



2024

INTERIM REPORT 中期報告

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

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CORPORATE INFORMATION

Board of Directors

Executive Directors

Hui Sai Tan, Jason (*Chairman and President*)
Xie Kun
Zhao Jun

Non-executive Director

Shao Liang

Independent Non-executive Directors

Lyu Hong Bing
Lam Ching Kam
Fung Tze Wa

Audit Committee

Fung Tze Wa (*Committee Chairman*)
Lyu Hong Bing
Lam Ching Kam

Remuneration Committee

Lyu Hong Bing (*Committee Chairman*)
Lam Ching Kam
Fung Tze Wa

Nomination Committee

Lam Ching Kam (*Committee Chairman*)
Lyu Hong Bing
Fung Tze Wa

Company Secretary

Lam Yee Mei, Katherine

Auditor

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Registered Office

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Grand Cayman KY1-1111
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

Principal Share Registrar and Transfer Office

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Place of Listing

The Stock Exchange of Hong Kong Limited
Stock code: 813

Investor and Media Relations

Investor Relations Department
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PRESIDENT'S STATEMENT

Dear shareholders,

I hereby represent Shimao Group Holdings Limited (“Shimao Group”, “Shimao” or the “Company”) and its subsidiaries (collectively, the “Group”) to present the interim results of the Group for the six months ended 30 June 2024.

Market and Outlook

In the first half of 2024, the property market of China continued to undergo adjustments, as evidenced by no sign of rebound from weak sales in commercial properties, the downward trend in housing prices and a lack of stable upward momentum in the short term. Policywise, the government continued to set the tone for easing and the idea was shifted from the supply side to the demand side, with a clear focus on destocking and stabilizing property prices. In March, it was pointed out in the government work report that “We will refine real estate policies and give support to meet the reasonable financing needs of real estate enterprises under various forms of ownership on an equal basis”. Subsequently, at the meeting of the Political Bureau of the Central Committee, the tone of property market policies was set, proposing to do “coordinated research on policies and measures to digest existing real estate inventory and optimize new housing supply” and the new package of real estate policies highlighted stabilization and destocking. In July, the Third Plenary Session of the 20th Central Committee of the Communist Party of China (CPC) proposed to “reform the financing channels of real estate development and the pre-sale mechanism of commercial properties”. All these means real estate enterprises will be bracing for a long period of time for transformation and development. However, with prolonged weak market confidence, the notable improvement in the new housing market has not been seen, and it will need some time for such policies to take effect.

Though real estate market remained depressed, the Group believes the downward trend is expected to slow as various policies take hold. Looking ahead to the second half of 2024, the real estate market will still face adjustment pressure, where the new housing sector may continue to search for the bottom. Financial conditions will remain loose in the market and more policies from the central government for destocking and stabilization can be expected, which should boost the market continuously.

Operational Strategy

In the face of persistent challenges from multiple aspects, Shimao Group has been steadfast in its thinking, unified in its understanding and worked together to maintain its diversity and creativity so as to tackle problems with flexibility amid industry transformation. By fully utilizing the driving force of “three advantages” in the products, delivery and diversity, the Company, with operation as its foothold, thoroughly applied the business concepts of “returning to products and services and creating values for customers”. At the same time, the Company prioritized risk prevention and mitigation and strived to maintain smooth operation of daily activities.

In the first half of 2024, the Group continued to take on prudent business strategies, suspended the acquisition of land and strengthened the refined management over existing projects. The Group focused on the revitalization of its internal assets and continued to unleash its potential to maximize the asset values. The Group achieved targeted supply and efficient delivery, which represented proper preparation of products in advance, reasonable cost control and product quality delivery during the process, and realization of closed loop sales in the end. Against the backdrop of slow recovery in the property market, the Group’s contracted sales for the first half of 2024 amounted to RMB17.09 billion; contracted gross floor area was 1.313 million sq.m..

PRESIDENT'S STATEMENT

With respect to production and operation, the Group continued to ensure delivery while meeting the construction schedule. Through classifying projects into different levels and types for management, the Group made precise and effective resource allocation according to needs. It focused on productivity and created satisfactory projects. In the first half of 2024, the Group achieved cumulative delivery of approximately 25,000 units with 58 batches of units for 41 projects across 34 cities in China. In the second half of the year, the Group will bear in mind its aspiration and operation philosophy of “providing quality products and services” by improving quality and efficiency of operation and management, and make targeted efforts to achieve its full-year operational targets.

With respect to financial management, the Group has been monitoring its cash flow balance and fund balance, particularly the reasonableness of funds utilization, aiming to secure the funds needed for project delivery and to push ahead with production and operation. Meanwhile, Shimao Group has been actively pushing forward the restructuring of the onshore and offshore indebtedness and solving the debt issues through communications and negotiations with its creditors. In particular, the Group is accelerating the offshore debt restructuring and announced a detailed restructuring proposal on 25 March 2024, which was refined following several rounds of communication with creditors to complete the debt restructuring as early as practicable. Such move is set to create the best possible operation conditions for the Company and protect the interests of all investors in a fair manner.

Collaborative Development of Diversified Businesses

In the first half of 2024, all the Group's business sectors grew in a synergetic manner that drive sound development of the Group as a whole.

With respect to property management business, Shimao Services Holdings Limited (“Shimao Services”) delivered outstanding performance in market expansion by focusing on cash flow management, endeavored to enhance its operation and management capabilities by focusing on its core business, and explored new sources of income and cut down on expenses by reducing costs and increasing efficiency, thereby increased the profit margin. In the first half of 2024, Shimao Services recorded revenue of RMB4.032 billion, gross profit of RMB812 million and net profit of RMB211 million. Among which, property management services recorded revenue of RMB2.761 billion, representing a remarkable period-to-period growth of 5.7%. In addition, the gross floor area (“GFA”) under management of Shimao Services amounted to 247 million sq.m. and contracted GFA amounted to 333 million sq.m.. Gross profit margin of 20.1%, and net profit margin of 5.2% were achieved. In the future, Shimao Services will continue to focus on improving service quality, refining its management, enhancing its market expansion capability, so as to continuously improve the competitiveness of Shimao Services.

With respect to hotel business, with multiple factors such as increase in hotel supply, diversion of outbound travel demand, decline in business demand and consumers' increasing concern about value for money in travel, the hotel industry generally recorded a decline in performance in the first half of 2024. Against this background, Shimao Hotel still maintained growth, with total revenue amounted to RMB1.07 billion in the first half of the year, representing a period-to-period increase of 1.4%. The revenue per available room (RevPAR) had a period-to-period increase of 2.1%. Some Shimao hotels located in core cities benefited from the continuous recovery of international flights and the revival of demand from overseas source markets, showing strong performance growth. While maintaining the growth momentum in hotel performance, Shimao Hotel has increased its investment in the food and beverage segment to seek a breakthrough in its business, so as to drive sustainable growth in its food and beverage business in hotels.

PRESIDENT'S STATEMENT

With respect to commercial and entertainment business, the recovery momentum in the retail consumer market was relatively weak with people's consumption capacity and willingness to spend were still falling behind slightly. During the reporting period, the overall foot traffic of the Company's commercial projects under management accumulated a period-to-period increase of 8%, but sales accumulated a period-to-period decrease of nearly 5%. For the Company's office buildings under management, the overall occupancy rate was lower than the occupancy rate at the end of the previous year by 5-6 percentage points due to the impact of the macro-economy. In contrast, the overall recovery of the tourism market reached market expectations. Shanghai Dream City Park, which is under the Company's management, firmly grasped the opportunity from the recovery of the tourism market to achieve revenue growth in multiple channels. In the future, Shimao Commercial will seize the opportunity of policy orientation, take multiple measures and boost the confidence of merchants via a multi-pronged approach. At the operation and management level, Shimao Commercial will adhere to the guiding principle of "cash flow" as the core, strictly monitor the collection of receivables and keep expenditure within the limits of revenues.

Appreciation

On behalf of the Board, I would like to thank our shareholders, customers, partners and governments at all levels for their tremendous support. I would also like to extend my heartfelt gratitude and deepest respect to our directors, management and staff. Although surrounded by unknown challenges, with the experience we have accumulated, we are even more confident that "the future is now". In the second half of the year, Shimao will focus on the consolidation of the development model of "One Core with Two Complements" to build up its customers-oriented core competitiveness under the new circumstances. We will also ensure sound operation and management by prioritizing products, quality services and professional asset management, and fully enhance our agility to strive for sustainable development under the guidance of our corporate culture of "Together we fulfill responsibility, make breakthroughs and attain achievements".

Hui Sai Tan, Jason*Vice Chairman and President*

Hong Kong, 29 August 2024

Note: Mr. Hui Sai Tan, Jason was appointed as the Chairman of the Board on 1 September 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Property Development

1) *Recognized Sales Revenue*

Shimao Group Holdings Limited ("Shimao Group", "Shimao" or the "Company", together with its subsidiaries, the "Group") generates its revenue primarily from sales of properties, property management, hotel operation and commercial properties operation business. For the six months ended 30 June 2024, revenue of the Group reached RMB29.19 billion, representing a decrease of 3.9% as compared to the same period of 2023. During the period, revenue from property sales amounted to RMB23.17 billion, accounting for 79.4% of the total revenue and representing a decrease of 5.0% as compared to the same period of 2023. The recognized sales area was 1.508 million sq.m., representing a decrease of 25.4% as compared to the same period of 2023.

2) *Contracted Sales Performance*

In the first half of 2024, the property market of China continued to undergo adjustments, and there was no sign of rebound from weak sales in commercial properties. As the real estate market continued to contract, Shimao formulated detailed task schedules for each aspect of project sales and improved time efficiency, thereby improved the turnover rate. Through the effective establishment of a research and feedback mechanism for customer demands, Shimao managed to build a closed-loop system from demands to product delivery. Against the backdrop of where property market in most cities was still undergoing profound adjustments, the Group's contracted sales for the first half of 2024 amounted to RMB17.09 billion; contracted gross floor area was 1.313 million sq.m..

3) *Ensuring Delivery with Equal Emphasis on Quality and Quantity, and Targeted Supplies*

From the beginning of 2024, in response to the market downturn and the pressure on resources, the Group classified projects into different levels and types for management, made precise and effective resource allocation according to needs, and struck balance between expansion and stability based on the Group's overall resources and operations to ensure its stable operations. The Group achieved targeted supplies and ensured delivery with equal emphasis on quality and quantity by focusing on products themselves and setting exemplary examples. As of 30 June 2024, the Group had an area under construction of approximately 27.03 million sq.m. and an area completed of approximately 2.01 million sq.m. for the period. Meanwhile, the Group performed its corporate responsibility and focused on quality delivery. In the first half of the year, the Group achieved cumulative delivery of approximately 25,000 units with 58 batches of units for 41 projects across 34 cities in China, thus fulfilling its promise of happy delivery.

4) *Focusing on Internal Asset Revitalization and Continuing the Suspension of Land Acquisition*

In the first half of the year, the land auction market across China continued to be sluggish with shrinking transactions. Considering the downturn of the new housing market, in the first half of 2024, the Group continued to take on prudent business strategies, suspended the acquisition of land and strengthened the refined management of existing projects. The Group focused on the revitalization of its internal assets and continued to unleash its potential to maximize the asset values. As of 30 June 2024, the Group had over 270 projects and a total area of approximately 47.83 million sq.m. (before interests) land bank, which provided the necessary support for the Group's future sales and development.

MANAGEMENT DISCUSSION AND ANALYSIS

Property Management

In respect of property management business, Shimao Group is engaged in property management business through its subsidiary, Shimao Services Holdings Limited (“Shimao Services”).

In the first half of 2024, China’s economy continued to develop at a new stage, and the weak performance of the real estate industry was also reflected in the business development of the property services industry. During industry transformation, Shimao Services was determined to work hard with confidence, toughen themselves and build up their strength for long-term development.

Against the backdrop of the downturn of the overall economic development and the real estate industry, in the first half of 2024, Shimao Services delivered outstanding performance in market expansion by focusing on cash flow management, endeavored to enhance its operation and management capabilities by focusing on its core business, and explored new sources of income and cut down on expenses by reducing costs and increasing efficiency, thereby increased the profit margin. Shimao Services recorded revenue of RMB4,032 million, gross profit of RMB812 million and net profit of RMB211 million for the interim period. Among which, property management services recorded revenue of RMB2,761 million, representing a year-on-year growth of 5.7%. In addition, the gross floor area (“GFA”) under management amounted to 247 million sq.m. and the contracted GFA reached 333 million sq.m.. Gross profit margin of 20.1% and net profit margin of 5.2% were achieved for the period.

In the future, Shimao Services will continue to focus on improving service quality, improving operation and management capabilities, enhancing its market expansion capability, so as to improve the competitiveness of Shimao Services.

Hotel Operation

As of 30 June 2024, the Group had a total of 24 hotels in operation, including Conrad Shanghai, InterContinental Shanghai Wonderland, Sheraton Hong Kong Tung Chung Hotel, Conrad Xiamen, Hilton Wuhan Riverside, The Yuluxe Sheshan, Shanghai, a Tribute Portfolio Hotel, InterContinental Fuzhou, Hilton Nanjing Riverside, Hilton Shenyang, Hilton Changsha Riverside and Yuluxe Hotel Chengdu. Currently, the Group has more than 8,200 hotel guest rooms. In addition, the Group has four directly managed leased hotels, including ETHOS Hotel Wuhan Riverside, MiniMax Premier Hotel Shanghai Hongqiao, MiniMax Premier Hotel Chengdu Center and MiniMax Hotel Shanghai Songjiang, offering nearly 800 hotel guest rooms.

