



2023

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

Non-executive Directors

Lu Yi
Ye Mingjie

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

ZHONGHUI ANDA CPA Limited

Principal Place of Business in Hong Kong

38th Floor, Tower One
Lippo Centre
89 Queensway
Hong Kong
Telephone: (852) 2511 9968
Facsimile: (852) 2511 0287
Website: www.shimaogroup.hk

Registered Office

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

Hong Kong Branch Share Registrar and Transfer Office

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

Principal Share Registrar and Transfer Office

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

Place of Listing

The Stock Exchange of Hong Kong Limited
Stock code: 813

Investor and Media Relations

Investor Relations Department
Email: ir@shimaogroup.com

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 2023.

Market and Outlook

In the first half of 2023, the national real estate market was still undergoing a continuous adjustment period. With respect to policies, the central government clarified the status of the real estate industry as pillar of the economy and optimized real estate control policies for several times across the country, which involved provident fund support policies, subsidies grants for housing purchases, home buying limitation enhancement, as well as downward adjustment of down-payment ratios and mortgage interest rates, etc. With respect to supply and demand, the overall property market first went up and then turned down. It fell again in the second quarter after the partial recovery in the first quarter. Sales recovery of real estate enterprises fell short of expectation and the supply and demand were relatively tepid. With respect to land supply, the land auction market across China continued to be sluggish in the first half of the year, with land sales improving in quality and reducing in quantity, and the transaction scale was still at a historic low. Confidence in the industry was low, the recovery of the property market was slow and enterprises still faced significant sales pressure.

China's real estate market has been experiencing significant changes in terms of the supply and demand relationship. In response to the new situation, the Political Bureau of the Central Committee proposed at its meeting in July, that “we should adjust and enhance real estate policies in a timely manner, and formulate different effective policies for different cities, so as to better satisfy the rigid demand for residential housing and the needs for improving housing quality as well as facilitating the steady and healthy development of the real estate market”. Starting from July, the “16 Financial Policies (金融16條)” related to the real estate industry were modified. Starting from August, policy measures such as “granting loans based on houses instead of mortgages (認房不認貸)”, adjusting and optimizing housing credit policies and reducing the interest rate of existing first-home housing loans have been implemented in a number of cities. The successive introduction of the above favorable policies for the real estate industry helped ease liquidity pressure on the industry and stabilize market confidence.

Although challenges will remain in the short term, the Group believes that the real estate industry, which is an important vehicle to fulfill the public demand for a better life, will still have a promising development prospect in line with the stable recovery of the real economy. Looking ahead to the second half of the year, the Company expects that more policies will be launched to further the sustained stability and recovery of the real estate market, and particulars of the policies will be further followed up on and implemented, anticipating a moderate recovery of the real estate market.

Operational Strategy

In the face of market pressures and challenges, the Group has actively mobilized all its resources and strengths to continuously improve the quality of its operations and management, actively responding to the three guarantees: “guaranteeing the delivery of housing, people's livelihood and stability” to adapt to the new situation of significant changes in the supply and demand relationship in the real estate market. Shimao always adheres to the bottom-line thinking, stimulates the coordination among diversified businesses, focuses on the core objective of “returning to the essence, and making stable progress”, remains committed to the principle of seeking progress while maintaining stability, prioritizes risk prevention and resolution, and strives to maintain the smooth operation of the Company's daily businesses.

In the first half of 2023, the Group continued to take on prudent business strategies. It tapped into resources to revitalize its assets, suspended the acquisition of new land and strengthened the refined control of existing projects, as well as effectively safeguarding sales through the implementation of management measures such as the “Dual Manager” mechanism for projects and the “On Time Tracking” mechanism. Against the backdrop of a slow recovery of the property market, the Group's accumulated contracted sales amounted to RMB28.07 billion in the first half of 2023, with an aggregate contracted sales area of 1.868 million sq.m..

PRESIDENT'S STATEMENT

In terms of production operation, the Group focused on fulfilling the responsibility of ensuring stable delivery, strictly followed the milestones to improve time efficiency, made project construction planning, controlled the progress of construction works, and continuously implemented management and control over such processes and results. Meanwhile, and as always, Shimao adheres to quality development and upholds the philosophy of quality with consistency (持「質」以恒). It took products as the core and customers as the priority, holding firm on the bottom line of safeguarding quality. In the first half of the year, the Group achieved cumulative delivery of approximately 32,000 units in Guangzhou, Chongqing, Wuhan, Hefei, Shaoxing and other places. In the second half of the year, the Group will bear in mind its fervent aspiration of providing quality products and services, ensuring punctual and quality delivery, so as to fulfill its commitment of delivery of good living to society and customers.

With regard to financial management, the Group strengthened the classification and management of financing cash flows and operating cash flows to improve the efficiency of capital utilization. At the same time, the Group strengthened the dynamic management of sales receivables collection and actively followed up on the various production and operation tasks. Shimao put a key focus on securing a smooth onshore and offshore corporate saving and financing, and actively pushed forward the restructuring of the Group's onshore and offshore debts. In the first half of 2023, various onshore corporate bonds issued by the subsidiaries of the Group were successfully extended, which involved a total amount of approximately RMB18.9 billion, effectively alleviated the Company's liquidity pressure. The Group's offshore debt restructuring is also progressing steadily. Shimao will continue the communication and negotiation with its creditors to smooth out debt risks to the maximum extent and safeguard the rights and interests of all investors in a fair manner.

Collaborative Development of Diversified Businesses

In the first half of 2023, the Group operated and developed diversified sectors in parallel to accumulate momentum for achieving long-term value.

With respect to property management business, a double-digit growth was recorded in the first half of 2023. This fully demonstrated a solid development in the Group's business, which acted as the basis for the growth of other diversified businesses and provided guarantee for the Group's overall stable operations. In the first half of 2023, Shimao Services Holdings Limited ("Shimao Services") recorded revenue of RMB4,098.1 million, gross profit of RMB862.7 million and core net profit attributable to shareholders of RMB316.5 million. The gross floor area ("GFA") under management of Shimao Services amounted to 260.7 million sq.m., and contracted GFA amounted to 346.2 million sq.m.. Gross profit margin for the period was 21.1%, and core net profit margin attributable to shareholders was 7.7%, maintaining at an industry-leading level. In the future, Shimao Services will keep on implementing medium and long-term strategies and adhere to high-quality development. The four major business segments, through the strategies of "horizontal integration", "vertical integration", "related diversification", "centralization" and "update on strategies", will be effectively connected to create synergy that ensure future development and growth.

With respect to commercial and entertainment business, benefiting from the resumption effect brought about by the recovery of offline scenarios, the retail consumer market as a whole saw a recovery trend. However, behind the gradual return of normal life, various data have shown that people's consumption capacity and willingness to spend were still falling behind slightly, and investment confidence and enthusiasm among the public were still relatively low. The situation of the office buildings was even more pessimistic. Due to the weak macro-economy, all kinds of enterprises faced the huge pressure of destocking and reducing costs. Reduction of lease costs became the main reason for termination of tenancies and relocation of enterprises in the first half of the year. The office buildings under management of Shanghai Shimao Co., Ltd. ("Shanghai Shimao") are all located in the core districts of cities. As such, and as affected by the cost reduction by and the relocation of tenants, the overall occupancy rate remained at 77.9% in the first half of the year. In contrast, the overall recovery of the tourism market reached market expectations. Shanghai Dream City Park, which is under Shanghai Shimao's management, firmly grasped the opportunity from the recovery of the tourism market, and adopted an operational strategy which established a premium positioning with sizeable investments, and in turn achieving a cumulative passenger flow of 450,000 people in the first half of the year, which was a remarkable result. In the future, Shimao Commercial will keep adhering to the direction of developing with "dual driving forces" and "balancing both asset-light and asset-heavy", and further exert its outstanding advantages in business management.

PRESIDENT'S STATEMENT

With respect to hotel business, under the recovery of domestic consumption and the strong support of national policies, the hotel industry picked up in the first half of this year. The total revenue in respect of Shimao's hotel segment amounted to RMB1.06 billion in the first half of the year, representing a year-on-year increase of 43.5%. The total revenue in the second quarter realized a quarter-on-quarter increase of 20% as compared with that in the first quarter. In the first half of 2023, Shimao Star newly established a hotel of self-owned brand under management services, MiniMax Hotel Chengdu Shuangliu Airport. Together with Minimax Premier Hotel Chengdu Shuangliu Airport, which is already in operation, they form a "dual-branded" image. Currently, the brands of MiniMax Premier and MiniMax have eight hotels in operation across Shanghai, Shaoxing, Chengdu, Shishi and other cities in China. Looking ahead to the second half of the year, Shimao Star will also usher in the grand opening of hotel projects under management services such as MiniMax Hotel Qingdao Dengzhou Road, Yu Hotel Chongqing, Yuluxe Hotel Baoji, etc. With a precise vision, we will steadily establish our presence and consolidate the development layout of the hotels of self-owned brands.

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 for all their valuable contributions. I sincerely apologize for any undesirable situation every party might have experienced. In the second half of the year, Shimao will adhere to the fundamentals of seeking progress while maintaining stability, strengthening the Group's overall thinking, responding to the market trend, adapting to changes with agility, and taking courageous steps towards its targeted goals.

