment of all Directors is effectively not more than about three years. The Articles also provide that any Director appointed by the Board, either to fill a casual vacancy on the Board or as an addition to the existing Board, shall hold office only until the upcoming annual general meeting of the Company and shall then be eligible for re-election.

C.5 Nomination Committee

The Company has established a nomination committee (the "Nomination Committee") on 9 June 2006. The Nomination Committee comprises three members, namely, Mr. Lam Ching Kam, Ms. Kan Lai Kuen, Alice and Mr. Lyu Hong Bing, all of whom are Independent Non-executive Directors. The Nomination Committee is chaired by Mr. Lam Ching Kam.

There were two Nomination Committee meetings held during the financial year ended 31 December 2020. Details of attendance of the Nomination Committee members are set out in the table on page 56.

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

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

The work performed by the Nomination Committee for the financial year ended 31 December 2020 is the review of the structure, size and composition (including the mix of skills, knowledge and experience) of the Board and recommendation to the Board for approval the appointment of Mr. Ye Mingjie as the Non-executive Director of the Company.

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

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

The nomination procedure and process for appointment of new Director, re-appointment of Directors and nomination by shareholders of the Company have been adopted and included in the Nomination Policy. The Nomination Committee will review and monitor from time to time the implementation of the Nomination Policy to ensure its effectiveness. In December 2020, the Nomination Committee reviewed the qualification, experience, expertise and other factors of a candidate for appointment as Non-executive Director. At the recommendation of the Nomination Committee, the Board appointed Mr. Ye Mingjie as a Non-executive Director with effect from 1 January 2021.

✦ CORPORATE GOVERNANCE REPORT

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

C.6 Responsibilities of Directors

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



✦ Changshu Cloud Bright

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

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

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

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



✦ Yiwu Shimao Jiangchoufu

✦ CORPORATE GOVERNANCE REPORT

Individual attendance records of the Directors at board meetings, board committees' meetings and annual general meeting during the financial year ended 31 December 2020, are set out below:

Directors	Attendance/Number of Meeting(s)				Annual general meeting
	Board meeting	Audit Committee meeting	Nomination Committee meeting	Remuneration Committee meeting	
Mr. Hui Wing Mau*	4/4	N/A	2/2	2/2	0/1
Mr. Hui Sai Tan, Jason	4/4	N/A	N/A	N/A	1/1
Ms. Tang Fei	4/4	N/A	N/A	N/A	0/1
Mr. Lu Yi (appointed on 2 January 2020)	4/4	N/A	N/A	N/A	0/1
Ms. Kan Lai Kuen, Alice	4/4	3/3	2/2	2/2	1/1
Mr. Lyu Hong Bing	4/4	3/3	2/2	2/2	0/1
Mr. Lam Ching Kam*	4/4	3/3	2/2	2/2	0/1
Mr. Liu Sai Fei (resigned on 2 January 2020)	N/A	N/A	N/A	N/A	N/A

* Mr. Hui Wing Mau resigned as a member and the chairman of the Nomination Committee and a member of the Remuneration Committee on 25 August 2020. Mr. Lam Ching Kam was appointed as the chairman of the Nomination Committee on 25 August 2020.

C.7 Supply of and Access to Information

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

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

D. Remuneration of Directors and Senior Management and Board Evaluation

D.1 The Level and Make-up of Remuneration and Disclosure

The Company has established a remuneration committee (the "Remuneration Committee") on 9 June 2006. The Remuneration Committee comprises three members, namely, Mr. Lyu Hong Bing, Ms. Kan Lai Kuen, Alice and Mr. Lam Ching Kam, all of whom are Independent Non-executive Directors. The Remuneration Committee is chaired by Mr. Lyu Hong Bing.

There were two Remuneration Committee meetings held during the financial year ended 31 December 2020. Details of attendance of the Remuneration Committee members are set out in the table on page 56.

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

The terms of reference of the Remuneration Committee have been reviewed with reference to the Code and are available on the Company's website at www.shimaogroup.hk.

The work performed by the Remuneration Committee for the financial year ended 31 December 2020 is summarized below:

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

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

E. Accountability and Audit

E.1 Financial Reporting

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

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

In preparing the financial statements for the financial year ended 31 December 2020:

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

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

* CORPORATE GOVERNANCE REPORT

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

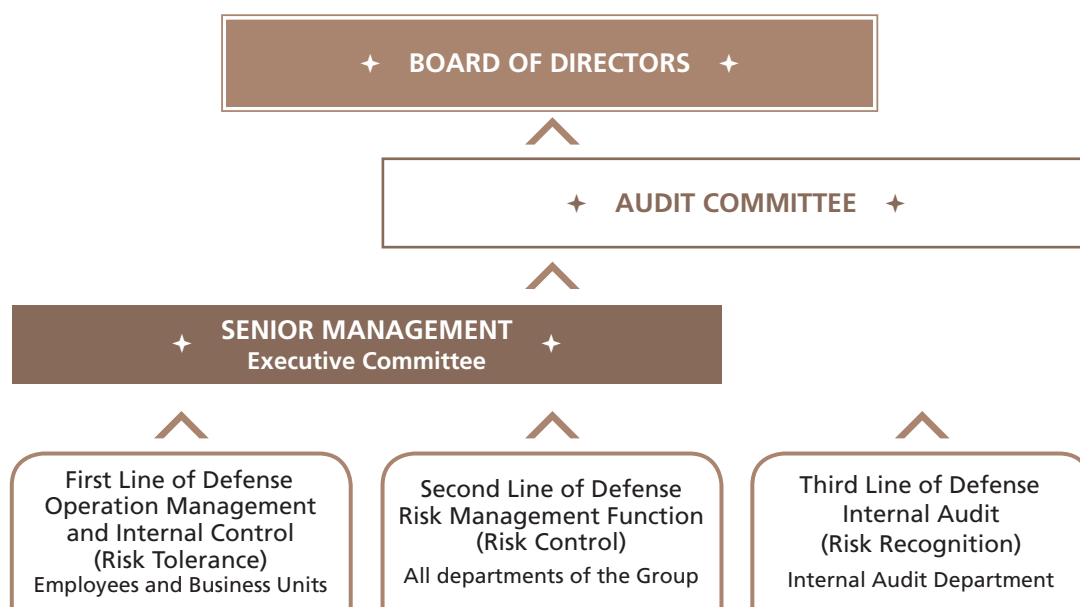
E.2 Risk Management and Internal Control

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

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

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

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



First Line of Defense

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

Second Line of Defense

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

Third Line of Defense

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

Senior Management

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

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

Audit Committee and Board

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

Risk Management







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

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

✦ CORPORATE GOVERNANCE REPORT

The Company confirms that it has complied with the code provisions of the Code in relation to risk management and internal controls in 2020. The Board has also confirmed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions during the annual review of the risk management and internal control systems.

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

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

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

E.3 Audit Committee

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

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

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

There were three Audit Committee meetings held during the financial year ended 31 December 2020. Details of attendance of the Audit Committee members are set out in the table on page 56.

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

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

The work performed by the Audit Committee for the financial year ended 31 December 2020 is summarized below:

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

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

The consolidated annual results of the Group for the year ended 31 December 2020 have been reviewed by the Audit Committee.

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

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

✦ CORPORATE GOVERNANCE REPORT



✦ Qingdao Shimao Shine Times

The remuneration to the Company's auditor in respect of the services rendered for the year ended 31 December 2020 is set out as follows:

Services rendered	RMB'000
Audit services	13,000
Other services	
– Service in connection with the notes offering	1,300
– Others	9,690
Total	23,990

F. Delegation by the Board

F.1 Management Functions

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

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

F.2 Board Committees

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

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

F.3 Corporate Governance Functions

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

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

G. Communication with Shareholders

G.1 Effective Communication

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

✦ CORPORATE GOVERNANCE REPORT

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

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

The 2020 Annual General Meeting (the "2020 AGM") of the Company was held on 27 May 2020. Details of attendance of the Directors in the 2020 AGM are set out in the table on page 56. The Company's external auditor, PricewaterhouseCoopers, attended the 2020 AGM, during which its representative was available to answer questions raised by the Shareholders. The Chairman of the Board was unable to attend the 2020 AGM (as required by the code provision E.1.2 of the Code) due to the sudden change of the schedule.

G.2 Voting by Poll

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

G.3 Dividend Policy

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

H. Company Secretary

Ms. Lam Yee Mei, Katherine is a full-time employee of the Company with professional qualifications and extensive experience to discharge the functions of Company Secretary of the Company. During the year, Ms. Lam undertook over 15 hours of professional training to update her skills and knowledge. The Company Secretary plays an important role in supporting the Board by ensuring efficient information flow within the Board and that Board procedures, and all applicable law, rules and regulations are followed. The Company Secretary reports to the Board through the Chairman and Vice Chairman whilst all Directors have access to the advice and services of the Company Secretary.

I. Shareholders' Rights

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

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



✦ Beijing Classic Chinese Chic

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

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

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

1.2 Procedures for putting forward proposals at general meeting(s)

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

* CORPORATE GOVERNANCE REPORT

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

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

I.4 Procedures for sending enquiries to the Board

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

J. Significant Amendments to Constitutional Documents

During the financial year ended 31 December 2020, there is no significant change in the constitutional documents of the Company.



◇ Taizhou Imperial Mansion



DIRECTORS AND SENIOR MANAGEMENT PROFILES





DIRECTORS AND SENIOR MANAGEMENT PROFILES



◆ Xinyang Shimao Cloud Seal

Executive Directors

Hui Wing Mau (Chairman)

Mr. Hui Wing Mau, aged 70, the Chairman and Executive Director of Shimao Group Holdings Limited (the “Company”, together with its subsidiaries, the “Group”) and the founder of the Group. With over 31 years’ experience in property development, property investment and hotel operation, he is primarily responsible for the Group’s overall strategic planning and business management. Mr. Hui is currently a member of the Standing Committee of the Thirteenth National Committee of the Chinese People’s Political Consultative Conference (“CPPCC”), the president of China Federation of Overseas Chinese Entrepreneurs, vice president of China Overseas Friendship Association, founding president and chairman of the board of directors of New Home Association, Hong Kong, chairman of Hong Kong Federation of Overseas Chinese Associations, vice president of Friends of Hong Kong Association Ltd. and executive president of China Red Ribbon Foundation etc.. Mr. Hui obtained a Master’s Degree in Business Administration from the University of South Australia. Mr. Hui is also the non-executive chairman of Shanghai Shimao Co., Ltd. (“Shanghai Shimao”), a 63.92%-owned subsidiary of the Company listed on the Shanghai Stock Exchange and the chairman and a director of Shimao International Holdings Limited. He is a director of Gemfair Investments Limited and Shiyang Finance Limited, substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). He has been the Chairman and Executive Director of the Company since 8 November 2004. Mr. Hui is the father of Mr. Hui Sai Tan, Jason, the Vice Chairman, President and an Executive Director of the Company and the chairman and executive director of Shimao Services Holdings Limited (“Shimao Services”), a 65.88%-owned subsidiary of the Company listed on The Stock Exchange of Hong Kong Limited (the “HKEx”), and Ms. Hui Mei Mei, Carol, the vice chairman of Shanghai Shimao.

Hui Sai Tan, Jason (Vice Chairman and President)

Mr. Hui Sai Tan, Jason, aged 44, joined the Group in March 2000 and has been an Executive Director, the Vice Chairman and President of the Company since 17 November 2004, 21 April 2008 and 30 January 2019 respectively. Mr. Jason Hui obtained a Master of Science Degree in Real Estate from the University of Greenwich, the United Kingdom in 2001 and a Master’s Degree in Business Administration from the University of South Australia in 2004. He has more than 22 years’ experience in property development and management. He is a member of Shanghai Committee of the CPPCC and the president of New Home Association, Hong Kong. Mr. Jason Hui is also a director of Shanghai Shimao, and the chairman and an executive director of Shimao Services. Mr. Jason Hui is the son of Mr. Hui Wing Mau, the Chairman, an Executive Director and a controlling shareholder (as defined in the Rules Governing the Listing of Securities (the “Listing Rules”) on the HKEx) of the Company, and the brother of Ms. Hui Mei Mei, Carol, the vice chairman of Shanghai Shimao.

Tang Fei

Ms. Tang Fei, aged 50, has joined the Group since July 2004 and was appointed an Executive Director of the Company since 6 February 2013. Ms. Tang is currently a Vice President of the Group, responsible for the financial control of the Group. Ms. Tang is also a non-executive director of Shimao Services. Ms. Tang holds a Master’s Degree in Business Administration from the University of South Australia and has over 27 years’ experience in financial management and internal audit. Prior to joining the Group, Ms. Tang worked in the internal audit department of Bank of China, Head office from 1992 to 1998. She also worked in the audit department and treasury department of Bank of China (Hong Kong) Limited from 1999 to 2004. Ms. Tang is a Senior International Finance Manager of the International Financial Management Association and an associate member of The Association of International Accountants (the “AIA”). She was also awarded as one of the Top 10 Accountants of AIA in China in 2018.

Lu Yi

Mr. Lu Yi, aged 37, has joined the Group since 2008 and was appointed an Executive Director of the Company since 2 January 2020. Mr. Lu is currently a Vice President of the Group and the largest regional development controller of the Group, responsible for overseeing the overall operation, development and management of the Group in the Straits district (mainly including Fujian, Guangdong and Hainan). Mr. Lu holds a Master’s Degree from Zhejiang University (浙江大學) and has over 12 years’ experience in real estate operation and management.

✦ DIRECTORS AND SENIOR MANAGEMENT PROFILES

Non-Executive Director

Ye Mingjie

Mr. Ye Mingjie, aged 42, was appointed a Non-executive Director of the Company since 1 January 2021. Mr. Ye is also an executive director and the president of Shimao Services. Mr. Ye joined the Group in February 2004 and successively served as an assistant president of the Group as well as the head of the engineering management center of the Group and was promoted to the position of vice president of the Group in January 2018, where he was responsible for overseeing the engineering management of the Group and the business operations of Shimao Services. Mr. Ye graduated from Tongji University (同濟大學) in the PRC and specialised in engineering management. Mr. Ye has over 15 years of experience in the property management and related industry. Mr. Ye was appointed as an expert of the Assessment Committee of the Commercial Office Grade Evaluation Criteria (商務寫字樓等級評價標準評審委員會) by China Real Estate Association (中國房地產協會) for the years from June 2019 to June 2023.

Independent Non-Executive Directors

Kan Lai Kuen, Alice

Ms. Kan Lai Kuen, Alice, aged 66, has been an Independent Non-executive Director of the Company since 16 March 2006 and has more than 29 years' experience in corporate finance. She is the responsible officer, the managing director and the controlling shareholder of Asia Investment Management Limited, a licensed corporation accredited by the Securities and Futures Commission of Hong Kong. Ms. Kan currently serves as an independent non-executive director on the boards of the following companies which are listed on the HKEx: Regal Hotels International Holdings Limited, Cosmopolitan International Holdings Limited, Jolimark Holdings Limited and Shimao Services. She was formerly an independent non-executive director of Shoucheng Holdings Limited, Mason Group Holdings Limited and China Energine International (Holdings) Limited, companies listed on the HKEx, from 2004 to 2018, 2017 to 2019 and 2008 to 2020 respectively; and an independent director of AVIC International Maritime Holdings Limited, a company which was listed on the Catalist Board of the Singapore Exchange Securities Trading Limited and was privatised and delisted on 4 March 2020, from 2011 to 2020. She is an associate member of The Hong Kong Institute of Certified Public Accountants and a fellow member of The Hong Kong Institute of Directors, the Association of Chartered Certified Accountants and the Australian Society of Certified Practising Accountants. Ms. Kan held various senior positions in international and local banks and financial institutions.

Lyu Hong Bing

Mr. Lyu Hong Bing, aged 54, has been an Independent Non-executive Director of the Company since 17 November 2004. Mr. Lyu obtained a Master's Degree in law from East China University of Political Science and Law in 1991 and has more than 28 years' experience in corporate and securities laws in China. Mr. Lyu currently serves as an independent director of Shandong Airlines Co., Ltd. (a company publicly listed on the Shenzhen Stock Exchange) and Shanghai New Huang Pu Industrial Group Co., Ltd. (a company publicly listed on the Shanghai Stock Exchange). Mr. Lyu was formerly an independent non-executive director of ZTE Corporation, a company publicly listed on the Shenzhen Stock Exchange and the HKEx, from 2015 to 2018, an independent director of Shanghai Shentong Metro Co., Ltd., a company publicly listed on the Shanghai Stock Exchange, from 2014 to 2020, and an independent non-executive director of CEFC Hong Kong Financial Investment Company Limited, a company publicly listed on the HKEx, from 2017 to 2020. Mr. Lyu is the chief executive partner of the Grandall Law Firm, a vice-president of the All China Lawyers Association, an arbitrator and member of the Shanghai International Economic and Trade Arbitration Commission, an arbitrator and a member of the Shanghai Arbitration Commission, a concurrent professor of East China University of Political Science and Law and the Shanghai University of International Business and Economics, a member of the Review Board of the China Securities Regulatory Commission for Mergers, Acquisitions, and Restructurings of Listed Companies and a commissioner of the Listing Committee of the Shanghai Stock Exchange.

Lam Ching Kam

Mr. Lam Ching Kam (Alias: Jacob Lam), aged 60, has been an Independent Non-executive Director of the Company since 1 June 2006. He is currently a fellow member of The Hong Kong Institute of Surveyors. Mr. Lam obtained a Master's Degree in Business Administration from the Hong Kong Open University in 2004 and is a fellow member of the Royal Institution of Chartered Surveyors. Mr. Lam was the Vice Chairman of the Royal Institution of Chartered Surveyors China Group from 2003 to 2006. He is a member of the China Civil Engineering Society (中國土木工程學會會員) and also a registered China Cost Engineer (中國造價工程師執業資格). Mr. Lam has been a consultant to the Beijing Construction Project Management Association (北京市建設監理協會) since 2003 and has engaged in professional training and vocational education in China for more than 19 years. Mr. Lam has been in the property development and construction industry for 37 years, and has worked for construction contractors such as Shui On Building Contractors Limited, China State Construction Engineering Corporation and Hopewell Construction Co., Ltd. Mr. Lam was employed as a quantity surveyor and worked in London from 1990 to 1991. He was employed by certain consultant firms and the Architectural Services Department of the Hong Kong Government before he emigrated to Australia in 1996 and operated a project management firm in Sydney. Mr. Lam was the project controller of Sino Regal Ltd. (HK) for investment projects in China from 1994 to 1996. In 1998, Mr. Lam established a surveying and management consultant firm which has been participating in many large-scale projects in Mainland China and Macau, including a Beijing Olympic 2008 project involving hotels, offices towers and commercial complex in Olympic Park, Beijing. In October 2016, Mr. Lam's company merged with 信永中和工程管理有限公司 (ShineWing Engineering Management Co., Ltd.) (formerly known as 信永中和(北京)國際工程管理諮詢有限公司 ShineWing (Beijing) International Construction Consulting Co., Ltd.) and he became a partner from 1 October 2016.

Senior Management

The Executive Directors of the Company are members of senior management of the Group.

Change in Information of Directors

The change in the information of the Directors of the Company since the publication of the interim report of the Company for the six months ended 30 June 2020 required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules is set out below:

Name of Directors	Details of Changes
Mr. Hui Sai Tan, Jason	Appointed as a director of Shimao Services (a company publicly listed on the HKEx on 30 October 2020) on 3 December 2019 and was re-designated as an executive director and was appointed as the chairman of Shimao Services on 1 June 2020
Ms. Tang Fei	Appointed as a non-executive director of Shimao Services on 1 June 2020
Ms. Kan Lai Kuen, Alice	Appointed as an independent non-executive director of Shimao Services on 13 October 2020
Mr. Lyu Hong Bing	Appointed as an independent director of Shanghai New Huang Pu Industrial Group Co., Ltd. (a company publicly listed on the Shanghai Stock Exchange) on 12 August 2020 Resigned as an independent non-executive director of CEFC Hong Kong Financial Investment Company Limited (a company publicly listed on the HKEx) on 7 September 2020

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules. The updated biographical details of the Directors of the Company are set out in the preceding section headed "Directors and Senior Management Profiles".



INFORMATION FOR SHAREHOLDERS

ANNUAL REPORT

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

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

ANNUAL GENERAL MEETING ("AGM")

The 2021 AGM will be held on Tuesday, 8 June 2021. The notice of the 2021 AGM, which constitutes part of the circular to shareholders, is sent together with this annual report. The notice of the 2021 AGM and the proxy form are also available on the Company's website.