With multiple factors such as increase in hotel supply, diversion of outbound travel demand, decline in business demand and consumers’ increasing concern about value for money in travel, the domestic hotel industry generally recorded a decline in performance in the first half of 2024. Against this background, Shimao Hotel still maintained growth, with total revenue amounted to RMB1.07 billion in the first half of the year, representing a year-on-year increase of 1.4%. The revenue per available room (RevPAR) had a year-on-year increase of 2.1%. Among them, some Shimao hotels located in core cities benefited from the continuous recovery of international flights and the revival of demand from overseas source markets, showing strong performance growth. Conrad Shanghai, located in East Nanjing Road Pedestrian Street in Shanghai, achieved a 18% year-on-year growth in total revenue; Sheraton Hong Kong Tung Chung Hotel and Four Points by Sheraton Hong Kong Tung Chung, located in Hong Kong International Airport area, achieved a 43% year-on-year jump in total revenue riding on their pleasant facilities and quality services.

MANAGEMENT DISCUSSION AND ANALYSIS

Commercial Properties Operation

In respect of commercial properties operation, Shimao Group is principally engaged in the development of commercial properties through its subsidiary, Shanghai Shimao Co., Ltd. ("Shanghai Shimao"). Shanghai Shimao is determined to develop premium commercial complexes, and regards fulfilling the growing public demand for a better life as its impetus for development.

In the first half of 2024, despite the fact that China's overall economy remained stable, effective demand was insufficient in the short term. In respect of commercial projects under management, during the reporting period, the cumulative sales fell 5% as compared with the same period last year, with a year-on-year increase in foot traffic of 8%. As of the end of June 2024, the overall occupancy rate was close to 90%, which was approximate to that at the end of the previous year. In the case of the Company's office buildings under management, although the Company's office buildings under management are all located in the core districts of cities, and the Company has continued to improve leasing business through various means such as space optimization and demand creation, the overall occupancy rate has still declined due to the cost reduction by and the relocation of tenants. As of the end of June 2024, the overall occupancy rate of office buildings was less than 75%, which was lower than the occupancy rate at the end of the previous year by 5-6 percentage points. In contrast, the overall recovery of the tourism market reached market expectations. Shanghai Dream City Park, which is under the Company's management, firmly grasped the opportunity from the recovery of the tourism market. Through participation in OTA online promotions, completion of restaurant branding adjustments and optimization of performing arts content, we have achieved revenue growth in multiple channels.

In the future, Shimao Commercial will seize the opportunity of policy orientation, take multiple measures and boost the confidence of merchants via a multi-pronged approach. At the operation and management level, Shimao Commercial will adhere to the guiding principle of cash flow as the core, strictly monitor the collection of receivables, and keep expenditure within the limits of revenues.

Financial Analysis

Key consolidated income statement figures are set out below:

	1H 2024	1H 2023
	RMB million	RMB million
Revenue	29,195	30,394
Gross profit	15	3,124
Operating loss	(14,232)	(1,788)
Loss attributable to shareholders	(22,668)	(12,058)
Losses per share – Basic (RMB)	(5.98)	(3.18)

Revenue

For the six months ended 30 June 2024, the revenue of the Group was approximately RMB29,195 million (1H 2023: RMB30,394 million), representing a decrease of 3.9% over the corresponding period in 2023. 79.4% (1H 2023: 80.3%) of the revenue was generated from the sales of properties and 20.6% (1H 2023: 19.7%) from hotel operation, commercial properties operation, property management and others.

MANAGEMENT DISCUSSION AND ANALYSIS

The components of the revenue are set out as follows:

	1H 2024 RMB million	1H 2023 RMB million
Sales of properties	23,174	24,394
Hotel operation income	1,074	1,059
Commercial properties operation income	826	861
Property management income, and others	4,121	4,080
Total	29,195	30,394

* The income does not include revenue from the Group.

(i) Sales of Properties

Sales of properties for the six months ended 30 June 2024 and 2023 are set out below:

	1H 2024		1H 2023	
	Area (sq.m.)	RMB million	Area (sq.m.)	RMB million
Northern Region	280,240	9,988	79,457	790
Midwest Region	472,984	5,103	613,874	6,137
Southeast Region	486,836	4,118	403,638	5,750
Jiangsu, Zhejiang and Shanghai Region	268,189	3,965	924,624	11,717
Total	1,508,249	23,174	2,021,593	24,394

MANAGEMENT DISCUSSION AND ANALYSIS

(ii) Hotel Income

For the six months ended 30 June 2024, hotel operation income was approximately RMB1,074 million (1H 2023: RMB1,059 million) and slightly increased by 1.4%.

Hotel operation income is analysed as follows:

	Date of Commencement	1H 2024 RMB million	1H 2023 RMB million
Conrad Shanghai	September 2006	161	137
Four Points by Sheraton Hong Kong Tung Chung	January 2021	124	70
Sheraton Hong Kong Tung Chung Hotel	December 2020	93	82
InterContinental Shanghai Wonderland	November 2018	66	95
Conrad Xiamen	August 2016	65	72
Hilton Wuhan Riverside	July 2016	52	64
The Yuluxe Sheshan, Shanghai, a Tribute Portfolio Hotel	November 2005	51	56
Hilton Changsha Riverside	July 2021	50	58
InterContinental Fuzhou	January 2014	49	45
Hilton Nanjing Riverside	December 2011	47	48
Hilton Shenyang	January 2018	41	48
Crowne Plaza Shaoxing	March 2014	39	43
Hilton Yantai	August 2017	33	34
Hilton Tianjin Eco-City	April 2015	33	22
Yuluxe Hotel Chengdu	August 2018	30	30
Le Méridien Hangzhou Binjiang	September 2018	28	31
DoubleTree by Hilton Ningbo Beilun	December 2016	25	27
Yuluxe Hotel Taizhou	August 2014	13	13
Holiday Inn Mudanjiang	December 2010	11	8
DoubleTree by Hilton Ningbo Chunxiao	December 2015	10	13
MiniMax Hotel Chengdu Longquanyi	October 2021	6	6
Others		47	57
Total		1,074	1,059

MANAGEMENT DISCUSSION AND ANALYSIS

(iii) Commercial properties operation income

Commercial properties operation income decreased by approximately 4.1% to RMB826 million for the six months ended 30 June 2024 from RMB861 million over the corresponding period in 2023. Rental income decreased by 1.3%, and commercial properties operating related service income decreased by 11.8%. The decrease in income was mainly due to macroeconomic weakness, resulting in a decrease rental rates.

Commercial properties operation income is analysed as follows:

	Date of Commencement	1H 2024 RMB million	1H 2023 RMB million
Rental Income			
Shanghai Shimao Festival City	December 2004	109	107
Jinan Shimao Festival City	May 2014	71	70
Beijing Shimao Tower	July 2009	63	64
Chengdu Shimao Festival City	April 2021	55	56
Shanghai Shimao Tower	December 2018	50	50
Shenzhen Shimao Qianhai Center	July 2020	49	53
Changsha Shimao Global Financial Center	September 2020	34	21
Shaoxing Shimao Dear Town (Commercial)	May 2010	27	30
Kunshan Shimao Plaza	April 2012	27	22
Nanjing Straits City (Commercial)	December 2014	26	27
Nanjing Yuhua Shimao (Commercial)	December 2018	25	31
Xiamen Shimao Straits Mansion	January 2017	18	20
Xiamen Jimei Shimao Festival City	April 2021	18	6
Suzhou Shimao Canal Scene (Commercial)	June 2010	12	10
Quanzhou Shishi Shimao Skyscraper City	January 2017	10	6
Qingdao Shimao 52+	August 2020	6	7
Wuhu Shimao Riviera Garden (Commercial)	September 2009	4	5
Xuzhou Shimao Dongdu (Commercial)	January 2012	4	4
Miscellaneous rental income		17	44
Rental income sub-total		625	633
Commercial properties operation related service income		201	228
Total		826	861

(iv) Property management income, and others

Property management income, and others increased by approximately 1.0% to RMB4,121 million for the six months ended 30 June 2024 from RMB4,080 million over the corresponding period in 2023, which were mainly due to increased revenues from property management services.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of Sales

Cost of sales increased by 7.0% to approximately RMB29,180 million for the six months ended 30 June 2024 from RMB27,269 million for the six months ended 30 June 2023, which was mainly due to the increase in provision for impairment losses on properties.

Gross Profit Margin

For the six months ended 30 June 2024, the Group's gross profit margin was approximately 0.1% (1H 2023 gross profit margin: 10.3%). The decrease in gross profit margin was due to the following reasons: higher average costs were recognised such as land cost and construction cost; provision for impairment losses on properties increased, which was affected by the continuous downturn in the real estate industry.

Fair Value Losses on Investment Properties – Net

For the six months ended 30 June 2024, the Group recorded aggregate fair value losses of approximately RMB36 million (1H 2023: RMB802 million), mainly due to the decrease in fair value of investment property in Nanjing Yuhua Shimao Project. Aggregate net fair value losses after deferred income tax of approximately RMB9 million was RMB27 million (1H 2023: RMB602 million).

Other Income/other gains or (losses) – Net

For the six months ended 30 June 2024, the Group recognized net other losses of approximately RMB10,917 million (1H 2023: net other losses of RMB265 million), which mainly comprised loss of approximately RMB9,654 million on impairment of assets classified as held for sale, impairment loss on right-of-use assets of approximately RMB999 million and losses of approximately RMB615 million from the liquidation of several subsidiaries which were adjudged bankrupt and under receivership procedures.

Selling and Marketing Costs and Administrative Expenses

For the six months ended 30 June 2024, the Group's selling and marketing costs decreased by 50.6% to approximately RMB343 million from approximately RMB694 million for the same period in 2023. This decrease was in line with the decline in the Group's contracted sales during the period.

For the six months ended 30 June 2024, the Group's administrative expenses decreased by 16.6% to approximately RMB1,912 million from approximately RMB2,293 million for the same period in 2023. The Group's administrative expenses were mainly personnel costs, depreciation and amortization.

Provision for Impairment on Financial Assets

Given the combined impact of multiple unfavourable factors in macroeconomic, industry and financing environments, the Group made further provisions for expected credit losses of approximately RMB517 million for the six months ended 30 June 2024.

Finance Costs – Net

For the six months ended 30 June 2024, net finance costs was approximately RMB8,633 million, which showed no significant change compared to net finance costs of approximately RMB8,465 million for the six months ended 30 June 2023.

Taxation

The Group's tax provisions amounted to approximately RMB1,111 million for the period, in which PRC land appreciation tax ("LAT") was RMB605 million (1H 2023: RMB898 million, in which LAT was RMB407 million). The increase in LAT was mainly due to the decrease in tax reimbursement.

MANAGEMENT DISCUSSION AND ANALYSIS

Loss Attributable to Shareholders

Loss attributable to shareholders for the six months ended 30 June 2024 increased to approximately RMB22.668 billion from approximately RMB12.058 billion for the six months ended 30 June 2023. The increase in loss was mainly due to the decrease in the Group's gross profit and the increase in other losses.

Amounts due from Associated Companies and Joint Ventures

Amounts due from associated companies and joint ventures, represent proportional funding to the associated companies and joint ventures for the underlying projects by the Group, have decreased to approximately RMB55.942 billion as at 30 June 2024 from approximately RMB58.330 billion as at 31 December 2023.

Liquidity and Financial Resources

As at 30 June 2024, the Group had aggregate cash and bank balances (including restricted cash) of approximately RMB18,677 million, representing a decrease of approximately RMB2,755 million as compared to approximately RMB21,432 million at 31 December 2023, of which restricted cash of approximately RMB5,798 million (31 December 2023: RMB6,246 million) and guarantee deposits for construction of pre-sale properties with an amount of approximately RMB6,011 million (31 December 2023: RMB7,535 million) were included.

As at 30 June 2024, the total amount of borrowings was approximately RMB256.603 billion, representing a decrease of approximately RMB7.360 billion as compared to approximately RMB263.963 billion at 31 December 2023.

The Group's borrowings-to-assets ratio (total borrowings divided by total assets) was approximately 52.8% as at 30 June 2024 (31 December 2023: 48.6%). The Group's current ratio (current assets divided by current liabilities) was approximately 1.0 as at 30 June 2024 (31 December 2023: 1.0).

The maturity of the borrowings of the Group as at 30 June 2024 is set out as follows:

	RMB million
<i>Bank borrowings and borrowings from other financial institutions and bonds</i>	
Within 1 year	153,257
Between 1 and 2 years	27,618
Between 2 and 5 years	18,763
Over 5 years	8,631
<i>Senior notes</i>	
Within 1 year	48,334
Total	256,603

MANAGEMENT DISCUSSION AND ANALYSIS

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.

Pledge of Assets

As at 30 June 2024, the Group's total secured borrowings of approximately RMB221.814 billion were secured by its 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 RMB165.287 billion), and/or secured by the pledge of the shares or the equity interests of certain subsidiaries of the Group.

Capital and Property Development Expenditure Commitments

As of 30 June 2024, the Group had contracted capital and property development expenditure but not provided for amounted to RMB28.050 billion.

Employees and Remuneration Policy

As of 30 June 2024, the Group employed a total of 49,993 employees, among whom 1,002 were engaged in property development. Total remuneration for the period amounted to approximately RMB2.557 billion. The Group has adopted a performance-based rewarding system to motivate its staff. The board of directors of the Company (the "Board") adopted two share award schemes (the "Share Award Schemes") of the Company on 30 December 2011 and 3 May 2021 respectively. The board of directors of Shimao Services also adopted a share award scheme (the "Shimao Services Share Award Scheme") of Shimao Services on 28 June 2021. The purpose of the Share Award Schemes and the Shimao Services 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.

Updated Development and Auditor's Views towards Modified Audit Opinions of Annual Report 2023

(i) *Limitation of scope on the valuation of assets relating to a property project*

The Company has informed the auditor of the latest situation about the property project ("Subject Assets") and provided relevant information. The Company and the auditor have preliminarily reached a consensus on the solution of modification resulting from this matter. Details are as follows:

- (a) In June 2024, the Group was served with a court order from the PRC court, which mandated that a certain portion of the relevant outstanding debts shall be settled by way of transferring the rights and ownership of the Subject Assets to the relevant creditor. The auditor has obtained and reviewed the court documents and acknowledged the relevant facts.
- (b) Based on the above facts, the Company would properly account for the Subject Assets and relevant debts according to the applicable accounting standards, and recognise losses arising from the change in the value of the Subject Assets due to the mandated settlement in interim financial statements for the six months ended 30 June 2024. The Company has preliminarily reached an agreement with the auditor regarding aforesaid accounting treatment.