Hui Sai Tan, Jason*Vice Chairman and President*

Hong Kong, 31 August 2023

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, commercial properties operation, hotel operation and property management businesses. For the six months ended 30 June 2023, revenue of the Group reached RMB30.39 billion, representing a decrease of 11.5% as compared to the same period of 2022. During the period, revenue from property sales amounted to RMB24.39 billion, accounting for 80.3% of the total revenue and representing a decrease of 13.6% as compared to the same period of 2022. The recognized sales area was 2.022 million sq.m., representing a decrease of 21.5% as compared to the same period of 2022.

2) *Property Sales Performance*

In the first half of 2023, the property market of China fell again in the second quarter after the partial recovery in the first quarter, and the sales recovery of the real estate industry was not as expected. In the face of the complex and severe domestic and international market conditions, the downturn of the real estate industry and other multiple challenges, the Group carried out refined and graded management of its projects for sale, implemented management measures such as the “Dual Manager” mechanism for projects and the “On Time Tracking” mechanism to safeguard sales, and made concrete efforts to enhance the per capita productivity of the marketing team, so as to actively seek for breakthroughs in the complex market environment. Against the backdrop of a slow recovery of the property market, the Group’s accumulated contracted sales amounted to RMB28.07 billion in the first half of 2023, with an aggregate contracted sales area of 1.868 million sq.m..

3) *Attaining Milestones, Enhancing Quality and Ensuring Delivery*

Since the beginning of 2023, the Group has continued to strictly follow the milestones to improve time efficiency, actively fostered the resumption of work and production of key projects, made construction planning, strictly controlled the progress of construction works, and continuously implemented management and control over such processes and results. Apart from focusing on the implementation of construction works, Shimao’s teams in all regions were also committed to controlling the details and quality, took the products as its core and put the users first so as to make every effort in realizing the power of the products and undertake responsibilities. As of 30 June 2023, the Group had an area under construction of approximately 33.00 million sq.m., and an area completed of approximately 3.70 million sq.m. for the period. Meanwhile, the Group mobilized its resources to set up a dedicated delivery team to prioritize delivery. In the first half of the year, the Group achieved cumulative delivery of approximately 32,000 units in Guangzhou, Chongqing, Wuhan, Hefei, Shaoxing and other places, fulfilling its commitment of delivery of good living.

4) *Continuing the Implementation of Prudent Business Strategies and the Suspension of Land Acquisition*

In the first half of the year, the land auction market across China continued to be sluggish, with land sales increasing in quality and reducing in quantity, and the transaction scale was still at a historic low. Considering the current uncertainty in the recovery of the real estate market, the Group continued to take on prudent business strategies, suspended the acquisition of land, and strengthened the refined control of existing projects. As of 30 June 2023, the Group had over 300 projects and a total area of approximately 55.42 million sq.m. (before interests) land bank, which provided the necessary support for the Group’s future sales and development.

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 2023, benefiting from the restart effect brought about by the recovery of offline scenarios, the retail consumer market as a whole saw a recovery trend. However, people’s consumption capacity and willingness to spend were still falling behind slightly, and investment confidence and enthusiasm among the public were still relatively low. This was reflected in the offline retail business market and the characteristics were as follows: customer flow recovery was better than sales; the value per order decreased, and service consumption was better than shopping consumption; occupancy rate continued to be under pressure and the decline in rental levels narrowed down. The situation of the Shanghai Shimao’s office buildings was even more pessimistic. Due to the weak macro-economy, all kinds of enterprises faced the huge pressure of destocking and reducing costs. Reduction of lease costs has become the main reason for termination of tenancies and relocation of enterprises in the first half of the year. The Shanghai Shimao’s office buildings under management are all located in the core districts of cities. As such, and as affected by the cost reduction by and the relocation of tenants, the overall occupancy rate remained at 77.9% in the first half of the year. In contrast, the overall recovery of the tourism market reached market expectations. Shanghai Dream City Park, which is under the Shanghai Shimao’s management, firmly grasped the opportunity from the recovery of the tourism market, and adopted an operational strategy which established a premium positioning with sizeable investments, and in turn achieving a cumulative passenger flow of 450,000 people in the first half of the year.

In the future, Shimao Commercial will keep adhering to the mode of developing with “dual driving forces” and “balancing both asset-light and asset-heavy”, and further exert its outstanding advantages in business management.

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 2023, the property services industry continued to face a number of challenges. The overall economic situation changed and was under greater downward pressure, and the real estate industry continued to fluctuate as it went downwards, all of which caused certain impact on the development of the property services industry. Having experienced the ups and downs in the turbulent capital market, the leading enterprises are expected to have become more resilient and stable, which allow them to calmly embrace future challenges and opportunities with the solid experience accumulated. Shimao Services has made plans to focus on cash flow management, profitability upgrade, market development and other key issues, so as to realize its strategic and management goals.

In the first half of 2023, Shimao Services still recorded a double-digit growth in property management services in spite of a continuous expansion in business scale and a rapid increase in revenue base. This fully demonstrated a solid development in the Group’s business, which acted as the basis for the growth of other diversified businesses and provided guarantee for the Group’s overall stable operations. In the first half of 2023, Shimao Services recorded revenue of RMB4,098.1 million, gross profit of RMB862.7 million and core net profit attributable to shareholders of RMB316.5 million. The gross floor area (“GFA”) under management amounted to 260.7 million sq.m., and contracted GFA amounted to 346.2 million sq.m.. Gross profit margin for the period was 21.1%, and core net profit margin attributable to shareholders was 7.7%, maintaining at an industry-leading level.

In the future, Shimao Services will keep on implementing medium and long-term strategies and adhere to high-quality development. The four major business segments, through the strategies of “horizontal integration”, “vertical integration”, “related diversification”, “centralization” and “update on strategies”, will be effectively connected to create synergy that ensure future development and growth.

MANAGEMENT DISCUSSION AND ANALYSIS

Hotel Operation

As of 30 June 2023, 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, A Tribute Portfolio Hotel, Shanghai, 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 five directly managed leased hotels, including MiniMax Hotel Shanghai Songjiang, MiniMax Premier Hotel Shanghai Hongqiao, MiniMax Premier Hotel Chengdu City Center, ETHOS Hotel Xiamen and ETHOS Hotel Wuhan Riverside, offering nearly 1,000 hotel guest rooms.

With the recovery of domestic consumption and the strong support of national policies, the hotel industry picked up again in the first half of this year. According to the statistics of the Ministry of Culture and Tourism, the domestic cultural and tourism industries recovered strongly during the 2023 Labour Day holidays, with the number of tourist arrivals recovering to 119.1% of the corresponding period of 2019. Similarly, the market remained active during the Dragon Boat Festival holiday, with the number of tourist arrivals recovering to 112.8% of the corresponding period of 2019. Against this backdrop, the total revenue in respect of Shimao's hotel segment amounted to RMB1.06 billion in the first half of the year, representing a year-on-year increase of 43.5%. The total revenue in the second quarter realized a quarter-on-quarter increase of 20% as compared with the first quarter. The revenue per available room (RevPAR), one of the key indicators of assessing hotel profitability, had a year-on-year increase of 46%.

In the first half of 2023, Shimao Star newly established a hotel of self-owned brand under management services, MiniMax Hotel Chengdu Shuangliu Airport. Together with MiniMax Premier Hotel Chengdu Shuangliu Airport, which is already in operation, they form a "dual-branded" image. Currently, the brands of MiniMax Premier and MiniMax have eight hotels in operation across Shanghai, Shaoxing, Chengdu, Shishi and other cities in China. Looking ahead to the second half of the year, Shimao Star will also usher in the grand opening of hotel projects under management services such as MiniMax Hotel Qingdao Dengzhou Road, Yu Hotel Chongqing, Yuluxe Hotel Baoji, etc. It will firmly implement a development plan of its self-owned brand hotels with a precise vision.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Analysis

Key consolidated income statement figures are set out below:

	1H 2023 RMB million	1H 2022 RMB million
Revenue	30,394	34,356
Gross profit	3,124	2,965
Operating (loss)/profit	(1,788)	1,992
Loss attributable to shareholders	(12,058)	(9,792)
Losses per share – Basic (RMB)	(3.18)	(2.59)

Revenue

For the six months ended 30 June 2023, the revenue of the Group was approximately RMB30,394 million (1H 2022: RMB34,356 million), representing the decrease of 11.5% over the corresponding period in 2022. 80.3% (1H 2022: 82.2%) of the revenue was generated from the sales of properties and 19.7% (1H 2022: 17.8%) from hotel operation, commercial properties operation, property management and others.

The components of the revenue are set out as follows:

	1H 2023 RMB million	1H 2022 RMB million
Sales of properties	24,394	28,234
Hotel operation income	1,059	738
Commercial properties operation income	861	991
Property management income, and others	4,080	4,393
Total	30,394	34,356

* The income does not include revenue from the Group.

