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世茂集團

SHIMAO GROUP HOLDINGS LIMITED

世茂集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 813)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2024**

RESULTS HIGHLIGHTS

1. Contracted sales were RMB17.09 billion for the first half of 2024. Contracted gross floor area amounted to 1.313 million sq.m..
2. Revenue decreased by 3.9% to RMB29.195 billion (1H 2023: RMB30.394 billion).
3. Revenue generated from hotel operation, commercial properties operation, property management and others was RMB6.021 billion (1H 2023: RMB6.000 billion), representing an increase of approximately 0.4% compared to the first half of 2023.
4. Gross profit of the Group was approximately RMB15 million (1H 2023: gross profit of RMB3.124 billion). Gross profit margin was approximately 0.1%.
5. As at 30 June 2024, the Group's land bank was approximately 47.83 million sq.m. (before interests).
6. The Board did not recommend the payment of any interim dividend for 1H 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.

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.

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 <i>RMB million</i>	1H 2023 <i>RMB million</i>
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 (<i>RMB</i>)	(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.

The components of the revenue are set out as follows:

	1H 2024 <i>RMB million</i>	1H 2023 <i>RMB million</i>
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	
	<i>Area</i> <i>(sq.m.)</i>	<i>RMB</i> <i>million</i>	<i>Area</i> <i>(sq.m.)</i>	<i>RMB</i> <i>million</i>
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

(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

(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.

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.

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:

	<i>RMB million</i>
<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

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.
- (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.

UNAUDITED INTERIM RESULTS

The Board is pleased to present the unaudited interim condensed consolidated results of the Group for the six months ended 30 June 2024 together with comparative figures for the corresponding period of the previous year. These interim financial statements have not been audited but have been reviewed by the Company's Audit Committee.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2024

		Unaudited	
		Six months ended 30 June	
		2024	2023
	Notes	RMB'000	RMB'000
Revenue	3	29,194,689	30,393,587
Cost of sales		<u>(29,179,830)</u>	<u>(27,269,253)</u>
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		(10,916,673)	(264,689)
Selling and marketing costs		(342,866)	(693,696)
Administrative expenses		(1,912,031)	(2,293,065)
Provision for impairment on financial assets		(517,144)	(324,205)
Other operating expenses		<u>(522,762)</u>	<u>(534,562)</u>
Operating loss		<u>(14,232,355)</u>	<u>(1,787,968)</u>
Finance income		66,650	97,845
Finance costs		<u>(8,699,988)</u>	<u>(8,563,154)</u>
Finance costs – net		(8,633,338)	(8,465,309)
Share of results of associated companies and joint ventures accounted for using the equity method		<u>(238,342)</u>	<u>(472,575)</u>
Loss before income tax		(23,104,035)	(10,725,852)
Income tax expenses	7	<u>(1,110,649)</u>	<u>(898,127)</u>
Loss for the period		<u>(24,214,684)</u>	<u>(11,623,979)</u>

		Unaudited	
		Six months ended 30 June	
		2024	2023
<i>Notes</i>		RMB'000	RMB'000
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)
(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)	8	(5.98)	(3.18)
– Diluted (RMB)	8	(5.98)	(3.18)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2024

		Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 RMB'000
	<i>Notes</i>		
ASSETS			
Non-current assets			
Property and equipment		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		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
		<u>96,207,751</u>	<u>115,518,303</u>
Current assets			
Inventories		246,588,828	276,518,212
Trade and other receivables and prepayments	4	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		67,503,724	70,578,540
Restricted cash		5,797,902	6,245,890
Cash and cash equivalents		12,878,617	15,186,591
		<u>378,298,828</u>	<u>415,429,788</u>
Assets/assets of a disposal group classified as held for sale	6	<u>11,078,011</u>	<u>12,302,304</u>
		<u>389,376,839</u>	<u>427,732,092</u>
Total assets		<u>485,584,590</u>	<u>543,250,395</u>

		Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 RMB'000
	Notes		
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital		384,165	384,165
Reserves		(8,138,840)	14,331,786
		<u>(7,754,675)</u>	<u>14,715,951</u>
Non-controlling interests			
Perpetual capital instruments		–	1,541,000
Other non-controlling interests		32,297,128	34,994,079
		<u>32,297,128</u>	<u>36,535,079</u>
Total equity		<u>24,542,453</u>	<u>51,251,030</u>
LIABILITIES			
Non-current liabilities			
Borrowings		55,011,746	64,555,626
Lease liabilities		36,613	41,481
Deferred income tax liabilities		7,493,670	7,535,816
		<u>62,542,029</u>	<u>72,132,923</u>
Current liabilities			
Trade and other payables	5	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		201,591,190	199,407,588
Lease liabilities		40,321	56,239
Amounts due to related parties		18,513,119	19,547,025
		<u>387,422,097</u>	<u>412,893,638</u>
Associated liabilities/liabilities of a disposal group classified as held for sale	6	11,078,011	6,972,804
		<u>398,500,108</u>	<u>419,866,442</u>
Total liabilities		<u>461,042,137</u>	<u>491,999,365</u>
Total equity and liabilities		<u>485,584,590</u>	<u>543,250,395</u>

NOTES

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.

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

2 ACCOUNTING POLICIES

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.

2.1 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 approval 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.

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 a 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.

2.2 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; and Interpretations. The adoption of these new and revised HKFRSs did not resulting 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.

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2023, as described in those annual financial statements.