MANAGEMENT DISCUSSION AND ANALYSIS

- (c) Based on the recent discussion with the auditor and the documents reviewed by them, they are preliminarily of the view that the uncertainty with respect to the valuation of the Subject Assets will be eliminated upon the completion of the mandated settlement as mentioned above. Therefore, the relevant modified audit opinion toward the consolidated statement of financial position for the year ending 31 December 2024 is expected to be removed. However, having considered the brought forward effect of the opening balances of the Subject Assets, the auditor is preliminarily of the view that there is uncertainty with respect to the aforesaid loss recognised in the profit or loss for the year. As such, it is expected that there will be a modified audit opinion toward the opening balances of the Subject Assets and the respective loss recognised for the year ending 31 December 2024.

(ii) *Accounting treatment on a financing arrangement entered into between a subsidiary of the Group and a third-party trust company*

Based on the recent discussion with the auditor, they are preliminarily of the view that this modified opinion will be removed from the audit opinion for the year ending 31 December 2024 due to the fact that the relevant event was cleared in the previous year.

(iii) *Disclaimer of Opinion – Multiple Uncertainties Relating to Going Concern*

The uncertainty regarding ongoing operations is mainly influenced by external factors, including the current property market in China and the development of the Group's offshore debt restructuring. The Company has communicated with the auditor regarding the recent operational status and progress of offshore debt restructuring. The auditor expressed that they are not able to provide any concrete view at this moment. The auditor will assess the audit evidence to be obtained in the forthcoming annual audit for the year ending 31 December 2024 and reevaluate the audit opinion in this regard.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Share Award Schemes

Shimao Group Holdings Limited (the “Company”, together with its subsidiaries, the “Group”) and Shimao Services Holdings Limited (“Shimao Services”, together with its subsidiaries, the “Shimao Services Group”), a subsidiary of the Company, have adopted three share award schemes. The purpose of the share award schemes is to recognize the contributions by certain selected employees of the Group and Shimao Services Group and to provide them with incentives in order to retain them for the continual operation and development of the Group and Shimao Services Group and to attract suitable personnel for further development of the Group and Shimao Services Group.

No acceptance price of awarded shares will be payable upon acceptance of the awards and no purchase price is payable by the selected employees upon acceptance of awards granted under each share award scheme.

Details of each of the share award schemes are set out below:

1. 2011 Shimao Group Share Award Scheme

A share award scheme of the Company (the “2011 Shimao Group Share Award Scheme”) was initially adopted by the board (the “Board”) of directors of the Company (the “Directors”) on 30 December 2011 (the “Adoption Date I”), with subsequent amendments thereafter. On 26 March 2019, the Board approved the 2011 Shimao Group Share Award Scheme to be valid and effective until 30 December 2027. The participants of the 2011 Shimao Group Share Award Scheme include any employee (including directors, supervisors or senior management) of any member of the Group.

The maximum number of shares which can be awarded under the 2011 Shimao Group Share Award Scheme is 2% of the shares of the Company (the “Shimao Group Shares”) in issue as at the Adoption Date I (i.e. 69,319,016 Shimao Group Shares). The maximum number of Shimao Group Shares which may be subject to an award or awards to a selected employee under the 2011 Shimao Group Share Award Scheme must not exceed 1% of the total number of issued Shimao Group Shares as at the Adoption Date I (i.e. 34,659,508 Shimao Group Shares).

The number of Shimao Group Shares granted is determined based on the grantee’s position, experience, years of service, performance and contribution to the Group. The Shimao Group Shares granted will automatically lapse if the grantee, among other things, terminates his/her service or employment relationship with the Group and other circumstances as provided in accordance with the rules of the 2011 Shimao Group Share Award Scheme.

CORPORATE GOVERNANCE AND OTHER INFORMATION

During the six months ended 30 June 2024, no Shimao Group Share was granted, vested or cancelled under the 2011 Shimao Group Share Award Scheme. Details of the movement of Shimao Group Shares granted under the 2011 Shimao Group Share Award Scheme during the six months ended 30 June 2024 are set out below:

		Number of Shimao Group Shares				
		Outstanding as at 1 January 2024	Granted during the period	Vested during the period	Lapsed/ cancelled during the period	Outstanding as at 30 June 2024
Name of grantees	Date of grant					
Directors ^(Note 1)						
Hui Sai Tan, Jason	15 April 2020 ^(Note 2)	64,168	–	–	–	64,168
	15 April 2021 ^(Note 3)	55,325	–	–	–	55,325
		119,493	–	–	–	119,493
Xie Kun	15 April 2020 ^(Note 2)	48,445	–	–	–	48,445
	15 April 2021 ^(Note 3)	208,059	–	–	–	208,059
		256,504	–	–	–	256,504
Shao Liang (appointed on 26 April 2024)	15 April 2020 ^(Note 2)	32,680	–	–	–	32,680
	15 April 2021 ^(Note 3)	28,708	–	–	–	28,708
		61,388	–	–	–	61,388
Ye Mingjie (resigned on 26 April 2024)	15 April 2020 ^(Note 2)	41,518	–	–	(41,518)	–
Tang Fei (resigned on 1 September 2024)	15 April 2020 ^(Note 2)	72,272	–	–	–	72,272
	15 April 2021 ^(Note 3)	51,731	–	–	–	51,731
		124,003	–	–	–	124,003
Sub-total		602,906	–	–	(41,518)	561,388
Other Employees of the Group	15 April 2020 ^(Note 2)	800,133	–	–	(404,773)	395,360
	15 April 2021 ^(Note 3)	2,814,807	–	–	(918,688)	1,896,119
Sub-total		3,614,940	–	–	(1,323,461)	2,291,479
Total		4,217,846	–	–	(1,364,979) ^(Note 4)	2,852,867

CORPORATE GOVERNANCE AND OTHER INFORMATION

Notes:

1. According to the audited financial report of the Company for the year ended 31 December 2023, the five highest paid individuals of the Group include five Directors. Therefore, the Shimao Group Shares granted under the 2011 Shimao Group Share Award Scheme to the five highest paid individuals in aggregate are not disclosed separately.
2. Subject to the satisfaction of the vesting criteria and conditions of the 2011 Shimao Group Share Award Scheme, 60% of awarded Shimao Group Shares will be vested after 12 months from the date of grant and 40% of awarded Shimao Group Shares will be vested after 24 months from the date of grant. The closing price of the Shimao Group Shares immediately before the date on which the awards were granted was HK\$30.00 per share. The fair value of the awards at the date of grant was HK\$29.56 per share, based on the closing price of the Shimao Group Shares on that date.
3. Subject to the satisfaction of the vesting criteria and conditions of the 2011 Shimao Group Share Award Scheme, 60% of awarded Shimao Group Shares will be vested after 12 months from the date of grant and 40% of awarded Shimao Group Shares will be vested after 24 months from the date of grant. The closing price of the Shimao Group Shares immediately before the date on which the awards were granted was HK\$23.10 per share. The fair value of the awards at the date of grant was HK\$23.35 per share, based on the closing price of the Shimao Group Shares on that date.
4. 1,364,979 Shimao Group Shares were lapsed during the period.

Since the Adoption Date I and up to 30 June 2024, a total of 48,751,338 Shimao Group Shares have been granted under the 2011 Shimao Group Share Award Scheme, representing approximately 1.41% of the total number of issued Shimao Group Shares as at Adoption Date I. The number of Shimao Group Shares available for future grant under the 2011 Shimao Group Share Award Scheme were 20,567,678 Shimao Group Shares, representing approximately 0.54% of the total number of issued Shimao Group Shares as at the date of this report.

2. 2021 Shimao Group Share Award Scheme

Another share award scheme of the Company (the “2021 Shimao Group Share Award Scheme”) was adopted by the Board on 3 May 2021 (the “Adoption Date II”). Unless terminated earlier by the Board, the 2021 Shimao Group Share Award Scheme is valid and effective for a term of three years commencing on the Adoption Date II. The participants of the 2021 Shimao Group Share Award Scheme include any employee (including directors, supervisors or senior management) of any member of the Group and Shimao Services Group.

The maximum number of shares which can be awarded under the 2021 Shimao Group Share Award Scheme is 0.3% of the shares of Shimao Services (the “Shimao Services Shares”) in issue as at the Adoption Date II (i.e. 7,091,919 Shimao Services Shares). The maximum number of Shimao Services Shares which may be subject to an award or awards to a selected employee under the 2021 Shimao Group Share Award Scheme must not exceed 0.3% of the total number of issued Shimao Services Shares as at the Adoption Date II (i.e. 7,091,919 Shimao Services Shares).

The number of Shimao Services Shares granted is determined based on the grantee’s position, experience, years of service, performance and contribution to the Group and Shimao Services Group. The Shimao Services Shares granted will automatically lapse if the grantee, among other things, terminates his/her service or employment relationship with the Group or Shimao Services Group and other circumstances as provided in accordance with the rules of the 2021 Shimao Group Share Award Scheme.

CORPORATE GOVERNANCE AND OTHER INFORMATION

During the six months ended 30 June 2024, no Shimao Services Share was granted, vested, lapsed or cancelled under the 2021 Shimao Group Share Award Scheme. Details of the movement of the Shimao Services Shares granted under the 2021 Shimao Group Share Award Scheme during the six months ended 30 June 2024 are set out below:

Name of grantees ^(Note 1)	Date of grant ^(Note 2)	Number of Shimao Services Shares				Outstanding as at 30 June 2024
		Outstanding as at 1 January 2024	Granted during the period	Vested during the period	Lapsed/ cancelled during the period	
Employees of the Group (including the employees of Shimao Services Group)	10 May 2021	33,381	–	–	–	33,381

Notes:

1. According to the audited financial report of the Company for the year ended 31 December 2023, the five highest paid individuals of the Group include five Directors. The awarded Shimao Services Shares granted to the Directors were vested in these Directors in 2023. Therefore, the Shimao Services Shares granted under the 2021 Shimao Group Share Award Scheme to the five highest paid individuals in aggregate are not disclosed.
2. Subject to the satisfaction of the vesting criteria and conditions of the 2021 Shimao Group Share Award Scheme, 60% of awarded Shimao Services Shares will be vested after 12 months from the date of grant and 40% of awarded Shimao Services Shares will be vested after 24 months from the date of grant. The closing price of the Shimao Services Shares immediately before the date on which the awards were granted was HK\$19.74 per share. The fair value of the awards at the date of grant was HK\$19.80 per share, based on the closing price of the Shimao Services Shares on that date.

Since the Adoption Date II and up to 30 June 2024, a total of 6,865,821 Shimao Services Shares have been granted under the 2021 Shimao Group Share Award Scheme, representing approximately 0.29% of the total number of issued Shimao Services Shares as at Adoption Date II. As the 2021 Shimao Group Share Award Scheme was terminated on 3 May 2024, no further grant of Shimao Services Shares shall be made.

3. Shimao Services Shares Award Scheme

A share award scheme of Shimao Services (the “Shimao Services Share Award Scheme”) was adopted by the Board of Shimao Services on 28 June 2021 (the “Adoption Date III”). The Shimao Services Share Award Scheme shall be valid and effective for a term of ten years commencing on the Adoption Date III. The participants of the Shimao Services Share Award Scheme include any employee of any member of the Shimao Services Group.

The maximum number of Shimao Services Shares which can be awarded under the Shimao Services Share Award Scheme is 3% of the Shimao Services Shares in issue as at the Adoption Date III (i.e. 70,919,190 Shimao Services Shares). The maximum number of Shimao Services Shares which may be subject to an award or awards to a selected employee under the Shimao Services Share Award Scheme must not exceed 3% of the total number of issued Shimao Services Shares as at the Adoption Date III (i.e. 70,919,190 Shimao Services Shares).

The number of Shimao Services Shares granted is determined based on the grantee’s position, experience, years of service, performance and contribution to the Shimao Services Group. The Shimao Services Shares granted will automatically lapse if the grantee, among other things, terminates his/her service or employment relationship with the Shimao Services Group and other circumstances as provided in accordance with the rules of the Shimao Services Share Award Scheme.

CORPORATE GOVERNANCE AND OTHER INFORMATION

During the six months ended 30 June 2024, no Shimao Services Share was granted, vested or cancelled under the Shimao Services Share Award Scheme. Details of the movement of Shimao Services Shares granted under the Shimao Services Share Award Scheme during the six months ended 30 June 2024 are set out below:

		Number of Shimao Services Shares				
		Outstanding as at 1 January 2024	Granted during the period	Vested during the period	Lapsed/ cancelled during the period	Outstanding as at 30 June 2024
Name of grantees	Date of grant					
Directors of Shimao Services						
Cao Shiyang	16 November 2022 ^(Note 1)	96,945	–	–	–	96,945
	19 June 2023 ^(Note 2)	127,907	–	–	–	127,907
		224,852	–	–	–	224,852
Ye Mingjie (resigned on 26 April 2024)	19 June 2023 ^(Note 2)	374,610	–	–	(149,844)	224,766
Sub-total		599,462	–	–	(149,844)	449,618
Other Employees of Shimao Services Group	16 November 2022 ^(Note 1)	1,483,338	–	–	(235,827)	1,247,511
	19 June 2023 ^(Note 2)	2,636,161	–	–	(468,128)	2,168,033
Sub-total		4,119,499	–	–	(703,955)	3,415,544
Total		4,718,961	–	–	(853,799)^(Note 3)	3,865,162

Notes:

- Subject to the satisfaction of the vesting criteria and conditions of the Shimao Services Share Award Scheme, 60% of awarded Shimao Services Shares will be vested after 6 months from the date of grant and 40% of awarded Shimao Services Shares will be vested after 18 months from the date of grant. The closing price of the Shimao Services Shares immediately before the date on which the awards were granted was HK\$2.65 per Shimao Services Share. The fair value of the awards at the date of grant was HK\$2.29 per share, based on the closing price of the Shimao Services Shares on that date.
- Subject to the satisfaction of the vesting criteria and conditions of the Shimao Services Share Award Scheme, 60% of awarded Shimao Services Shares will be vested after 12 months from the date of grant and 40% of awarded Shimao Services Shares will be vested after 24 months from the date of grant. The closing price of the Shimao Services Shares immediately before the date on which the awards were granted was HK\$1.74 per Shimao Services Share. The fair value of the awards at the date of grant was HK\$1.68 per share, based on the closing price of the Shimao Services Shares on that date.
- 853,799 Shimao Services Shares were lapsed during the period.