2020 DIVIDENDS

Interim dividend	HK60 cents per ordinary share
Special dividend	HK10 cents per ordinary share
Proposed final dividend	HK90 cents per ordinary share
Proposed special dividend	HK20 cents per ordinary share

CLOSURE OF REGISTER OF MEMBERS ("ROM")

For determining shareholders' eligibility to attend and vote at the 2021 AGM:

Latest time to lodge transfer documents for registration	4:30 p.m. on Tuesday, 1 June 2021
Closure of ROM	from Wednesday, 2 June 2021 to Tuesday, 8 June 2021 (both days inclusive)

For determining shareholders' entitlement to the proposed final and special dividends:

Latest time to lodge transfer documents for registration	4:30 p.m. on Tuesday, 15 June 2021
Closure of ROM	Wednesday, 16 June 2021 and Thursday, 17 June 2021
Record date	Thursday, 17 June 2021
Dispatch of final dividend and special dividend warrants	Monday, 19 July 2021



INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Shimao Group Holdings Limited

(incorporated in Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of Shimao Group Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 78 to 180, which comprise:

- the consolidated balance sheet as at 31 December 2020;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

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

Independence

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

Key Audit Matters

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

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

- Fair value assessment of investment properties
- Impairment assessment of goodwill

✦ INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Key Audit Matters (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Fair value assessment of investment properties</p> <p>Refer to note 2.7 "Summary of significant accounting policies – Investment property" and note 8 "Investment properties" to the consolidated financial statements.</p> <p>The Group's investment properties were measured at fair value of RMB63,176 million as at 31 December 2020, with net revaluation gains of RMB398 million recorded in the consolidated statement of comprehensive income for the year then ended.</p> <p>Management has engaged independent external valuer to assist in determination of the fair value of investment properties. The determination of the fair value involved significant management judgements and estimates, including the adoption of appropriate valuation methodologies (term and reversionary method and residual method) and the use of significant assumptions in the valuation (mainly including capitalisation rates, market rent, market price, estimated costs to be incurred to completion and the developer's estimated profit margin).</p> <p>We consider this area a key audit matter due to the significant management judgements and estimates adopted in the fair value assessment of the investment properties given the complexity of the valuation methodologies and the subjectivity of the significant assumptions applied by management.</p>	<p>We have performed the following procedures to address this key audit matter:</p> <p>(i) We obtained an understanding of management's internal control and assessment process of the fair value of investment properties and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty, complexity and subjectivity etc.</p> <p>(ii) We evaluated and tested the key controls over the fair value assessment of the investment properties, including the review and approval of assumptions and data input, based on approved budget, used in the valuation.</p> <p>(iii) We assessed the competence, capabilities and objectivity of the independent external valuer engaged by management.</p> <p>(iv) We assessed the appropriateness of the valuation methodologies adopted with the assistance from our internal valuation experts.</p> <p>(v) We assessed the capitalisation rates with reference to comparable companies and the assistance from our internal valuation experts.</p> <p>(vi) We assessed the market rent and market price, on a sample basis, by comparing to the recent lease or sales transactions of the Group and market data of comparable properties.</p> <p>(vii) We assessed the estimated costs to be incurred to completion and the developer's estimated profit margin, on a sample basis, by comparing to management approved project budgets; we also compared the actual costs of the newly completed properties to their budget costs to assess the reliability of the project budgets.</p> <p>(viii) We assessed the sensitivity analysis performed by management to consider the likelihood that the actual outcome differs from the estimates on significant assumptions to an extent that results in significant change to the valuation of the investment properties.</p> <p>Based upon the above procedures, we found that the methodologies, significant management judgements and estimates adopted in the fair value assessment of the investment properties were supported by available evidences.</p>

Key Audit Matters (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Impairment assessment of goodwill</p> <p>Refer to note 2.8 "Summary of significant accounting policies – Intangible assets – goodwill" and note 9 "Intangible assets" to the consolidated financial statements.</p> <p>As at 31 December 2020, the Group had goodwill of RMB3,054 million, in which goodwill in relation to the acquisition of Shanghai Shimao Co., Ltd., a subsidiary listed in PRC stock market amounted to RMB1,710 million, and goodwill in relation to the acquisition of certain property management groups by Shimao Services Holdings Limited, a subsidiary listed in HK stock market, amounted to RMB1,214 million.</p> <p>Management is required to assess goodwill impairment on an annual basis. Management considered each of the acquired group a separate group of cash-generating units ("CGU"). Management assessed the impairment of goodwill by determining the recoverable amounts of the CGU to which goodwill has been allocated based on value-in-use calculations. The value-in-use calculations used the discounted cash flow forecast based on approved budgets.</p> <p>Significant management judgements and estimates were involved in the goodwill impairment assessment, including the adoption of methodologies and the use of significant assumptions, which mainly include revenue growth rates, gross margins and pre-tax discount rates.</p> <p>We consider this area a key audit matter due to the significant management judgements and estimates adopted in the goodwill impairment assessment given the complexity of the valuation methodologies and the subjectivity of the significant assumptions applied by management.</p>	<p>We have performed the following procedures to address this key audit matter:</p> <ul style="list-style-type: none"> (i) We obtained an understanding of management's internal control and assessment process of impairment of goodwill and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty, complexity and subjectivity etc. (ii) We evaluated and tested the key controls over the impairment assessment of goodwill, including the review and approval of assumptions and data input, based on approved budget, used in the assessment. (iii) We assessed the appropriateness of the methodologies adopted with the assistance from our internal valuation experts, and assessed the Group's identification of the CGU and allocation of goodwill based on the Group's accounting policy and our understanding of the Group's business. (iv) We assessed the revenue growth rates and gross margins by comparing to management approved budget, historical data, available market data and industry information. (v) We assessed the pre-tax discount rates with reference to comparable companies and the assistance from our internal valuation experts. (vi) We also compared the current year's actual performance with the prior year's budget and management plan to assess the quality of management's assessment. (vii) We assessed the sensitivity analysis performed by management to consider the likelihood that the actual outcome differs from the estimates on significant assumptions to an extent that results in goodwill being impaired. <p>Based upon the above procedures, we found that the methodologies, significant management judgements and estimates adopted in the goodwill impairment were supported by available evidences.</p>

✦ INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Other Information

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

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

INDEPENDENT AUDITOR'S REPORT (CONTINUED) ★

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 March 2021



CONSOLIDATED BALANCE SHEET

As at 31 December 2020

	Note	As at 31 December	
		2020 RMB'000	2019 RMB'000
ASSETS			
Non-current assets			
Property and equipment	6	16,864,312	15,922,942
Right-of-use assets	7	8,316,268	8,217,754
Investment properties	8	63,175,590	56,062,747
Intangible assets	9	3,826,812	2,009,346
Investments accounted for using the equity method	11	30,936,756	24,167,175
Amounts due from related parties	12	1,978,774	1,440,840
Financial assets at fair value through other comprehensive income	13	1,974,946	988,995
Financial assets at fair value through profit or loss	14	168,016	179,637
Deferred income tax assets	15	3,231,065	3,055,128
Other non-current assets	16	3,722,189	5,483,634
		134,194,728	117,528,198
Current assets			
Inventories	17	313,787,270	234,467,515
Trade and other receivables and prepayments	18	21,387,554	18,732,702
Prepayment for acquisition of land use rights	19	13,483,055	13,651,351
Prepaid income taxes		4,452,805	4,407,190
Amounts due from related parties	12	33,978,392	22,981,077
Derivative financial instruments	20	2,337	63,004
Restricted cash	21	7,428,982	7,265,779
Cash and cash equivalents	21	61,038,027	52,357,251
		455,558,422	353,925,869
Total assets		589,753,150	471,454,067
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	22	362,850	341,575
Reserves	23	87,639,210	65,913,306
		88,002,060	66,254,881
Non-controlling interests			
Perpetual capital instruments	24	5,141,000	4,665,000
Other non-controlling interests		59,351,692	45,784,305
		64,492,692	50,449,305
Total equity		152,494,752	116,704,186

CONSOLIDATED BALANCE SHEET (CONTINUED) †

As at 31 December 2020

	Note	As at 31 December	
		2020 RMB'000	2019 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	25	108,602,305	89,773,388
Lease liabilities	7	39,452	93,009
Deferred income tax liabilities	15	8,520,394	7,533,056
		117,162,151	97,399,453
Current liabilities			
Trade and other payables	26	102,506,442	79,057,586
Contract liabilities		106,126,631	74,652,393
Income tax payable		30,480,635	25,216,120
Borrowings	25	36,540,759	36,781,947
Derivative financial instruments	20	33,114	–
Lease liabilities	7	37,495	139,939
Amounts due to related parties	27	44,371,171	41,502,443
		320,096,247	257,350,428
Total liabilities		437,258,398	354,749,881
Total equity and liabilities		589,753,150	471,454,067

The notes on pages 85 to 180 are an integral part of these consolidated financial statements.

The financial statements on pages 78 to 180 were approved by the Board of Directors on 30 March 2021 and were signed on its behalf.

Hui Wing Mau
Director

Hui Sai Tan, Jason
Director



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Note	Year ended 31 December	
		2020 RMB'000	2019 RMB'000
Revenue	5	135,352,755	111,516,981
Cost of sales	29	(95,685,488)	(77,386,427)
Gross profit		39,667,267	34,130,554
Fair value gains on investment properties – net	8	397,539	2,335,257
Other income/other gains – net	28	1,029,335	351,639
Selling and marketing costs	29	(4,416,344)	(2,824,871)
Administrative expenses	29	(5,498,682)	(4,381,122)
Provision for impairment losses on financial assets	29	(482,918)	(70,375)
Other operating expenses	29	(503,530)	(337,635)
Operating profit		30,192,667	29,203,447
Finance income		5,629,202	923,869
Finance costs		(2,313,743)	(1,208,789)
Finance income/(costs) – net	30	3,315,459	(284,920)
Fair value changes of convertible redeemable preferred shares	20	(75,860)	–
Share of results of associated companies and joint ventures accounted for using the equity method		159,320	96,825
Profit before income tax		33,591,586	29,015,352
Income tax expense	33	(14,129,120)	(12,635,387)
Profit for the year		19,462,466	16,379,965
Other comprehensive income:			
<i>Items that will not be reclassified to profit or loss</i>			
Fair value (losses)/gains on financial assets at fair value through other comprehensive income, net of tax		(271,072)	19,591
Share of other comprehensive income of joint ventures accounted for using the equity method		49,035	–
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		(166,508)	–
Total comprehensive income for the year		19,073,921	16,399,556

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED) †

For the year ended 31 December 2020

	Note	Year ended 31 December	
		2020 RMB'000	2019 RMB'000
Profit for the year attributable to:			
Equity holders of the Company		12,627,679	10,897,600
Non-controlling interests		6,834,787	5,482,365
		19,462,466	16,379,965
Total comprehensive income for the year attributable to:			
Equity holders of the Company		12,216,352	10,911,548
Non-controlling interests		6,857,569	5,488,008
		19,073,921	16,399,556
Earnings per share for profit attributable to the equity holders of the Company			
– Basic (RMB cents)	34	361.5	331.1
– Diluted (RMB cents)	34	361.1	330.6

The notes on pages 85 to 180 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Note	Attributable to the equity holders of the Company				Total RMB'000
		Share capital RMB'000	Reserves RMB'000	Perpetual capital instruments RMB'000	Other non- controlling interests RMB'000	
Balance at 1 January 2020		341,575	65,913,306	4,665,000	45,784,305	116,704,186
Comprehensive income						
Profit for the year		–	12,627,679	312,270	6,522,517	19,462,466
Other comprehensive income for the year						
<i>Items that will not be reclassified to profit or loss</i>						
Fair value (losses)/gains on financial assets at fair value through other comprehensive income, net of tax		–	(276,168)	–	5,096	(271,072)
Share of other comprehensive income of joint ventures accounted for using the equity method		–	31,349	–	17,686	49,035
<i>Items that may be reclassified to profit or loss</i>						
Exchange differences on translation of foreign operations		–	(166,508)	–	–	(166,508)
Total comprehensive income for the year		–	12,216,352	312,270	6,545,299	19,073,921
Transfer from joint ventures to subsidiaries	40(a)	–	–	–	560,631	560,631
Acquisition of subsidiaries	40(b)	–	–	–	539,970	539,970
Capital contribution from non-controlling interests of subsidiaries	40(d(ii))	–	–	–	13,209,041	13,209,041
Other transactions with non-controlling interests of Shimao Services Holdings Limited ("Shimao Services")	23	–	8,680,355	–	1,735,924	10,416,279
Changes in ownership interests in subsidiaries without change of control	40(d(ii))	–	(575,364)	–	(5,804,687)	(6,380,051)
Disposal of subsidiaries	40(c)	–	–	–	(1,218,735)	(1,218,735)
Equity-settled share-based payment						
– Value of employee services	23	–	119,457	–	–	119,457
– Dividends received	23	–	4,935	–	–	4,935
Placing and subscription of shares	22, 23	21,275	6,238,448	–	–	6,259,723
Perpetual capital instruments issued	24	–	–	2,276,000	–	2,276,000
Perpetual capital instruments redeemed	24	–	–	(1,800,000)	–	(1,800,000)
Perpetual capital instruments dividends		–	–	(312,270)	–	(312,270)
Dividends and distributions	23, 35	–	(4,958,279)	–	(2,000,056)	(6,958,335)
Total transactions with owners		21,275	9,509,552	163,730	7,022,088	16,716,645
Balance at 31 December 2020		362,850	87,639,210	5,141,000	59,351,692	152,494,752

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED) †

For the year ended 31 December 2020

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

The notes on pages 85 to 180 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Note	Year ended 31 December	
		2020 RMB'000	2019 RMB'000
Cash flow from operating activities			
Net cash generated from operations	36	23,006,977	44,849,846
Interest received	30	1,229,203	923,869
Interest paid		(8,986,376)	(8,728,637)
PRC income tax paid		(8,408,133)	(7,565,184)
Net cash generated from operating activities		6,841,671	29,479,894
Cash flow from investing activities			
Additions of property and equipment and investment properties		(6,387,990)	(1,557,552)
Disposal of property and equipment		37,924	5,450
Additions of land use rights		(310,601)	(36,139)
Purchase of intangible assets		(113,359)	–
Disposal of intangible assets	9	2,161	–
Acquisition of derivative financial instruments		(13,033)	(16,333)
Settlement of derivative financial instruments		38,662	6,085
Decrease in prepayments for acquisition of equity interests	16	2,934,516	3,561,491
Increase in prepayments for acquisition of equity interests	16	(332,757)	(3,751,396)
Net cash inflow/(outflow) on acquisition of subsidiaries	40(a), 40(b)	260,367	(1,626,725)
Net cash (outflow)/inflow on disposal and deemed disposal of subsidiaries	40(c)	(65,530)	142,757
Capital injections to associated companies	11(a)	(844,207)	(2,043,873)
Capital injections to joint ventures	11(b)	(7,789,494)	(7,112,290)
Disposal of shares of joint ventures	11(b)	762,272	–
Disposal of shares of an associated company	11(a)	225	–
Closure of joint ventures	11(b)	4,602	–
Capital distribution from a joint venture	11(b)	286,126	–
Dividends received from associated companies and joint ventures	11(a), 11(b)	997,725	999,000
Advances to joint ventures and associated companies		(11,460,311)	(4,733,463)
Decrease of financial assets at fair value through other comprehensive income		239,041	198,000
Increase of financial assets at fair value through other comprehensive income		(1,491,355)	(181,441)
Net cash used in investing activities		(23,245,016)	(16,146,429)
Cash flow from financing activities			
Proceeds from borrowings		67,013,797	54,138,709
Repayments of borrowings		(59,877,989)	(46,556,688)
Capital contribution from non-controlling interests of subsidiaries		13,209,041	4,840,075
Acquisition of additional interests in subsidiaries		(6,546,560)	(5,769,304)
Proceeds from convertible redeemable preferred shares of subsidiary	20	1,729,000	–
Proceeds from ordinary shares pursuant to initial public offering and exercise of over-allotment option – net of subsidiary	23	8,611,419	–
Proceeds from issue of perpetual capital instruments	24	2,276,000	4,265,000
Redemption of perpetual capital instruments	24	(1,800,000)	(4,700,000)
Interest for the holders of perpetual capital instruments		(312,270)	(284,982)
Dividends paid to the equity holders of the Company		(4,958,278)	(3,820,983)
Dividends paid to non-controlling interests		(2,000,056)	(1,962,455)
Increase in amounts due to non-controlling interests	27	1,526,105	–
Decrease in amounts due to non-controlling interests		–	(3,699,330)
Dividends received		4,935	10,674
Lease payment	7	(187,283)	(158,023)
Increase in restricted cash pledged for borrowings		351,761	(982,744)
Issued new shares		6,259,723	–
Net cash generated from/(used in) financing activities		25,299,345	(4,680,051)
Net increase in cash and cash equivalents			
Cash and cash equivalents at beginning of the year		52,357,251	43,688,296
Effect of foreign exchange rate changes		(215,224)	15,541
Cash and cash equivalents at end of the year	21	61,038,027	52,357,251

The notes on pages 85 to 180 are an integral part of these consolidated financial statements.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1 General information

Shimao Group 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, property management 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 (“RMB”), unless otherwise stated.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

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

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

(i) New and amended standards adopted by the Group

The following standards and amendments to standards have been adopted by the Group for the first time for their annual reporting period commencing 1 January 2020:

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

The 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.

✦ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

2 Summary of significant accounting policies (CONTINUED)

2.1 Basis of preparation (continued)

(ii) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 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 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2022
HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
HKFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
Annual Improvements to HKFRS Standards 2018–2020		1 January 2022
AG 5 (Revised)	Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations	1 January 2022
HK Int 5 (2020)	Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (HK Int 5 (2020))	1 January 2023
HKFRS 17	Insurance contracts	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

2.2 Principles of consolidation and equity accounting

(i) Subsidiaries

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

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

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

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

(ii) Associates

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) †

For the year ended 31 December 2020

2 Summary of significant accounting policies (CONTINUED)**2.2 Principles of consolidation and equity accounting (continued)****(iii) Joint arrangements**

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

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

(iv) Equity accounting

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

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

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

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

(v) Changes in ownership interests

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

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

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

✦ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

2 Summary of significant accounting policies (CONTINUED)

2.3 Business combinations

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

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

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

Acquisition-related costs are expensed as incurred.

The excess of the

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

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

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

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

2.4 Segment reporting

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

2.5 Foreign currency translation

(i) Functional and presentation currency

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) †

For the year ended 31 December 2020

2 Summary of significant accounting policies (CONTINUED)

2.5 Foreign currency translation (continued)

(ii) Transactions and balances

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

(iii) Group companies

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

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

2.6 Property and equipment

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

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

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

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

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

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

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

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

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

✦ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

2 Summary of significant accounting policies (CONTINUED)

2.7 Investment property

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

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

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

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

2.8 Intangible assets

(i) Goodwill

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

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

(ii) Computer software

Acquired software licences are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (5 to 10 years). The Group's computer software mainly includes the acquired software license for financial systems. Based on the current functionalities equipped by the software and the Group's daily operation needs, the Group considers useful lives of 5 to 10 years are the best estimation under the current financial reporting needs.

(iii) Customer relationship

Customer relationships acquired in a business combination are recognized at fair value at the acquisition date. The contractual customer relationships have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of 96 to 120 months for the customer relationship. The useful life of 96 to 120 months for customer relationship is determined with reference to the Directors' best estimate of the expected contract period for property management services with customers (including renewal) based on the historical renewal pattern and the industry practice.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) †

For the year ended 31 December 2020

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

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

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

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

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

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

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

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

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

(ii) Recognition and derecognition

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

(iii) Measurement

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

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

✦ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

2 Summary of significant accounting policies (CONTINUED)

2.10 Investments and financial assets (continued)

(iii) Measurement (continued)

Debt instruments

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

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

Equity instruments

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

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

(iv) Impairment

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

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

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

2.11 Offsetting financial instruments

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

2.12 Derivative financial instruments and hedging activities

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) ★

For the year ended 31 December 2020

2 Summary of significant accounting policies (CONTINUED)**2.13 Art works**

Art works is classified as non-current assets at cost less accumulated impairment loss, if any.

Art works is derecognised upon disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the period in which the item is derecognised.

2.14 Properties under development

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

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

2.15 Completed properties held for sale

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

Cost comprises development costs attributable to the unsold properties.

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

2.16 Trade and other receivables

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

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

2.17 Cash and cash equivalents

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

2.18 Share capital

Ordinary shares are classified as equity.