(i) Sales of Properties

Sales of properties for the six months ended 30 June 2023 and 2022 are set out below:

	1H 2023		1H 2022	
	Area (sq.m.)	RMB million	Area (sq.m.)	RMB million
Zhejiang District	713,011	8,136	202,019	3,824
Straits Development District	407,336	5,784	823,080	9,400
Central China District	422,029	4,300	191,157	1,570
Jiangsu and Shanghai District	207,915	3,522	503,658	6,235
Western District	192,341	1,841	604,542	4,665
Northern China District	78,961	811	249,782	2,540
Total	2,021,593	24,394	2,574,238	28,234

MANAGEMENT DISCUSSION AND ANALYSIS

(ii) Hotel Income

Hotel operation income increased by approximately 43.5% to RMB1,059 million for the six months ended 30 June 2023 from RMB738 million over the corresponding period in 2022. With the normalisation of anti-epidemic efforts in China, the situation of hotel industry significantly recovered, then the occupancy rate and revenue per available room increased.

Hotel operation income is analysed as follows:

	Date of Commencement	1H 2023 RMB million	1H 2022 RMB million
Conrad Shanghai	September 2006	137	57
InterContinental Shanghai Wonderland	November 2018	95	73
Sheraton Hong Kong Tung Chung Hotel	December 2020	82	49
Conrad Xiamen	August 2016	72	44
Four Points by Sheraton Hong Kong Tung Chung	January 2021	70	122
Hilton Wuhan Riverside	July 2016	64	37
Hilton Changsha Riverside	July 2021	58	27
The Yuluxe Sheshan, A Tribute Portfolio Hotel, Shanghai	November 2005	56	70
Hilton Shenyang	January 2018	48	21
Hilton Nanjing Riverside	December 2011	48	31
InterContinental Fuzhou	January 2014	45	29
Crowne Plaza Shaoxing	March 2014	43	33
Hilton Yantai	August 2017	34	20
Le Méridien Hangzhou Binjiang	September 2018	31	17
Yuluxe Hotel Chengdu	August 2018	30	5
DoubleTree by Hilton Ningbo Beilun	December 2016	27	26
Hilton Tianjin Eco-City	April 2015	22	14
Yuluxe Hotel Taizhou	August 2014	13	12
DoubleTree by Hilton Ningbo Chunxiao	December 2015	13	11
Holiday Inn Mudanjiang	December 2010	8	6
Others		63	34
Total		1,059	738

MANAGEMENT DISCUSSION AND ANALYSIS

(iii) Commercial Properties Operation Income

Commercial properties operation income decreased by approximately 13.2% to RMB861 million for the six months ended 30 June 2023 from RMB991 million over the corresponding period in 2022. The decrease in commercial properties operating income is mainly due to macroeconomic weakness, resulting in a decrease in rental rates and rental levels.

Commercial properties operation income is analysed as follows:

	Date of Commencement	1H 2023 RMB million	1H 2022 RMB million
Rental Income			
Shanghai Shimao Festival City	December 2004	107	98
Jinan Shimao Festival City	May 2014	70	73
Beijing Shimao Tower	July 2009	64	71
Chengdu Shimao Festival City	April 2021	56	21
Shenzhen Shimao Qianhai Center	July 2020	53	59
Shanghai Shimao Tower	December 2018	50	53
Nanjing Yuhua Shimao (Commercial)	December 2018	31	32
Shaoxing Shimao Dear Town (Commercial)	May 2010	30	32
Nanjing Straits City (Commercial)	December 2014	27	37
Kunshan Shimao Plaza	April 2012	22	26
Changsha Shimao Global Financial Center	September 2020	21	22
Xiamen Shimao Straits Mansion	January 2017	20	16
Suzhou Shimao Canal Scene (Commercial)	June 2010	10	27
Qingdao Shimao 52+	August 2020	7	9
Xiamen Jimei Shimao Festival City	April 2021	6	9
Quanzhou Shishi Shimao Skyscraper City	January 2017	6	5
Wuhu Shimao Riviera Garden (Commercial)	September 2009	5	5
Xuzhou Shimao Dongdu (Commercial)	January 2012	4	4
Miscellaneous rental income		44	76
Rental income sub-total		633	675
Commercial properties operation related service income		228	316
Total		861	991

(iv) Property Management Income, and Others

Property management income, and others decreased by approximately 7.1% to RMB4,080 million for the six months ended 30 June 2023 from RMB4,393 million over the corresponding period in 2022, which were mainly due to decreased revenues from community value-added services and project management.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of Sales

Cost of sales decreased by 13.1% to approximately RMB27,269 million for the six months ended 30 June 2023 from RMB31,391 million for the six months ended 30 June 2022, which was in line with the decline in revenue.

Gross Profit Margin

For the six months ended 30 June 2023, the Group's gross profit margin was approximately 10.3%, which showed no significant change compared to the gross profit margin of 8.6% for the same period in 2022.

Fair Value Losses on Investment Properties – Net

During the period under review, the Group recorded aggregate fair value losses of approximately RMB802 million (1H 2022: RMB28 million), mainly caused by the decrease in fair value of investment property under development Shenzhen Longgang Project. Aggregate net fair value losses after deferred income tax of approximately RMB200 million recognized was RMB602 million (1H 2022: RMB21 million).

Other Income/Gains or Losses – Net

For the six months ended 30 June 2023, net other losses was approximately RMB265 million (1H 2022: other gains of RMB4,141 million), the decrease was mainly because for the six months ended 30 June 2022 approximately RMB4,231 million gains from the disposal of subsidiaries and joint ventures, while rarely such income of similar transactions happened in the six months ended 30 June 2023.

Selling and Marketing Costs and Administrative Expenses

For the six months ended 30 June 2023, the Group's selling and marketing costs decreased by 55.8% to approximately RMB694 million from approximately RMB1,570 million for the same period in 2022. This decrease was in line with the decline in the Group's contracted sales during the period.

For the six months ended 30 June 2023, the Group's administrative expenses decreased by 13.3% to approximately RMB2,293 million from approximately RMB2,645 million for the same period in 2022. The Group's administrative expenses were mainly personnel costs, depreciation and amortization.

Provision for Impairment Losses 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 RMB324 million for the six months ended 30 June 2023.

Finance Costs – Net

For the six months ended 30 June 2023, net finance costs decreased by 12.0% to approximately RMB8,465 million (1H 2022: RMB9,619 million), which was mainly due to the decrease in foreign exchange loss from the depreciation of RMB against USD.

Share of Results of Associated Companies and Joint Ventures

Share of results of associated companies and joint ventures decreased to losses of approximately RMB473 million in the first half of 2023 from profits of RMB87 million in the corresponding period in 2022, which was mainly due to the decrease in gross margin of sales of properties of the Group's associated companies and joint ventures as compared to the same period last year.

Taxation

The Group's tax provisions amounted to approximately RMB898 million for the period, in which PRC land appreciation tax ("LAT") was RMB407 million (1H 2022: RMB1,727 million, in which LAT was RMB740 million). The decrease in LAT was mainly due to the decrease in revenue and the increase in tax reimbursement.

MANAGEMENT DISCUSSION AND ANALYSIS

Loss Attributable to Shareholders

Loss attributable to shareholders for the six months ended 30 June 2023 increased to approximately RMB12.058 billion from approximately RMB9.792 billion for the six months ended 30 June 2022. The increase of loss was mainly due to the decrease in other gains from disposal of subsidiaries and joint ventures.

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

Excluding the after-tax impact of non-recurring or non-cash items, loss from core business attributable to shareholders for the six months ended 30 June 2023 increased by RMB1,796 million to approximately RMB7,325 million (1H 2022: RMB5,529 million). Loss margin from core business attributable to shareholders was 33.7% in the first half of 2023.

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 RMB61.463 billion as at 30 June 2023 from approximately RMB66.691 billion as at 31 December 2022.

Liquidity and Financial Resources

The net gearing ratio is calculated by dividing total borrowings (including current and non-current borrowings) minus cash balances (including restricted cash) by total equity. As at 30 June 2023, the Group's net gearing ratio was approximately 372.5% (31 December 2022: 302.2%).

The liabilities to assets ratio after excluding receipts in advance is calculated by dividing total liabilities minus receipts in advance (including contract liabilities and relevant value-added tax amounted approximately RMB111.56 billion as at 30 June 2023) by total assets minus receipts in advance. As at 30 June 2023, the Group's liabilities to assets ratio after excluding receipts in advance was approximately 85.8% (31 December 2022: 83.8%).

The cash to current borrowings ratio is calculated by dividing cash and cash equivalents minus guarantee deposits for construction of pre-sale properties (30 June 2023: approximately RMB14.17 billion) by current borrowings. As at 30 June 2023, the Group's cash to current borrowings ratio was 0.03 (31 December 2022: 0.03).

The maturity of the borrowings of the Group as at 30 June 2023 is set out as follows:

	RMB million
<i>Bank borrowings and borrowings from other financial institutions and bonds</i>	
Within 1 year	157,563
Between 1 and 2 years	25,424
Between 2 and 5 years	39,012
Over 5 years	4,260
<i>Senior notes</i>	
Within 1 year	24,370
Between 1 and 2 years	3,606
Between 2 and 5 years	12,566
Over 5 year	8,428
Total	275,229

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 2023, the Group's total secured borrowings of approximately RMB238.489 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 RMB185.026 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 2023, the Group had contracted capital and property development expenditure but not provided for amounted to RMB44.229 billion.