Since the Adoption Date III and up to 30 June 2024, a total of 7,542,551 Shimao Services Shares have been granted under the Shimao Services Share Award Scheme, representing approximately 0.32% of the total number of issued Shimao Services Shares as at Adoption Date III. The number of Shimao Services Shares available for future grant under the Shimao Services Share Award Scheme were 63,376,639 Shimao Services Shares, representing approximately 2.57% of the total number of issued Shimao Services Shares as at the date of this report.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Change in Information of Directors

The changes in the information of the Directors which are required to be disclosed pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “HKEx”) since the publication of the 2023 annual report of the Company are set out below:

Name of Directors	Details of Changes
Mr. Shao Liang	Appointed as a Non-executive Director on 26 April 2024
Mr. Hui Sai Tan, Jason	Appointed as the Chairman of the Board on 1 September 2024
Mr. Zhao Jun	Appointed as an Executive Director on 1 September 2024
Mr. Ye Mingjie	Resigned as a Non-executive Director on 26 April 2024
Mr. Hui Wing Mau	Retired as the Chairman of the Board and an Executive Director on 1 September 2024
Ms. Tang Fei	Resigned as an Executive Director on 1 September 2024

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Disclosure of Interests in Securities

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

As at 30 June 2024, 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 (the “Model Code”) set out in Appendix C3 to the Listing Rules were as follows:

(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 (retired on 1 September 2024)	Interest of controlled corporation	2,422,840,586 ^(Note 1)	63.795%
Hui Sai Tan, Jason	Beneficial owner	3,682,198 ^(Note 2)	0.097%
Tang Fei (resigned on 1 September 2024)	Beneficial owner	1,241,103 ^(Note 3)	0.033%
Xie Kun	Beneficial owner	332,804 ^(Note 4)	0.009%
Shao Liang	Beneficial owner	61,388 ^(Note 5)	0.002%

CORPORATE GOVERNANCE AND OTHER INFORMATION

Notes:

1. The interests disclosed represent 2,045,746,316 Shimao Group Shares held by Gemfair Investments Limited ("Gemfair") and 377,094,270 Shimao Group 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 Shimao Group Shares held by Gemfair and Shiyang Finance.
2. The interests disclosed include deemed interests in 119,493 Shimao Group Shares granted under the 2011 Shimao Group Share Award Scheme.
3. The interests disclosed include deemed interests in 124,003 Shimao Group Shares granted under the 2011 Shimao Group Share Award Scheme.
4. The interests disclosed include deemed interests in 256,504 Shimao Group Shares granted under the 2011 Shimao Group Share Award Scheme.
5. The interests disclosed include deemed interests in 61,388 Shimao Group Shares granted under the 2011 Shimao Group Share Award Scheme.

(2) Long Position in the Shares of Associated Corporation – Shimao Services

Name of Directors	Capacity/ Nature of interests	Number of ordinary shares held	Approximate percentage of issued share capital
Hui Wing Mau (retired on 1 September 2024)	Interest of controlled corporation	1,593,276,680 ^(Note 1)	64.553%
	Other	1,290,412 ^(Note 2)	0.052%
Hui Sai Tan, Jason	Beneficial owner	57,129	0.002%
Tang Fei (resigned on 1 September 2024)	Beneficial owner	53,418	0.002%
Xie Kun	Beneficial owner	95,215	0.004%
Shao Liang	Beneficial owner	35,016	0.001%

Notes:

1. The interests disclosed represent 31,934,159 Shimao Services Shares held by Gemfair, 10,856,342 Shimao Services Shares held by Shiyang Finance and 1,550,486,179 Shimao Services Shares held by Best Cosmos Limited ("Best Cosmos"), a wholly-owned subsidiary of the Company. The Company is owned as to 53.866% by Gemfair and 9.929% by 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 Shimao Services Shares held by Gemfair, Shiyang Finance and Best Cosmos.
2. The interests disclosed represent deemed interests in 1,290,412 Shimao Services Shares granted under the 2021 Shimao Group Share Award Scheme of which Best Cosmos as the trustee to hold the awarded shares upon a trust established for the 2021 Shimao Group Share Award Scheme until awarded shares are vested.

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 six months ended 30 June 2024 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Interests of Substantial Shareholders

As at 30 June 2024, 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	2,045,746,316	53.866%
Overseas Investment Group International Limited ("Overseas Investment")	Note 2	2,045,746,316	53.866%
Shiyang Finance	Note 3	377,094,270	9.929%

Notes:

1. 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.
2. 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.
3. 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.

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

Directors' Interests in Competing Business

Pursuant to Rule 8.10 of the Listing Rules, the Company disclosed below that during the six months ended 30 June 2024, the following Director was considered to have interests in the following businesses which competed or were likely to compete, either directly or indirectly, with the businesses of the Group.

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

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

Continuing Disclosure Pursuant to Rule 13.21 of the Listing Rules

The Company entered into the following agreements:

- (1) 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.
- (2) A facility agreement on 14 September 2018 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\$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.
- (3) 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.
- (4) 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.
- (5) A facility agreement on 22 April 2021 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\$657,500,000 and HK\$5,128,500,000 have been made available to the Company for a term of 48 months from the date of the facility agreement.

As provided in each of the above agreements, if (a) Mr. Hui Wing Mau and his family together cease: (i) to be the single largest shareholder of the Company; or (ii) to maintain (directly or indirectly) at least 51% beneficial shareholding interest in the issued share capital of the Company; or (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.

The Board

As at the date of this report, 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. Their diverse range of business and professional expertise ensures that the Board has the skills and experience necessary to both promote the Company's success and monitor its affairs.

The Board has the collective responsibility for leadership and control of, and for promoting the success of, the Company by directing and supervising the Company's affairs. The Board sets strategies for the Company and monitors the performance and activities of the management. The Board is also responsible for performing the corporate governance duties set out in the code provision A.2.1 of the Corporate Governance Code (the "Code") as set out in Appendix C1 of the Listing Rules.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Audit Committee

The audit committee of the Company (the “Audit Committee”) consists of three members, all of whom being Independent Non-executive Directors, namely, Mr. Fung Tze Wa (as the chairman of the Audit Committee), Mr. Lyu Hong Bing and Mr. Lam Ching Kam.

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

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

The unaudited interim condensed consolidated results of the Group for the six months ended 30 June 2024 have been reviewed by the Audit Committee.

Remuneration Committee

The remuneration committee of the Company (the “Remuneration Committee”) consists of three members, all of whom being Independent Non-executive Directors, namely, Mr. Lyu Hong Bing (as the chairman of the Remuneration Committee), Mr. Lam Ching Kam and Mr. Fung Tze Wa.

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 award schemes.

Nomination Committee

The nomination committee of the Company (the “Nomination Committee”) consists of three members, all of whom being Independent Non-executive Directors, namely, Mr. Lam Ching Kam (as the chairman of the Nomination Committee), Mr. Lyu Hong Bing and Mr. Fung Tze Wa.

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

Company Secretary

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

Directors' Securities Transactions

The Company has adopted the Model Code as the code of conduct regarding securities transactions by the Directors. Before the Group's interim and annual results are announced, notifications are sent to the Directors to remind them not to deal in the securities of the Company during the blackout periods. The Company has made specific enquiry of all Directors and all Directors confirmed that they had complied with the required standard set out in the Model Code throughout the six months ended 30 June 2024.

Corporate Governance Code

The Company has complied with all the code provisions set out in the Code throughout the six months ended 30 June 2024, with the exception of code provision C.1.8.

Under code provision C.1.8, the Company should arrange appropriate insurance cover for legal action against its Directors. The Company has not yet made this insurance arrangement as director liability insurance with reasonable insurance premium while providing adequate suitable security to Directors has not yet been identified on the market.

Purchase, Sale or Redemption of Listed Securities

During the six months ended 30 June 2024:

1. Shanghai Shimao redeemed RMB3,408,600 of long-term bonds at a fixed interest rate of 4.15% on the Shanghai Stock Exchange ("SSE");
2. The Company increased its holdings of 102,378,663 shares of Shanghai Shimao on the SSE through its wholly-owned subsidiary, with an average share price of RMB1.07 per share; and
3. Shanghai Shimao repurchased 117,419,371 shares of Shanghai Shimao with its own funds on the SSE, with an average share price of RMB1.07 per share.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of its listed securities during the six months ended 30 June 2024.

Interim Dividend

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2024 (30 June 2023: Nil).

Choice of Language or Means of Receipt of Corporate Communications

This interim report is now available in printed form and on the websites of the Company (www.shimaogroup.hk) and Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk). If shareholders who have received or chosen (or are deemed to have chosen) to receive this interim report by electronic means but (i) wish to receive a printed copy; or (ii) for any reason have difficulty in receiving or gaining access to this report on the Company's website, they may obtain a printed copy free of charge by sending a request to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited ("Tricor Investor") by post to 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong or by email at 813-ecom@hk.tricorglobal.com.

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

On behalf of the Board

Hui Wing Mau
Chairman

Hong Kong, 29 August 2024

Note: Mr. Hui Wing Mau retired as the Chairman of the Board on 1 September 2024.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Notes	Six months ended 30 June	
		2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Revenue	5	29,194,689	30,393,587
Cost of sales	15	(29,179,830)	(27,269,253)
Gross profit		14,859	3,124,334
Fair value losses on investment properties – net		(35,738)	(802,085)
Other income/other gains or (losses) – net	16	(10,916,673)	(264,689)
Selling and marketing costs	15	(342,866)	(693,696)
Administrative expenses	15	(1,912,031)	(2,293,065)
Provision for impairment on financial assets	15	(517,144)	(324,205)
Other operating expenses	15	(522,762)	(534,562)
Operating loss		(14,232,355)	(1,787,968)
Finance income		66,650	97,845
Finance costs		(8,699,988)	(8,563,154)
Finance costs – net	17	(8,633,338)	(8,465,309)
Share of results of associated companies and joint ventures accounted for using the equity method		(238,342)	(472,575)
Loss before income tax		(23,104,035)	(10,725,852)
Income tax expenses	18	(1,110,649)	(898,127)
Loss for the period		(24,214,684)	(11,623,979)
Other comprehensive income/(loss) for the period			
<i>Items that will not be reclassified to profit or loss:</i>			
Fair value (loss)/gain on financial assets at fair value through other comprehensive income, net of tax		(8)	198
Share of other comprehensive income of joint ventures accounted for using the equity method		44,241	27,991
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		13,503	4,282
Total comprehensive loss for the period		(24,156,948)	(11,591,508)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)
For the six months ended 30 June 2024

		Six months ended 30 June	
	Notes	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
(Loss)/profit for the period attributable to:			
– Equity holders of the Company		(22,667,515)	(12,057,786)
– Non-controlling interests		(1,547,169)	433,807
		(24,214,684)	(11,623,979)
Total comprehensive (loss)/income for the period attributable to:			
– Equity holders of the Company		(22,624,743)	(12,035,326)
– Non-controlling interests		(1,532,205)	443,818
		(24,156,948)	(11,591,508)
Loss per share for loss attributable to the equity holders of the Company			
– Basic (RMB)	20	(5.98)	(3.18)
– Diluted (RMB)	20	(5.98)	(3.18)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

	Notes	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property and equipment	6	15,337,502	17,039,656
Right-of-use assets		5,876,769	7,081,816
Investment properties		45,908,581	60,847,476
Intangible assets		2,647,511	2,729,081
Investments accounted for using the equity method		16,483,952	17,671,636
Amounts due from related parties	7	5,875,181	5,945,686
Financial assets at fair value through other comprehensive income		384,236	384,244
Deferred income tax assets		1,276,777	1,579,054
Other non-current assets		2,417,242	2,239,654
		96,207,751	115,518,303
Current assets			
Inventories		246,588,828	276,518,212
Trade and other receivables and prepayments	8	39,561,696	40,292,835
Prepayment for acquisition of land use rights		3,993,222	4,067,851
Prepaid income taxes		1,974,839	2,539,869
Amounts due from related parties	7	67,503,724	70,578,540
Restricted cash	9	5,797,902	6,245,890
Cash and cash equivalents	9	12,878,617	15,186,591
		378,298,828	415,429,788
Assets/assets of a disposal group classified as held for sale	10	11,078,011	12,302,304
		389,376,839	427,732,092
Total assets		485,584,590	543,250,395
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	11	384,165	384,165
Reserves		(8,138,840)	14,331,786
		(7,754,675)	14,715,951
Non-controlling interests			
Perpetual capital instruments		–	1,541,000
Other non-controlling interests		32,297,128	34,994,079
		32,297,128	36,535,079
Total equity		24,542,453	51,251,030

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2024

	Notes	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
LIABILITIES			
Non-current liabilities			
Borrowings	12	55,011,746	64,555,626
Lease liabilities		36,613	41,481
Deferred income tax liabilities		7,493,670	7,535,816
		62,542,029	72,132,923
Current liabilities			
Trade and other payables	13	78,574,569	86,807,924
Contract liabilities		67,431,609	85,834,358
Dividend payable		879,453	873,188
Income tax payable		20,391,836	20,367,316
Borrowings	12	201,591,190	199,407,588
Lease liabilities		40,321	56,239
Amounts due to related parties	14	18,513,119	19,547,025
		387,422,097	412,893,638
Associated liabilities/liabilities of a disposal group classified as held for sale	10	11,078,011	6,972,804
		398,500,108	419,866,442
Total liabilities		461,042,137	491,999,365
Total equity and liabilities		485,584,590	543,250,395