3 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 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	2023
	RMB’000	RMB’000
	(Unaudited)	(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

(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")*	Others	RMB'000 (Unaudited)	RMB'000 (Unaudited)	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 on inventories of properties	292,067	2,896,020	–	–	3,188,087
Impairment losses on right-of-use assets	999,589	–	–	–	999,589

* 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.

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

	Property development and investment		Shimao Services**	Unallocated***	Total
	Shanghai Shimao*	Others			
	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	<u>2,234,895</u>	<u>24,254,143</u>	<u>4,098,139</u>	<u>–</u>	<u>30,587,177</u>
Elimination					(193,590)
Total revenue					<u>30,393,587</u>
Operating (loss)/profit	(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	<u>(13,208)</u>	<u>(463,112)</u>	<u>3,745</u>	<u>–</u>	<u>(472,575)</u>
(Loss)/profit before income tax	(1,507,279)	(7,464,759)	284,649	(2,038,463)	(10,725,852)
Income tax expense					<u>(898,127)</u>
Loss for the period					<u>(11,623,979)</u>
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 on inventories of properties	<u>290,509</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>290,509</u>

* 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.

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

	Property development and investment		Shimao Services**	Total
	Shanghai Shimao*	Others		
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(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

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

	Property development and investment		Shimao Services**	Total
	Shanghai Shimao*	Others		
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Audited)	(Audited)	(Audited)	(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	<u>120,742,042</u>	<u>394,800,051</u>	<u>12,257,673</u>	<u>527,799,766</u>
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				<u>1,185,027</u>
Total assets				<u>543,250,395</u>
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	<u>89,950,853</u>	<u>297,023,470</u>	<u>3,673,921</u>	<u>390,648,244</u>
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				<u>8,436,511</u>
Total liabilities				<u>491,999,365</u>

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 disposal group classified as held for sale.

Total segment liabilities comprise operating liabilities. They exclude corporate liabilities, corporate borrowings, 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 <i>RMB'000</i> (Unaudited)	31 December 2023 <i>RMB'000</i> (Audited)
Related to development and sales of properties contracts		
Contract liabilities (Note)	<u>67,431,609</u>	<u>85,834,358</u>

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

4 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Trade receivables (<i>Note (a)</i>)	8,252,667	8,273,284
Bidding deposits for land use rights (<i>Note (b)</i>)	3,740,915	4,110,738
Prepayments for construction costs	9,190,235	9,078,401
Loan receivables (<i>Note (c)</i>)	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 disposal of equity interests	208,085	236,386
Payments on behalf of customers	368,432	382,546
Other receivables	9,084,582	9,401,615
	41,467,685	42,191,121
Provision for impairment	(1,905,989)	(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.

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.

The Group makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records, past experience and available forward-looking information. As at 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.

5 TRADE AND OTHER PAYABLES

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

Notes:

- (a) The ageing 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	–
	<u>36,377,761</u>	<u>42,187,616</u>

- (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.

6 ASSETS AND ASSOCIATED LIABILITIES/A DISPOSED GROUP CLASSIFIED AS HELD FOR SALE

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.

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 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

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.

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 <i>RMB'000</i> (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

7 INCOME TAX EXPENSE

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(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

(a) **Hong Kong profits tax**

No Hong Kong profits tax has been provided for as the Group has no assessable profit in Hong Kong for the six months ended 30 June 2024 (six months ended 30 June 2023: nil).

(b) **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 PRC enterprise income tax purposes.

(c) **PRC land appreciation tax**

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

(d) **PRC withholding income tax**

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

8 **LOSS PER SHARE**

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

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
Loss attributable to the equity holders of the Company (<i>RMB'000</i>)	(22,667,515)	(12,057,786)
Weighted average number of ordinary shares (<i>thousands</i>)	3,787,569	3,787,589
Basic loss per share (<i>RMB</i>)	(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 Award Scheme assuming they were exercised. No diluted loss per share for the six months ended 30 June 2023 and 2024 is presented as the effects caused by the shares granted under the Share Award Scheme is anti-dilutive.

9 DIVIDENDS

No interim dividend for the six months ended 30 June 2024 was proposed by the Board (six months ended 30 June 2023: Nil).

10 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

11 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) 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.
- (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.

CORPORATE GOVERNANCE CODE

The Company complied with the code provisions set out in the Corporate Governance Code contained in Appendix C1 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) throughout the six months ended 30 June 2024, except for the following deviation:

Under code provision C.1.8, the Company should arrange appropriate insurance cover for legal action against its directors (the “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.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix C3 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. The Company has made specific enquiry of all Directors and all Directors confirmed that they had complied with the required standard set out in the Model Code throughout the six months ended 30 June 2024.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2024:

1. Shanghai Shimao, a 66.18%-owned subsidiary of the Company, 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 any interim dividend for the six months ended 30 June 2024 (for the six months ended 30 June 2023: Nil).

REVIEW OF INTERIM RESULTS

The Audit Committee of the Company has reviewed the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2024.

On behalf of the Board
Shimao Group Holdings Limited
Hui Sai Tan, Jason
Vice Chairman and President

Hong Kong, 29 August 2024

As at the date of this announcement, the Board comprises four Executive Directors, namely, Mr. Hui Wing Mau (Chairman), Mr. Hui Sai Tan, Jason (Vice Chairman and President), Ms. Tang Fei and Mr. Xie Kun; one Non-executive Director, namely, Mr. Shao Liang; and three Independent Non-executive Directors, namely, Mr. Lyu Hong Bing, Mr. Lam Ching Kam and Mr. Fung Tze Wa.