Employees and Remuneration Policy

As of 30 June 2023, the Group employed a total of 52,518 employees, among whom 1,393 were engaged in property development. Total remuneration for the period amounted to approximately RMB2.829 billion. The Group has adopted a performance-based rewarding system to motivate its staff. The board of directors of the Company 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.

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 said award 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 an 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 shares of the Company 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 2023, no Shimao Group Share was granted, vested, lapsed 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 2023 are set out below:

Name of grantees	Date of grant	Number of Shimao Group Shares				Outstanding as at 30 June 2023
		Outstanding as at 1 January 2023	Granted during the period	Vested during the period	Lapsed/cancelled during the period	
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
Tang Fei	15 April 2020 ^(Note 2)	72,272	–	–	–	72,272
	15 April 2021 ^(Note 3)	51,731	–	–	–	51,731
		124,003	–	–	–	124,003
Xie Kun	15 April 2020 ^(Note 2)	48,445	–	–	–	48,445
	15 April 2021 ^(Note 3)	208,059	–	–	–	208,059
		256,504	–	–	–	256,504
Lu Yi	15 April 2020 ^(Note 2)	49,424	–	–	–	49,424
	15 April 2021 ^(Note 3)	41,809	–	–	–	41,809
		91,233	–	–	–	91,233
Ye Mingjie	15 April 2020 ^(Note 2)	41,518	–	–	–	41,518
Sub-total		632,751	–	–	–	632,751
Other Employees of the Group	15 April 2019 ^(Note 4)	1,413,213	–	–	–	1,413,213
	15 April 2020 ^(Note 2)	1,625,959	–	–	–	1,625,959
	15 April 2021 ^(Note 3)	5,037,430	–	–	–	5,037,430
Sub-total		8,076,602	–	–	–	8,076,602
Total		8,709,353	–	–	–	8,709,353

Notes:

1. According to the audited financial report of the Company for the year ended 31 December 2022, 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

4. 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\$25.80 per share. The fair value of the awards at the date of grant was HK\$26.00 per share, based on the closing price of the Shimao Group Shares on that date.

Since the Adoption Date I and up to 30 June 2023, 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. As at 1 January 2023 and 30 June 2023, 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 ten years commencing on the Adoption Date II. The participants of the 2021 Shimao Group Share Award Scheme include an 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 shares of Shimao Services 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.

During the six months ended 30 June 2023, no Shimao Services Share was granted 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 2023 are set out below:

Name of grantees	Date of grant ^(Note 2)	Number of Shimao Services Shares				Outstanding as at 30 June 2023
		Outstanding as at 1 January 2023	Granted during the period	Vested during the period	Lapsed/cancelled during the period	
Directors ^(Note 1)						
Hui Sai Tan, Jason	10 May 2021	57,129	–	(57,129)	–	–
Tang Fei	10 May 2021	53,418	–	(53,418)	–	–
Lu Yi	10 May 2021	43,172	–	(43,172)	–	–
Ye Mingjie	10 May 2021	441,891	–	(441,891)	–	–
Sub-total		595,610	–	(595,610)	–	–
Other Employees of the Group (including the employees of Shimao Services Group)	10 May 2021	2,064,798	–	(1,533,304)	(498,113)	33,381
Total		2,660,408	–	(2,128,914) ^(Note 3)	(498,113) ^(Note 4)	33,381

CORPORATE GOVERNANCE AND OTHER INFORMATION

Notes:

1. According to the audited financial report of the Company for the year ended 31 December 2022, the five highest paid individuals of the Group include five Directors. 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 separately.
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.
3. The Shimao Services Shares were vested on 23 May 2023. The weighted average closing price of the Shimao Services Shares immediately before the date on which the awards were vested was HK\$1.54 per Shimao Services Share.
4. The Shimao Services Shares were lapsed during the period.

Since the Adoption Date II and up to 30 June 2023, 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 at 1 January 2023 and 30 June 2023, the number of Shimao Services Shares available for future grant under the 2021 Shimao Group Share Award Scheme were 226,098 Shimao Services Shares, representing approximately 0.009% of the total number of issued Shimao Services Shares as at the date of this report.

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 an 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 shares of Shimao Services 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 2023, 3,525,446 Shimao Services Shares were granted 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 2023 are set out below:

Name of grantees	Date of grant	Number of Shimao Services Shares				Outstanding as at 30 June 2023
		Outstanding as at 1 January 2023	Granted during the period	Vested during the period	Lapsed/cancelled during the period	
Directors of Shimao Services						
Ye Mingjie	19 June 2023 ^(Note 3)	–	374,610	–	–	374,610
Cao Shiyang	16 November 2022 ^(Note 2)	242,362	–	–	–	242,362
	19 June 2023 ^(Note 3)	–	127,907	–	–	127,907
		242,362	127,907	–	–	370,269
Cai Wenwei	16 November 2022 ^(Note 2)	144,424	–	–	–	144,424
	19 June 2023 ^(Note 3)	–	127,033	–	–	127,033
		144,424	127,033	–	–	271,457
Sub-total		386,786	629,550	–	–	1,016,336
The remaining two highest paid individuals ^(Note 1) (excluding Directors of Shimao Services as disclosed above)	16 November 2022 ^(Note 2)	272,555	–	–	(34,914)	237,641
	19 June 2023 ^(Note 3)	–	228,144	–	–	228,144
Other Employees of Shimao Services Group	16 November 2022 ^(Note 2)	3,357,764	–	–	(423,650)	2,934,114
	19 June 2023 ^(Note 3)	–	2,667,752	–	–	2,667,752
Sub-total		3,630,319	2,895,896	–	(458,564)	6,067,651
Total		4,017,105	3,525,446	–	(458,564) ^(Note 4)	7,083,987

Notes:

1. According to the audited financial report of Shimao Services Group for the year ended 31 December 2022, the five highest paid individuals of Shimao Services Group include three directors of Shimao Services. Their interests in the awarded Shimao Services Shares were disclosed in the above table.
2. 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.
3. 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.
4. The Shimao Services Shares were lapsed during the period.

Since the Adoption Date III and up to 30 June 2023, 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. As at 1 January 2023 and 30 June 2023, the number of Shimao Services Shares available for future grant under the Shimao Services Share Award Scheme were 66,902,085 Shimao Services Shares and 63,376,639 Shimao Services Shares, respectively, representing approximately 2.71% and 2.57% of the total number of issued Shimao Services Shares as at the date of this report, respectively.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Change in Information of Directors

There was no change in the information of the Directors since the publication of the 2022 annual report of the Company which is 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 2023, 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 Stock Exchange of Hong Kong Limited (the "HKEx") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Rules Governing the Listing of Securities on the HKEx (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	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	Beneficial owner	1,241,103 ^(Note 3)	0.033%
Xie Kun	Beneficial owner	332,804 ^(Note 4)	0.009%
Lu Yi	Beneficial owner	546,897 ^(Note 5)	0.014%
Ye Mingjie	Beneficial owner	265,086 ^(Note 6)	0.007%

Notes:

- 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.
- The interests disclosed include deemed interests in 119,493 Shimao Group Shares granted under the 2011 Shimao Group Share Award Scheme.
- The interests disclosed include deemed interests in 124,003 Shimao Group Shares granted under the 2011 Shimao Group Share Award Scheme.
- The interests disclosed include deemed interests in 256,504 Shimao Group Shares granted under the 2011 Shimao Group Share Award Scheme.
- The interests disclosed include deemed interests in 91,233 Shimao Group Shares granted under the 2011 Shimao Group Share Award Scheme.
- The interests disclosed include deemed interests in 41,518 Shimao Group Shares granted under the 2011 Shimao Group Share Award Scheme.

CORPORATE GOVERNANCE AND OTHER INFORMATION

(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	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	Beneficial owner	53,418	0.002%
Xie Kun	Beneficial owner	95,215	0.004%
Lu Yi	Beneficial owner	43,172	0.002%
Ye Mingjie	Beneficial owner	2,279,338 ^(Note 3)	0.092%

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 the awarded shares are vested.
3. The interests disclosed include deemed interests in 374,610 Shimao Services Shares granted under the Shimao Services Shares Award Scheme.

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 2023 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 2023, 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:

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

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 2023, 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 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, a term loan facility in the amount of US\$1,315,000,000 or its equivalent has 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; (ii) to maintain (directly or indirectly) at least 51% beneficial shareholding interest in the issued share capital of the Company; (iii) to have the power to direct the management of the Company, whether through the ownership of voting capital, by contract or otherwise; or (b) Mr. Hui Wing Mau ceases to be the chairman of the Board and is not replaced by Mr. Hui Sai Tan, Jason as the replacement chairman of the Board within 10 business days of any such cessation, the commitments under each of the above loan facilities may be cancelled and all amounts outstanding may become immediately due and payable.