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

	Notes	Attributable to the equity holders of the Company					Perpetual capital instruments	Other non-controlling interests	Total
		Share capital	Share premium	Other reserves	Accumulated losses	Total			
		RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Balance as at 1 January 2024		384,165	5,374,683	12,998,610	(4,041,507)	14,715,951	1,541,000	34,994,079	51,251,030
Comprehensive loss									
Loss for the period		-	-	-	(22,667,515)	(22,667,515)	(178,698)	(1,368,471)	(24,214,684)
Other comprehensive (loss)/income for the period									
<i>Items that will not be reclassified to profit or loss</i>									
Fair value loss on financial assets at fair value through other comprehensive income, net of tax		-	-	(8)	-	(8)	-	-	(8)
Share of other comprehensive income of joint ventures accounted for using the equity method		-	-	29,277	-	29,277	-	14,964	44,241
<i>Items that may be reclassified to profit or loss</i>									
Exchange differences on translation of foreign operations		-	-	13,503	-	13,503	-	-	13,503
Total comprehensive (loss)/income for the period		-	-	42,772	(22,667,515)	(22,624,743)	(178,698)	(1,353,507)	(24,156,948)
Capital contribution from non-controlling interests of subsidiaries	23(c)(i)	-	-	-	-	-	-	2,490	2,490
Changes in ownership interests in subsidiaries without change of control	23(c)(ii)	-	153,466	-	-	153,466	-	(1,186,480)	(1,033,014)
Disposal of subsidiaries	23(a)	-	-	-	-	-	-	194,621	194,621
Liquidation of subsidiaries	23(b)	-	-	-	-	-	-	(192,463)	(192,463)
Equity-settled share-based payment									
– Value of employee services		-	-	651	-	651	-	-	651
Appropriation to reserve		-	-	20,999	(20,999)	-	-	-	-
Settlement of perpetual capital instruments by a new loan		-	-	-	-	-	(1,362,302)	-	(1,362,302)
Dividends and distributions		-	-	-	-	-	-	(161,612)	(161,612)
Total transactions with owners		-	153,466	21,650	(20,999)	154,117	(1,362,302)	(1,343,444)	(2,551,629)
Balance at 30 June 2024		384,165	5,528,149	13,063,032	(26,730,021)	(7,754,675)	-	32,297,128	24,542,453

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2024

	Attributable to the equity holders of the Company					Perpetual capital instruments	Other non- controlling interests	Total
	Share capital	Share premium	Other reserves	Retained earnings	Total			
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Balance as at 1 January 2023	384,165	4,976,615	14,229,027	16,935,674	36,525,481	1,693,620	41,285,984	79,505,085
Comprehensive (loss)/income								
(Loss)/profit for the period	–	–	–	(12,057,786)	(12,057,786)	44,322	389,485	(11,623,979)
Other comprehensive (loss)/income for the period								
<i>Items that will not be reclassified to profit or loss</i>								
Fair value gain on financial assets at fair value through other comprehensive income, net of tax	–	–	198	–	198	–	–	198
Share of other comprehensive income of joint ventures accounted for using the equity method	–	–	17,980	–	17,980	–	10,011	27,991
<i>Items that may be reclassified to profit or loss</i>								
Exchange differences on translation of foreign operations	–	–	4,282	–	4,282	–	–	4,282
Total comprehensive (loss)/income for the period	–	–	22,460	(12,057,786)	(12,035,326)	44,322	399,496	(11,591,508)
Capital contribution from non-controlling interests of subsidiaries	–	–	–	–	–	–	3,335	3,335
Changes in ownership interests in subsidiaries without change of control	–	12,020	–	–	12,020	–	(481,962)	(469,942)
Disposal of subsidiaries	–	–	–	–	–	–	(501,103)	(501,103)
Liquidation of a subsidiary	–	–	–	–	–	–	(123,977)	(123,977)
Equity-settled share-based payment								
– Value of employee services	–	–	7,136	–	7,136	–	–	7,136
Share award scheme of a subsidiary	–	–	(14,271)	–	(14,271)	–	–	(14,271)
Appropriation to reserve	–	–	(83,713)	83,713	–	–	–	–
Perpetual capital instruments dividends	–	–	–	–	–	(196,942)	–	(196,942)
Dividends and distributions	–	–	–	–	–	–	(372,649)	(372,649)
Total transactions with owners	–	12,020	(90,848)	83,713	4,885	(196,942)	(1,476,356)	(1,668,413)
Balance at 30 June 2023	384,165	4,988,635	14,160,639	4,961,601	24,495,040	1,541,000	40,209,124	66,245,164

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Cash flows from operating activities		
Net cash generated from operations	(1,265,375)	2,455,036
Interest received	66,650	97,845
Interest paid	(288,832)	(1,006,239)
PRC income tax paid	(474,851)	(1,891,977)
Net cash used in operating activities	(1,962,408)	(345,335)
Cash flows from investing activities		
Additions of property and equipment and investment properties	(83,492)	(94,224)
Disposal of property and equipment	64,130	615,860
Disposal of investment properties	285,000	81,174
Purchase of intangible assets	(2,285)	(284)
Net cash inflow/(outflow) on disposal of subsidiaries	187,310	(153,572)
Net cash outflow on liquidation of subsidiaries	(2,260)	(132,129)
Repayment from joint ventures and associated companies	214,105	511,881
Advances to non-controlling interest	–	(5,871)
Disposal of shares of joint ventures	–	28,999
Decrease in receivables from disposals of equity interests	–	7,273
Dividends received from associated companies and joint ventures	9,500	57,444
Net cash generated from investing activities	672,008	916,551
Cash flows from financing activities		
Proceeds from borrowings	2,073,969	4,771,528
Repayments of borrowings	(2,601,713)	(8,175,683)
Purchases of shares of a subsidiary under its share award scheme	–	(14,271)
Capital contribution from non-controlling interests of subsidiaries	2,490	3,335
Acquisition of additional interests in subsidiaries	(234,350)	(54,351)
Dividends paid to non-controlling interests	(44,732)	(29,699)
Repayments to non-controlling interests	(302,724)	–
Repayments to joint ventures and associated companies	(78,938)	(615,115)
Advances from the controlling shareholder	–	193,839
Decrease in restricted cash pledged for borrowings	206,399	1,660,809
Lease payment	(41,071)	(33,720)
Net cash used in financing activities	(1,020,670)	(2,293,328)
Net decrease in cash and cash equivalents	(2,311,070)	(1,722,112)
Cash and cash equivalents at the beginning of the period	15,186,591	22,034,517
Effect of foreign exchange rate changes	3,096	36,831
Cash and cash equivalents at the end of the period	12,878,617	20,349,236

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

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 interim condensed consolidated financial statements are presented in thousands of Renminbi (“RMB’000”), unless otherwise stated.

2. Basis of preparation

These interim condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These interim condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2023. The accounting policies and methods of computation used in the preparation of these interim condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2023.

Going concern basis

For the six months ended 30 June 2024, the Group incurred a loss attributable to equity holders of the Company of approximately RMB22.7 billion. As at 30 June 2024, the Group had borrowings in total of approximately RMB256.6 billion, out of which approximately RMB201.6 billion will be due for repayment within the next twelve months, while its total cash (including cash and cash equivalents and restricted cash) amounted to approximately RMB18.7 billion. As at 30 June 2024, the Group had not repaid borrowings of RMB172.8 billion in aggregate according to their scheduled repayment dates. Up to the date of these interim condensed consolidated financial statements, the Group had not repaid borrowings with the outstanding amount of RMB175.4 billion in aggregate according to their scheduled repayment dates. A winding-up petition against the Company (the “Petition”) dated 5 April 2024 was filed by China Construction Bank (Asia) Corporation Limited at the High Court of the Hong Kong Special Administrative Region (the “High Court”) in connection with a financial obligation of the Company in the amount of approximately HK\$1,579.5 million. On 8 August 2024, the High Court has further adjourned the hearing for the Petition to 16 December 2024. In addition, the Group was involved in various litigation and arbitration cases for various reasons.

The above events or conditions indicate the existence of material uncertainties which may cast significant doubt on the Group’s ability to continue as a going concern and, therefore, that the Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2024

2. Basis of preparation (CONTINUED)**Going concern basis** (continued)

In view of such circumstances, the directors of the Company ("Directors") have devised a number of plans and measures to mitigate the liquidity pressure and to improve its financial position. Certain plans and measures have been or will be taken by the Directors include, but are not limited to, the following:

- (i) during the six months ended 30 June 2024 and up to the date of these interim condensed consolidated financial statements, the Group has been actively pushing forward the proposed restructuring of the offshore indebtedness of the Group, including the US\$-denominated senior notes with a total principal amount of approximately US\$6.8 billion and borrowings from various offshore banks and financial institutions with the total principal amounts of approximately US\$2.1 billion and HK\$20.4 billion. The Group, together with its financial advisers, continues to maintain constructive dialogues with various groups of creditors and endeavours to reach agreements with them on the proposed restructuring of the offshore indebtedness as soon as possible. The Directors are confident in obtaining support from the relevant creditors and completing the proposed restructuring;
- (ii) the Group will continuously focus on the acceleration of sales and delivery of its existing inventory of properties. Up to the date of these interim condensed consolidated financial statements, 24 property projects had been added to the local governments' whitelists, a financing coordination mechanism launched by the Ministry of Housing and Urban-Rural Development and the National Financial Regulatory Administration in early 2024 that qualifies the property projects of the PRC property developers for financial support from financial institutions. The Group had applied for new loans in a total of approximately RMB504 million, of which approximately RMB139 million was granted;
- (iii) the Group will actively seek other alternative financing and borrowings to finance the settlement of its existing financial obligations and future operating and capital expenditures;
- (iv) the Group will actively face the current situation and seek various ways to resolve the pending litigations of the Group. The Group is positive that it will be able to reach an solution to the litigations which have not yet reached a definite outcome at the current stage; and
- (v) the Group will continue to seek suitable opportunities to dispose of its equity interests in certain project development companies in order to generate additional cash inflows.

The Directors are of the opinion that, assuming the above plans and measures can be successfully implemented as scheduled, the Group is able to continue as a going concern and would have sufficient financial resources to finance the Group's operations and meet its financial obligations as and when they fall due within the following twelve months from 30 June 2024. Accordingly, it is appropriate to prepare the interim condensed consolidated financial statements on a going concern basis.

Should the Group be unable to continue as a going concern, adjustments would have to be made to the interim condensed consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets as current assets and non-current liabilities as current liabilities. The effects of these potential adjustments have not been reflected in the interim condensed consolidated financial statements.

Adoption of new or amended HKFRSs

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA, that are relevant to its operations and effective for its accounting period beginning on 1 January 2024. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's interim condensed consolidated financial statements and amounts reported for the current period and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2024

3. Critical judgements and key accounting estimates

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

In preparing these interim condensed consolidated financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2023.

4. 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 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.

The interim condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2023.

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

(a) Liquidity risk

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

(b) Fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical asset or liability that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2024

4. Financial risk management (CONTINUED)**(b) Fair values** (continued)*i) Disclosures of level in fair value hierarchy for the Group's financial assets:*

	Fair value measurement using:			
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At 30 June 2024				
Financial assets				
Financial assets at fair value through other comprehensive income ("FVOCI")				
– investment in listed equity securities	57	–	–	57
– investment in structured products	–	–	384,179	384,179
	Fair value measurement using:			
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
	(Audited)	(Audited)	(Audited)	(Audited)
At 31 December 2023				
Financial assets				
Financial assets at FVOCI				
– investment in listed equity securities	65	–	–	65
– investment in structured products	–	–	384,179	384,179

Financial assets at FVOCI included in Level 1 as at 30 June 2024 and 31 December 2023 are the equity securities traded in NASDAQ, the fair value of which is based on quoted market prices at the end of the reporting period.

Financial assets at FVOCI included in Level 3 as at 30 June 2024 and 31 December 2023 are the investment in structured products entered into with financial institutions, the fair value of which are determined using the valuation model for which not all inputs are market observable, such as discount rates and net assets value of underlying assets. The higher the discount rates/net assets value, the lower/higher the fair value of the financial assets at FVOCI measured at fair value based on level 3.

There were no changes in valuation techniques during the period.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2024

4. Financial risk management (CONTINUED)**(b) Fair values** (continued)*ii) Reconciliation of the Group's financial assets measured at fair value based on level 3:*

During the six months ended 30 June 2024 and 2023, there were no changes between the opening balances and closing balances of the Group's financial assets at FVOCI measured at fair value based on level 3.

5. Segment information

The Group's operating segments are identified on the basis of internal report about the components of the Group that are regularly received by the chief operating decision maker ("CODM") in order to allocate resources to segments and to assess their performance.