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

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

2.19 Perpetual capital instruments

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

✦ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

2 Summary of significant accounting policies (CONTINUED)

2.20 Trade payables

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

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

2.21 Borrowings

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

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

2.22 Borrowings cost

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

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

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

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

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

2.23 Current and deferred income tax

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) †

For the year ended 31 December 2020

2 Summary of significant accounting policies (CONTINUED)**2.23 Current and deferred income tax (continued)**

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

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

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

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

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

(ii) Retirement benefits

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

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

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

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

(iii) Equity-settled share-based payment transactions

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

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

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

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

✦ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

2 Summary of significant accounting policies (CONTINUED)

2.24 Employee benefits (continued)

(iii) Equity-settled share-based payment transactions (continued)

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

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

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

2.25 Provisions and contingent liabilities

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

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

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

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

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

2.26 Revenue recognition

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

(i) Sales of properties

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) †

For the year ended 31 December 2020

2 Summary of significant accounting policies (CONTINUED)

2.26 Revenue recognition (continued)

(i) Sales of properties (continued)

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

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

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

(ii) Property management services

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

If contracts involve the sale of multiple services, the transaction price will be allocated to each performance obligation based on their relative stand-alone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

(iii) Hotel operation income

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

(iv) Rental income

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

(v) Interest income

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

(vi) Commission income

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

(vii) Dividend income

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

2.27 Government grants

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

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

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

✦ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

2 Summary of significant accounting policies (CONTINUED)

2.28 Leases

The Group leases various offices, warehouses, equipment and vehicles. Rental contracts are typically made for fixed periods of 12 to 60 months. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

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

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

The lease payments are discounted using incremental borrowing rate of the Group which the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

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

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

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

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

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

2.29 Dividend distribution

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

2.30 Insurance contracts

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) †

For the year ended 31 December 2020

2 Summary of significant accounting policies (CONTINUED)**2.31 Financial guarantee contracts**

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under HKFRS 9 Financial Instruments and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

2.32 Convertible redeemable preferred shares

Holders of convertible redeemable preferred shares issued by a subsidiary of the Group are redeemable upon occurrence of certain future events. They can also be converted into ordinary shares at any time at the option of the holders, or automatically upon occurrence of an initial public offering of the subsidiary, or when agreed by majority of the holders.

Convertible redeemable preferred shares are initially recognised at fair value and are subsequently re-measured to their fair value at the end of each reporting period. The subsequent changes in fair value is recognised immediately in profit or loss within "fair value changes of convertible redeemable preferred shares".

3 Financial risk management

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

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

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

The Company and most of its subsidiaries' functional currency is RMB, so that the fluctuation of the exchange rates of RMB against foreign currencies could affect the Group's results of operations. For the year ended 31 December 2020, the Group manages its foreign exchange risk by using foreign currency option contracts and interest rate swaps contracts. Such contracts have the economic effect of setting a strike rate for agreed amount of foreign currency amount. Under these contracts, the Group agrees with a third party to exchange, at specified intervals, the difference between strike and spot exchange rate amounts calculated by reference to the agreed notional amount.

As at 31 December 2020, if RMB had strengthened/weakened by 5%, against US dollar and HK dollar with all other variables held constant without capitalization of exchange gains and losses, post-tax profit for the year would have been RMB1,734,638,000 (2019: RMB1,703,500,000) higher/lower, mainly as a result of net foreign exchange gains/losses on translation of US dollar and HK dollar denominated bank deposits, senior notes and bank borrowings.

As at 31 December 2020, borrowings with a total carrying amount of RMB50,052,429,000 (2019: RMB47,389,666,000) are denominated in US dollar, borrowings with a total carrying amount of RMB27,703,827,000 (2019: RMB25,220,523,000) are denominated in HK dollar and borrowings with a total carrying amount of RMB891,628,000 (2019: RMB1,249,875,000) are denominated in JPY yen.

✦ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

3 Financial risk management (CONTINUED)

(a) Market risk (continued)

(ii) Price risk

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

(iii) Cash flow and fair value interest rate risk

Except for cash deposits in the banks, the Group has no other significant interest-bearing assets. The Group's exposure to changes in interest rates is mainly attributable to its borrowings, especially long-term borrowings. Borrowings at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk. The interest rate and terms of repayments of borrowings are disclosed in Note 25. The Group manages certain of its fair value interest rate risk by using fixed-to-floating interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from fixed rates to floating rates. As at 31 December 2020, the Group converted no borrowings from fixed rate to floating rate through interest rate swaps (2019: nil).

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

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

If interest rates on RMB denominated variable rate borrowings had been 100 basis points higher/lower with all other variables held constant, the post-tax profit for the year would have been RMB80,816,000 (2019: RMB40,047,000) lower/higher mainly as a result of higher/lower interest expenses on borrowings with variable rates as at 31 December 2020. If interest rates on US dollar and HK dollar denominated variable rate borrowings had been 100 basis points higher/lower with all other variables held constant, the post-tax profit for the year would have been RMB339,510,000 (2019: RMB311,785,000) lower/higher mainly as a result of higher/lower interest expenses on borrowings with variable rates as at 31 December 2020.

(b) Credit risk

The Group is exposed to credit risk in relation to its trade receivables, other receivables and amounts due from related parties, and cash and cash equivalents. The carrying amounts of trade receivables, other receivables and amounts due from related parties, and cash and cash equivalents represent the Group's maximum exposure to credit risk in relation to financial assets.

(i) Cash in banks

The Group expects that there is no significant credit risk associated with cash deposits at banks since they are substantially deposited at state-owned banks and other medium or large size listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

Cash transactions are limited to high-credit-quality institutions. The table below shows the bank deposit balances of the major counterparties as at 31 December 2020.

Counterparty	Rating (Note)	As at 31 December	
		2020 RMB'000	2019 RMB'000
Bank A	A	9,534,157	7,210,630
Bank B	BBB+	8,310,093	5,726,794
Bank C	A	5,375,992	3,049,466
Bank D	A	4,116,263	5,638,361
Bank E	BBB+	3,271,513	5,855,641

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) †

For the year ended 31 December 2020

3 Financial risk management (CONTINUED)**(b) Credit risk (continued)****(ii) Trade receivables**

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

The expected loss rates are based on the payment profiles of sales over a period of 3 years before 31 December 2020 or 1 January 2021 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on factors affecting the ability of the customers to settle the receivables.

(iii) Other receivables and amounts due from related parties

The Group uses three categories for other receivables and amounts due from related parties which reflect their credit risk and how the loss provision is determined for each of those categories. These internal credit risk ratings are aligned to external credit ratings.

A summary of assumptions underpinning the Group's expected credit loss model is as follows:

Category	Group definition of category	Basis for recognition of expected credit loss provision
Stage one	Customers have a low risk of default and a strong capacity to meet contractual cash flow	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Stage two	Receivables for which there is a significant increase in credit risk since initial recognition	Lifetime expected losses
Stage three	Receivables for which there is credit loss since initial recognition	Lifetime expected losses

The Group accounts for its credit risk by appropriately providing for expected losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data. The Group has identified the GDP, CPI and industry key drivers to be the most relevant factors.

Since credit risk has not significantly increased after initial recognition, the loss allowance recognised was therefore limited to 12 months expected losses.

† NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

3 Financial risk management (CONTINUED)

(b) Credit risk (continued)

On that basis, the loss allowance as at 31 December 2020 and 31 December 2019 was determined as follows for trade receivables and other receivables and amounts due from related parties:

31 December 2020	Current and within 6 months RMB'000	7 months to 12 months RMB'000	Over 1 year RMB'000	Total RMB'000
Trade receivables				
Gross carrying amount	5,902,275	299,532	447,258	6,649,065
Expected loss rate	0.50%	5.00%	10.00%	
Loss allowance	29,511	14,977	44,726	89,214

31 December 2020	Expected Loss Rate	Gross Carrying Amount	Loss allowance provision
Other receivables and amounts due from related parties			
Loan receivables	1.00% – 10.00%	1,528,513	92,604
Other receivables	0.50% – 20.00%	13,976,666	584,872
Amount due from related parties	0.10% – 2.00%	36,042,482	85,316
		51,547,661	762,792

31 December 2019	Current and within 6 months RMB'000	7 months to 12 months RMB'000	Over 1 year RMB'000	Total RMB'000
Trade receivables				
Gross carrying amount	4,121,346	329,787	740,427	5,191,560
Expected loss rate	0.50%	4.37%	10.70%	
Loss allowance	20,558	14,403	79,200	114,161

31 December 2019	Expected Loss Rate	Gross Carrying Amount	Loss allowance provision
Other receivables and amounts due from related parties			
Loan receivables	1.00% – 10.00%	1,429,235	23,786
Other receivables	0.50% – 20.00%	12,422,657	172,803
Amount due from related parties	0.10% – 2.00%	24,480,255	58,338
		38,332,147	254,927

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) †

For the year ended 31 December 2020

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

The closing loss allowances for trade receivables and other receivables and amounts due from related parties as at 31 December 2020 reconcile to the opening loss allowances as follows:

	Trade receivables RMB'000	Other receivables and amounts due from related parties RMB'000	Total RMB'000
As at 31 December 2019	114,161	254,927	369,088
(Decrease)/Increase in loss allowance recognised in profit or loss during the year	(24,947)	507,865	482,918
As at 31 December 2020	89,214	762,792	852,006

Trade receivables and other receivables and amounts due from related parties are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

Impairment losses on trade receivables and other receivables and amounts due from related parties are recognised in profit or loss within "provision for impairment losses on financial assets". Subsequent recoveries of amounts previously written off are credited against the same line item.

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

(c) Liquidity risk

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

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

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

† NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

3 Financial risk management (CONTINUED)

(c) Liquidity risk (continued)

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

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
31 December 2020					
Borrowings and interest payments	40,981,489	57,047,672	47,397,960	15,419,731	160,846,852
Trade and other payables (excluding other taxes payables)	92,158,808	44,499	58,474	37,833	92,299,614
Amounts due to related parties	44,371,171	–	–	–	44,371,171
Derivative financial instruments	33,114	–	–	–	33,114
Lease liabilities	37,495	13,884	24,768	800	76,947
	177,582,077	57,106,055	47,481,202	15,458,363	297,627,697
31 December 2019					
Borrowings and interest payments	39,307,510	29,779,713	40,395,670	20,311,900	129,794,793
Trade and other payables (excluding other taxes payables)	75,631,392	22,824	34,684	38,770	75,727,670
Amounts due to related parties	41,502,443	–	–	–	41,502,443
Lease liabilities	139,939	39,655	35,597	17,757	232,948
	156,581,284	29,842,192	40,465,951	20,368,427	247,257,854

Note: The interest on borrowings is calculated based on borrowings outstanding as at 31 December 2020 and 2019 without taking into account of future issues. Floating-rate interest is estimated using the applicable interest rate as at 31 December 2020 and 2019 respectively.

The amount of derivative financial instruments is measured at fair value at 31 December 2020.

(d) Capital risk management

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) †

For the year ended 31 December 2020

3 Financial risk management (CONTINUED)

(d) Capital risk management (continued)

The net gearing ratios at 31 December 2020 and 2019 are as follows:

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Total borrowings (Note 25)	145,143,064	126,555,335
Less: Cash and cash equivalents (Note 21)	(61,038,027)	(52,357,251)
Restricted cash (Note 21)	(7,428,982)	(7,265,779)
Net debt	76,676,055	66,932,305
Total equity	152,494,752	116,704,186
Net gearing ratio	50.3%	57.4%

(e) Fair value estimation

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

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

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2020 and 2019. See Note 8 for disclosures of the investment properties that are measured at fair value.

As at 31 December 2020	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Derivative financial instruments	–	2,337	–	2,337
Financial assets at FVOCI				
– listed equity securities	1,382,554	–	–	1,382,554
– investment in unlisted entities	–	–	592,392	592,392
Financial assets at FVPL	–	–	168,016	168,016
Liabilities				
Derivative financial instruments	–	33,114	–	33,114
As at 31 December 2019	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Derivative financial instruments	–	63,004	–	63,004
Financial assets at FVOCI				
– listed equity securities	608,202	–	–	608,202
– investment in structured products issued by other financial institution and unlisted entity	–	–	380,793	380,793
Financial assets at FVPL	–	–	179,637	179,637

† NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

3 Financial risk management (CONTINUED)

(e) Fair value estimation (continued)

Derivative financial instruments included in Level 2 as at 31 December 2020 are one interest rate swaps contract and two currency options contract with the Morgan Stanley & Co International PLC ("Morgan Stanley") and nine interest rate swaps contracts with The Hongkong and Shanghai Banking Corporation Limited, the fair value of which is determined using forward exchange rates and interest rates that are quoted by financial institutions.

Derivative financial instruments included in Level 2 as at 31 December 2019 are two currency options contracts with the Morgan Stanley and one currency option contract with The Hongkong and Shanghai Banking Corporation Limited, the fair value of which is determined using forward exchange rates and interest rates that are quoted by financial institutions.

FVOCI included in Level 1 as at 31 December 2020 and 2019 are the equity securities traded in Shanghai Stock Exchange, Shenzhen Stock Exchange, Hong Kong Exchanges and Clearing Limited and NASDAQ, the fair value of which is based on quoted market prices at the balance sheet date.

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

Financial assets at FVPL as at 31 December 2020 and 2019 included in Level 3 is the investment in unlisted entity recognised as a debt investment with cash flows not solely payments of principal and interest, the fair value of which is determined using valuation model for which not all inputs are market observable rates.

Financial assets at FVOCI at fair value

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Opening balances of assets	988,995	981,680
Additions	1,491,355	181,441
Disposals	(239,041)	(198,000)
Fair value (losses)/gains recognised in OCI	(266,363)	23,874
Closing balances of assets	1,974,946	988,995
Changes in unrealised (losses)/gains, under 'Other comprehensive income' (Note 13(b))	(266,363)	23,874

Financial assets at FVPL at fair value

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Opening balances of assets	179,637	176,727
Fair value (losses)/gains recognised in profit or loss	(11,621)	2,910
Closing balances of assets	168,016	179,637
Changes in unrealised (losses)/gains, under 'Other income/other gains – net' (Note 14(b))	(11,621)	2,910

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) †

For the year ended 31 December 2020

3 Financial risk management (CONTINUED)

(e) Fair value estimation (continued)

Derivatives at fair value through profit or loss

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Opening balances of assets	63,004	12,468
Acquisition of currency options and interest rate swaps	13,033	16,333
(Losses)/gains recognised in the income statement	(68,152)	40,288
Settlements	(38,662)	(6,085)
Closing balances of (liabilities)/assets	(30,777)	63,004
Changes in unrealised (losses)/gains, under 'Other income/other gains – net' (Note 28)	(68,152)	40,288

4 Critical accounting estimates and judgements

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

4.1 Critical accounting estimates and assumptions

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

(a) Income taxes and deferred income tax assets

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

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

(b) Land appreciation tax

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

(c) Impairment of goodwill

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

✦ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

4 Critical accounting estimates and judgements (CONTINUED)

4.1 Critical accounting estimates and assumptions (continued)

(d) Fair value of investment properties

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

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) †

For the year ended 31 December 2020

4 Critical accounting estimates and judgements (CONTINUED)

4.2 Critical judgements in applying the Group's accounting policy

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

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

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

5 Segment information

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

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

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

(a) Revenue

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

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Sales of properties	126,132,570	105,291,317
Hotel operation income	1,447,039	2,097,030
Commercial properties operation income	1,538,465	1,427,986
Property management income, and others	6,234,681	2,700,648
	135,352,755	111,516,981

✦ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

5 Segment information (CONTINUED)

(b) Segment information

Year ended 31 December 2020

	Property development and investment				
	Shanghai Shimao Co., Ltd. ("Shanghai Shimao")* RMB'000	Others RMB'000	Shimao Services**(i) RMB'000	Unallocated*** RMB'000	Total RMB'000
Revenue					
– Sales of properties	20,243,795	105,888,775	–	–	126,132,570
– Recognised at a point in time	20,116,160	104,794,398	–	–	124,910,558
– Recognised over time	127,635	1,094,377	–	–	1,222,012
– Hotel operation income	193,203	1,253,836	–	–	1,447,039
– Commercial properties operation income	1,041,624	496,841	–	–	1,538,465
– Property management income, and others	226,720	1,777,308	5,025,688	–	7,029,716
Total revenue before elimination	21,705,342	109,416,760	5,025,688	–	136,147,790
Elimination					(795,035)
Total revenue					135,352,755
Operating profit/(loss)	5,910,993	24,018,043	897,052	(633,421)	30,192,667
Finance income	133,429	5,448,541	11,407	35,825	5,629,202
Finance costs	(299,059)	(1,137,447)	(14,587)	(862,650)	(2,313,743)
Fair value changes of convertible redeemable preferred shares	–	(75,860)	–	–	(75,860)
Share of results of associated companies and joint ventures accounted for using the equity method	(16,265)	164,670	10,915	–	159,320
Profit/(loss) before income tax	5,729,098	28,417,947	904,787	(1,460,246)	33,591,586
Income tax expense					(14,129,120)
Profit for the year					19,462,466
Other segment items are as follows:					
Capital and property development expenditure	27,807,714	114,210,142	137,820	–	142,155,676
Fair value gains on investment properties	256,489	141,050	–	–	397,539
Fair value losses on derivative financial instruments	–	–	–	(68,152)	(68,152)
Depreciation	88,808	537,962	65,648	60,649	753,067
Amortisation of right-of-use assets	125,519	96,545	9,541	–	231,605
(Reversal of)/provision for impairment on financial assets	(30,284)	442,675	70,527	–	482,918

* The Group owns an effective equity interest of 63.92% in Shanghai Shimao as at 31 December 2020

** The Group owns an effective equity interest of 65.88% in Shimao Services as at 31 December 2020

*** Unallocated mainly represent corporate level activities

Note (i): Pursuant to the spin off and separate listing of Shimao Services on the HK main board, the CODM considered Shimao Services as a separate segment to better assess performance of the Group. The comparatives have been reclassified to conform with current year presentation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) †

For the year ended 31 December 2020

5 Segment information (CONTINUED)

(b) Segment information (continued)

The segment assets and liabilities at 31 December 2020 are as follows:

	Property development and investment			Total RMB'000
	Shanghai Shimao RMB'000	Others RMB'000	Shimao Services RMB'000	
Investments accounted for using the equity method	1,651,650	29,251,032	34,074	30,936,756
Intangible assets	1,709,730	243,785	1,873,297	3,826,812
Other segment assets	144,354,358	394,589,664	8,930,119	547,874,141
Total segment assets	147,715,738	424,084,481	10,837,490	582,637,709
Deferred income tax assets				3,231,065
Financial assets at FVOCI				1,974,946
Financial assets at FVPL				168,016
Derivative financial instruments				2,337
Other assets				1,739,077
Total assets				589,753,150
Borrowings	23,512,691	59,193,544	30,000	82,736,235
Other segment liabilities	70,638,183	208,020,833	4,012,016	282,671,032
Total segment liabilities	94,150,874	267,214,377	4,042,016	365,407,267
Corporate borrowings				62,406,829
Deferred income tax liabilities				8,520,394
Derivative financial instruments				33,114
Other liabilities				890,794
Total liabilities				437,258,398

+ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

5 Segment information (CONTINUED)

(b) Segment information (continued)

Year ended 31 December 2019

	Property development and investment		Shimao Services**	Unallocated***	Total
	Shanghai Shimao*	Others			
	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	647,636	2,489,086	–	3,340,757
Total revenue before elimination	21,080,673	88,587,331	2,489,086	–	112,157,090
Elimination					(640,109)
Total revenue					111,516,981
Operating profit/(loss)	7,336,493	21,924,712	521,157	(578,915)	29,203,447
Finance income	202,951	637,840	37,935	45,143	923,869
Finance costs	(434,542)	(51,023)	(51,833)	(671,391)	(1,208,789)
Share of results of associated companies and joint ventures accounted for using the equity method	148,541	(50,508)	(1,208)	–	96,825
Profit/(loss) before income tax	7,253,443	22,461,021	506,051	(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	114,663,015	130,650	–	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	582,083	10,602	56,080	732,951
Amortisation of right-of-use assets	118,587	99,743	3,408	–	221,738
Provision for impairment on financial assets	63,534	3,469	3,372	–	70,375

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

** The Group owns an effective equity interest of 100.00% in Shimao Services as at 31 December 2019

*** Unallocated mainly represent corporate level activities

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) †

For the year ended 31 December 2020

5 Segment information (CONTINUED)

(b) Segment information (continued)

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

	Property development and investment		Shimao Services RMB'000	Total RMB'000
	Shanghai Shimao RMB'000	Others RMB'000		
Investments accounted for using the equity method	1,109,016	23,054,467	3,692	24,167,175
Intangible assets	1,709,730	16,322	283,294	2,009,346
Other segment assets	122,906,077	312,323,622	3,263,326	438,493,025
Total segment assets	125,724,823	335,394,411	3,550,312	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	43,326,166	239,789	65,515,158
Other segment liabilities	52,438,277	163,758,368	3,086,993	219,283,638
Total segment liabilities	74,387,480	207,084,534	3,326,782	284,798,796
Corporate borrowings				61,428,177
Deferred income tax liabilities				7,533,056
Other liabilities				989,852
Total liabilities				354,749,881

Total segment assets consist primarily of property and equipment, investment properties, 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 and derivative financial instruments.

✦ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

5 Segment information (CONTINUED)

(b) Segment information (continued)

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

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Related to development and sales of properties contracts Contract liabilities (Note (i))	106,126,631	74,652,393

Note:

- (i) Contract liabilities have been disclosed with value-added-tax of RMB5.3 billion deducted in 2020.