The Board

The Board consisted of nine Directors, comprising four Executive Directors, two Non-executive Directors 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 is committed to the Company's objective of consistent growth and development and increase in shareholder value. The Board sets strategies for the Company and monitors the performance and activities of the management.

The Board is 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 14 of the Listing Rules. The principal role and function of the Board in relation to corporate governance is to develop and review the Company's policies and practices on corporate governance, to review and monitor the training and continuous professional development of Directors and senior management of the Company, to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements, to develop, review and monitor the code of conduct applicable to employee and Directors, and to review the Company's compliance with the Code and disclosure in the corporate governance report under the annual report of the Company.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Audit Committee

The audit committee of the Company (the "Audit Committee") consists of three members, all of which 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.

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

The 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, compliance officer or auditor. The Audit Committee reviews the interim and annual reports before submission to the Board. The 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 2023 have been reviewed by the Audit Committee.

Remuneration Committee

The remuneration committee of the Company (the "Remuneration Committee") consists of three members, all of which 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, retirement scheme and the performance assessment system and bonus and commission policies.

Nomination Committee

The nomination committee of the Company (the "Nomination Committee") consists of three members, all of which 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 2023.

Corporate Governance Code

The Company has complied with all the code provisions set out in the Code throughout the six months ended 30 June 2023.

Purchase, Sale or Redemption of Listed Securities

During the six months ended 30 June 2023:

1. Shanghai Shimao Co., Ltd. ("Shanghai Shimao"), a 64.23%-owned subsidiary of the Company, adjusted the redemption plan for five long-term bonds issued on the Shanghai Stock Exchange ("SSE") and included unpaid interest of RMB125,622,000 as of 28 December 2022 as principal;
2. Shanghai Shimao, redeemed RMB50,000,000 of medium-term notes at a fixed interest rate of 4.24% and RMB20,750,000 of private placement notes at a fixed interest rate of 3.70% on Interbank Market Clearing House Co., Ltd.;
3. The Company increased its holdings of 11,700,000 shares of Shanghai Shimao on the SSE through its wholly-owned subsidiary, with an average share price of RMB1.19 per share; and
4. The trustee of the Shimao Services Share Award Scheme, pursuant to the terms of the rules and trust deed of the Shimao Services Share Award Scheme, purchased from the market a total of 9,503,000 Shimao Services' shares at a total consideration of approximately HK\$15,909,430.29 (before expenses).

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 2023.

Interim Dividend

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2023 (30 June 2022: 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 shimao-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, 31 August 2023

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

For the six months ended 30 June 2023

	Notes	Six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue	5	30,393,587	34,355,924
Cost of sales	14	(27,269,253)	(31,391,343)
Gross profit		3,124,334	2,964,581
Fair value losses on investment properties – net		(802,085)	(27,661)
Other income/other gains or losses – net	15	(264,689)	4,141,170
Selling and marketing costs	14	(693,696)	(1,570,267)
Administrative expenses	14	(2,293,065)	(2,644,670)
Provision for impairment losses on financial assets	14	(324,205)	(642,256)
Other operating expenses	14	(534,562)	(229,254)
Operating (loss)/profit		(1,787,968)	1,991,643
Finance income		97,845	161,958
Finance costs		(8,563,154)	(9,781,107)
Finance costs – net	16	(8,465,309)	(9,619,149)
Fair value changes of convertible bonds		–	57
Share of results of associated companies and joint ventures accounted for using the equity method		(472,575)	86,606
Loss before income tax		(10,725,852)	(7,540,843)
Income tax expenses	17	(898,127)	(1,727,315)
Loss for the period		(11,623,979)	(9,268,158)
Other comprehensive income/(loss) for the period			
<i>Items that will not be reclassified to profit or loss:</i>			
Fair value gains on financial assets at fair value through other comprehensive income, net of tax		198	37,415
Share of other comprehensive income/(loss) of joint ventures accounted for using the equity method		27,991	(28,549)
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		4,282	(40,304)
Total comprehensive loss for the period		(11,591,508)	(9,299,596)

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

For the six months ended 30 June 2023

	Notes	Six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
(Loss)/profit for the period attributable to:			
– Equity holders of the Company		(12,057,786)	(9,792,344)
– Non-controlling interests		433,807	524,186
		(11,623,979)	(9,268,158)
Total comprehensive (loss)/income for the period attributable to:			
– Equity holders of the Company		(12,035,326)	(9,813,485)
– Non-controlling interests		443,818	513,889
		(11,591,508)	(9,299,596)
Loss per share for loss attributable to the equity holders of the Company			
– Basic (RMB)	19	(3.18)	(2.59)
– Diluted (RMB)	19	(3.18)	(2.59)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

Notes	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)	
ASSETS			
Non-current assets			
Property and equipment	6	17,299,959	18,185,394
Right-of-use assets		7,179,830	7,262,721
Investment properties		66,337,912	67,786,279
Intangible assets		2,906,007	3,019,413
Investments accounted for using the equity method		19,838,260	20,649,896
Amounts due from related parties	7	5,765,620	5,884,531
Financial assets at fair value through other comprehensive income		1,793,563	1,793,316
Deferred income tax assets		2,543,390	3,140,695
Other non-current assets		2,534,484	3,288,152
		126,199,025	131,010,397
Current assets			
Inventories		301,158,188	323,168,336
Trade and other receivables and prepayments	8	41,317,986	41,759,741
Prepayment for acquisition of land use rights		4,057,944	4,066,993
Prepaid income taxes		3,379,313	3,919,971
Amounts due from related parties	7	73,372,232	78,475,799
Derivative financial instruments		6,236	37,705
Restricted cash	9	8,133,179	11,737,480
Cash and cash equivalents	9	20,349,236	22,034,517
		451,774,314	485,200,542
Total assets		577,973,339	616,210,939
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	10	384,165	384,165
Reserves		24,110,875	36,141,316
		24,495,040	36,525,481
Non-controlling interests			
Perpetual capital instruments		1,541,000	1,693,620
Other non-controlling interests		40,209,124	41,285,984
		41,750,124	42,979,604
Total equity		66,245,164	79,505,085

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2023

	Notes	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
LIABILITIES			
Non-current liabilities			
Borrowings	11	93,296,290	82,635,252
Lease liabilities		73,582	72,318
Deferred income tax liabilities		8,271,486	8,469,828
		101,641,358	91,177,398
Current liabilities			
Trade and other payables	12	79,473,347	82,500,086
Contract liabilities		104,863,720	118,102,262
Dividend payable		888,414	860,759
Income tax payable		22,567,262	24,653,407
Borrowings	11	181,932,941	191,371,662
Lease liabilities		50,487	56,216
Amounts due to related parties	13	20,310,646	27,984,064
		410,086,817	445,528,456
Total liabilities		511,728,175	536,705,854
Total equity and liabilities		577,973,339	616,210,939

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

Notes	Attributable to the equity holders of the Company							
	Share capital	Share premium	Other reserves	Retained earnings	Total	Perpetual capital instruments	Other non-controlling interests	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 CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2023

	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	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Balance as at 1 January 2022	384,165	4,766,463	14,048,067	38,619,262	57,817,957	5,091,000	51,090,726	113,999,683
Comprehensive (loss)/income								
(Loss)/profit for the period	-	-	-	(9,792,344)	(9,792,344)	139,851	384,335	(9,268,158)
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	-	-	37,415	-	37,415	-	-	37,415
Share of other comprehensive loss of joint ventures accounted for using the equity method	-	-	(18,252)	-	(18,252)	-	(10,297)	(28,549)
<i>Items that may be reclassified to profit or loss</i>								
Exchange differences on translation of foreign operations	-	-	(40,304)	-	(40,304)	-	-	(40,304)
Total comprehensive (loss)/income for the period	-	-	(21,141)	(9,792,344)	(9,813,485)	139,851	374,038	(9,299,596)
Release upon disposal of financial assets at FVOCI	-	-	(63,922)	63,922	-	-	-	-
Transfer from joint ventures and associated companies to subsidiaries	-	-	-	-	-	-	1,731,382	1,731,382
Acquisition of subsidiaries	-	-	-	-	-	-	51,234	51,234
Capital contribution from non-controlling interests of subsidiaries	-	-	-	-	-	-	1,010,126	1,010,126
Changes in ownership interests in subsidiaries without change of control	-	283,303	-	-	283,303	-	(8,280,271)	(7,996,968)
Disposal of subsidiaries	-	-	-	-	-	-	(567,348)	(567,348)
Equity-settled share-based payment	-	-	-	-	-	-	-	-
- Value of employee services	-	-	44,242	-	44,242	-	-	44,242
Appropriation to reserve	-	-	(4,601)	4,601	-	-	-	-
Perpetual capital instruments redeemed/reclassified	-	-	-	-	-	(3,550,000)	-	(3,550,000)
Perpetual capital instruments dividends	-	-	-	-	-	(31,891)	-	(31,891)
Dividends and distributions	-	-	-	-	-	-	(314,204)	(314,204)
Total transactions with owners	-	283,303	(24,281)	68,523	327,545	(3,581,891)	(6,369,081)	(9,623,427)
Balance at 30 June 2022	384,165	5,049,766	14,002,645	28,895,441	48,332,017	1,648,960	45,095,683	95,076,660