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

(a) Revenue

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

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Sales of properties	23,174,321	24,393,824
Hotel operation income	1,074,075	1,058,595
Commercial properties operation income	825,594	860,547
Property management income, and others	4,120,699	4,080,621
	29,194,689	30,393,587

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2024

5. Segment information (CONTINUED)

(b) Segment information

The segment results for the six months ended 30 June 2024 are as follows:

	Property development and investment		Shimao Services Holdings Limited ("Shimao Services")**	Unallocated***	Total
	Shanghai Shimao Co., Ltd. ("Shanghai Shimao")* RMB'000 (Unaudited)	Others RMB'000 (Unaudited)			
Revenue					
– Sales of properties	1,784,772	21,389,549	–	–	23,174,321
– Recognised at a point in time	1,784,772	21,389,549	–	–	23,174,321
– Hotel operation income	113,874	960,201	–	–	1,074,075
– Commercial properties operation income	624,096	201,498	–	–	825,594
– Property management income, and others	188,262	5,556	4,031,765	–	4,225,583
Total revenue before elimination	2,711,004	22,556,804	4,031,765	–	29,299,573
Elimination					(104,884)
Total revenue					29,194,689
Operating (loss)/profit	(537,413)	(13,880,595)	252,032	(66,379)	(14,232,355)
Finance income	6,649	31,705	22,115	6,181	66,650
Finance costs	(281,023)	(7,713,328)	(19,171)	(686,466)	(8,699,988)
Share of results of associated companies and joint ventures accounted for using the equity method	(156,871)	(88,521)	7,050	–	(238,342)
(Loss)/profit before income tax	(968,658)	(21,650,739)	262,026	(746,664)	(23,104,035)
Income tax expense					(1,110,649)
Loss for the period					(24,214,684)
Other segment items are as follows:					
Capital expenditures	652	19,634	65,491	–	85,777
Fair value (losses)/gains on investment properties	(42,917)	7,179	–	–	(35,738)
Depreciation and amortisation charge	54,264	295,164	158,037	–	507,465
Amortisation of right-of-use assets	2,593	52,239	18,860	–	73,692
Provision for impairment on financial assets	206,132	210,428	100,584	–	517,144
Provision for impairment losses on right-of-use assets	999,589	–	–	–	999,589
Provision for impairment losses on inventories of properties	292,067	2,896,020	–	–	3,188,087

* The Group owns an effective equity interest of 66.18% in Shanghai Shimao as at 30 June 2024

** The Group owns an effective equity interest of 62.87% in Shimao Services as at 30 June 2024

*** Unallocated mainly represent corporate level activities

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2024

5. Segment information (CONTINUED)**(b) Segment information (continued)**

The segment assets and liabilities at 30 June 2024 are as follows:

	Property development and investment		Shimao Services** RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
	Shanghai Shimao* RMB'000 (Unaudited)	Others RMB'000 (Unaudited)		
Investments accounted for using the equity method	693,389	15,731,994	58,569	16,483,952
Intangible assets	–	62,781	2,584,730	2,647,511
Other segment assets	104,232,516	338,824,159	9,580,766	452,637,441
Total segment assets	104,925,905	354,618,934	12,224,065	471,768,904
Deferred income tax assets				1,276,777
Financial assets at FVOCI				384,236
Assets/assets of a disposal group classified as held for sale				11,078,011
Other assets				1,076,662
Total assets				485,584,590
Borrowings	26,641,952	150,724,456	286,478	177,652,886
Other segment liabilities	47,320,505	124,236,345	3,314,943	174,871,793
Total segment liabilities	73,962,457	274,960,801	3,601,421	352,524,679
Corporate borrowings				78,950,050
Deferred income tax liabilities				7,493,670
Associated liabilities/liabilities of a disposal group classified as held for sale				11,078,011
Other liabilities				10,995,727
Total liabilities				461,042,137

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2024

5. Segment information (CONTINUED)

(b) Segment information (continued)

The segment results for the six months ended 30 June 2023 are as follows:

	Property development and investment				
	Shanghai Shimao*	Others	Shimao Services**	Unallocated***	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue					
– Sales of properties	1,338,209	23,055,615	–	–	24,393,824
– Recognised at a point in time	1,338,209	23,055,615	–	–	24,393,824
– Hotel operation income	121,560	937,035	–	–	1,058,595
– Commercial properties operation income	634,562	225,985	–	–	860,547
– Property management income, and others	140,564	35,508	4,098,139	–	4,274,211
Total revenue before elimination	2,234,895	24,254,143	4,098,139	–	30,587,177
Elimination					(193,590)
Total revenue					30,393,587
Operating profit/(loss)	(800,672)	(1,006,147)	268,706	(249,855)	(1,787,968)
Finance income	8,399	50,497	31,760	7,189	97,845
Finance costs	(701,798)	(6,045,997)	(19,562)	(1,795,797)	(8,563,154)
Share of results of associated companies and joint ventures accounted for using the equity method	(13,208)	(463,112)	3,745	–	(472,575)
(Loss)/profit before income tax	(1,507,279)	(7,464,759)	284,649	(2,038,463)	(10,725,852)
Income tax expense					(898,127)
Loss for the period					(11,623,979)
Other segment items are as follows:					
Capital expenditures	9,330	31,187	53,991	–	94,508
Fair value losses on investment properties	(742,448)	(59,637)	–	–	(802,085)
Fair value losses on derivative financial instruments	–	–	–	(31,469)	(31,469)
Depreciation and amortisation charge	56,232	317,141	168,469	–	541,842
Amortisation of right-of-use assets	2,593	66,473	25,460	–	94,526
Provision for impairment on financial assets	59,856	242,796	21,553	–	324,205
Provision for impairment losses on inventories of properties	290,509	–	–	–	290,509

* The Group owns an effective equity interest of 64.23% in Shanghai Shimao as at 30 June 2023

** The Group owns an effective equity interest of 62.87% in Shimao Services as at 30 June 2023

*** Unallocated mainly represent corporate level activities

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2024

5. Segment information (CONTINUED)

(b) Segment information (continued)

The segment assets and liabilities at 31 December 2023 are as follows:

	Property development and investment		Shimao Services**	Total
	Shanghai Shimao*	Others		
	RMB'000 (Audited)	RMB'000 (Audited)	RMB'000 (Audited)	RMB'000 (Audited)
Investments accounted for using the equity method	850,096	16,760,521	61,019	17,671,636
Intangible assets	–	71,363	2,657,718	2,729,081
Other segment assets	119,891,946	377,968,167	9,538,936	507,399,049
Total segment assets	120,742,042	394,800,051	12,257,673	527,799,766
Deferred income tax assets				1,579,054
Financial assets at FVOCI				384,244
Assets of a disposal group classified as held for sale				12,302,304
Other assets				1,185,027
Total assets				543,250,395
Borrowings	27,713,758	157,543,524	299,942	185,557,224
Other segment liabilities	62,237,095	139,479,946	3,373,979	205,091,020
Total segment liabilities	89,950,853	297,023,470	3,673,921	390,648,244
Corporate borrowings				78,405,990
Deferred income tax liabilities				7,535,816
Liabilities of a disposal group classified as held for sale				6,972,804
Other liabilities				8,436,511
Total liabilities				491,999,365

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 and assets/assets of a disposal group classified as held for sale.

Total segment liabilities comprise operating liabilities. They exclude corporate liabilities, corporate borrowings and deferred income tax liabilities and associated liabilities/liabilities of a disposal group classified as held for sale.

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

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Related to development and sales of properties contracts		
Contract liabilities (Note (i))	67,431,609	85,834,358

Note:

- (i) Contract liabilities have been disclosed with the value-added tax of approximately RMB4.3 billion deducted in 30 June 2024 (31 December 2023: approximately RMB5.5 billion).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2024

6. Property and equipment

During the six months ended 30 June 2024, the Group acquired property and equipment of approximately RMB83,393,000 (six months ended 30 June 2023: approximately RMB76,860,000). Property and equipment with a total net book value of RMB64,130,000 were disposed by the Group during the six months ended 30 June 2024 (six months ended 30 June 2023: RMB634,369,000). Assets under construction with a total net book value of RMB1,273,683,000 were transferred to inventories during the six months ended 30 June 2024 (six months ended 30 June 2023: RMB1,360,000).

7. 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.

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Included in non-current assets		
– Joint ventures	5,064,192	5,093,144
– Associated companies	899,625	942,252
	5,963,817	6,035,396
Provision for impairment	(88,636)	(89,710)
	5,875,181	5,945,686

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

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Included in current assets		
– Associated companies	1,290,107	1,298,297
– Joint ventures	51,709,778	53,508,481
– Non-controlling interest	17,436,575	18,193,983
	70,436,460	73,000,761
Provision for impairment	(2,932,736)	(2,422,221)
	67,503,724	70,578,540

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2024

8. Trade and other receivables and prepayments

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Trade receivables (Note (a))	8,252,667	8,273,284
Bidding deposits for land use rights (Note (b))	3,740,915	4,110,738
Prepayments for construction costs	9,190,235	9,078,401
Loan receivables (Note (c))	394,740	407,932
Prepaid tax and surcharges on pre-sale proceeds	781,542	861,282
Deposits paid	9,446,487	9,438,937
Receivables from disposals of equity interests	208,085	236,386
Payments on behalf of customers	368,432	382,546
Other receivables	9,084,582	9,401,615
Provision for impairment	41,467,685 (1,905,989)	42,191,121 (1,898,286)
	39,561,696	40,292,835

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 period-ended dates is as follows:

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within 180 days	6,359,560	6,375,448
Over 180 days and within 365 days	1,369,024	1,372,444
Over 365 days	524,083	525,392
	8,252,667	8,273,284

As at 30 June 2024, receivables arising from sales of properties were approximately RMB3,070,107,000 (31 December 2023: RMB3,630,905,000).

- (b) Bidding deposits for land use rights mainly represented deposits placed by the Group to 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 30 June 2024, loan receivables of RMB394,740,000 (31 December 2023: RMB407,932,000) 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 30 June 2024, 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 30 June 2024, a provision of approximately RMB218,681,000 (31 December 2023: RMB219,226,000) was made against the gross amount of trade receivables.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2024

8. Trade and other receivables and prepayments (CONTINUED)

The Group makes periodic collective assessments as well as individual assessments on the recoverability of other receivables based on historical settlement records, past experience and available forward-looking information. As at 30 June 2024, a provision of approximately RMB1,687,308,000 (31 December 2023: RMB1,679,060,000) was made against the gross amount of other receivables.

As at 30 June 2024 and 31 December 2023, trade and other receivables of the Group were mainly denominated in RMB.

9. Cash and cash equivalents and restricted cash

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Restricted cash	5,797,902	6,245,890
Cash and cash equivalents	12,878,617	15,186,591
	18,676,519	21,432,481

As at 30 June 2024, the Group's restricted cash comprised approximately RMB2,305,661,000 (31 December 2023: RMB2,547,250,000) of guarantee deposits for the benefit of mortgage loan facilities granted by the banks to the purchasers of the Group's properties (note 21(a)) and approximately RMB3,492,241,000 (31 December 2023: RMB3,698,640,000) of deposits pledged as collateral for the Group's borrowings (note 12).

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

The effective interest rate on bank deposits as at 30 June 2024 was 0.20% (31 December 2023: 0.34%).

10. Assets and associated liabilities/a disposal group classified as held for sale

During the year ended 31 December 2023, the Group entered into equity transfer agreement and debt settlement agreements with independent third parties regarding the transfers of the equity interest in a subsidiary and the Group's assets.

On 28 September 2023, the Group entered into an equity transfer agreement with two independent third parties, pursuant to which the Group conditionally agreed to sell and the independent third parties conditionally agreed to purchase 51% equity interest in a project company, an indirectly non-wholly owned subsidiary of the Company, for a consideration of RMB3.91 billion.

On 30 October 2023, the Group entered into certain debt settlement agreements with its creditors, pursuant to which the parties mutually agreed that the Group agreed to transfer its inventories of properties for an aggregate consideration of approximately RMB1.59 billion by way of settling its borrowings of approximately RMB1.53 billion ("Debt Settlements"). The Debt Settlements are subject to conditions precedent and were yet to be completed as at 31 December 2023.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2024

10. Assets and associated liabilities/a disposal group classified as held for sale*(CONTINUED)*

In this regard, the management of the Group classified the group of relevant assets and liabilities as a disposal group of assets and liabilities held for sale and is presented separately in the consolidated statement of financial position as at 31 December 2023. The major classes of assets and liabilities of a disposal group classified as held for sale are as follows:

	At 31 December 2023 RMB'000 (Audited)
Property and equipment	124
Investment properties	438,000
Deferred income tax assets	12,522
Inventories	7,149,748
Trade and other receivables and prepayments	4,644,896
Cash and cash equivalents	57,014
Assets of a disposal group classified as held for sale	12,302,304
Trade and other payables	987,745
Contract liabilities	933,574
Income tax payable	668,770
Borrowings	4,382,715
Liabilities of a disposal group classified as held for sale	6,972,804

As at 30 June 2024, certain Debt Settlements remain pending completion as the Group is still in the process of satisfying the necessary conditions precedent. The Group's inventories of properties associated with these Debt Settlements amounted to approximately RMB1.19 billion as at 30 June 2024. Save for the above, the remaining assets and associated liabilities were disposed of by the Group during the period.

In addition to the above, the Group received a judgement dated 27 June 2024 from the PRC court, pursuant to which the PRC courts adjudged the Group to settle a partial of the outstanding borrowings and accrued interests, which amounted to approximately RMB9.89 billion, by transferring the corresponding pledged investment properties and inventories of properties to the creditor.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2024

10. Assets and associated liabilities/a disposal group classified as held for sale*(CONTINUED)*

In these regards, the management of the Group classified the group of relevant assets and liabilities as assets and liabilities held for sale and is presented separately in the interim condensed consolidated statement of financial position as at 30 June 2024. The major classes of assets and liabilities classified as held for sale are as follows:

	At 30 June 2024 RMB'000 (Unaudited)
Investment properties	6,807,196
Inventories	4,270,815
Assets classified as held for sale	11,078,011
Accrued interests and expenses included in trade and other payables	4,507,120
Borrowings	6,570,891
Associated liabilities classified as held for sale	11,078,011

11. Share capital**(a) Details of share capital of the Company are as follows:**

	Par value HK\$	Number of shares '000	Nominal value of ordinary shares Equivalent to HK\$'000 RMB'000
Authorised: At 1 January 2024 (Audited) and 30 June 2024 (Unaudited)	0.1	5,000,000	500,000
Issued and fully paid: At 1 January 2024 (Audited) and 30 June 2024 (Unaudited)		3,797,831	379,783 384,165

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2024

11.Share capital (CONTINUED)**(b) Share Award Scheme**

- (1) 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 a Trustee. Up to 30 June 2024, the Trust purchased a total of 47,026,000 ordinary shares from market, totaling HK\$756,630,000 (equivalent to RMB665,074,000). Up to 30 June 2024, a total of 48,751,338 shares were granted to eligible employees according to the Share Scheme, among the shares granted, 36,764,063 shares were vested, and 9,134,408 shares were lapsed.