Revenue from sales of properties totalled approximately RMB47 billion was recognised in current reporting year that was included in the contract liability balance at the beginning of the year. Management expects that the majority of the contract amounts allocated to unsatisfied performance obligations totalled RMB63 billion as of 31 December 2020 will be recognised as revenue from sales of properties during the next reporting year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) †

For the year ended 31 December 2020

6 Property and equipment

	Assets under construction RMB'000	Hotel buildings and improvements RMB'000	Furniture and equipment and others RMB'000	Jet plane and motor vehicles RMB'000	Self-use buildings RMB'000	Total RMB'000
Cost						
At 1 January 2020	3,491,204	14,361,933	894,666	604,299	1,125,905	20,478,007
Reclassified to intangible assets	–	–	(404,520)	–	–	(404,520)
Additions	1,069,581	50,719	100,139	675,304	6,903	1,902,646
Acquisition of subsidiaries	54,008	–	34,848	15,044	80,568	184,468
Transfer from investment properties	339,000	–	–	–	–	339,000
Disposal of subsidiaries	–	(804,204)	(8,065)	–	–	(812,269)
Disposals	–	(62,110)	(24,484)	(11,239)	–	(97,833)
Transfer upon completion	(3,621,337)	3,618,753	1,952	–	632	–
At 31 December 2020	1,332,456	17,165,091	594,536	1,283,408	1,214,008	21,589,499
Accumulated depreciation						
At 1 January 2020	–	3,551,003	469,147	265,870	269,045	4,555,065
Reclassified to intangible assets	–	–	(211,887)	–	–	(211,887)
Charge for the year	–	466,550	87,618	59,607	51,256	665,031
Disposal of subsidiaries	–	(216,834)	(6,279)	–	–	(223,113)
Disposals	–	(37,458)	(16,872)	(5,579)	–	(59,909)
At 31 December 2020	–	3,763,261	321,727	319,898	320,301	4,725,187
Net book value						
At 31 December 2020	1,332,456	13,401,830	272,809	963,510	893,707	16,864,312

* NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

6 Property and equipment (CONTINUED)

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

Depreciation charge of RMB665,031,000 for the year ended 31 December 2020 (2019: RMB732,951,000) has been recorded in cost of sales and administrative expenses in the consolidated statement of comprehensive income (Note 29).

As at 31 December 2020, assets under construction and buildings of the Group with a total carrying amount of RMB2,435,534,000 (2019: RMB2,011,001,000) were pledged as collateral for certain borrowings of the Group (Note 25).

For the year ended 31 December 2020, the Group has capitalised borrowing costs amounting to RMB75,048,000 (2019: RMB78,202,000) in assets under construction. Borrowing costs were capitalised at the weighted average rate of 4.70% (2019: 5.58%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) †

For the year ended 31 December 2020

7 Leases

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

(a) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	31 December 2020 RMB'000	31 December 2019 RMB'000
Right-of-use assets		
Land use rights and leasehold land	8,227,912	7,989,282
Buildings	73,607	195,716
Equipment	–	123
Vehicles	14,749	32,633
	8,316,268	8,217,754
Lease liabilities		
Current	37,495	139,939
Non-current	39,452	93,009
	76,947	232,948

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

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

	Year end 31 December 2020 RMB'000	2019 RMB'000
Amortisation charge of right-of-use assets		
Land use rights and leasehold land	(71,971)	(76,645)
Buildings	(145,518)	(130,377)
Equipment	–	(123)
Vehicles	(14,116)	(14,593)
	(231,605)	(221,738)
Interest expense (included in finance cost) (Note 30)	(11,763)	(17,406)

The total cash outflow for leases in 2020 was RMB187,283,000 (2019: RMB158,023,000). As at 31 December 2020, land use rights of RMB457,433,000 (2019: RMB1,351,922,000) were pledged as collateral for the Group's borrowings (Note 25).

✦ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

8 Investment properties

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Opening balance at 1 January	56,062,747	36,891,022
Additions – Transfer from properties under development	2,568,960	16,567,166
Additions – Construction cost and others	4,485,344	262,334
Additions – Transfer from property and equipment	–	6,968
Transfer to property and equipment	(339,000)	–
Fair value gains – net	397,539	2,335,257
Closing balance at 31 December	63,175,590	56,062,747

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

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

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Commercial properties operation income	1,538,482	1,427,986
Direct operating expenses from properties that generated rental income	23,091	21,339
Direct operating expenses from properties that did not generate rental income	1,816	4,096

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) †

For the year ended 31 December 2020

8 Investment properties (CONTINUED)

(b) Valuation

The following table analyses the investment properties carried at fair value, by valuation method and fair value hierarchy as at 31 December 2020 and 2019.

Description	Fair value measurements at 31 December 2020 using		
	Quoted prices in active markets for identical assets (Level 1) RMB'000	Significant other observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000
Recurring fair value measurements Investment properties: – Commercial buildings – China	–	–	61,873,771

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

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

Fair value measurements using significant unobservable inputs (Level 3)

	Year ended 31 December 2020 Significant unobservable Inputs-Commercial buildings-China (Level 3)		
	Completed investment properties RMB'000	Investment properties under development RMB'000	Total RMB'000
Opening balance	35,104,492	19,657,000	54,761,492
Additions	–	4,484,780	4,484,780
Additions-transfer from properties under development	459,167	2,109,793	2,568,960
Transfer to property and equipment	–	(339,000)	(339,000)
Net gains from fair value adjustment	172,503	225,036	397,539
Closing balance	35,736,162	26,137,609	61,873,771

† NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

8 Investment properties (CONTINUED)

(b) Valuation (continued)

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

	Year ended 31 December 2019		
	Significant unobservable Inputs-Commercial buildings-China (Level 3)		
	Completed investment properties RMB'000	Investment properties under development RMB'000	Total RMB'000
Opening balance	30,063,950	5,529,000	35,592,950
Additions	–	259,151	259,151
Additions-transfer from properties under development	–	16,567,166	16,567,166
Transfer from under development investment properties	3,584,394	(3,584,394)	–
Additions-transfer from property and equipment	6,968	–	6,968
Net gains from fair value adjustment	1,449,180	886,077	2,335,257
Closing balance	35,104,492	19,657,000	54,761,492

Valuation processes of the Group

The Group's investment properties were valued at 31 December 2020 and 2019 by independent and professionally qualified valuers, Vigers Appraisal & Consulting Limited ("Vigers"), who holds a recognised relevant professional qualification and has recent experience in the locations and segments of the investment properties valued. For all the investment properties, their current use equates to the best use.

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

At each financial year end the finance department:

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

Valuation techniques

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) †

For the year ended 31 December 2020

8 Investment properties (CONTINUED)

(b) Valuation (continued)

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

Description	Fair value at 31 Dec 2020 (RMB'000)	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (probability- weighted average)	Relationship of unobservable inputs to fair value
Completed commercial buildings – China	35,736,162	Term and reversionary method	Market prices	RMB5,200-RMB124,891 per square meter (RMB30,828 per square meter)	The higher the market prices, the higher the fair value
			Market rents	RMB12-RMB421 per square meter (RMB111 per square meter)	The higher the market rents, the higher the fair value
			Term yields	3.75%-8.00% (5.56%)	The higher the term yields, the lower the fair value
			Reversionary yields	4.00%-8.00% (5.62%)	The higher the reversionary yields, the lower the fair value
Commercial buildings – China (under development)	26,137,609	Discounted cash flows with estimated costs to complete	Market prices	RMB10,300-RMB33,950 per square meter (RMB19,191 per square meter)	The higher the market prices, the higher the fair value
			Estimated costs to be incurred	RMB496-RMB8,444 per square meter (RMB4,395 per square meter)	The higher the estimated costs to be incurred, the lower the fair value.
			Yields	4.75%	The higher the capitalisation rate, the lower the fair value

Description	Fair value at 31 Dec 2019 (RMB'000)	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (probability- weighted average)	Relationship of unobservable inputs to fair value
Completed commercial buildings – China	35,104,492	Term and reversionary method	Market prices	RMB4,591-RMB113,630 per square meter (RMB30,902 per square meter)	The higher the market prices, the higher the fair value
			Market rents	RMB7-RMB368 per square meter (RMB118 per square meter)	The higher the market rents, the higher the fair value
			Term yields	4.00%-7.50% (5.80%)	The higher the term yields, the lower the fair value
			Reversionary yields	4.00%-8.00% (5.84%)	The higher the reversionary yields, the lower the fair value
Commercial buildings – China (under development)	19,657,000	Discounted cash flows with estimated costs to complete	Market prices	RMB10,820-RMB39,000 per square meter (RMB22,503 per square meter)	The higher the market prices, the higher the fair value
			Estimated costs to be incurred	RMB545-RMB12,493 per square meter (RMB5,779 per square meter)	The higher the estimated costs to be incurred, the lower the fair value.
			Yields	4.75%	The higher the capitalisation rate, the lower the fair value

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

✦ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

8 Investment properties (CONTINUED)

(c) Pledge

As at 31 December 2020, the Group's investment properties were held in the PRC on leases of between 10 to 50 years. Investment properties with a carrying amount of RMB22,164,124,000 (2019: RMB30,571,000,000) were pledged as collateral for the Group's borrowings (Note 25).

(d) Leasing arrangements

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

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Within one year	1,335,608	1,263,916
Between one to two years	1,076,158	917,611
Between two to three years	800,952	703,110
Between three to four years	551,884	543,687
Between four to five years	455,202	434,035
Later than five years	882,761	1,117,829
	5,102,565	4,980,188

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) †

For the year ended 31 December 2020

9 Intangible assets

	Computer Software RMB'000	Goodwill (Note (i)) RMB'000	Customer relationship RMB'000	Total RMB'000
As at 1 January 2019				
Cost	–	2,769,646	–	2,769,646
Accumulated amortisation and impairment	–	(928,988)	–	(928,988)
Net book amount	–	1,840,658	–	1,840,658
Year ended 31 December 2019				
Opening net book amount	–	1,840,658	–	1,840,658
Additions from acquisition of subsidiaries	–	168,688	–	168,688
Closing net book amount	–	2,009,346	–	2,009,346
As at 31 December 2019				
Cost	–	2,938,334	–	2,938,334
Accumulated amortisation and impairment	–	(928,988)	–	(928,988)
Net book amount	–	2,009,346	–	2,009,346
Year ended 31 December 2020				
Opening net book amount	–	2,009,346	–	2,009,346
Reclassified from property and equipment	102,821	–	89,812	192,633
Additions	113,359	–	–	113,359
Additions from acquisition of subsidiaries	19,471	1,045,091	539,000	1,603,562
Disposals	(2,161)	–	–	(2,161)
Disposal of subsidiaries with loss of control	(1,891)	–	–	(1,891)
Amortisation charge	(52,840)	–	(35,196)	(88,036)
Closing net book amount	178,759	3,054,437	593,616	3,826,812
As at 31 December 2020				
Cost	432,666	3,983,425	634,800	5,050,891
Accumulated amortisation and impairment	(253,907)	(928,988)	(41,184)	(1,224,079)
Net book amount	178,759	3,054,437	593,616	3,826,812

Amortisation charge of RMB88,036,000 for the year ended 31 December 2020 (2019: nil) has been recorded in cost of sales and administrative expenses in the consolidated statement of comprehensive income (Note 29).

† NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

9 Intangible assets (CONTINUED)

Goodwill comprise goodwill arising from acquisitions

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to business segment. A segment level summary of the goodwill is presented below:

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Property development and investment		
– Shanghai Shimao (Note (i))	1,709,730	1,709,730
Shimao Services (Note (ii))	1,213,779	168,688
Hotel operation	130,928	130,928
	3,054,437	2,009,346

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

As at 31 December 2020 and 2019, the fair values of hotel operation are valued by independent professionally qualified valuers who held a recognised relevant professional qualification and have recent experience in the locations and segments of the property service and hotels valued.

Notes:

- (i) In view of volatility of the PRC stock market and that the market value of Shanghai Shimao was lower than its net book value as at 31 December 2020 and 2019, goodwill of CGU – property development and investment – Shanghai Shimao was tested for impairment using the higher of value-in-use by discounted cash flow projection and the fair value (equivalent to the market value) less costs to sell. The value-in-use calculation used pre-tax cash flow projections based on approved budgets covering an eight-year period. Cash flows beyond the eight-year period are extrapolated using the estimated long term growth rate of revenue.
- (ii) Goodwill has been allocated to the CGUs of the subsidiaries of Shimao Services for impairment testing. Management performed an impairment assessment on the goodwill as at 31 December 2020 based on approved budgets covering a five-year period. The recoverable amounts of these subsidiaries are determined based on value-in-use calculation.

For Shanghai Shimao and Shimao Services, the key assumptions used in the value-in-use calculation in 2020 and 2019 are as follows:

	Shanghai Shimao	Shimao Services
As at 31 December 2020		
Revenue growth rate during the forecast period	4%-10%	2%-17%
Gross profit margin during the forecast period (Note)	27%-35%	13%-32%
Pre-tax discount rate	17%	15%-22%
As at 31 December 2019		
Revenue growth rate during the forecast period	4%-10%	3%-11%
Gross profit margin during the forecast period (Note)	35%-38%	24%-30%
Pre-tax discount rate	17%	20%-29%

Note:

For Shanghai Shimao, the calculation of gross profit margin excludes land appreciation tax.

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

The long term growth rate of revenue used is 3%, which is consistent with the industry outlook. The discount rate used is pre-tax and reflects specific risks relating to the relevant operating segments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) †

For the year ended 31 December 2020

10 Financial instruments by category

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Financial assets		
Financial assets at amortised cost:		
– Trade and other receivables and prepayments	21,387,554	18,732,702
– Amounts due from related parties	35,957,166	24,421,917
– Restricted cash	7,428,982	7,265,779
– Cash and cash equivalents	61,038,027	52,357,251
Financial assets at FVOCI	1,974,946	988,995
Financial assets at FVPL	168,016	179,637
Derivative financial instruments	2,337	63,004
Total	127,957,028	104,009,285

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Financial liabilities		
Other financial liabilities at amortised cost:		
– Borrowings	145,143,064	126,555,335
– Trade and other payables (excluding other taxes payable)	92,299,614	75,727,670
– Amounts due to related parties	44,371,171	41,502,443
Derivative financial instruments	33,114	–
Lease liabilities	76,947	232,948
Total	281,923,910	244,018,396

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

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

✦ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

11 Investments accounted for using the equity method

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Investments accounted for using the equity method comprise:		
Associated companies (Note (a))	4,428,791	3,848,564
Joint ventures (Note (b))	26,507,965	20,318,611
	30,936,756	24,167,175

(a) Interests in associated companies

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Share of net assets:		
Opening balance	3,848,564	1,594,487
Capital injections (Note (i))	844,207	2,043,873
Dividends received	(350,870)	(65,000)
Disposal (Note (ii))	(263)	–
Share of results	87,153	275,204
Ending balance	4,428,791	3,848,564

Notes:

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

For the year ended 31 December 2020, the Group invested in new associates with a total amount of RMB422,677,000.

For the year ended 31 December 2020, the Group made additional capital injections into existing associates with a total amount of RMB421,530,000.

- (ii) For the year ended 31 December 2020, the Group disposed all its interests in an associated company. The disposal has resulted in a net loss of RMB38,000 and net cash inflow of RMB225,000.

Details of the principal associated companies of the Group as at 31 December 2020 are set out in Note 37.

There was no individually material associated company of the Group as at 31 December 2020 and 2019.

The Group provided guarantees to associated companies for their borrowings from banks and other financial institutions amounting to RMB2,411,394,000 as at 31 December 2020 (2019: RMB1,933,000,000) (Note 38).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) †

For the year ended 31 December 2020

11 Investments accounted for using the equity method (CONTINUED)

(b) Interests in joint ventures

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Share of net assets:		
Opening balance	20,318,611	15,371,673
Capital injections (Note (i))	7,789,494	7,112,290
Transfer from subsidiaries (Note 40(c))	1,554,900	165,000
Capital distribution (Note (ii))	(286,126)	–
Transfer to subsidiaries	(1,555,220)	(1,217,973)
Dividends received	(646,855)	(934,000)
Disposal (Note (iii))	(782,984)	–
Share of results	72,167	(178,379)
Share of OCI	49,035	–
Closure (Note (iv))	(5,057)	–
Ending balance	26,507,965	20,318,611

Notes:

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

For the year ended 31 December 2020, the Group set up joint ventures with total capital injections of RMB826,100,000. Pursuant to the articles of association, the Group has joint control over these entities.

The Group invested in new joint ventures with amount of RMB4,439,840,000. Pursuant to the revised articles of association, the Group and the third parties would jointly control the operation of these entities.

The Group made additional capital injections into existing joint ventures with amount of RMB2,523,554,000. After capital injection, the Group remained joint control in these entities.

- (ii) For the year ended 31 December 2020, a joint venture, Tianjin Zhongmin Aipu Urban Construction Development Co. Ltd, made a capital distribution to its investors. Pursuant to the revised articles of association, the Group and the third party still jointly control the operation of the entity. The Group's amount of capital distribution is RMB286,126,000.
- (iii) For the year ended 31 December 2020, the Group disposed its interests in several joint ventures at total consideration of RMB762,272,000. The disposal has resulted in a net loss of RMB20,712,000 and a net cash inflow of RMB762,272,000.
- (iv) For the year ended 31 December 2020, the closure of joint ventures of the Group has resulted in a net loss of RMB455,000 and net cash inflow of RMB4,602,000.

Details of the principal joint ventures of the Group as at 31 December 2020 are set out in Note 37.

There was no individually material joint ventures of the Group as at 31 December 2020 and 2019.

The Group provided guarantees to joint ventures for their borrowings from banks amounting to RMB9,074,997,000 as at 31 December 2020 (2019: RMB7,570,366,000) (Note 38).

✦ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

12 Amounts due from related parties

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

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Included in non-current assets		
– Joint ventures	1,408,280	823,088
– Associated companies	600,628	637,471
	2,008,908	1,460,559
Provision for impairment	(30,134)	(19,719)
	1,978,774	1,440,840

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

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Included in current assets		
– Company with common directors	–	65
– Associated companies	6,768,438	3,630,832
– Joint ventures	26,124,892	19,388,799
– Non-controlling interest	1,140,244	–
	34,033,574	23,019,696
Provision for impairment	(55,182)	(38,619)
	33,978,392	22,981,077

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

The loss allowance increased by RMB26,978,000 to RMB85,316,000 for amounts due from related parties during the current reporting period.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) †

For the year ended 31 December 2020

13 Financial assets at fair value through other comprehensive income

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

Equity investments at FVOCI comprise the following individual investments:

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Non-current assets		
– Listed securities	1,382,554	608,202
– Unlisted securities	592,392	380,793
	1,974,946	988,995

Notes:

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

(b) Amounts recognised in other comprehensive income

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
(Losses)/gains recognised in OCI	(266,363)	23,874

14 Financial assets at fair value through profit or loss

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

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Non-current assets		
Investment in unlisted entity (Note)	168,016	179,637

Note:

Investment in unlisted entity represented an investment measured at fair value, of which the fair value is determined using valuation model for which not all inputs are observable and is within Level 3 of the fair value hierarchy.