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Cash flows from operating activities		
Net cash generated from operations	2,455,036	3,638,228
Interest received	97,845	161,958
Interest paid	(1,006,239)	(3,153,659)
PRC income tax paid	(1,891,977)	(2,488,737)
Net cash used in operating activities	(345,335)	(1,842,210)
Cash flows from investing activities		
Additions of property and equipment and investment properties	(94,224)	(196,682)
Disposal of property and equipment	615,860	48,691
Disposal of investment properties	81,174	26,000
Purchase of intangible assets	(284)	(13,668)
Net cash (outflow)/inflow on disposal of subsidiaries	(153,572)	4,943,760
Net cash outflow on liquidation of a subsidiary	(132,129)	–
Net cash inflow on acquisition of subsidiaries	–	1,153,332
Decrease of financial assets at fair value through other comprehensive income	–	798,275
Capital injections to associated companies	–	(2,450)
Repayment from/(advances to) joint ventures and associated companies	511,881	(3,170,937)
Advances to non-controlling interest	(5,871)	–
Disposal of shares of joint ventures	28,999	1,810,500
Disposal of shares of associated companies	–	369,527
Decrease in receivables from disposals of equity interests	7,273	–
Dividends received from associated companies and joint ventures	57,444	–
Net cash generated from investing activities	916,551	5,766,348
Cash flows from financing activities		
Proceeds from borrowings	4,771,528	8,376,635
Repayments of borrowings	(8,175,683)	(21,028,453)
Purchases of shares of a subsidiary under its share award scheme	(14,271)	–
Capital contribution from non-controlling interests of subsidiaries	3,335	6,780
Acquisition of additional interests in subsidiaries	(54,351)	(88,250)
Redemption of perpetual capital instruments	–	(1,550,000)
Interest for the holders of perpetual capital instruments	–	(31,891)
Dividends paid to non-controlling interests	(29,699)	(3,932)
Decrease in amounts due to non-controlling interests	–	(952,234)
Decrease in amounts due to joint ventures and associated companies	(615,115)	–
Advances from entities controlled by the controlling shareholder	193,839	1,052,938
Decrease/(increase) in restricted cash pledged for borrowings	1,660,809	(994,650)
Lease payment	(33,720)	(29,388)
Net cash used in financing activities	(2,293,328)	(15,242,445)
Net decrease in cash and cash equivalents	(1,722,112)	(11,318,307)
Cash and cash equivalents at the beginning of the period	22,034,517	47,814,400
Effect of foreign exchange rate changes	36,831	475,346
Cash and cash equivalents at the end of the period	20,349,236	36,971,439

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

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 2022. 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 2022, except for the adoption of the amendments to HKASs and Hong Kong Financial Reporting Standards (“HKFRS”) for the current accounting period as set out below:

– Amendments to HKAS 1	Disclosure of Accounting Policies
– Amendments to HKAS 8	Definition of Accounting Estimates
– Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
– Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

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.

Going concern basis

For the six months ended 30 June 2023, the Group incurred a loss attributable to equity holders of the Company of approximately RMB12.1 billion. As at 30 June 2023, the Group had borrowings in total of approximately RMB275.2 billion, out of which approximately RMB181.9 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 RMB28.5 billion. As at 30 June 2023, the Group had not repaid borrowings of RMB119.7 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 RMB134.2 billion in aggregate according to their scheduled repayment dates. 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 INFORMATION (CONTINUED)

For the six months ended 30 June 2023

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 2023 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\$20.9 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 has also been actively negotiating with other onshore lenders and creditors on the extension of borrowings and has agreed to the extension of long-term bonds and medium-term notes of approximately RMB12.1 billion and RMB5.4 billion which were originally due in 2023 and 2024, respectively. Due to the diverse lender base and changing market conditions, time is still required to determine the extension plans on a case-by-case basis. Taking into account the successful extension cases and the Group's credit history and longstanding relationships with the relevant lenders and creditors, the Directors believe that the Group will be able to complete the signing of the relevant extension agreements for the existing borrowings step by step;
- (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;
- (v) the Group has prepared a business strategy plan mainly focusing on the acceleration of the sales of properties; and
- (vi) 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 2023. 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2023

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 2022.

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 2022.

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

(a) Liquidity risk

Compared to period 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 assets or liabilities 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 INFORMATION (CONTINUED)

For the six months ended 30 June 2023

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

Description	Fair value measurement using:			Total RMB'000 (Unaudited)
	Level 1 RMB'000 (Unaudited)	Level 2 RMB'000 (Unaudited)	Level 3 RMB'000 (Unaudited)	
At 30 June 2023				
Assets				
Derivative financial instruments	–	6,236	–	6,236
Financial assets at fair value through other comprehensive income (“FVOCI”)				
– investment in listed equity securities	1,304	–	–	1,304
– investment in unlisted entities	–	–	198,000	198,000
– investment in structured products	–	–	1,594,259	1,594,259

Description	Fair value measurement using:			Total RMB'000 (Audited)
	Level 1 RMB'000 (Audited)	Level 2 RMB'000 (Audited)	Level 3 RMB'000 (Audited)	
At 31 December 2022				
Assets				
Derivative financial instruments	–	37,705	–	37,705
Financial assets at FVOCI				
– investment in listed equity securities	1,057	–	–	1,057
– investment in unlisted entities	–	–	198,000	198,000
– investment in structured products	–	–	1,594,259	1,594,259

Derivative financial instruments included in Level 2 as at 30 June 2023 are one interest rate swaps contract with The Hongkong and Shanghai Banking Corporation Limited (“HSBC”), the fair value of which is determined using interest rates that are quoted by financial institutions.

Derivative financial instruments included in Level 2 as at 31 December 2022 are two interest rate swaps contracts with HSBC, the fair value of which is determined using interest rates that are quoted by financial institutions.

Financial assets at FVOCI included in Level 1 as at 30 June 2023 and 31 December 2022 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 as at 30 June 2023 and 31 December 2022 included in Level 3 are the investment in unlisted entities and structured products entered into with financial institutions, the fair value of which are determined using 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 INFORMATION (CONTINUED)

For the six months ended 30 June 2023

4. Financial risk management (CONTINUED)**(b) Fair values** (continued)

ii) *Reconciliation of the Group's financial assets and liabilities measured at fair value based on level 3: Financial assets at FVOCI at fair value:*

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Opening balances of assets	1,792,259	1,589,283
Additions	–	13,976
Disposals	–	(317,353)
Disposal of subsidiaries with loss of control	–	(177,131)
Fair value gains recognised in other comprehensive income	–	104,976
Closing balances of assets	1,792,259	1,213,751

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 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	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Sales of properties	24,393,824	28,233,677
Hotel operation income	1,058,595	738,464
Commercial properties operation income	860,547	991,464
Property management income, and others	4,080,621	4,392,319
	30,393,587	34,355,924

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2023

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

The segment results for the six months ended 30 June 2023 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	1,338,209	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 (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	(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 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 INFORMATION (CONTINUED)

For the six months ended 30 June 2023

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

The segment assets and liabilities at 30 June 2023 are as follows:

	Property development and investment			Total RMB'000 (Unaudited)
	Shanghai Shimao* RMB'000 (Unaudited)	Others RMB'000 (Unaudited)	Shimao Services** RMB'000 (Unaudited)	
Investments accounted for using the equity method	863,347	18,920,882	54,031	19,838,260
Intangible assets	–	88,528	2,817,479	2,906,007
Other segment assets	124,865,336	414,838,737	10,265,078	549,969,151
Total segment assets	125,728,683	433,848,147	13,136,588	572,713,418
Deferred income tax assets				2,543,390
Financial assets at FVOCI				1,793,563
Derivative financial instruments				6,236
Other assets				916,732
Total assets				577,973,339
Borrowings	39,197,381	155,697,095	437,514	195,331,990
Other segment liabilities	52,732,955	164,884,754	4,351,562	221,969,271
Total segment liabilities	91,930,336	320,581,849	4,789,076	417,301,261
Corporate borrowings				79,897,241
Deferred income tax liabilities				8,271,486
Other liabilities				6,258,187
Total liabilities				511,728,175

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2023

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

The segment results for the six months ended 30 June 2022 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	2,746,723	25,486,954	–	–	28,233,677
– Recognised at a point in time	2,746,723	24,397,469	–	–	27,144,192
– Recognised over time	–	1,089,485	–	–	1,089,485
– Hotel operation income	78,576	659,888	–	–	738,464
– Commercial properties operation income	650,442	341,022	–	–	991,464
– Property management income, and others	103,645	329,559	4,265,677	–	4,698,881
Total revenue before elimination	3,579,386	26,817,423	4,265,677	–	34,662,486
Elimination					(306,562)
Total revenue					34,355,924
Operating profit/(loss)	(320,433)	1,832,882	340,936	138,258	1,991,643
Finance income	31,392	93,873	36,625	68	161,958
Finance costs	(3,239,264)	(4,926,247)	(135,994)	(1,479,602)	(9,781,107)
Fair value changes of convertible bonds	–	–	57	–	57
Share of results of associated companies and joint ventures accounted for using the equity method	(33,703)	117,268	3,041	–	86,606
(Loss)/profit before income tax	(3,562,008)	(2,882,224)	244,665	(1,341,276)	(7,540,843)
Income tax expense					(1,727,315)
Loss for the period					(9,268,158)
Other segment items are as follows:					
Capital expenditures	847	62,663	146,840	–	210,350
Fair value losses on investment properties	–	(27,661)	–	–	(27,661)
Fair value losses on derivative financial instruments	–	–	–	80,672	80,672
Depreciation and amortisation charge	60,155	238,762	172,270	65,990	537,177
Amortisation of right-of-use assets	2,620	61,128	14,711	–	78,459
Provision for impairment on financial assets	20,300	241,749	380,207	–	642,256