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

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

	Six months ended 30 June	
	2024 (Unaudited)	2023 (Unaudited)
Unvested shares, beginning	4,217,846	8,709,353
Lapsed	(1,364,979)	–
Unvested shares, ending	2,852,867	8,709,353

No share awards were granted during the six months ended 30 June 2024. For the six months ended 30 June 2024, the weighted average fair value of the unvested shares granted is approximately HK\$65,799,000, equivalent to approximately RMB60,054,000 (six months ended 30 June 2023: approximately HK\$200,875,000, equivalent to approximately RMB185,932,000).

- (2) The Board approved and adopted another share award scheme on 3 May 2021 (the “Shimao Services Share Award Scheme”). Unless terminated earlier by the Board, the Shimao Services Share Award Scheme is valid and effective for a term of three years commencing on 3 May 2021. Under the Shimao Services Share Award Scheme, the maximum number of shares of Shimao Services that can be awarded by Shimao Services is 0.3% (i.e. 7,091,919 shares of Shimao Services) of the issued shares of Shimao Services as at the date of adoption.

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 Shimao Services Share Award Scheme and determine the number of awarded shares.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2024

11.Share capital (CONTINUED)**(b) Share Award Scheme (continued)****(2) (continued)**

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 Best Cosmos Limited (a wholly-owned subsidiary of the Company and the immediate holding company of Shimao Services) as Trustee of a Trust established for the Shimao Services Share Award Scheme before being transferred to the employees when vesting conditions are fully met.

Movements in the number of unvested shares granted under the Shimao Services Share Award Scheme during the six months ended 30 June 2024 are as follows:

	Six months ended 30 June	
	2024 (Unaudited)	2023 (Unaudited)
Unvested shares, beginning	33,381	2,660,408
Vested	–	(2,128,914)
Lapsed	–	(498,113)
Unvested shares, ending	33,381	33,381

For the six months ended 30 June 2024, The weighted average fair value of the unvested shares of Shimao Services granted is approximately HK\$52,000, equivalent to RMB47,000 (six months ended 30 June 2023: approximately HK\$52,000, equivalent to RMB48,000).

On 28 June 2021, Shimao Services adopted a share award scheme (the “Shimao Services Share Award Scheme II”). The purpose of the Shimao Services Share Award Scheme II is to recognise the contributions by certain selected employees of Shimao Services and to provide them with incentives in order to retain them for the continual operation and development of Shimao Services, and to attract suitable personnel for further development of Shimao Services. The Shimao Services Share Award Scheme II shall be valid and effective for a term of ten years commencing on the adoption date. The maximum number of shares which can be awarded under the Shimao Services Share Award Scheme II is 3% (i.e. 70,919,190 shares) of the total number of issued shares of Shimao Services as at the adoption date.

During the six months ended 30 June 2024, a total of 853,799 shares under the Shimao Services Share Award Scheme II were lapsed. Pursuant to the Shimao Services Share Award Scheme II, after meeting the vesting conditions and circumstances of the stock reward plan, 60% of the reward shares will be vested 12 months from the grant date, and 40% of the reward shares will be vested 24 months from the grant date.

Movements in the number of unvested shares granted under the Shimao Services Share Award Scheme II during the six months ended 30 June 2024 are as follows:

	Six months ended 30 June	
	2024 (Unaudited)	2023 (Unaudited)
Unvested shares, beginning	4,718,961	4,017,105
Granted	–	3,525,446
Lapsed	(853,799)	(458,564)
Unvested shares, ending	3,865,162	7,083,987

For the six months ended 30 June 2024, the weighted average fair value of the unvested shares of Shimao Services granted is approximately HK\$2,976,000, equivalent to RMB2,716,000 (six months ended 30 June 2023: approximately HK\$10,980,000, equivalent to RMB10,124,000).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2024

11.Share capital (CONTINUED)**(c) Reconciliation of the number of shares outstanding was as follows:**

	As at 30 June	
	2024 '000 (Unaudited)	2023 '000 (Unaudited)
Shares issued	3,797,831	3,797,831
Treasury shares for Share Scheme	(10,262)	(10,242)
Shares outstanding	3,787,569	3,787,589

12.Borrowings

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Borrowings included in non-current liabilities		
Long-term borrowings		
– secured by assets (Note (i))	75,509,822	79,864,254
– secured by assets and shares of subsidiaries (Note (i))	17,477,439	18,160,061
– secured by shares of subsidiaries (Note (i))	14,605,697	12,366,467
– secured by shares of subsidiary guarantors (Note (ii))	23,570,990	23,388,596
– unsecured	15,934,829	18,580,020
Senior notes – secured (Note (iii))	45,669,107	45,369,173
Medium-term notes – unsecured (Note (iv))	3,040,000	3,040,000
Long-term bonds – secured (Note (v))	18,855,855	18,873,355
	214,663,739	219,641,926
Less: Portion of long-term borrowings due within one year	(108,903,130)	(106,082,119)
Portion of senior notes due within one year	(45,669,107)	(45,369,173)
Portion of medium-term notes due within one year	(3,040,000)	(3,040,000)
Portion of long-term bonds due within one year	(2,039,756)	(595,008)
Amounts due within one year	(159,651,993)	(155,086,300)
	55,011,746	64,555,626
Borrowings included in current liabilities		
Short-term borrowings		
– secured by assets (Note (i))	14,240,587	18,275,733
– secured by assets and shares of subsidiaries (Note (i))	3,970,708	4,198,010
– secured by shares of subsidiaries (Note (i))	5,248,647	5,209,096
– unsecured	15,534,974	13,710,659
Senior notes – secured (Note (iii))	2,665,031	2,648,540
Private placement notes (Note (vi))	279,250	279,250
Current portion of non-current borrowings	159,651,993	155,086,300
	201,591,190	199,407,588

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2024

12. Borrowings (CONTINUED)

Notes:

- (i) As at 30 June 2024, the Group's total secured bank borrowings and borrowings from other financial institutions of approximately RMB131,052,900,000 (31 December 2023: RMB138,073,621,000) were secured by its property and equipment, investment properties, land use rights, properties under development, completed properties held for sale and restricted cash, and/or secured by the pledge of the shares of certain subsidiaries of the Group.

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

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Properties under development	93,196,063	100,052,675
Investment properties	37,760,168	48,629,974
Restricted cash (note 9)	3,492,241	3,698,640
Completed properties held for sale	15,582,037	17,440,133
Land use rights	3,548,526	3,592,894
Property and equipment	11,708,114	11,964,855
	165,287,149	185,379,171

- (ii) On 14 September 2018, the Company entered into a multi-currency loan facility agreement with a syndicate of 8 banks. Pursuant to the agreement, the Company obtained 4-year syndicated loan facilities, including a US\$540,000,000 facility and a HK\$2,849,500,000 facility at a floating rate of interest, 5% out of the loan principal will mature in 2020, 25% will mature in 2021 and 70% will mature in 2022. The loan facilities were guaranteed by certain subsidiaries of the Group, and secured by pledge of the shares of these subsidiary guarantors. On 25 January 2019, the multi-currency loan facility agreement extended to a syndicate of 14 banks. Pursuant to the agreement, the 4-year syndicated loan facilities extended to a US\$570,000,000 facility and a HK\$3,551,500,000 facility at a floating rate of interest. As at 30 June 2024, US\$399,000,000 and HK\$2,486,050,000 of the principal remained outstanding (31 December 2023: US\$399,000,000 and HK\$2,486,050,000) and was defaulted.

On 9 August 2019, the Company entered into a multi-currency loan facility agreement with a syndicate of 13 banks. Pursuant to the agreement, the Company obtained 4-year syndicated loan facilities, including a US\$837,850,000 facility and a HK\$3,994,000,000 facility at a floating rate of interest, 5% out of the loan principal will mature in 2021, 35% will mature in 2022 and 60% will mature in 2023. As at 30 June 2024, US\$795,958,000 and HK\$3,794,300,000 of the principal remained outstanding (31 December 2023: US\$795,958,000 and HK\$3,794,300,000) and was defaulted.

On 22 April 2021, the Company entered into a multi-currency loan facility agreement with a syndicate of 19 banks. Pursuant to the agreement, the Company obtained 4-year syndicated loan facilities, including a US\$657,500,000 facility and a HK\$5,128,500,000 facility at a floating rate of interest, 15% out of the loan principal will mature in 2023, 35% will mature in 2024 and 50% will mature in 2025. As at 30 June 2024, US\$657,500,000 and HK\$5,128,500,000 of the principal remained outstanding (31 December 2023: US\$657,500,000 and HK\$5,128,500,000) and was defaulted.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2024

12. Borrowings (CONTINUED)

Notes: (continued)

- (iii) 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% initially 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% initially due on 3 July 2022. As at 30 June 2024, the senior notes with a total principal amount of US\$1,000,000,000 (31 December 2023: US\$1,000,000,000) remained outstanding and was defaulted.

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% initially due on 30 January 2025. As at 30 June 2024, the principal amount of US\$500,000,000 (31 December 2023: US\$500,000,000) remained outstanding and was defaulted.

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% initially due on 21 February 2024. As at 30 June 2024, the principal amount of US\$1,000,000,000 (31 December 2023: US\$1,000,000,000) remained outstanding and was defaulted.

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% initially due on 15 July 2026. As at 30 June 2024, the principal amount of US\$1,000,000,000 (31 December 2023: US\$1,000,000,000) remained outstanding and was defaulted.

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% initially due on 13 July 2030. As at 30 June 2024, the principal amount of US\$300,000,000 (31 December 2023: US\$300,000,000) remained outstanding and was defaulted.

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% initially due on 11 January 2031. As at 30 June 2024, the principal amount of US\$872,000,000 (31 December 2023: US\$872,000,000) remained outstanding and was defaulted.

On 30 April 2021, the Company issued senior notes with total principal of US\$700,000,000 at a fixed interest rate of 4.50% initially due on 28 April 2022. As at 30 June 2024, the principal amount of US\$700,000,000 (31 December 2023: US\$700,000,000) remained outstanding and was defaulted.

On 16 June 2021, the Company issued zero coupon senior notes with a total principal of US\$400,000,000 initially due on 14 June 2022. As at 30 June 2024, the principal amount of US\$373,945,000 (31 December 2023: US\$373,945,000) remained outstanding and was defaulted.

On 16 September 2021, the Company issued senior notes with total principal of US\$300,000,000 at a fixed interest rate of 3.975% initially due on 16 September 2023. As at 30 June 2024, the principal amount of US\$300,000,000 (31 December 2023: US\$300,000,000) remained outstanding and was defaulted.

On 16 September 2021, the Company issued senior notes with total principal of US\$748,000,000 at a fixed interest rate of 5.20% initially due on 16 January 2027. As at 30 June 2024, the principal amount of US\$748,000,000 (31 December 2023: US\$748,000,000) remained outstanding and was defaulted.

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 INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2024

12. Borrowings (CONTINUED)

Notes: (continued)

- (iv) On 21 October 2019, Shanghai Shimao issued medium-term notes with a total principal of RMB1,000,000,000 at a fixed interest rate of 4.24% due on 21 October 2023. As at 30 June 2024, the principal amount of RMB930,000,000 (31 December 2023: RMB930,000,000) remained outstanding and was defaulted.

On 9 January 2020, Shanghai Shimao issued medium-term notes with a total principal of RMB500,000,000 at a fixed interest rate of 4.12% due on 9 January 2023. During the year ended 31 December 2023, the Group succeeded in extending the maturity date of the medium-term notes in which 5% of the total principal will mature in May 2023, 5% of the total principal will mature in November 2023, and 90% of the total principal will mature in January 2024. As at 30 June 2024, the principal amount of RMB500,000,000 remained outstanding and was defaulted (31 December 2023: the principal amount of RMB500,000,000 remained outstanding, of which RMB50,000,000 was defaulted).

On 15 March 2021, Shanghai Shimao issued medium-term notes with a total principal of RMB970,000,000 at a fixed interest rate of 5.15% due on 16 March 2023. During the year ended 31 December 2023, the Group succeeded in extending the maturity date of the medium-term notes in which RMB31,040,000 will mature in or before December 2023 and RMB938,960,000 will mature in or before March 2024. As at 30 June 2024, the principal amount of RMB970,000,000 remained outstanding and was defaulted (31 December 2023: the principal amount of RMB970,000,000 remained outstanding, of which RMB31,040,000 was defaulted).

On 30 April 2021, Shanghai Shimao issued medium-term notes with a total principal of RMB640,000,000 at a fixed interest rate of 5.5% due on 6 May 2023. During the year ended 31 December 2023, the Group succeeded in extending the maturity date of the medium-term notes in which RMB44,800,000 will mature in or before December 2023 and RMB595,200,000 will mature in or before May 2024. As at 30 June 2024, the principal amount of RMB640,000,000 remained outstanding and was defaulted (31 December 2023: the principal amount of RMB640,000,000 remained outstanding, of which RMB44,800,000 was defaulted).

- (v) On 15 October 2015, Shanghai Shimao Jianshe Co., Ltd. ("Shimao Jianshe"), a subsidiary of the Group, issued long-term bonds with total principal of RMB1,400,000,000 at a fixed interest rate of 4.15%. 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. As at 30 June 2024, the total extended outstanding principal amount of these long-term bonds was approximately RMB562,154,000, amongst which an amount of approximately RMB11,243,000 has defaulted; an aggregated amount of approximately RMB56,215,000 will be matured before 30 June 2025; and an aggregated amount of approximately RMB494,696,000 will be matured between 15 September 2025 and 15 September 2027.

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%. As at 30 June 2024, the total extended outstanding principal amount of these long-term bonds was approximately RMB483,473,000, amongst which an aggregated amount of approximately RMB87,639,000 will be matured before 30 June 2025; and an aggregated amount of approximately RMB395,834,000 will be matured between 28 September 2025 and 28 December 2026.