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

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
(Losses)/gains recognised in profit or loss (Note 28)	(11,621)	2,910

* NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

15 Deferred income tax

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

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Deferred income tax assets		
– to be recovered after more than 12 months	2,063,349	1,952,313
– to be recovered within 12 months	1,167,716	1,102,815
	3,231,065	3,055,128
Deferred income tax liabilities		
– to be recovered after more than 12 months	7,838,762	6,915,800
– to be recovered within 12 months	681,632	617,256
	8,520,394	7,533,056
Net deferred income tax liabilities	5,289,329	4,477,928

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

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Opening balance	4,477,928	3,789,892
Disposal of subsidiaries (Note 40(c))	106,170	998
Acquisition of/transfer to subsidiaries (Note 40(a), Note 40(b))	(27,627)	(155,906)
Charged to the consolidated income statement (Note 33)	737,567	838,661
(Charged)/credited to OCI	(4,709)	4,283
Ending balance	5,289,329	4,477,928

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) †

For the year ended 31 December 2020

15 Deferred income tax (CONTINUED)

Movement in deferred income tax assets and liabilities for the year ended 31 December 2020 and 2019, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets

	Provision for land appreciation tax deductible for future income tax clearance RMB'000	Unrealized profit on intra-group transaction RMB'000	Tax loss and temporary difference on recognition of expenses RMB'000	Total RMB'000
At 1 January 2019	1,323,933	252,296	1,230,334	2,806,563
(Charged)/credited to the consolidated income statement	(47,003)	8,525	132,135	93,657
Disposal of subsidiaries	(998)	–	–	(998)
Acquisition of subsidiaries	155,906	–	–	155,906
At 31 December 2019	1,431,838	260,821	1,362,469	3,055,128
(Charged)/credited to the consolidated income statement	(46,757)	4,259	57,508	15,010
Disposal of subsidiaries	(106,170)	–	–	(106,170)
Acquisition of/transfer to subsidiaries	267,097	–	–	267,097
At 31 December 2020	1,546,008	265,080	1,419,977	3,231,065

✦ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

15 Deferred income tax (CONTINUED)

Deferred income tax liabilities

	Fair value gains on investment properties RMB'000	Fair value adjustments on assets and liabilities upon acquisition of subsidiaries RMB'000	Withholding tax on the retained earnings of certain subsidiaries RMB'000	Others RMB'000	Total RMB'000
At 1 January 2019	4,619,295	970,329	970,458	36,373	6,596,455
Charged to the consolidated income statement	583,814	67,656	280,848	–	932,318
Credited to OCI	–	–	–	4,283	4,283
At 31 December 2019	5,203,109	1,037,985	1,251,306	40,656	7,533,056
Charged/(credit) to the consolidated income statement	99,385	(20,801)	673,993	–	752,577
Charged to OCI	–	–	–	(4,709)	(4,709)
Acquisition of/transfer to subsidiaries	–	239,470	–	–	239,470
At 31 December 2020	5,302,494	1,256,654	1,925,299	35,947	8,520,394

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

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of RMB42,750,000 (2019: RMB71,855,000) in respect of accumulated losses amounting to RMB171,000,000 (2019: RMB287,420,000) that can be carried forward against future taxable income. Losses amounting to RMB80,878,000, RMB84,299,000, RMB5,823,000, will expire in 2021, 2022, 2023 respectively.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) †

For the year ended 31 December 2020

16 Other non-current assets

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

As at 31 December 2020, the Group has made no prepayments (2019: RMB176,173,000) for certain land use rights for the purpose to develop hotel buildings, self-used buildings and investment properties, the ownership certificates of which have not been obtained. As at 31 December 2020, prepayments of RMB13,483,055,000 (2019: RMB13,651,351,000) were related to the lands for the purpose to develop properties for sale, and are included in current assets, 'prepayment for acquisition of land use rights'.

As at 31 December 2020, the Group has a balance of art works of RMB1,154,018,000 (2019: RMB580,677,000). The amounts represent the aggregate cost of art works held by the Group. In the opinion of the directors of the Company, the recoverable amounts of the art works is at least their carrying amounts at the end of both reporting periods.

As at 31 December 2020, the Group made prepayments of RMB1,321,750,000 (2019: RMB3,923,509,000) for acquisition of certain equity interests.

17 Inventories

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Inventories comprise:		
Properties under development (Note (a))	279,870,078	206,833,967
Completed properties held for sale (Note (b))	33,917,192	27,633,548
	313,787,270	234,467,515

Notes:

(a) Properties under development

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Properties under development comprise:		
Land use rights and leasehold land	165,782,462	129,946,039
Construction costs and capitalised expenditures	92,217,323	61,675,516
Interests capitalised	21,870,293	15,212,412
	279,870,078	206,833,967

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Land use rights and leasehold land		
Held on leases of:		
Over 50 years	122,883,050	92,864,299
Between 10 and 50 years	42,899,412	37,081,740
	165,782,462	129,946,039

✦ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

17 Inventories (CONTINUED)

Notes: (continued)

(a) Properties under development (continued)

As at 31 December 2020, leasehold land of RMB8,358,828,475 (2019: RMB7,647,698,000) was located in Hong Kong. The other properties under development are all located in the PRC. The relevant land use rights are on leases of 40 to 70 years.

As at 31 December 2020, properties under development of approximately RMB28,393,480,000 (2019: RMB27,725,733,000) were pledged as collateral for the Group's borrowings (Note 25).

The capitalisation rate of borrowings was 4.70% for the year ended 31 December 2020 (2019: 5.58%).

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Properties under development:		
Expected to be completed and available for sale after more than 12 months	80,378,322	57,191,380
Expected to be completed and available for sale within 12 months	199,491,756	149,642,587
	279,870,078	206,833,967

(b) Completed properties held for sale

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

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Outside Hong Kong, held on leases of:		
Over 50 years	12,428,392	8,483,645
Between 10 and 50 years	3,277,064	2,396,276
	15,705,456	10,879,921

As at 31 December 2020, completed properties held for sale of RMB6,285,457,000 (2019: RMB1,828,144,000) were pledged as collateral for the Group's borrowings (Note 25).

For the year ended 31 December 2020, the Group recognised impairment losses of RMB2,653,000 (2019: RMB134,489,000) on completed properties held for sale (Note 29).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) †

For the year ended 31 December 2020

18 Trade and other receivables and prepayments

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Trade receivables (Note (a))	6,649,065	5,191,560
Bidding deposits for land use rights (Note (b))	3,028,253	4,544,293
Prepayments for construction costs	4,849,498	3,752,797
Loan receivables (Note (c))	1,528,513	1,429,235
Prepaid tax and surcharges on pre-sale proceeds	1,464,396	950,873
Other receivables	4,634,519	3,174,694
	22,154,244	19,043,452
Provision for impairment	(766,690)	(310,750)
	21,387,554	18,732,702

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	
	2020 RMB'000	2019 RMB'000
Within 180 days	5,902,275	4,121,346
Over 180 days and within 365 days	299,532	329,787
Over 365 days	447,258	740,427
	6,649,065	5,191,560

As at 31 December 2020, receivables arising from sales of properties were approximately RMB4,849,999,000 (2019: RMB4,773,005,000).

- (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 2020, loan receivables of RMB1,528,513,000 (31 December 2019: RMB1,429,235,000) were secured by the pledge of certain properties, notes receivable or credit guaranty of borrowers, bearing interest rate at a range from 4.2% to 18.0% per annum and repayable within one year.

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

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. As at 31 December 2020, a provision of RMB89,214,000 (31 December 2019: RMB114,161,000) was made against the gross amount of trade receivables.

The Group makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records, past experience and available forward-looking information. As at 31 December 2020, a provision of RMB677,476,000 (31 December 2019: RMB196,589,000) was made against the gross amount of other receivables.

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

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

✦ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

19 Prepayment for acquisition of land use rights

Prepayments for acquisition of land use rights are related to acquisition of land for property development purposes, the ownership certificates of which have not been obtained as at 31 December 2020.

20 Derivative financial instruments

The Group has the following derivative financial instruments:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Current assets		
Foreign currency options	2,337	63,004
Current liabilities		
Interest rate swaps	33,114	–

The movement of derivative financial instruments assets is as follows:

Derivatives at fair value through profit or loss

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Opening balances of assets	63,004	12,468
Acquisition of currency options and interest rate swaps (Note (a))	13,033	16,333
Fair value (losses)/gains – currency options and interest rate swaps (Note (a)) (Note 28)	(68,152)	40,288
Settlement of currency options (Note (a))	(38,662)	(6,085)
Closing net balances of (liabilities)/assets	(30,777)	63,004

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) †

For the year ended 31 December 2020

20 Derivative financial instruments (CONTINUED)

Derivatives at fair value through profit or loss (continued)

Notes:

- (a) For the year ended 31 December 2020, the Group has entered into ten interest rate swaps contracts with an aggregate notional amount of US\$1,519,817,500 and settled one currency option with an aggregate notional amount of US\$100,000,000.

For the year ended 31 December 2019, the Group has entered into three currency option contracts with an aggregate notional amount of US\$300,000,000. These contracts do not qualify for hedge accounting, and are classified as derivative financial instruments held for trading as current assets or current liabilities. Fair value losses of RMB68,152,000 (2019: Fair value gain: RMB40,288,000) have been recognised in "Other income/other gains-net" (Note 28).

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

The CPS holders have redemption right against the Group as stipulated by the agreement. Pursuant to a supplementary agreement with the CPS holders in September 2020, the redemption right against the Group has been removed. Also, the CPS were automatically converted into fully-paid and non-assessable ordinary shares of Shimao Services upon the closing of the initial public offering of ordinary shares of Shimao Services on the Main Board of the Stock Exchange.

The movements of the CPS are set out as below:

	RMB'000
As at 1 January 2020	–
Issuance of CPS	1,729,000
Change in fair value recognised in profit and loss account	75,860
Conversion to equity	(1,804,860)
As at 31 December 2020	–

21 Cash and cash equivalents and restricted cash

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Bank balances and cash		
– denominated in RMB	62,682,244	58,752,550
– denominated in US dollar	493,171	684,298
– denominated in HK dollar	5,290,753	186,181
– denominated in other foreign currencies	841	1
Less: restricted cash	(7,428,982)	(7,265,779)
	61,038,027	52,357,251

As at 31 December 2020, the Group's restricted cash comprised approximately RMB1,589,859,000 (2019: RMB1,074,895,000) of guarantee deposits for the benefit of mortgage loan facilities granted by the banks to the purchasers of the Group's properties (Note 38) and approximately RMB5,839,123,000 (2019: RMB6,190,884,000) of deposits pledged as collateral for the Group's borrowings (Note 25).

The conversion of RMB denominated balances into foreign currencies and the remittance of the foreign currencies out of the PRC are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

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

✦ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

22 Share capital

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

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

Note:

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) †

For the year ended 31 December 2020

22 Share capital (CONTINUED)**(b) Share Award Scheme**

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

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

A Trust was constituted to manage the Share Scheme, and a wholly owned subsidiary of the Company incorporated in the British Virgin Islands was designated as Trustee. Up to 31 December 2020, the Trust purchased 36,006,000 ordinary shares from market, totaling HK\$523,258,000 (equivalent to RMB468,735,000), of which 43,356,984 shares were granted to eligible employees according to the Share Scheme. Up to 31 December 2020, among the shares granted, 32,439,751 shares were vested, and 3,277,922 shares were lapsed.

The granted shares were subject to several vesting conditions, including the completion of specific period of service as stated in the letter of grant and non-market performance appraisal before vesting date. The shares granted are held by the Trust before being transferred to the employees when vesting conditions are fully met.

Movements in the number of unvested shares granted during the year are as follows:

	Number of unvested shares granted	
	Year ended 31 December	
	2020	2019
Unvested shares, beginning	8,949,186	7,378,348
Granted	4,341,514	5,683,969
Vested	(5,651,389)	(4,113,131)
Unvested shares, ending	7,639,311	8,949,186

The weighted average fair value of the unvested shares granted during the year ended 31 December 2020 is HK\$186,691,000, equivalent to RMB158,810,000 (2019: HK\$222,826,000, equivalent to RMB199,603,000).

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

	As at 31 December	
	2020	2019
	'000	'000
Shares issued	3,537,697	3,301,493
Treasury shares for Share Scheme	(3,566)	(9,218)
Shares outstanding	3,534,131	3,292,275

(d) Material non-controlling interests

There is no individual material non-controlling interests of the Group as at 31 December 2020 and 2019.

* NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

23 Reserves

	Merger reserve RMB'000 (Note)	Share premium RMB'000	Other reserve RMB'000	Share-based compensation reserve RMB'000	Statutory reserve RMB'000	Capital redemption reserve RMB'000	Financial assets at FVOCI reserve RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2020	(185,787)	42,139	-	556,666	3,299,570	4,949	(285,189)	62,480,958	65,913,306
Profit for the year	-	-	-	-	-	-	-	12,627,679	12,627,679
Fair value losses on financial assets at FVOCI, net of tax	-	-	-	-	-	-	(276,168)	-	(276,168)
Share of other comprehensive income of joint ventures accounted for using the equity method	-	-	31,349	-	-	-	-	-	31,349
Exchange differences on translation of foreign operations	-	-	(166,508)	-	-	-	-	-	(166,508)
Transactions with CPS	-	-	1,670,871	-	-	-	-	-	1,670,871
Transactions with non-controlling interests of Shimao Services (Note)	-	-	7,009,484	-	-	-	-	-	7,009,484
Changes in ownership interests in subsidiaries without change of control	-	(575,365)	-	-	-	-	-	-	(575,365)
Placing and subscription of shares	-	6,238,448	-	-	-	-	-	-	6,238,448
Equity-settled share-based payment	-	-	-	119,457	-	-	-	-	119,457
- Value of employee services	-	-	-	119,457	-	-	-	-	119,457
- Dividends received	-	4,935	-	-	-	-	-	-	4,935
Profit appropriations	-	-	-	-	393,777	-	-	(393,777)	-
2019 final dividends paid	-	-	-	-	-	-	-	(2,766,179)	(2,766,179)
2020 interim dividends paid	-	-	-	-	-	-	-	(2,192,099)	(2,192,099)
Balance at 31 December 2020	(185,787)	5,710,157	8,545,196	676,123	3,693,347	4,949	(561,357)	69,756,582	87,639,210
Representing:									
Proposed final dividend								3,259,104	3,259,104
Others								66,497,478	84,380,106
								69,756,582	87,639,210

Note:

In connection with the spin off and separate listing of Shimao Services on the Main Board of Hong Kong Stock Exchange on 30 October 2020 (including the issue of shares pursuant to the exercise of the over-allotment on 25 November 2020), the Group sold a total of 242,648,000 ordinary shares of Shimao Services and Shimao Services issued a total of 363,973,000 new ordinary shares at HKD16.60 each with HKD0.01 per share and raised gross proceeds of approximately HKD 10,069,909,000 (equivalent to RMB8,725,078,000). The excess over the then value of diluted net asset of Shimao Services of RMB1,601,935,000 net of the transaction costs of approximately RMB113,659,000 was credited to capital reserve with an amount of RMB7,009,484,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) †

For the year ended 31 December 2020

23 Reserves (CONTINUED)

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

Note:

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

24 Perpetual capital instruments

For the year ended 31 December 2020, certain subsidiaries of the Group issued several subordinated unlisted perpetual capital instruments with the total aggregate net proceeds of RMB2,276,000,000 and in the same year, subordinated unlisted perpetual capital instruments totaling RMB1,800,000,000 were redeemed.

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

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

* NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

25 Borrowings

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Borrowings included in non-current liabilities		
Long-term bank borrowings		
– secured by assets (Note (i))	14,499,180	9,315,671
– secured by shares of subsidiary guarantors (Note (ii))	21,534,498	18,491,894
– unsecured	26,565,165	13,843,038
Long-term borrowings from other financial institutions		
– secured by assets (Note (i))	10,749,320	10,878,780
– secured by shares of subsidiary (Note (iii))	–	500,000
– unsecured	5,234,600	1,040,563
Senior notes – secured (Note (iv))	32,136,206	32,052,154
Medium-term notes – unsecured (Note (v))	3,030,000	4,800,000
Long-term bonds (Note (vi))	21,201,123	17,677,305
Domestic corporate bonds (Note (vii))	4,738,620	5,735,381
Private placement notes (Note (viii))	1,000,000	–
	140,688,712	114,334,786
Less: Portion of long-term bank borrowings due within one year	(17,359,396)	(7,206,935)
Portion of long-term borrowings from other financial institutions due within one year	(991,680)	(3,214,563)
Portion of senior notes due within one year	(7,466,711)	–
Portion of medium-term notes due within one year	(1,530,000)	(2,300,000)
Portion of long-term bonds due within one year	–	(11,299,900)
Portion of domestic corporate bonds due within one year	(4,738,620)	(540,000)
Amounts due within one year	(32,086,407)	(24,561,398)
	108,602,305	89,773,388
Borrowings included in current liabilities		
Short-term bank borrowings		
– secured by shares of subsidiary (Note (iii))	1,000,000	500,000
– unsecured	3,161,852	10,693,549
Short-term borrowings from other financial institutions		
– secured by assets (Note (i))	285,000	27,000
– unsecured	7,500	–
Short-term bonds – unsecured	–	1,000,000
Current portion of non-current borrowings	32,086,407	24,561,398
	36,540,759	36,781,947

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) †

For the year ended 31 December 2020

25 Borrowings (CONTINUED)

Notes:

(i) As at 31 December 2020, the Group's total secured bank borrowings and borrowings from other financial institutions of RMB25,533,500,000 (2019: RMB20,221,451,000) were secured by its assets under construction and buildings (Note 6), investment properties (Note 8), land use rights (Note 7), properties under development (Note 17(a)), completed properties held for sale (Note 17(b)) and restricted cash (Note 21), of which RMB113,980,000 (2019: RMB137,119,000) were further guaranteed by Mr. Hui Wing Mau.

(ii) On 30 October 2017, the Company entered into a multi-currency loan facility agreement with a syndicate of 12 banks. Pursuant to the agreement, the Company obtained 4-year syndicated loan facilities, including a US\$680,000,000 facility and a HK\$5,890,000,000 facility at a floating rate of interest, 5% out of the loan principal will mature in 2019, 25% will mature in 2020 and 70% will mature in 2021. The loan facilities were guaranteed by certain subsidiaries of the Group, and secured by pledge of the shares of these subsidiary guarantors. As at 31 December 2020, US\$680,000,000 and HK\$5,890,000,000 have been drawn down. As at 31 December 2020, US\$476,000,000 and HK\$4,123,000,000 of the principal remained outstanding (31 December 2019: US\$646,000,000 and HK\$5,595,500,000).

On 14 September 2018, the Company entered into a multi-currency loan facility agreement with a syndicate of 8 banks. Pursuant to the agreement, the Company obtained 4-year syndicated loan facilities, including a US\$540,000,000 facility and a HK\$2,849,500,000 facility at a floating rate of interest, 5% out of the loan principal will mature in 2020, 25% will mature in 2021 and 70% will mature in 2022. The loan facilities were guaranteed by certain subsidiaries of the Group, and secured by pledge of the shares of these subsidiary guarantors. On 25 January 2019, the multi-currency loan facility agreement extended to a syndicate of 14 banks. Pursuant to the agreement, the 4-year syndicated loan facilities extended to a US\$570,000,000 facility and a HK\$3,551,500,000 facility at a floating rate of interest. As at 31 December 2020, US\$570,000,000 and HK\$3,551,500,000 have been drawn down. As at 31 December 2020, US\$541,500,000 and HK\$3,373,925,000 of the principal remained outstanding (31 December 2019: US\$570,000,000 and HK\$3,551,500,000).

On 9 August 2019, the Company entered into a multi-currency loan facility agreement with a syndicate of 13 banks. Pursuant to the agreement, the Company obtained 4-year syndicated loan facilities, including a US\$837,850,000 facility and a HK\$3,994,000,000 facility at a floating rate of interest, 5% out of the loan principal will mature in 2021, 35% will mature in 2022 and 60% will mature in 2023. As at 31 December 2020, US\$837,850,000 and HK\$3,994,000,000 have been drawn down. As at 31 December 2020, US\$837,850,000 and HK\$3,994,000,000 of the principal remained outstanding (31 December 2019: US\$200,000,000 and HK\$953,392,000).

(iii) As at 31 December 2020, 430,000,000 shares (31 December 2019: 180,000,000) of the Group companies held by Shanghai Shimao Jianshe Co., Ltd. ("Shimao Jianshe") have been pledged for total bank borrowings of RMB1,000,000,000 (31 December 2019: RMB500,000,000).

(iv) On 3 July 2017, the Company issued senior notes with total principal of US\$450,000,000 and US\$150,000,000 at a fixed interest rate of 4.75% due on 3 July 2022. On 11 December 2017, the Company issued senior notes with total principal of US\$400,000,000 at a fixed interest rate of 4.75% due on 3 July 2022.

On 30 January 2018, the Company issued senior notes with total principal of US\$500,000,000 at a fixed interest rate of 5.20% due on 30 January 2025.

On 15 March 2018, the Company issued senior notes with total principal of RMB950,000,000 at a fixed interest rate of 5.75% due on 15 March 2021.

On 3 July 2018, the Company issued senior notes with total principal of RMB1,200,000,000 at a fixed interest rate of 5.75% due on 15 March 2021.

On 15 October 2018, the Company issued senior notes with total principal of US\$250,000,000 at a fixed interest rate of 6.375% due on 15 October 2021.

On 17 December 2018, the Company issued senior notes with total principal of US\$570,000,000 at a fixed interest rate of 6.375% due on 15 October 2021.

On 21 February 2019, the Company issued senior notes with total principal of US\$1,000,000,000 at a fixed interest rate of 6.125% due on 21 February 2024.

On 15 July 2019, the Company issued senior notes with total principal of US\$1,000,000,000 at a fixed interest rate of 5.60% due on 15 July 2026.

On 13 July 2020, the Company issued senior notes with total principal of US\$300,000,000 at a fixed interest rate of 4.60% due on 13 July 2030.

The Company may at its option redeem these notes, in whole or in part, by certain dates based on the terms of these notes. The notes are senior obligations guaranteed by certain restricted offshore subsidiaries and secured by a pledge of the shares of these offshore restricted subsidiaries.

✦ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

25 Borrowings (CONTINUED)

Notes: (continued)

- (v) On 6 February 2018, Shanghai Shimao issued medium-term notes with total principal of RMB800,000,000 at a fixed interest rate of 6.43% due on 7 February 2021.