* The Group owns an effective equity interest of 63.92% in Shanghai Shimao as at 30 June 2022

** The Group owns an effective equity interest of 63.10% in Shimao Services as at 30 June 2022

*** Unallocated mainly represent corporate level activities

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2023

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

The segment assets and liabilities at 31 December 2022 are as follows:

	Property development and investment		Shimao Services** RMB'000 (Audited)	Total RMB'000 (Audited)
	Shanghai Shimao* RMB'000 (Audited)	Others RMB'000 (Audited)		
Investments accounted for using the equity method	920,146	19,669,965	59,785	20,649,896
Intangible assets	–	106,576	2,912,837	3,019,413
Other segment assets	127,329,675	449,974,630	9,264,534	586,568,839
Total segment assets	128,249,821	469,751,171	12,237,156	610,238,148
Deferred income tax assets				3,140,695
Financial assets at FVOCI				1,793,316
Derivative financial instruments				37,705
Other assets				1,001,075
Total assets				616,210,939
Borrowings	39,853,342	156,575,817	526,871	196,956,030
Other segment liabilities	53,160,009	194,153,932	3,472,323	250,786,264
Total segment liabilities	93,013,351	350,729,749	3,999,194	447,742,294
Corporate borrowings				77,050,884
Deferred income tax liabilities				8,469,828
Other liabilities				3,442,848
Total liabilities				536,705,854

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 derivative financial instruments.

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

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

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Related to development and sales of properties contracts Contract liabilities (Note)	104,863,720	118,102,262

Note: Contract liabilities have been disclosed with the value-added tax of approximately RMB6.7 billion deducted in 30 June 2023 (31 December 2022: approximately RMB7.1 billion).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2023

6. Property and equipment

During the six months ended 30 June 2023, the Group acquired property and equipment of approximately RMB76,860,000 (six months ended 30 June 2022: approximately RMB196,682,000). Property and equipment with a total net book value of RMB634,369,000 were disposed by the Group during the six months ended 30 June 2023 (six months ended 30 June 2022: RMB48,691,000).

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 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Included in non-current assets		
– Joint ventures	5,224,195	5,258,396
– Associated companies	629,226	715,747
Provision for impairment	5,853,421 (87,801)	5,974,143 (89,612)
	5,765,620	5,884,531

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 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Included in current assets		
– Associated companies	1,298,254	1,296,704
– Joint ventures	55,672,208	60,440,822
– Non-controlling interest	18,401,513	18,395,642
Provision for impairment	75,371,975 (1,999,743)	80,133,168 (1,657,369)
	73,372,232	78,475,799

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 INFORMATION (CONTINUED)

For the six months ended 30 June 2023

8. Trade and other receivables and prepayments

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Trade receivables (Note (a))	8,515,921	8,801,099
Bidding deposits for land use rights (Note (b))	4,182,395	4,251,995
Prepayments for construction costs	9,448,225	8,993,816
Loan receivables (Note (c))	426,862	461,970
Prepaid tax and surcharges on pre-sale proceeds	938,231	1,194,204
Deposits paid	9,821,537	10,451,338
Receivables from disposals of equity interests	284,978	396,275
Payments on behalf of customers	485,169	467,470
Other receivables	8,708,495	8,251,760
	42,811,813	43,269,927
Provision for impairment	(1,493,827)	(1,510,186)
	41,317,986	41,759,741

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 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Within 180 days	6,562,426	6,782,186
Over 180 days and within 365 days	1,412,695	1,460,003
Over 365 days	540,800	558,910
	8,515,921	8,801,099

As at 30 June 2023, receivables arising from sales of properties were approximately RMB3,999,838,000 (31 December 2022: RMB3,892,308,000).

- (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 2023, loan receivables of RMB426,862,000 (31 December 2022: RMB461,970,000) 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 2023, 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 2023, a provision of approximately RMB225,656,000 (31 December 2022: RMB233,213,000) was made against the gross amount of trade receivables.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2023

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 2023, a provision of approximately RMB1,268,171,000 (31 December 2022: RMB1,276,973,000) was made against the gross amount of other receivables.

As at 30 June 2023 and 31 December 2022, trade and other receivables of the Group were mainly denominated in RMB.

9. Cash and cash equivalents and restricted cash

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Restricted cash	8,133,179	11,737,480
Cash and cash equivalents	20,349,236	22,034,517
	28,482,415	33,771,997

As at 30 June 2023, the Group's restricted cash comprised approximately RMB1,914,986,000 (31 December 2022: RMB3,858,478,000) of guarantee deposits for the benefit of mortgage loan facilities granted by the banks to the purchasers of the Group's properties (note 20(a)) and approximately RMB6,218,193,000 (31 December 2022: RMB7,879,002,000) of deposits pledged as collateral for the Group's borrowings (note 11).

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 2023 was 0.34% (31 December 2022: 0.34%).

10. Share capital

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

	Par value	Number of shares	Nominal value of ordinary shares	
	HK\$	'000	HK\$'000	Equivalent to RMB'000
Authorised: At 1 January 2023 (Audited) and 30 June 2023 (Unaudited)	0.1	5,000,000	500,000	
Issued and fully paid: At 1 January 2023 (Audited) and 30 June 2023 (Unaudited)		3,797,831	379,783	384,165

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2023

10. 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 2023, the Trust purchased a total of 47,006,000 ordinary shares from market, totaling HK\$756,630,000 (equivalent to RMB665,074,000). Up to 30 June 2023, 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 3,277,922 shares were lapsed.

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

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

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Unvested shares, beginning and ending	8,709,353	8,709,353

No share awards were granted during the six months ended 30 June 2023. For the six months ended 30 June 2023, the weighted average fair value of the unvested shares granted is approximately HK\$200,875,000, equivalent to approximately RMB185,932,000 (six months ended 30 June 2022: approximately HK\$200,875,000, equivalent to approximately RMB166,227,000).

- (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 ten 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.

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2023

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

Movements in the number of unvested shares granted under the Shimao Services Share Award Scheme during the six months ended 30 June 2023 are as follows:

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Unvested shares, beginning	2,660,408	6,865,821
Vested	(2,128,914)	–
Lapsed	(498,113)	–
Unvested shares, ending	33,381	6,865,821

For the six months ended 30 June 2023, The weighted average fair value of the unvested shares of Shimao Services granted is approximately HK\$52,000, equivalent to RMB48,000 (six months ended 30 June 2022: approximately HK\$113,973,000, equivalent to RMB97,469,000).

On 28 June 2021, Shimao Services adopted another 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 2023, a total of 3,525,446 shares under the Shimao Services Share Award Scheme II were granted to certain employees of Shimao Services at nil consideration. 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 2023 are as follows:

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Unvested shares, beginning	4,017,105	–
Granted	3,525,446	–
Lapsed	(458,564)	–
Unvested shares, ending	7,083,987	–

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2023

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

	As at 30 June	
	2023 '000 (Unaudited)	2022 '000 (Unaudited)
Shares issued	3,797,831	3,797,831
Treasury shares for Share Scheme	(10,242)	(10,242)
Shares outstanding	3,787,589	3,787,589

11. Borrowings

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Borrowings included in non-current liabilities		
Long-term borrowings		
– secured by assets (Note (i))	71,680,058	73,204,647
– secured by assets and shares of subsidiaries (Note (i))	20,128,704	15,128,023
– secured by shares of subsidiaries (Note (i))	18,377,646	19,678,048
– secured by shares of subsidiary guarantors (Note (ii))	23,803,994	22,971,168
– unsecured	12,627,967	17,250,084
Senior notes – secured (Note (iii))	46,267,816	44,575,079
Medium-term notes – unsecured (Note (iv))	3,040,000	3,090,000
Long-term bonds – secured (Note (v))	18,887,700	18,139,648
	214,813,885	214,036,697
Less: Portion of long-term borrowings due within one year	(96,516,363)	(104,413,100)
Portion of senior notes due within one year	(21,667,534)	(13,923,345)
Portion of medium-term notes due within one year	(3,040,000)	(3,090,000)
Portion of long-term bonds due within one year	(293,698)	(9,975,000)
Amounts due within one year	(121,517,595)	(131,401,445)
	93,296,290	82,635,252
Borrowings included in current liabilities		
Short-term borrowings		
– secured by assets (Note (i))	26,160,412	28,259,044
– secured by assets and shares of subsidiaries (Note (i))	4,703,833	5,108,080
– secured by shares of subsidiaries (Note (i))	5,776,405	4,556,601
– unsecured	20,793,394	19,142,115
Senior notes – secured (Note (iii))	2,702,052	2,604,377
Private placement notes (Note (vi))	279,250	300,000
Current portion of non-current borrowings	121,517,595	131,401,445
	181,932,941	191,371,662