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%. 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%. 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%. As at 30 June 2024, the total extended outstanding principal amount of these long-term bonds was approximately RMB3,065,965,000, amongst which an amount of approximately RMB40,123,000 has defaulted; an aggregated amount of approximately RMB327,792,000 will be matured before 30 June 2025; and an aggregated amount of approximately RMB2,698,050,000 will be matured between 15 September 2025 and 15 September 2027.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2024

12. Borrowings (CONTINUED)

Notes: (continued)

(v) (continued)

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%. 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%. 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%. 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%. As at 30 June 2024, the total extended outstanding principal amount of these long-term bonds was approximately RMB4,063,820,000, amongst which an aggregated amount of approximately RMB731,488,000 will be matured before 30 June 2025; and an aggregated amount of approximately RMB3,332,332,000 will be matured between 28 September 2025 and 28 December 2026.

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% and RMB2,800,000,000 at a fixed interest rate of 3.90%. 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%. 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%. As at 30 June 2024, the total extended outstanding principal amount of these long-term bonds was approximately RMB10,688,750,000, amongst which an amount of approximately RMB63,614,000 has defaulted; an aggregated amount of approximately RMB730,063,000 will be matured before 30 June 2025; and an aggregated amount of approximately RMB9,895,073,000 will be matured between 15 September 2025 and 15 September 2028.

The above long-term bonds, upon the extension of the due dates, are secured by pledges of the equity interests of certain subsidiaries.

- (vi) On 24 April 2020, Shanghai Shimao issued the second phase of private placement notes with an aggregate principal amount of RMB500,000,000 at a fixed interest rate of 3.70% due on 26 April 2022. During the year ended 31 December 2022, Shanghai Shimao redeemed the second phase of private placement notes with the amount of RMB200,000,000 and the due date of the remaining principal amount was extended to year 2023. As at 30 June 2024, the principal amount of RMB279,250,000 (31 December 2023: RMB279,250,000) remained outstanding and was defaulted.

As at 30 June 2024, borrowings with a total carrying amount of RMB65,668,754,000 and RMB36,230,822,000 are denominated in US dollar and HK dollar, respectively (31 December 2023: RMB65,144,787,000 and RMB34,908,086,000).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2024

13. Trade and other payables

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Trade payables (Note (a))	36,377,761	42,187,616
Other payables (Note (b))	7,836,945	12,724,643
Other taxes payable	6,866,099	7,606,676
Accrued expenses	27,493,764	24,288,989
	78,574,569	86,807,924

Notes:

- (a) The aging analysis of the trade payables based on invoice date is as follows:

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within 90 days	15,805,392	39,706,984
Over 90 days and within 1 year	18,662,283	2,480,632
Over 1 year	1,910,086	–
	36,377,761	42,187,616

- (b) As at 30 June 2024, other payables mainly included deposits received from customers amounted to RMB2,766,506,000 (31 December 2023: RMB3,060,912,000). Except this, the residual amounts mainly included payables for equity interest, deposits from constructors, rental deposits from tenants and hotel customers, and fees collected from customers on behalf of government agencies.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2024

14. Amounts due to related parties

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
– Associated companies	3,157,613	3,555,590
– Joint ventures	7,544,779	7,981,394
– Non-controlling interests	1,623,158	1,866,894
– Entities controlled by the controlling shareholder	6,187,569	6,143,147
	18,513,119	19,547,025

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 mainly represent funds injected by the non-controlling shareholders for the development of properties. Amounts due to entities controlled by the controlling shareholder mainly represent funds injected by the entities which are beneficially owned by Mr. Hui Wing Mau for the general working capital of the Group.

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

15. Expenses by nature

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Cost of properties sold and others	23,876,359	24,665,952
Staff costs – including directors' emoluments	2,302,738	2,621,323
Advertising, promotion and commission costs	314,950	480,267
Corporate and office expenses	379,586	548,184
Taxes and surcharges on sales of properties	162,557	231,082
Depreciation and amortisation	507,465	541,842
Direct expenses arising from hotel operation	373,522	399,930
Consulting fee	97,889	116,920
Amortisation of right-of-use assets	73,692	94,526
Charitable donations	205	211
Penalties	489,144	358,425
Provision for impairment on financial assets	517,144	324,205
Provision for impairment losses on inventories of properties	3,188,087	290,509
Others	191,295	441,405
Total	32,474,633	31,114,781

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2024

16. Other income/other gains or (losses) – net

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Other income		
Government grants received	10,369	41,567
Other gains/(losses) – net		
Forfeit deposits and contract termination income (Note)	22,832	29,476
Net gains on disposal of subsidiaries (Note 23(a))	32,287	17,734
Net gains on disposal of associated companies	–	6,381
Loss on liquidation of subsidiaries (Note 23(b))	(614,337)	(382,282)
Loss on derivative financial instruments	–	(31,469)
Net gains on disposal of joint ventures	–	5,770
Loss on impairment of assets classified as held for sale	(9,653,825)	–
Provision for impairment losses on right-of-use assets	(999,589)	–
Others	285,590	48,134
	(10,927,042)	(306,256)
	(10,916,673)	(264,689)

Note:

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

17. Finance costs/(income) – net

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Finance income		
Interest income on short-term bank deposits	(66,650)	(97,845)
Interest on borrowings	8,256,430	6,135,232
Interest on senior notes	1,141,234	1,125,214
Interest charges paid/payable for lease liabilities	2,490	3,461
	9,400,154	7,263,907
Net foreign exchange loss (Note)	791,673	3,894,137
Less: interest and foreign exchange losses capitalised	(1,491,839)	(2,594,890)
Finance costs	8,699,988	8,563,154
Net finance costs	8,633,338	8,465,309

Note:

Net foreign exchange loss is mainly derived from the translation of foreign currency borrowings.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2024

18. Income tax expense

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Current income tax		
– PRC enterprise income tax	491,476	153,624
– PRC land appreciation tax	604,686	406,943
	1,096,162	560,567
Deferred income tax		
– PRC enterprise income tax	14,487	337,560
	1,110,649	898,127

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 six months ended 30 June 2024 (six months ended 30 June 2023: 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%.

19. Dividends

No dividends were declared during the six months ended 30 June 2024 and 30 June 2023.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2024

20. Loss per share

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

	Six months ended 30 June	
	2024 (Unaudited)	2023 (Unaudited)
Loss attributable to the equity holders of the Company (RMB'000)	(22,667,515)	(12,057,786)
Weighted average number of ordinary shares in issue (thousands)	3,787,569	3,787,589
Basic loss per share (RMB)	(5.98)	(3.18)

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares in issue for the potential dilutive effect caused by the shares granted under the Share Scheme assuming they were exercised. No diluted loss per share is presented for the six months ended 30 June 2024 and 2023 as the effect caused by the shares granted under the Share Scheme is anti-dilutive.

21. Contingencies and financial guarantee contract**(a) The Group had the following contingent liabilities:**

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Guarantees in respect of mortgage facilities for certain purchasers	36,479,599	39,635,718

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 interim condensed consolidated financial statements for the guarantees.

- (b)** At 30 June 2024, the Group provided financial guarantees for certain joint ventures and associate companies in respect of their bank and other borrowings in the amount of approximately RMB23,013,677,000 (31 December 2023: approximately RMB23,161,228,000) with maturity in or before 2026. 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

Up to the date of the interim condensed consolidated financial statements, the Group was in the progress of various legal litigations related to its consolidated borrowing or financial guarantees and other matters. The Directors have assessed the impact of the above litigation matters on the interim condensed consolidated financial statements for the six months ended 30 June 2024. The Group is actively negotiating with relevant creditors and seeking various ways to resolve these litigations. The Directors consider that such litigations, individually or jointly, will not have significant adverse effects on the operating performance, cash flow and financial condition of the Group at the current stage.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2024

22. Commitments**Commitments for capital and property development expenditure**

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Contracted but not provided for		
– Property and equipment	527,037	517,780
– Land use rights (including those related to associated companies and joint ventures)	5,867,849	5,939,529
– Properties being developed by the Group for sale	21,654,721	24,465,634
	28,049,607	30,922,943

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2024

23. Significant disposal/liquidation of subsidiaries and transactions with NCI

During the six months ended 30 June 2024, the Group has the following significant disposal or liquidation of subsidiaries and transactions with NCI.

(a) Disposal of subsidiaries with loss of control

For the six months ended 30 June 2024, the Group lost control of certain subsidiaries. The disposal resulted in a total net cash inflow of approximately RMB187,310,000 and net gains of approximately RMB32,287,000.

Net assets disposed and reconciliation of disposal gain and cash inflow on disposals are as follows:

	RMB'000 (Unaudited)
Cash and cash equivalents	57,017
Inventories	6,653,311
Property and equipment	160
Investment properties	1,143,375
Deferred income tax assets	258,166
Trade and other receivables and prepayments	4,700,860
Trade and other payables	(2,232,811)
Contract liabilities	(1,071,305)
Income tax payable	(709,759)
Borrowings	(4,980,715)
Total identifiable net assets	3,818,299
Non-controlling interests	194,621
Net assets attributable to the equity holders of the Company	4,012,920
Cash consideration	244,327
Cash consideration receivables	1,380
Considerations set off by other payables	3,799,500
Net assets disposed	(4,012,920)
Net gain on disposals (Note 16)	32,287
Cash consideration received	244,327
Less: cash and cash equivalents in the entities disposed	(57,017)
Net cash inflow due to the disposals	187,310

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2024

23. Significant disposal/liquidation of subsidiaries and transactions with NCI*(CONTINUED)***(b) Liquidation of subsidiaries**

For the six months ended 30 June 2024, the PRC courts adjudged the liquidation of the Group's certain subsidiaries applied by certain creditors and have proceeded with receivership procedures. The Directors considered that the Group lost control over the subsidiary upon the commencement of the receivership and deconsolidated the subsidiary thereafter. The liquidation resulted in a total net cash outflow of approximately RMB2,260,000 and net loss of approximately RMB614,337,000.

Net assets deconsolidated and reconciliation of loss and cash outflow on liquidation are as follows:

	RMB'000 (Unaudited)
Cash and cash equivalents	2,260
Inventories	62,736
Property and equipment	58
Amounts due from the Group	519,832
Amounts due from related parties	569,564
Trade and other receivables and prepayments	14,609
Prepaid income taxes	39,063
Trade and other payables	(287,158)
Contract liabilities	(14,176)
Income tax payable	(99,988)
Total identifiable net assets	806,800
Non-controlling interests	(192,463)
Net assets attributable to the equity holders of the Company	614,337
Consideration	–
Net assets deconsolidated	(614,337)
Loss on liquidation of subsidiaries (Note 16)	(614,337)
Net cash outflow due to the deconsolidation	(2,260)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2024

23. Significant disposal/liquidation of subsidiaries and transactions with NCI

(CONTINUED)

(c) Transaction with non-controlling interests**(i) Capital contribution from non-controlling interests**

For the six months ended 30 June 2024, non-controlling interests made several capital injections into certain subsidiaries of Group with a total amount of RMB2,490,000.

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

Sets forth below summarised the effect of changes in the ownership interest of the Group on the equity attributable to the equity holders of the Company during the period:

	The date of acquisitions RMB'000 (Unaudited)
Carrying amount of non-controlling interests acquired	1,186,480
Consideration settled by amounts due from non-controlling interests	(778,664)
Consideration paid/payable to non-controlling interests in the current period	(254,350)
Increase in equity due to the deficiency of considerations paid	153,466

Notes:

For the six months ended 30 June 2024, the Group acquired additional interests in the subsidiaries for a total consideration of approximately RMB1,033,014,000. The Group recognised a decrease in non-controlling interests of approximately RMB1,186,480,000 and an increase in the equity attributable to the equity holders of the Company of approximately RMB153,466,000.

24. Related party transactions

The Group is controlled by Gemfair Investments Limited (Incorporated in the British Virgin Islands), which owns 53.87% 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 interim condensed consolidated financial statements, the Group entered into the following major related party transactions.

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Brand management fee income	2,015	2,798
Construction material sold to related companies	51	5,289
	2,066	8,087

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2024

24. Related party transactions (CONTINUED)**(b) Key management compensation**

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Emoluments		
– Salaries and other short-term employee benefits	6,226	7,856
– Retirement scheme contributions	176	266
	6,402	8,122

25. Events after the reporting period

- (a) Subsequent to the six months ended 30 June 2024, the Company and its advisors are proceeding with the dialogue with various groups of creditors on the restructuring of its offshore debt.

In response to requests from the Scheme Creditors (capitalised terms were defined in the announcement of the Company dated 25 March 2024), on 26 July 2024, the Company entered into an amendment of creditor support agreement (the “CSA Amendment Agreement”) to amend the creditor support agreement to reflect certain changes that the Company believes are beneficial to and do not have a material adverse effect on the interests of Participating Creditors. The Company has further extended the Early Consent Fee Deadline to 5:00 p.m. Hong Kong time on 30 August 2024 and the Base Consent Fee Deadline to 5:00 p.m. Hong Kong time on 30 September 2024. Details of the CSA Amendment Agreement are set out in the announcement of the Company dated 26 July 2024.

- (b) The Petition dated 5 April 2024 was filed by China Construction Bank (Asia) Corporation Limited at the High Court in connection with a financial obligation of the Company in the amount of approximately HK\$1,579.5 million. On 8 August 2024, the High Court has further adjourned the hearing for the Petition to 16 December 2024.
- (c) On 7 August 2024, three subsidiaries of the Company (the “Vendors”), entered into an agreement with China State Construction Third Engineering Bureau Third Construction Engineering Co., Ltd. (the “Purchaser”), and a project company (the “Project Company”), under which the Vendors agreed to sell the 100% of the registered capital of the Project Company to the Purchaser for a consideration of RMB596.34 million. The Project Company is a property development company and holds a project, a mixed-use residential, business and commercial complex in Jimei District of Xiamen. Upon completion of the disposal and the repayment of RMB373.72 million owed by the Project Company to the Group, the Group will cease to have any interests in the Project Company.

26. Approval of the interim condensed consolidated financial statements

The interim condensed consolidated financial statements were approved by the Company’s board of directors on 29 August 2024.



SHIMAO GROUP HOLDINGS LIMITED
世茂集團控股有限公司