On 6 March 2018, Shanghai Shimao issued medium-term notes with total principal of RMB700,000,000 at a fixed interest rate of 6.33% due on 8 March 2021.

On 17 December 2018, Shanghai Shimao issued medium-term notes with total principal of RMB1,000,000,000 at a fixed interest rate of 5.00% due on 17 December 2020. Shanghai Shimao shall be entitled to adjust the interest rate at the end of second year whereas the investors shall be entitled to sell back in whole or in part of medium-term notes. On 17 December 2020, Shanghai Shimao redeemed medium-term notes with total principal of RMB970,000,000 at a fixed interest rate of 5.00%. The total redemption price paid was RMB1,020,000,000, including the principal amount of RMB970,000,000 plus accrued and unpaid interest of RMB50,000,000. The remaining medium-term notes with total principal of RMB30,000,000 will be due on 17 December 2021 at a fixed interest rate of 4.50%.

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

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

- (vi) On 15 October 2015, Shimao Jianshe issued long-term bonds with total principal of RMB1,400,000,000 at a fixed interest rate of 4.15% due on 15 October 2020. Shimao Jianshe shall be entitled to adjust the interest rate at the end of fifth year whereas the investors shall be entitled to sell back in whole or in part of long-term bonds. On 16 October 2020, Shimao Jianshe redeemed long-term bonds with total principal of RMB865,801,000 at a fixed interest rate of 4.15%. The total redemption price paid was RMB923,901,000, including the principal amount of RMB865,801,000 plus accrued and unpaid interest of RMB58,100,000. The remaining long-term bonds with total principal of RMB534,199,000 will be due on 16 October 2022 at a fixed interest rate of 4.15%.

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

On 18 September 2019, Shimao Jianshe issued the first phase of long-term bonds with aggregate principal amount of RMB1,000,000,000 at a fixed interest rate of 4.30% due on 18 September 2022. On 11 November 2019, Shimao Jianshe issued the second phase of long-term bonds with aggregate principal amount of RMB1,000,000,000 at a fixed interest rate of 4.80% due on 11 November 2024. On 11 November 2019, Shimao Jianshe issued the third phase of long-term bonds with aggregate principal amount of RMB900,000,000 at a fixed interest rate of 4.30% due on 11 November 2022.

On 5 March 2020, Shanghai Shimao issued the first phase of long-term bonds with aggregate principal amount of RMB2,000,000,000 at a fixed interest rate of 3.60% due on 5 March 2023. On 8 July 2020, Shanghai Shimao issued the second phase of long-term bonds with aggregate principal amount of RMB1,000,000,000 at a fixed interest rate of 3.76% due on 8 July 2022. On 1 September 2020, Shanghai Shimao issued the third phase of long-term bonds with aggregate principal amount of RMB500,000,000 at a fixed interest rate of 3.99% due on 1 September 2022. On 24 September 2020, Shanghai Shimao issued the fourth phase of long-term bonds with aggregate principal amount of RMB500,000,000 at a fixed interest rate of 3.94% due on 24 September 2022.

On 25 March 2020, Shimao Jianshe issued the first phase of long-term bonds with aggregate principal amount of RMB1,700,000,000 at a fixed interest rate of 3.23% due on 24 March 2023 and RMB2,800,000,000 at a fixed interest rate of 3.90% due on 25 March 2025. On 11 May 2020, Shimao Jianshe issued the second phase of long-term bonds with aggregate principal amount of RMB3,100,000,000 at a fixed interest rate of 3.20% due on 11 May 2023. On 27 August 2020, Shimao Jianshe issued the third phase of long-term bonds with aggregate principal amount of RMB2,700,000,000 at a fixed interest rate of 3.90% due on 27 August 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) †

For the year ended 31 December 2020

25 Borrowings (CONTINUED)

Notes: (continued)

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

On 18 January 2019, the Company adjusted the interest rate of domestic corporate bonds with total principal of RMB4,000,000,000 from 4.8% to 6.9%. On 31 July 2019, the Company adjusted the interest rate of domestic corporate bonds with total principal of RMB540,000,000 from 4.3% to 4.6%. On 21 September 2019, the Company adjusted the interest rate of domestic corporate bonds with total principal of RMB1,200,000,000 from 4.1% to 4.9%.

On 31 July 2020, the Company early redeemed domestic corporate bonds with total principal of RMB100,000,000 at a fixed interest rate of 4.6%, which was originally due on 31 July 2021. The total redemption price paid was RMB104,600,000 including the principal amount of RMB100,000,000 plus accrued and unpaid interest of RMB4,600,000.

On 17 September 2020, the Company early redeemed domestic corporate bonds with total principal of RMB900,000,000 at a fixed interest rate of 4.9%, which was originally due 22 September 2021. The total redemption price paid was RMB944,100,000 including the principal amount of RMB900,000,000 plus accrued and unpaid interest of RMB44,100,000.

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

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

	6 months or less RMB'000	6-12 months RMB'000	1-5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Borrowings included in non-current liabilities:					
At 31 December 2020	9,474,618	11,039,310	38,337,402	49,750,975	108,602,305
At 31 December 2019	19,831,229	1,701,468	19,423,415	48,817,276	89,773,388
Borrowings included in current liabilities:					
At 31 December 2020	16,731,508	19,809,251	–	–	36,540,759
At 31 December 2019	14,117,952	22,663,995	–	–	36,781,947

* NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

25 Borrowings (CONTINUED)

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

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Bank borrowings:		
Between 1 and 2 years	28,869,436	14,043,143
Between 2 and 5 years	11,743,331	16,699,462
Over 5 years	4,626,680	3,701,063
Borrowings from other financial institution:		
Between 1 and 2 years	7,548,240	920,980
Between 2 and 5 years	7,444,000	2,100,000
Over 5 years	–	6,183,800
Domestic corporate bonds:		
Between 1 and 2 years	–	5,195,381
Senior notes:		
Between 1 and 2 years	6,502,314	7,785,971
Between 2 and 5 years	9,737,257	13,867,355
Over 5 years	8,429,924	10,398,828
Medium-term notes:		
Between 1 and 2 years	1,000,000	1,500,000
Between 2 and 5 years	500,000	1,000,000
Long-term bonds:		
Between 1 and 2 years	7,934,199	–
Between 2 and 5 years	13,266,924	6,377,405
Private placement notes:		
Between 2 and 5 years	1,000,000	–
	108,602,305	89,773,388

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) †

For the year ended 31 December 2020

25 Borrowings (CONTINUED)

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

	As at 31 December	
	2020	2019
Bank borrowings	4.2%	3.7%
Senior notes	5.6%	5.8%
Borrowings from other financial institutions – RMB	6.8%	5.9%
Short-term bonds	3.7%	4.2%
Medium-term notes	5.2%	5.3%

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

	Carrying amounts RMB'000	Fair values RMB'000
Fixed rate portion – senior notes	24,669,494	26,203,753
Fixed rate portion – others	45,880,033	45,858,729
Floating rate portion	38,052,778	38,010,105
At 31 December 2020	108,602,305	110,072,587
Fixed rate portion – senior notes	32,052,154	33,453,744
Fixed rate portion – others	25,359,847	25,267,516
Floating rate portion	32,361,387	32,224,407
At 31 December 2019	89,773,388	90,945,667

The fair values of current borrowings approximated their carrying amount, as the impact of discounting is not significant. The fair values of senior notes recorded in non-current liabilities as at 31 December 2020 amounting to RMB26,203,753,000 (2019: RMB33,453,744,000) were calculated using the market price of the traded senior notes on the balance sheet date. The fair values of senior notes are within Level 1 of the fair value hierarchy.

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

† NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

26 Trade and other payables

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Trade payables (Note (a))	82,025,056	68,618,406
Other payables (Note (b))	7,458,732	4,466,369
Other taxes payable	10,206,828	3,329,916
Accrued expenses	2,815,826	2,642,895
	102,506,442	79,057,586

Notes:

(a) As at 31 December 2020, the aging analysis of the trade payables based on invoice date is as follows:

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Within 90 days	81,639,538	68,295,163
Over 90 days and within 1 year	385,518	323,243
	82,025,056	68,618,406

(b) Other payables comprise:

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Deposits received from customers	3,364,400	2,043,550
Deposits from constructors	890,346	511,103
Rental deposits from tenants and hotel customers	1,167,148	897,894
Payables for equity interest	776,329	–
Fees collected from customers on behalf of government agencies	335,830	268,134
Others	924,679	745,688
	7,458,732	4,466,369

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) †

For the year ended 31 December 2020

27 Amounts due to related parties

	As at 31 December	
	2020 RMB'000	2019 RMB'000
– Associated companies	6,645,195	4,159,537
– Joint ventures	22,496,606	23,639,641
– Non-controlling interests	15,229,370	13,703,265
	44,371,171	41,502,443

Amounts due to associated companies and joint ventures mainly represent advanced proceeds received for purchasing construction materials and other operating and financing activities. Amounts due to non-controlling interests represent funds injected by the non-controlling shareholders for the development of properties.

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

28 Other income/other gains – net

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Other income		
Government grants received	218,629	59,811
Other gains – net		
Net gains on disposal of subsidiaries with loss of control (Note 40(c))	33,302	41,153
(Losses)/gains on derivative financial instruments (Note 20)	(68,152)	40,288
Net gains on deemed disposal of joint ventures	400,302	143,823
Net gains arising from negative goodwill (Note 40(b))	205,264	–
Penalty income (Note)	84,362	47,658
(Losses)/gains on financial assets at FVPL (Note 14)	(11,621)	2,910
Others	167,249	15,996
	810,706	291,828
	1,029,335	351,639

Note:

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

* NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

29 Expenses by nature

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Cost of properties sold and others	94,370,693	75,920,355
Including: interests capitalised	6,297,797	4,870,868
land and construction	84,793,854	69,427,572
Taxes and surcharges on sales of properties	705,606	594,189
Staff costs – including directors' emoluments (Note 31(a))	3,230,295	2,641,901
Advertising, promotion and commission costs	3,154,303	1,997,639
Direct expenses arising from hotel operation	923,886	1,154,735
Corporate and office expenses	1,454,224	912,629
Consulting fee	774,942	320,278
Depreciation and amortisation (Note 6) (Note 9)	753,067	732,951
Amortisation of right-of-use assets (Note 7(b))	231,605	221,738
Charitable donations	134,759	83,032
Auditor's remuneration	23,990	24,150
– Audit services	13,000	14,000
– Non-audit services	10,990	10,150
Provision for impairment losses on financial assets	482,918	70,375
Provision for impairment losses on completed properties held for sale (Note 17(b))	2,653	134,489
Other expenses	344,021	191,969
Total cost of sales, selling and marketing costs, administrative expenses and other operating expenses	106,586,962	85,000,430

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) †

For the year ended 31 December 2020

30 Finance (income)/costs – net

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Finance income		
– interest income on short-term bank deposits	(1,229,203)	(923,869)
– net foreign exchange gain (Note)	(4,399,999)	–
Finance income	(5,629,202)	(923,869)
Interest on bank borrowings		
– wholly repayable within five years	6,246,630	5,562,163
– not wholly repayable within five years	226,598	251,699
Interest on senior notes		
– wholly repayable within five years	1,494,727	1,879,865
– not wholly repayable within five years	437,841	185,284
Interest on borrowings from other financial institutions		
– wholly repayable within five years	954,156	869,510
Interest charges paid/payable for lease liabilities (Note 7)		
– wholly repayable within five years	11,763	17,406
	9,371,715	8,765,927
Net foreign exchange loss	–	1,237,688
Less: interest and foreign exchange losses capitalised	(7,057,972)	(8,794,826)
Finance costs	2,313,743	1,208,789
Net finance (income)/costs	(3,315,459)	284,920

Note:

Net foreign exchange gain mainly represents gain on translation of foreign currency borrowings.

+ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

31 Employee benefit expense

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

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Wages and salaries	2,669,236	2,037,442
Pension costs – statutory pension (Note (b))	156,931	218,174
Other allowances and benefits	404,128	386,285
	3,230,295	2,641,901

(b) Pensions-defined contribution plans

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

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

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2019: four) directors whose emoluments are reflected in the analysis shown in Note 32. The emoluments payable to the remaining one (2019: one) individual during the year are as follows:

	2020 RMB'000	2019 RMB'000
Basic salaries, housing allowances, share options, other allowances and benefits in kind	102	1,974
Contribution to pension scheme	21	115
Bonuses	4,184	2,016
	4,307	4,105

The emoluments fell within the following bands:

Emolument bands (in RMB)	Number of individuals	
	2020	2019
RMB4,000,001 – RMB4,500,000	1	1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) †

For the year ended 31 December 2020

32 Benefits and interests of directors

(a) Directors' emoluments

The remuneration of each of the directors of the Company for the year ended 31 December 2020 is set out as follows:

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

Name of directors	Fees RMB'000	Salary RMB'000	Bonuses RMB'000	Housing allowance RMB'000	Employer's	Employee	Total RMB'000
					contribution to a retirement benefit scheme RMB'000	share award schemes RMB'000	
Executive directors							
Mr. Hui Wing Mau	-	5,470	912	-	-	-	6,382
Mr. Hui Sai Tan, Jason	-	7,022	-	-	16	6,213	13,251
Ms. Tang Fei	-	3,226	269	60	68	4,730	8,353
Mr. Lu Yi (Note)	-	2,607	561	120	68	2,890	6,246
Independent non-executive directors							
Ms. Kan Lai Kuen, Alice	328	-	-	-	-	-	328
Mr. Lyu Hong Bing	328	-	-	-	-	-	328
Mr. Lam Ching Kam	328	-	-	-	-	-	328
	984	18,325	1,742	180	152	13,833	35,216

Note: Mr. Lu Yi was appointed as an executive director with effect from 2 January 2020.

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

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

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

Note: Mr. Liu Sai Fei resigned as a non-executive director with effect from 2 January 2020.

+ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

32 Benefits and interests of directors (CONTINUED)**(b) Directors' retirement benefits**

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

(c) Directors' termination benefits

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

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

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

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

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

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

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

33 Income tax expense

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Current income tax		
– PRC enterprise and withholding income tax	6,760,624	6,151,969
– PRC land appreciation tax	6,630,929	5,644,757
	13,391,553	11,796,726
Deferred income tax		
– PRC enterprise and withholding income tax (Note 15)	737,567	838,661
	14,129,120	12,635,387

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) †

For the year ended 31 December 2020

33 Income tax expense (CONTINUED)

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

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Profit before income tax	33,591,586	29,015,352
Less: Share of results of associated companies and joint ventures	(159,320)	(96,825)
Less: Land appreciation tax	(6,630,929)	(5,644,757)
	26,801,337	23,273,770
Calculated at PRC enterprise income tax rate of 25% (2019:25%)	6,700,334	5,818,443
Effect of different tax rates in other countries or regions	(515,908)	(1,396)
Expenses and losses not deductible for income tax purposes (Note (a))	457,589	500,121
Income not subject to tax (Note (b))	(903,945)	(290,015)
Tax losses not recognised	111,128	504,188
PRC withholding income tax and others	1,649,863	459,289
PRC enterprise and withholding income tax charge	7,499,061	6,990,630
PRC land appreciation tax charge	6,630,929	5,644,757
	14,129,990	12,635,387

Notes:

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

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 2020 (2019: nil).

PRC enterprise income tax

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

PRC land appreciation tax

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

PRC withholding income tax

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

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

† NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

34 Earnings per share

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

	Year ended 31 December	
	2020	2019
Profit attributable to the equity holders of the Company (RMB'000)	12,627,679	10,897,600
Weighted average number of ordinary shares in issue (thousands)	3,492,773	3,291,138
Basic earnings per share (RMB cents)	361.5	331.1

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. The conversion of the convertible redeemable shares of subsidiary would result in an anti-dilutive effect on the diluted earnings per share for the year ended 31 December 2020.

	Year ended 31 December	
	2020	2019
Profit attributable to the equity holders of the Company (RMB'000)	12,627,679	10,897,600
Weighted average number of ordinary shares in issue (thousands)	3,492,773	3,291,138
Adjustment for shares granted under Share Scheme (thousands)	4,075	5,203
Weighted average number of ordinary shares for diluted earnings per share (thousands)	3,496,848	3,296,341
Diluted earnings per share (RMB cents)	361.1	330.6

35 Dividends

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Interim dividends paid of HK70 cents (2019: HK60 cents) per ordinary share (Note (a))	2,192,099	1,783,599
Proposed final dividends of HK110 cents (2019: HK85 cents) per ordinary share (Note (b))	3,259,104	2,671,213
	5,451,203	4,454,812

Notes:

- (a) An interim dividend in respect of the six months ended 30 June 2020 of HK60 cents per ordinary share and a special dividend of HK10 cents per ordinary share for the six months ended 30 June 2020, amounting to HK\$2,476,388,000 (equivalent to RMB2,192,099,000) were paid in September 2020 (2019: RMB1,783,599,000).
- (b) At a meeting held on 30 March 2021, the Directors proposed a final dividend of HK90 cents per ordinary share and a special dividend of HK20 cents per ordinary share for the year ended 31 December 2020. 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 ended 31 December 2020 upon approval by the shareholders at the forthcoming annual general meeting of the Company.

A final dividend of RMB2,671,213,000 relating to the year ended 31 December 2019 was paid in 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) †

For the year ended 31 December 2020

36 Notes to the consolidated statements of cash flows

(a) Net cash generated from operations:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Profit before income tax	33,591,586	29,015,352
Adjustments for:		
Interest income	(1,229,203)	(923,869)
Interest expense	2,313,743	1,044,140
Provision of impairment losses on financial assets	482,918	70,375
Provision for impairment loss on completed properties held for sale	2,653	134,489
Depreciation	753,067	732,951
Share of results of associated companies and joint ventures accounted for using the equity method	(159,320)	(96,825)
Net gains on disposal of subsidiaries with loss of control	(33,302)	(41,153)
Net gains on deemed disposal of joint ventures	(400,302)	(143,823)
Net gains arising from negative goodwill	(205,264)	–
Losses from disposal of shares of joint ventures	20,712	–
Losses from closure of joint ventures	455	–
Losses from disposal of associated companies	38	–
Amortisation of right-of-use assets	231,605	221,738
Fair value losses/(gains) on derivative financial instruments	68,152	(40,288)
Fair value losses/(gains) on financial assets at FVPL	11,621	(2,910)
Fair value gains on investment properties	(397,539)	(2,335,257)
Fair value changes of on convertible redeemable preferred shares	75,860	–
Value of employee services arising from equity-settled share based payment scheme	119,457	125,171
Net exchange (gains)/losses	(4,399,999)	164,649
	30,846,938	27,924,740
Changes in working capital:		
Properties under development, completed properties held for sale and prepayment for acquisition of land use rights	(21,770,264)	(14,808,706)
Land use rights	–	65,465
Other non-current assets	(1,016,487)	(341,660)
Restricted cash	(514,964)	(394,546)
Trade and other receivables and prepayments	1,925,480	6,073,962
Trade and other payables	9,052,369	12,561,388
Contract liabilities	3,141,282	6,802,072
Amounts due to related companies excluding non-controlling Interests	1,342,623	6,967,131
Net cash generated from operations	23,006,977	44,849,846

† NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

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

(b) Net debt reconciliation

Net debt	As at 31 December 2020 RMB'000	As at 31 December 2019 RMB'000
Borrowings – repayable within one year	36,540,759	36,781,947
Borrowings – repayable after one year	108,602,305	89,773,388
Cash and cash equivalents	(61,038,027)	(52,357,251)
Restricted cash	(7,428,982)	(7,265,779)
Lease liability	76,947	232,948
Net debt	76,753,002	67,165,253
Gross debt – fixed interest rates	91,469,159	78,974,816
Gross debt – variable interest rates	53,673,905	47,580,519
Cash and cash equivalents	(61,038,027)	(52,357,251)
Restricted cash	(7,428,982)	(7,265,779)
Lease liability	76,947	232,948
Net debt	76,753,002	67,165,253

	Other assets		Liabilities from financing activities			Total RMB'000
	Cash and cash equivalents RMB'000	Restricted cash RMB'000	Borrowings due within 1 year RMB'000	Borrowings due after 1 year RMB'000	Lease liability RMB'000	
Net debt as at 31 December 2018	(43,688,296)	(5,888,489)	31,306,474	77,825,292	–	59,554,981
Cash flows	(8,653,414)	(1,377,290)	(20,394,196)	27,877,775	(140,617)	(2,687,742)
Foreign exchange adjustments	(15,541)	–	181,732	1,170,959	–	1,337,150
Reclassification	–	–	24,561,398	(24,561,398)	–	–
Other non-cash movements	–	–	1,126,539	7,460,760	373,565	8,960,864
Net debt as at 31 December 2019	(52,357,251)	(7,265,779)	36,781,947	89,773,388	232,948	67,165,253
Cash flows	(8,896,000)	(163,203)	(36,791,303)	44,378,586	(187,283)	(1,659,203)
Foreign exchange adjustments	215,224	–	(1,511,353)	(3,665,813)	–	(4,961,942)
Reclassification	–	–	32,086,407	(32,086,407)	–	–
Other non-cash movements	–	–	5,975,061	10,202,551	31,282	16,208,894
Net debt as at 31 December 2020	(61,038,027)	(7,428,982)	36,540,759	108,602,305	76,947	76,753,002

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) †

For the year ended 31 December 2020

37 Principal subsidiaries, associated companies and joint ventures

Particulars of the principal subsidiaries, associated companies and joint ventures of the Group as at 31 December 2020 are as follows:

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2020	Principal activities
Principal subsidiaries – established and operation conducted in the PRC					
上海世茂股份有限公司 (Shanghai Shimao Co., Ltd.)	1 July 1992	Foreign investment enterprise	Registered capital RMB3,751,168,261	63.92%	Property development
上海世茂國際廣場有限責任公司 (Shanghai Shimao International Plaza Co., Ltd.)	15 September 1994	Foreign investment enterprise	Registered capital RMB1,600,000,000	100%	Shopping mall and hotel
上海世茂房地產有限公司 (Shanghai Shimao Real Estate Co., Ltd.)	15 March 2000	Foreign investment enterprise	Registered capital US\$75,000,000	100%	Property development
西藏世茂企業發展有限公司 (Xizang Shimao Enterprises Development Co., Ltd.)	22 June 2000	Domestic enterprise	Registered capital RMB101,723,586	50.85%	Investment holding
上海世茂建設有限公司 (Shanghai Shimao Jianshe Co., Ltd.)	16 March 2001	Foreign investment enterprise	Registered capital RMB540,000,000	100%	Investment holding
上海世茂北外灘開發建設有限公司 (Shanghai Shimao North Bund Development and Construction Co., Ltd.)	17 May 2002	Foreign investment enterprise	Registered capital HK\$650,000,000	100%	Hotel
上海世茂莊園置業有限公司 (Shanghai Shimao Manor Real Estate Co., Ltd.)	19 June 2002	Foreign investment enterprise	Registered capital US\$18,400,000	100%	Property development and hotel
福建世茂投資發展有限公司 (Fujian Shimao Investment and Development Co., Ltd.)	17 November 2003	Foreign investment enterprise	Registered capital RMB200,000,000	81.96%	Property development
昆山世茂房地產開發有限公司 (Kunshan Shimao Real Estate Development Co., Ltd.)	24 December 2003	Domestic enterprise	Registered capital RMB547,668,147	63.92%	Property development
南京世茂房地產開發有限公司 (Nanjing Shimao Real Estate Development Co., Ltd.)	23 July 2004	Foreign investment enterprise	Registered capital RMB328,000,000	81.96%	Property development
武漢世茂錦繡長江房地產開發有限公司 (Wuhan Shimao Splendid River Real Estate Development Co., Ltd.)	6 June 2005	Foreign investment enterprise	Registered capital US\$114,269,000	100%	Property development
上海世茂新體驗置業有限公司 (Shanghai Shimao Wonderland Property Co., Ltd.)	6 March 2006	Domestic enterprise	Registered capital RMB391,092,834	63.92%	Property development
大連世茂龍河發展有限公司 (Dalian Shimao Dragon River Development Co., Ltd.)	9 June 2006	Foreign investment enterprise	Registered capital US\$109,600,000	100%	Property development

✦ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

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

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2020	Principal activities
Principal subsidiaries – established and operation conducted in the PRC (continued)					
煙台世茂置業有限公司 (Yantai Shimao Property Co., Ltd.)	6 September 2006	Foreign investment enterprise	Registered capital US\$48,500,000	100%	Property development
常州世茂房地產有限公司 (Changzhou Shimao Real Estate Co., Ltd.)	27 November 2006	Foreign investment enterprise	Registered capital US\$323,730,000	100%	Property development
瀋陽世茂新發展置業有限公司 (Shenyang Shimao New Development Property Co., Ltd.)	5 December 2006	Foreign investment enterprise	Registered capital US\$108,900,000	100%	Property development
上海世源建材貿易有限公司 (Shanghai Shine Construction Materials Trading Co., Ltd.)	22 January 2007	Foreign investment enterprise	Registered capital HK\$1,120,000,000	100%	Trading of construction
蘇州世茂置業有限公司 (Suzhou Shimao Property Co., Ltd.)	26 January 2007	Foreign investment enterprise	Registered capital US\$178,000,000	100%	Property development
常州世茂新城房地產開發有限公司 (Changzhou Shimao New City Real Estate Development Co., Ltd.)	12 February 2007	Domestic enterprise	Registered capital RMB269,300,000	63.92%	Property development
徐州世茂新城房地產開發有限公司 (Xuzhou Shimao New City Real Estate Development Co., Ltd.)	14 February 2007	Foreign investment enterprise	Registered capital US\$75,980,000	100%	Property development
徐州世茂置業有限公司 (Xuzhou Shimao Property Co., Ltd.)	14 February 2007	Domestic enterprise	Registered capital RMB491,412,640	63.92%	Property development
蘇州世茂投資發展有限公司 (Suzhou Shimao Investment & Development Co., Ltd.)	2 March 2007	Domestic enterprise	Registered capital RMB526,795,630	63.92%	Property development
廈門信誠建築裝潢有限公司 (Xiamen Xincheng Building Decoration Co., Ltd.)	6 March 2007	Domestic enterprise	Registered capital RMB10,000,000	100%	Trading of construction
紹興世茂投資發展有限公司 (Shaoxing Shimao Investment Development Co., Ltd.)	13 July 2007	Domestic enterprise	Registered capital RMB483,457,740	63.92%	Property development
重慶浚亮房地產開發有限公司 (Chongqing Junliang Real Estate Development Co., Ltd.)	25 July 2007	Foreign investment enterprise	Registered capital US\$200,000,000	100%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) †

For the year ended 31 December 2020

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

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2020	Principal activities
Principal subsidiaries – established and operation conducted in the PRC (continued)					
上海世盈投資管理有限公司 (Shanghai Shiyong Investment Management Co., Ltd.)	21 August 2007	Domestic enterprise	Registered capital RMB200,000,000	100%	Investment holding
常熟世茂新發展置業有限公司 (Changshu Shimao New Development Property Co., Ltd.)	24 August 2007	Domestic enterprise	Registered capital RMB692,174,000	63.92%	Property development
牡丹江世茂置業有限公司 (Mudanjiang Shimao Property Co., Ltd.)	4 September 2007	Foreign investment enterprise	Registered capital US\$16,000,000	95%	Property development
牡丹江世茂新城房地產開發有限公司 (Mudanjiang Shimao New City Real Estate Development Co., Ltd.)	4 September 2007	Foreign investment enterprise	Registered capital US\$29,980,000	100%	Property development
昆山世茂新發展置業有限公司 (Kunshan Shimao New Development Property Co., Ltd.)	12 September 2007	Foreign investment enterprise	Registered capital US\$49,980,000	100%	Property development
上海世茂投資管理有限公司 (Shanghai Shimao Investment Management Co., Ltd.)	11 May 2009	Domestic enterprise	Registered capital RMB50,000,000	100%	Investment holding
大連世茂嘉年華置業有限公司 (Dalian Shimao Carnival Property Co., Ltd.)	4 September 2009	Foreign investment enterprise	Registered capital US\$100,000,000	100%	Property development
成都世茂置業有限公司 (Chengdu Shimao Property Co., Ltd.)	13 October 2009	Domestic enterprise	Registered capital RMB299,021,884	100%	Property development
天津世茂新里程置業有限公司 (Tianjin Shimao New Miles Property Co., Ltd.)	5 November 2009	Domestic enterprise	Registered capital RMB1,470,000,000	100%	Property development
武漢世茂嘉年華置業有限公司 (Wuhan Shimao Carnival Property Co., Ltd.)	14 December 2009	Domestic enterprise	Registered capital RMB200,000,000	81.60%	Property development
青島世茂新城房地產開發有限公司 (Qingdao Shimao New City Real Estate Development Co., Ltd.)	29 April 2010	Foreign Investment enterprise	Registered capital US\$326,489,800	100%	Property development
寧波世茂新紀元置業有限公司 (Ningbo Shimao New Era Property Co., Ltd.)	27 May 2010	Domestic enterprise	Registered capital RMB50,000,000	100%	Property development

✦ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

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

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2020	Principal activities
Principal subsidiaries – established and operation conducted in the PRC (continued)					
長沙世茂投資有限公司 (Changsha Shimao Investment Co., Ltd.)	21 July 2010	Domestic enterprise	Registered capital RMB1,000,000,000	63.92%	Property development
文昌世茂置業有限公司 (Wenchang Shimao Property Co., Ltd.)	19 April 2011	Domestic enterprise	Registered capital RMB550,000,000	100%	Property development
南京海峽城開發建設有限公司 (Nanjing Straits City Development Construction Co., Ltd.)	26 April 2011	Domestic enterprise	Registered capital US\$692,000,000	100%	Property development
青島世茂投資發展有限公司 (Qingdao Shimao Investment & Development Co., Ltd.)	27 May 2011	Domestic enterprise	Registered capital RMB450,000,000	63.92%	Property development
平潭海峽如意城開發建設有限公司 (Pingtan Straits Ruyi City Development Construction Co., Ltd.)	31 May 2011	Domestic enterprise	Registered capital RMB615,630,000	100%	Property development
武漢世茂新城房地產開發有限公司 (Wuhan Shimao New City Real Estate Development Co., Ltd.)	23 March 2012	Domestic enterprise	Registered capital RMB526,000,000	100%	Property development
蘇州世茂新里程置業有限公司 (Suzhou Shimao New Miles Property Co., Ltd.)	17 January 2013	Domestic enterprise	Registered capital RMB600,000,000	63.92%	Property development
南通沿海世茂房地產開發有限公司 (Nantong Yanhai Shimao Real Estate Development Co., Ltd.)	9 May 2013	Domestic enterprise	Registered capital RMB100,000,000	51%	Property development
杭州世融匯盈置業有限公司 (Hangzhou Shirong Huiying Property Co., Ltd.)	29 May 2013	Foreign investment enterprise	Registered capital US\$150,000,000	51%	Property development
寧波世茂新騰飛置業有限公司 (Ningbo Shimao Xintengfei Property Co., Ltd.)	9 June 2013	Domestic enterprise	Registered capital RMB1,238,500,000	63.92%	Property development
常熟世茂新紀元置業有限公司 (Changshu Shimao New Era Property Co., Ltd.)	11 September 2013	Domestic enterprise	Registered capital RMB850,000,000	63.92%	Property development
杭州世茂嘉年華置業有限公司 (Hangzhou Shimao Carnival Property Co., Ltd.)	16 October 2013	Domestic enterprise	Registered capital RMB2,000,000,000	100%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) †

For the year ended 31 December 2020

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

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2020	Principal activities
Principal subsidiaries – established and operation conducted in the PRC (continued)					
大連世茂新領域置業有限公司 (Dalian Shimao New Domain Property Co., Ltd.)	29 October 2013	Foreign investment enterprise	Registered capital US\$136,000,000	100%	Property development
大連世茂新體驗置業有限公司 (Dalian Shimao New Experience Property Co., Ltd.)	29 October 2013	Foreign investment enterprise	Registered capital US\$120,000,000	100%	Property development
濟南世茂天城置業有限公司 (Jinan Shimao Tiancheng Property Co., Ltd.)	7 January 2014	Domestic enterprise	Registered capital RMB2,911,110,000	63.92%	Property development
上海容承企業管理有限公司 (Shanghai Rongcheng Enterprises Management Co., Ltd.)	21 January 2014	Domestic enterprise	Registered capital RMB2,000,000,000	100%	Investment holding
南寧世茂新紀元房地產開發有限公司 (Nanning Shimao New Era Real Estate Development Co., Ltd.)	2 July 2014	Domestic enterprise	Registered capital RMB120,000,000	100%	Property development
南京世招葦畚置業有限公司 (Nanjing Shizhao Quansheng Property Co., Ltd.)	27 January 2015	Domestic enterprise	Registered capital RMB250,000,000	51%	Property development
銀川海茂房地產有限公司 (Yinchuan Haimao Real Estate Co., Ltd.)	20 May 2015	Domestic enterprise	Registered capital RMB100,000,000	51%	Property development
銀川世海房地產有限公司 (Yinchuan Shihai Real Estate Co., Ltd.)	2 September 2015	Domestic enterprise	Registered capital RMB50,000,000	51%	Property development
銀川世茂新發展置業有限公司 (Yinchuan Shimao New Development Property Co., Ltd.)	12 January 2016	Domestic enterprise	Registered capital RMB103,624,000	96.50%	Property development
銀川世茂新體驗置業有限公司 (Yinchuan Shimao New Experience Property Co., Ltd.)	12 August 2016	Domestic enterprise	Registered capital RMB50,000,000	100%	Property development
銀川世茂新領域置業有限公司 (Yinchuan Shimao New Domain Property Co., Ltd.)	12 August 2016	Domestic enterprise	Registered capital RMB50,000,000	100%	Property development
銀川世茂新里程置業有限公司 (Yinchuan Shimao New Miles Property Co., Ltd.)	12 August 2016	Domestic enterprise	Registered capital RMB50,000,000	100%	Property development
杭州融大齊雲置業有限公司 (Hangzhou Rongda Qiyun Property Co., Ltd.)	8 September 2016	Domestic enterprise	Registered capital RMB100,000,000	51%	Property development

✦ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

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

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2020	Principal activities
Principal subsidiaries – established and operation conducted in the PRC (continued)					
泉州世茂融信新世紀房地產 有限責任公司 (Quanzhou Shimao Rongxin New Century Real Estate Co., Ltd.)	10 October 2016	Domestic enterprise	Registered capital RMB50,000,000	63.92%	Property development
泉州世茂融信新領航房地產 有限責任公司 (Quanzhou Shimao Rongxin New Pioneer Real Estate Co., Ltd.)	10 October 2016	Domestic enterprise	Registered capital RMB50,000,000	63.92%	Property development
上海益碧房地產開發有限公司 (Shanghai Yibi Real Estate Development Co., Ltd.)	19 January 2017	Domestic enterprise	Registered capital RMB10,000,000	51%	Property development
山東領邦華皓置業有限公司 (Shandong Lingbang Huahao Property Co., Ltd.)	15 August 2017	Domestic enterprise	Registered capital RMB450,000,000	63.92%	Property development
福州世茂世盈置業有限公司 (Fuzhou Shimao Shiyong Property Co., Ltd.)	22 September 2017	Domestic enterprise	Registered capital RMB100,000,000	65%	Property development
寧波世茂新領航置業有限公司 (Ningbo Shimao New Pioneer Property Co., Ltd.)	27 December 2017	Domestic enterprise	Registered capital RMB800,000,000	51%	Property development
濟南世茂新陽置業有限公司 (Jinan Shimao Xinyang Property Co., Ltd.)	23 March 2018	Domestic enterprise	Registered capital RMB50,000,000	70%	Property development
平陽世盈房地產開發有限公司 (Pingyang Shiyong Real Estate Development Co., Ltd.)	4 June 2018	Domestic enterprise	Registered capital RMB410,000,000	51%	Property development
銀川世茂嘉年華房地產開發有限公司 (Yinchuan Shimao Carnival Real Estate Development Co., Ltd.)	11 July 2018	Domestic enterprise	Registered capital RMB100,000,000	100%	Property development
青島世茂世悅置業有限公司 (Qingdao Shimao Shiyue Property Co., Ltd.)	7 August 2018	Domestic enterprise	Registered capital RMB100,000,000	100%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) *

For the year ended 31 December 2020

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

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2020	Principal activities
Principal subsidiaries – established and operation conducted in the PRC (continued)					
湖北長建茂房地產開發有限公司 (Hubei Changjianmao Real Estate Development Co., Ltd)	27 August 2018	Domestic enterprise	Registered capital RMB50,000,000	41.62%	Property development
湖北長荊上河置業有限公司 (Hubei Changjing Shanghe Property Co., Ltd)	27 August 2018	Domestic enterprise	Registered capital RMB50,000,000	60%	Property development
合肥世茂欣源茂房地產開發有限公司 (Hefei Shimao Xinyuan Real Estate Development Co., Ltd.)	10 May 2019	Domestic enterprise	Registered capital RMB10,000,000	100%	Property development
肇慶四會悅盈房地產開發經營有限公司 (Zhaoqing Sihui Yueying Real Estate Development Co., Ltd)	15 April 2019	Domestic enterprise	Registered capital RMB5,000,000	100%	Property development
茂名世茂悅盈房地產開發有限公司 (Maoming Shimao Yueying Real Estate Development Co., Ltd)	4 April 2019	Domestic enterprise	Registered capital RMB100,000,000	100%	Property development
天台茂龍房地產開發有限公司 (Tiantai Maolong Real Estate Development Co., Ltd)	23 July 2019	Domestic enterprise	Registered capital RMB266,000,000	51%	Property development
淄博盛元房地產諮詢有限公司 (Zibo Shengyuan Real Estate Development Co., Ltd)	13 August 2019	Domestic enterprise	Registered capital RMB2,000,000	81.60%	Property development
天水世唐房地產開發有限公司 (Tianshui Shitang Real Estate Development Co., Ltd.)	5 December 2019	Domestic enterprise	Registered capital RMB310,000,000	51%	Property development
荊州長盈置業有限公司 (Jingzhou Changying Property Co., Ltd)	6 December 2019	Domestic enterprise	Registered capital RMB10,000,000	51%	Property development
福州世茂鹿馳置業有限公司 (Fuzhou Shimao Luchi Property Co., Ltd)	28 November 2019	Domestic enterprise	Registered capital RMB210,000,000	100%	Property development
淮北世茂房地產開發有限公司 (Huabei Shimao Real Estate Development Co., Ltd)	27 December 2019	Domestic enterprise	Registered capital RMB303,750,000	60%	Property development

✦ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

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

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2020	Principal activities
Principal subsidiaries – established and operation conducted in the PRC (continued)					
南平光耀世隆房地產開發有限公司 (Nanping Guangyao Shilong Real Estate Development Co., Ltd)	20 January 2020	Domestic enterprise	Registered capital RMB50,000,000	60%	Property development
麗水世茂新紀元置業有限公司 (Lishui Shimao New Era Property Co., Ltd)	17 February 2020	Domestic enterprise	Registered capital RMB10,000,000	100%	Property development
海安市百俊房地產開發有限公司 (Haian Baijun Real Estate Development Co., Ltd)	27 February 2020	Domestic enterprise	Registered capital RMB380,000,000	51%	Property development
溫州世茂新騰飛房地產開發有限公司 (Wenzhou Shimao Xintengfei Real Development Co., Ltd)	9 March 2020	Domestic enterprise	Registered capital RMB20,000,000	100%	Property development
合肥梁佑置業有限公司 (Hefei Liangyou Property Co., Ltd)	25 March 2020	Domestic enterprise	Registered capital RMB335,288,328	51%	Property development
佛山市粵茂房地產開發有限公司 (Foshan Maoyue Real Estate Development Co., Ltd.)	7 April 2020	Domestic enterprise	Registered capital RMB14,925,374	67%	Property development
霞浦世茂金禾置業有限公司 (Xiapu Shimao Jinhe Property Co., Ltd)	7 April 2020	Domestic enterprise	Registered capital RMB416,500,000	51%	Property development
九江世茂華晟置業有限公司 (Jiujiang Shimao Huasheng Property Co., Ltd)	13 April 2020	Domestic enterprise	Registered capital RMB203,420,970	51%	Property development
肇慶世茂悅桂房地產開發有限公司 (Zhaoqing Shimao Yuegui Real Estate Development Co., Ltd)	21 April 2020	Domestic enterprise	Registered capital RMB50,000,000	100%	Property development
三亞翔睿置業有限責任公司 (Sanya Xiangrui Property Co., Ltd)	21 May 2020	Domestic enterprise	Registered capital RMB1,200,000,000	63.92%	Property development
阜陽世茂房地產開發有限公司 (Fuyang Shimao Real Estate Development Co., Ltd.)	2 June 2020	Domestic enterprise	Registered capital RMB395,750,000	100%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) †

For the year ended 31 December 2020

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

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2020	Principal activities
Principal subsidiaries – established and operation conducted in the PRC (continued)					
佛山德茂房地產開發有限公司 (Foshan Demao Real Estate Development Co., Ltd.)	4 June 2020	Domestic enterprise	Registered capital RMB5,000,000	100%	Property development
福州茂洲置業有限公司 (Fuzhou Maozhou Property Co., Ltd)	5 June 2020	Domestic enterprise	Registered capital RMB10,000,000	41.62%	Property development
南昌金駿房地產開發有限公司 (Nanchang Jinjun Real Estate Development Co., Ltd.)	16 June 2020	Domestic enterprise	Registered capital RMB185,460,000	51%	Property development
茂名世茂悅升房地產開發有限公司 (Maoming Shimao Yuesheng Real Estate Development Co., Ltd)	3 July 2020	Domestic enterprise	Registered capital RMB20,000,000	81.60%	Property development
瀋陽世茂新里程房地產開發有限公司 (Shenyang Shimao New Miles Real Estate Development Co., Ltd)	7 July 2020	Domestic enterprise	Registered capital RMB10,000,000	100%	Property development

✦ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

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

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2020	Principal activities
Principal subsidiaries – incorporated and operation conducted in the British Virgin Islands					
Vicking International Ltd.	19 January 1994	Limited liability company	50,000 ordinary shares of US\$50,000	100%	Investment holding
Everactive Properties Limited	2 May 2001	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Mega Universe Limited	10 July 2001	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Year Grant Investments Limited	3 September 2001	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Precisely Choice Investments Limited	18 October 2001	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Double Achieve Assets Limited	31 January 2002	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Best Empire Investments Limited	2 July 2002	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Peak Castle Assets Limited	2 July 2002	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Prime Master Holdings Limited	2 July 2002	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Significant Asset Group Limited	2 July 2002	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Shimao Property Holdings (BVI) Limited	23 August 2002	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
East Lighter Group Limited	12 May 2006	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Ease Reach Group Limited	13 December 2006	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Peak Gain International Limited	13 December 2006	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Win Real Group Limited	29 May 2007	Limited liability company	1 ordinary share of US\$1	100%	Investment holding
Straits Construction Investment (Holdings) Limited	17 November 2009	Limited liability company	45,000 ordinary shares of US\$450,000,000	100%	Investment holding
Up Chance Holdings Limited	1 December 2016	Limited liability company	1 ordinary share of US\$1	100%	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) ★

For the year ended 31 December 2020

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

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2020	Principal activities
Principal subsidiaries – incorporated and operation conducted in Hong Kong					
Shimao Investment Holdings Limited	3 February 1994	Limited liability company	395 million ordinary shares of HK\$395 million	100%	Investment holding
Topwise Limited	29 March 2005	Limited liability company	1 ordinary share of HK\$1	100%	Management services
Clear Rise Investments Limited	8 May 2007	Limited liability company	1 ordinary share of HK\$1	100%	Investment holding
Grandday International Limited	11 May 2007	Limited liability company	1 ordinary share of HK\$1	100%	Investment holding
Rise Max International Limited	16 May 2007	Limited liability company	1 ordinary share of HK\$1	100%	Investment holding
Global Square Investments Limited	29 October 2007	Limited liability company	1 ordinary share of HK\$1	100%	Investment holding
Lion Kingdom Investments Limited	27 November 2007	Limited liability company	1 ordinary share of HK\$1	100%	Investment holding
Power One Holdings Limited	27 November 2007	Limited liability company	1 ordinary share of HK\$1	100%	Investment holding
Brand Rise Limited	5 March 2013	Limited liability company	1 ordinary share of HK\$1	100%	Hotel
Adventure Success Limited	25 November 2014	Limited liability company	1 ordinary share of HK\$1	100%	Property development

✦ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

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

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2020	Principal activities
Associated companies – established and operation conducted in the PRC					
成都市恒裕房地產開發有限公司 (Chengdu Hengyu Real Estate Development Co., Ltd.)	7 May 2010	Domestic enterprise	Registered capital RMB130,000,000	33.33%	Property development
北京創譽房地產開發有限公司 (Beijing Chuangyu Real Estate Development Co., Ltd.)	2 April 2013	Domestic enterprise	Registered capital RMB20,000,000	50%	Property development
南京明茂置業有限公司 (Nanjing Mingmao Property Co., Ltd.)	5 February 2015	Domestic enterprise	Registered capital RMB820,000,000	49%	Property development
杭州龍尚房地產開發有限公司 (Hangzhou Longshang Real Estate Development Co., Ltd.)	8 August 2016	Domestic enterprise	Registered capital RMB1,000,000,000	25%	Property development
佛山市順德區寶弘房地產開發有限公司 (Foshan Shunde District Baohong Real Estate Development Co., Ltd.)	16 December 2016	Domestic enterprise	Registered capital RMB2,640,000,000	25%	Property Development
蘇州孚元置業有限公司 (Suzhou Fuyuan Property Co., Ltd.)	12 July 2017	Domestic enterprise	Registered capital RMB2,875,000,000	33%	Property development
宣城世茂卓盈房地產開發有限公司 (Xuancheng Shimao Zhuoying Real Estate Development Co., Ltd.)	20 August 2019	Domestic enterprise	Registered capital RMB20,000,000	49%	Property development
南寧金盛泓房地產開發有限公司 (Nanning Jinshenghong Real Estate Development Co., Ltd.)	10 April 2019	Domestic enterprise	Registered capital RMB205,000,000	40%	Property development
巢湖市世巽置業有限公司 (Chaohu Shixun Property Co., Ltd.)	24 July 2019	Domestic enterprise	Registered capital RMB20,000,000	40%	Property development
福州融樽置業有限公司 (Fuzhou Rongning Property Co., Ltd.)	30 April 2020	Domestic enterprise	Registered capital RMB900,000,000	33%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) †

For the year ended 31 December 2020

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

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2020	Principal activities
Associated companies – established and operation conducted in the PRC (continued)					
北京合力運興置業有限公司 (Beijing Heli Yunxing Property Co., Ltd)	28 May 2020	Domestic enterprise	Registered capital RMB2,100,000,000	49%	Property development
南昌茂悅湖置業有限公司 (Nanchang Maoyue Lake Property Co., Ltd)	22 June 2020	Domestic enterprise	Registered capital RMB511,105,200	33%	Property development
佳裕置業(東莞)有限公司 (Jiayu Property (Dongguan) Co., Ltd)	14 July 2020	Domestic enterprise	Registered capital RMB10,000,000	49%	Property development
Associated companies – established and operation conducted in the British Virgin Islands					
Eagle Rights Limited	31 March 2010	Limited liability company	45,000,000 shares with no par value	33.33%	Investment holding
Joint ventures – established and operation conducted in the PRC					
上海春日置業有限公司 (Shanghai Chunri Property Co., Ltd.)	3 August 2001	Domestic enterprise	Registered capital RMB90,000,000	45%	Property development
廣州利合房地產開發有限公司 (Guangzhou Li He Property Development Co., Ltd.)	5 February 2010	Foreign Investment enterprise	Registered capital RMB2,059,377,000	26.67%	Property development
天津津南新城房地產開發有限公司 (Tianjin Jinnan Xincheng Real Estate Development Co., Ltd.)	26 May 2010	Domestic enterprise	Registered capital RMB3,667,300,000	25%	Property development
天津和安投資有限公司 (Tianjin He'an Investment Co., Ltd.)	19 August 2010	Domestic enterprise	Registered capital RMB10,000,000	25%	Investment holding
寧波鼎峰房地產開發有限公司 (Ningbo Dingfeng Real Estate Development Co., Ltd.)	17 September 2013	Domestic enterprise	Registered capital RMB125,000,000	40%	Property development
杭州茂國悅盈置業有限公司 (Hangzhou Maoguo Yueying Property Co., Ltd.)	16 February 2017	Domestic enterprise	Registered capital RMB1,500,000,000	50%	Property development
廣州新合房地產有限公司 (Guangzhou Xinhe Real Estate Co., Ltd.)	11 May 2017	Domestic enterprise	Registered capital RMB100,000,000	33%	Property development

✦ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

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

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2020	Principal activities
Joint ventures – established and operation conducted in the PRC (continued)					
濟南碧世榮光房地產開發有限公司 (Jinan Bishi Rongguang Real Estate Development Co., Ltd.)	19 June 2017	Domestic enterprise	Registered capital RMB10,000,000	33%	Property development
佛山市新紀元置業有限公司 (Foshan New Era Property Co., Ltd.)	27 June 2017	Domestic enterprise	Registered capital RMB10,000,000	50%	Property development
福州世茂瑞盈置業有限公司 (Fuzhou Shimao Ruiying Property Co., Ltd)	4 January 2018	Domestic enterprise	Registered capital RMB10,000,000	20%	Property development
南平世茂新紀元置業有限公司 (Nanping Shimao New Era Property Co., Ltd.)	15 May 2018	Domestic enterprise	Registered capital RMB100,000,000	42%	Property development
滄鑾(廈門)置業有限公司 (Cangluan (Xiamen) Property Co., Ltd)	29 June 2018	Domestic enterprise	Registered capital RMB1,455,000,000	25%	Property development
舟山世茂房地產開發有限公司 (Zhoushan Shimao Real Estate Development Co., Ltd.)	18 June 2019	Domestic enterprise	Registered capital RMB20,000,000	50%	Property development
肇慶四會豐盈房地產開發有限公司 (Zhaqing Sihui Fengying Real Estate Development Co., Ltd)	5 June 2019	Domestic enterprise	Registered capital RMB10,000,000	50%	Property development
莆田聯茂置業有限公司 (Putian Lianmao Real Estate Development Co., Ltd)	12 June 2019	Domestic enterprise	Registered capital RMB200,000,000	49%	Property development
榮陽市雅恒置業有限公司 (Xingyang Yaheng Property Co., Ltd)	25 June 2019	Domestic enterprise	Registered capital RMB30,303,030	33%	Property development
武漢光谷芯動力地產開發有限公司 (Wuhan Optical Core Power Real Estate Development Co., Ltd)	14 April 2020	Domestic enterprise	Registered capital RMB50,000,000	30%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) †

For the year ended 31 December 2020

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

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2020	Principal activities
Joint ventures – established and operation conducted in Hong Kong					
Fast Right Investments Limited	7 May 2007	Limited liability company	2 ordinary shares of HK\$2	50%	Investment holding
Kingtron Enterprises Limited	14 June 2007	Limited liability company	2 ordinary shares of HK\$2	50%	Investment holding
Sky Asia Properties Limited	10 April 2017	Limited liability company	1 ordinary share of HK\$1	22.5%	Property development

38 Contingencies and financial guarantee contracts

(a) The Group had the following contingent liabilities:

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Guarantees in respect of mortgage facilities for certain purchasers	24,376,406	19,119,460

Note:

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

† NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

38 Contingencies and financial guarantee contracts (CONTINUED)

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

	Year of maturity	As at 31 December	
		2020 RMB'000	2019 RMB'000
Guarantee in respect of borrowings	2020-2023	11,486,391	9,503,366

Note:

The Group and other shareholders provided guarantees in proportion of their respective equity interests in certain joint ventures and associated companies for their bank borrowings and other financial institutions borrowings. These guarantees are not expected to result in significant outflow of the Group's resources and no financial liability is recognised in this connection as the estimated fair value on financial guarantee contract loss is insignificant.

(c) Contingencies for litigation

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

For other outstanding litigation against the Group as at 31 December 2020, it is expected that they would not have significant impact to the Group.

39 Commitments

Commitments for capital and property development expenditure

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Contracted but not provided for		
– Property and equipment	1,573,524	2,448,055
– Land use rights (including those related to associated companies and joint ventures)	10,545,643	26,959,655
– Properties being developed by the Group for sale	46,323,531	43,023,356
	58,442,698	72,431,066

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) †

For the year ended 31 December 2020

40 Significant acquisition or disposal of subsidiaries and transactions with NCI

Saved as disclosed in Note 20 and Note 23 in respect of the CPS and the spin off and separate listing of Shimao Services, the Group has the following significant acquisition or disposal of subsidiaries and transactions with NCI.

(a) Certain joint ventures transferred to subsidiaries

For the year ended 31 December 2020, the Group acquired the equity interests of certain joint ventures of the Group, at a consideration of RMB2,199,522,000. After the acquisition, the Group gained control over these companies pursuant to the revised articles of association. The fair value of the investment in the joint venture was RMB1,955,522,000 before the acquisition. The purchase resulted in a net cash inflow of RMB81,068,000 was recognised from the acquisition.

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

	RMB'000
Total purchase consideration	
Cash consideration paid	2,199,522
Fair value of investments in joint ventures held before business combinations	1,955,522
	4,155,044
Total recognised amounts of identifiable assets acquired and liabilities assumed:	
Cash and cash equivalents	2,280,590
Properties under development	25,303,501
Trade and other receivables and prepayments	4,735,069
Prepaid income taxes	340,330
Property and equipment and intangible assets (Note 6) (Note 9)	8,439
Deferred income tax assets (Note 15)	152,019
Borrowings	(7,365,900)
Contract liabilities	(14,520,063)
Deferred income tax liabilities (Note 15)	(94,782)
Income tax payable	(561,494)
Trade and other payables	(5,562,034)
	4,715,675
Non-controlling interests	(560,631)
	4,155,044
Outflow of cash to acquire business, net of cash acquired:	
Cash consideration paid	(2,199,522)
Cash and cash equivalents in the entities acquired	2,280,590
	81,068
Net cash inflow from the acquisition	81,068

✦ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

40 Significant acquisition or disposal of subsidiaries and transactions with NCI (CONTINUED)

(b) Acquisition of subsidiaries

For the year ended 31 December 2020, the Group acquired the equity interests of certain companies, at a total consideration of RMB1,867,872,000. The Group gained control over these companies pursuant to the revised articles of association. The purchase resulted in a net cash inflow of RMB179,299,000.

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

	RMB'000
Total purchase consideration	
Cash consideration paid	1,867,872
Total recognised amounts of identifiable assets acquired and liabilities assumed:	
Cash and cash equivalents	2,047,171
Completed properties held for sale	45,846
Properties under development	32,088,512
Trade and other receivables and prepayments	803,870
Prepaid income taxes	392,348
Property and equipment and intangible assets (Note 6) (Note 9)	734,500
Deferred income tax assets (Note 15)	115,078
Borrowings	(8,811,712)
Contract liabilities	(15,441,564)
Deferred income tax liabilities (Note 15)	(144,688)
Income tax payable	(429,365)
Trade and other payables	(9,831,981)
	1,568,015
Total identifiable net assets	1,568,015
Non-controlling interests	(539,970)
Goodwill (Note 9)	1,045,091
Negative goodwill (Note 28)	(205,264)
	1,867,872
Outflow of cash to acquire business, net of cash acquired	
Cash consideration paid	(1,867,872)
Cash and cash equivalents in the entities acquired	2,047,171
	179,299
Net cash inflow from the acquisition	179,299

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) †

For the year ended 31 December 2020

40 Significant acquisition or disposal of subsidiaries and transactions with NCI (CONTINUED)

(c) Disposal of subsidiaries with loss of control and remaining interest retained as joint venture

For the year ended 31 December 2020, the Group lost control of certain subsidiaries. The remaining interests of the Group in these joint ventures have a fair value of RMB1,554,900,000. The disposal resulted in a net cash outflow of RMB65,530,000 and net gains of RMB33,302,000.

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

	RMB'000
Cash and cash equivalents	414,213
Completed properties held for sale	438,116
Properties under development	3,939,260
Property and equipment and intangible assets (Note 6) (Note 9)	591,047
Trade and other receivables and prepayments	400,751
Prepaid income taxes	18,133
Deferred income tax assets (Note 15)	106,170
Trade and other payables	(1,190,003)
Contract liabilities	(1,628,671)
Total identifiable net assets	3,089,016
Non-controlling interests	(1,218,735)
Net assets attributable to the equity holders of the Company	1,870,281
Total consideration	348,683
Fair value of interests retained in joint ventures	1,554,900
Net assets disposed	(1,870,281)
Disposal gains (Note 28)	33,302
Total consideration	348,683
Less: cash and cash equivalents in the entities disposed	(414,213)
Net cash outflow due to disposal	(65,530)

(d) Transaction with non-controlling interests**(i) Capital contribution from non-controlling interests**

For the year ended 31 December 2020, non-controlling interests made several capital injections into the Group with total amount of RMB13,209,041,000, which was equal to the carrying amount of non-controlling interests acquired on the date of acquisition.

+ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

40 Significant acquisition or disposal of subsidiaries and transactions with NCI (CONTINUED)

(d) Transaction with non-controlling interests (continued)

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

For the year ended 31 December 2020, the Group acquired additional interests in the subsidiaries for a net consideration of RMB6,380,051,000. The Group recognised a decrease in non-controlling interests of RMB5,804,687,000 and a decrease in the equity attributable to the equity holders of the Company of RMB575,364,000. The effect of changes in the ownership interest of the Group on the equity attributable to the equity holders of the Company during the year is summarised as follows:

	The date of acquisition RMB'000
Carrying amount of non-controlling interests acquired	5,804,687
Consideration paid in current period to non-controlling interests	(6,380,051)
Excess of consideration paid recognised in equity	(575,364)

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

41 Related party transactions

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

- (a) Other than those disclosed elsewhere in the consolidated financial statements, the Group entered into the following major related party transactions.

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Brand management fee income	443,369	247,523
Construction material sold to related companies	205,468	78,933
	648,837	326,456

(b) Key management compensation

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Emoluments		
– Salaries and other short-term employee benefits	20,247	20,152
– Retirement scheme contributions	152	131
	20,399	20,283

42 Events after the reporting period

On 11 January 2021, the Company issued senior notes with total principal of US\$872,000,000 at a fixed interest rate of 3.45% due on 11 January 2031.

43 Approval of the consolidated financial statements

The consolidated financial statements were approved by the Company's board of directors on 30 March 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) †

For the year ended 31 December 2020

44 Balance sheet and reserve movement of the Company

Balance sheet of the Company

	Audited 31 December 2020 RMB'000	Audited 31 December 2019 RMB'000
ASSETS		
Non-current assets		
Interests in subsidiaries	41,993,056	40,228,627
Other non-current assets	–	419,946
	41,993,056	40,648,573
Current assets		
Other receivables	4,802	11,487
Derivate financial instruments	2,337	63,004
Dividends receivable from subsidiaries	40,022,967	30,787,361
Cash and cash equivalents	521,833	153,541
	40,551,939	31,015,393
Total assets	82,544,995	71,663,966
EQUITY		
Equity attributable to the equity holders of the Company		
Share capital	362,850	341,575
Reserves		
– Proposed final dividend	3,259,104	2,671,213
– Others	15,624,118	6,211,031
Total equity	19,246,072	9,223,819
LIABILITIES		
Non-current liabilities		
Borrowings	41,215,591	54,936,425
Current liabilities		
Borrowings	21,191,238	6,491,752
Other payables and accrued expenses	825,020	978,010
Amounts due to subsidiaries	33,960	33,960
Derivative financial instruments	33,114	–
	22,083,332	7,503,722
Total liabilities	63,298,923	62,440,147
Total equity and liabilities	82,544,995	71,663,966
Net current assets	18,468,607	23,511,671
Total assets less current liabilities	60,461,663	64,160,244

The financial statements on pages 179 to 180 were approved by the Board of Directors on 30 March 2021 and were signed on its behalf.

Hui Wing Mau
Director

Hui Sai Tan, Jason
Director

✦ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

44 Balance sheet and reserve movement of the Company (CONTINUED)

Reserve movement of the Company

	Share premium RMB'000 (Note (i))	Share-based compensation reserve RMB'000 (Note (ii))	Capital redemption reserve RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2019	512,879	404,226	4,949	4,617,149	5,539,203
Profit for the year	–	–	–	7,028,179	7,028,179
Equity-settled share-based payment					
– Value of employee services	–	125,171	–	–	125,171
– Dividends received	10,674	–	–	–	10,674
2018 final dividend paid	–	–	–	(2,031,640)	(2,031,640)
2019 interim dividend paid	–	–	–	(1,789,343)	(1,789,343)
Balance at 31 December 2019	523,553	529,397	4,949	7,824,345	8,882,244
Representing:					
Proposed final dividend				2,671,213	2,671,213
Others				5,153,132	6,211,031
				7,824,345	8,882,244
Balance at 1 January 2020	523,553	529,397	4,949	7,824,345	8,882,244
Profit for the year	–	–	–	8,596,416	8,596,416
Placing and subscription of shares	6,238,448	–	–	–	6,238,448
Equity-settled share-based payment					
– Value of employee services	–	119,457	–	–	119,457
– Dividends received	4,935	–	–	–	4,935
2019 final dividend paid	–	–	–	(2,766,179)	(2,766,179)
2020 interim dividend paid	–	–	–	(2,192,100)	(2,192,100)
Balance at 31 December 2020	6,766,936	648,854	4,949	11,462,482	18,883,221
Representing:					
Proposed final dividend				3,259,104	3,259,104
Others				8,203,378	15,624,117
				11,462,482	18,883,221

Notes:

- (i) Pursuant to Section 34 of the Cayman Companies Law (2003 Revision) and the Articles of Association of the Company, share premium of the Company is available for distribution to shareholders subject to a solvency test on the Company and the provision of the Articles of Association of the Company.
- (ii) Share-based compensation reserve represents value of employee services in respect of share options granted under the share option schemes and shares granted under the Share Award Scheme (Note 22(b)).



SHIMAO GROUP HOLDINGS LIMITED
世茂集團控股有限公司