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2023

11. Borrowings (CONTINUED)

Notes:

- (i) As at 30 June 2023, the Group's total secured bank borrowings and borrowings from other financial institutions of approximately RMB146,827,058,000 (31 December 2022: RMB145,934,443,000) 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 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Properties under development	94,658,153	113,704,247
Investment properties	51,236,533	52,257,992
Restricted cash (note 9)	6,218,193	7,879,002
Completed properties held for sale	17,307,446	13,990,134
Land use rights	3,633,326	3,680,223
Property and equipment	11,972,025	12,372,935
	185,025,676	203,884,533

- (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 2023, US\$399,000,000 and HK\$2,486,050,000 of the principal remained outstanding (31 December 2022: US\$399,000,000 and HK\$2,486,050,000) and the entire of which were 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 2023, US\$795,958,000 and HK\$3,794,300,000 of the principal remained outstanding (31 December 2022: US\$795,958,000 and HK\$3,794,300,000), of which US\$460,817,500 and HK\$2,196,700,000, respectively, 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 2023, US\$657,500,000 and HK\$5,128,500,000 of the principal remained outstanding (31 December 2022: US\$657,500,000 and HK\$5,128,500,000), of which US\$32,875,000 and HK\$256,425,000, respectively, was defaulted.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2023

11. 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% due on 3 July 2022. On 11 December 2017, the Company issued senior notes with total principal of US\$400,000,000 at a fixed interest rate of 4.75% due on 3 July 2022. As at 30 June 2023, the senior notes with the remaining principal amount of US\$1,000,000,000 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% due on 30 January 2025.

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

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

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

On 11 January 2021, the Company issued senior notes with total principal of US\$872,000,000 at a fixed interest rate of 3.45% due on 11 January 2031.

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% due on 28 April 2022. As at 30 June 2023, the senior notes with a total principal amount of US\$700,000,000 remained outstanding and was defaulted.

On 25 June 2021, the Company issued senior notes with a total principal of US\$400,000,000 at a fixed interest rate of 3.75% due on 25 June 2022. As at 30 June 2023, the principal amount of 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% due on 16 September 2023.

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% due on 16 January 2027.

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.

- (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 2022. During the year ended 31 December 2022, the Group redeemed the medium-term notes with the principal of RMB20,000,000, whereas the maturity of the remaining medium-term notes was extended to 21 October 2023. During the six months ended 30 June 2023, the Group redeemed the medium-term notes with the principal of RMB50,000,000. As at 30 June 2023, the principal amount of RMB930,000,000 (31 December 2022: RMB980,000,000) remained outstanding.

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 six months ended 30 June 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 2023, the principal amount of RMB500,000,000 (31 December 2022: RMB500,000,000) remained outstanding, of which RMB25,000,000 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 six months ended 30 June 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 2023, the principal amount of RMB970,000,000 (31 December 2022: RMB970,000,000) remained outstanding.

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 six months ended 30 June 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 2023, the principal amount of RMB640,000,000 (31 December 2022: RMB640,000,000) remained outstanding, of which RMB6,400,000 was defaulted.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2023

11. Borrowings (CONTINUED)

Notes: (continued)

- (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% due on 15 October 2020. Shimao Jianshe shall be entitled to adjust the interest rate at the end of fifth year whereas the investors shall be entitled to sell back in whole or in part of long-term bonds. On 16 October 2020, Shimao Jianshe redeemed long-term bonds with a total principal of RMB865,801,000 at a fixed interest rate of 4.15%. The remaining long-term bonds with a total principal of RMB534,199,000 was due on 16 October 2022 at a fixed interest rate of 4.15%. During the year ended 31 December 2022, the due date of the long-term bonds was extended to 16 October 2024. During the six months ended 30 June 2023, the Group further extended the due date of the long-term bonds in which 4% of the total principal will be due in or before September 2024, 20% of the total principal will be due in or before December 2025, 25% of the total principal will due in or before December 2026, and 51% of the total principal will due in or before September 2027.

On 15 January 2019, Shanghai Shimao issued the first phase of long-term bonds with an aggregate principal amount of RMB2,000,000,000 at a fixed interest rate of 4.65% due on 15 January 2022. On 13 January 2022, the amount was fully redeemed. On 19 March 2019, Shanghai Shimao issued second phase of long-term bonds with an aggregate principal amount of RMB1,000,000,000 at a fixed interest rate of 4.64% due on 19 March 2022. On 17 March 2022, the amount was fully redeemed. On 22 May 2019, Shanghai Shimao issued the third phase of long-term bonds with an aggregate principal amount of RMB500,000,000 at a fixed interest rate of 4.15% due on 22 May 2022. During the year ended 31 December 2022, the due date of the third phase of long-term bonds was extended to 22 May 2023. During the six months ended 30 June 2023, the Group further extended the due date of the third phase of the long-term bonds in which an aggregate amount of approximately RMB9,738,000 will be due in December 2024, an aggregate amount of approximately RMB185,015,000 will be due in or before December 2025, and aggregate amount of approximately RMB292,129,000 will be due in or before 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% due on 18 September 2022. On 11 November 2019, Shimao Jianshe issued the second phase of long-term bonds with aggregate principal amount of RMB1,000,000,000 at a fixed interest rate of 4.80% due on 11 November 2024. On 11 November 2019, Shimao Jianshe issued the third phase of long-term bonds with aggregate principal amount of RMB900,000,000 at a fixed interest rate of 4.30% due on 11 November 2022. During the year ended 31 December 2022, each of the due dates of the first phase and the third phase of long-term bonds was extended to 19 September 2024 and 11 November 2024, respectively. During the six months ended 30 June 2023, the Group further extended the due dates of all phases of the long-term bonds (“2019 Shimao Jianshe Bonds”) in which 4% of the principal amounts of 2019 Shimao Jianshe Bonds will due in or before September 2024, 20% of the principal amounts of 2019 Shimao Jianshe Bonds will due in or before December 2025, 25% of the principal amounts of 2019 Shimao Jianshe Bonds will due in or before December 2026, and 51% of the principal amounts of 2019 Shimao Jianshe Bonds will due in or before September 2027.

On 5 March 2020, Shanghai Shimao issued the first phase of long-term bonds with aggregate principal amount of RMB2,000,000,000 at a fixed interest rate of 3.60% due on 5 March 2023. On 8 July 2020, Shanghai Shimao issued the second phase of long-term bonds with aggregate principal amount of RMB1,000,000,000 at a fixed interest rate of 3.76% due on 8 July 2022. On 1 September 2020, Shanghai Shimao issued the third phase of long-term bonds with aggregate principal amount of RMB500,000,000 at a fixed interest rate of 3.99% due on 1 September 2022. On 24 September 2020, Shanghai Shimao issued the fourth phase of long-term bonds with aggregate principal amount of RMB500,000,000 at a fixed interest rate of 3.94% due on 24 September 2022. During the six months ended 30 June 2023, the Group extended the due dates of all phases of the long-term bonds in which aggregate amount of approximately RMB81,277,000 will due in December 2024, aggregate amount of approximately RMB1,544,251,000 will due in or before December 2025, and aggregate amount of approximately RMB2,438,291,000 will due in or before December 2026.

On 25 March 2020, Shimao Jianshe issued the first phase of long-term bonds with an aggregate principal amount of RMB1,700,000,000 at a fixed interest rate of 3.23% due on 24 March 2023 and RMB2,800,000,000 at a fixed interest rate of 3.90% due on 25 March 2025. On 11 May 2020, Shimao Jianshe issued the second phase of long-term bonds with an aggregate principal amount of RMB3,100,000,000 at a fixed interest rate of 3.20% due on 11 May 2023. On 27 August 2020, Shimao Jianshe issued the third phase of long-term bonds with an aggregate principal amount of RMB2,700,000,000 at a fixed interest rate of 3.90% due on 27 August 2023. During the six months ended 30 June 2023, the Group extended the due dates of all phases of the long-term bonds. For the first phase of long-term bonds with the principal amount of RMB2,800,000,000, 2% of the principal amount will be due in or before September 2024, 7% of the principal amount will be due in or before December 2025, 15% of the principal amount will be due in or before December 2026, 25% of the principal amount will be due in or before December 2027, and 51% of the principal amount will be due in or before June 2028. For the rest of the long-term bonds with the aggregate principal amount of RMB7,500,000,000, 4% of the aggregate principal amount will be due in or before September 2024, 20% of the principal amount will be due in or before December 2025, 25% of the principal amount will be due in or before December 2026, and 51% of the principal amount will be due in or before September 2027.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2023

11. Borrowings (CONTINUED)

Notes: (continued)

- (vi) On 17 January 2020, Shanghai Shimao issued the first phase of private placement notes with an aggregate principal amount of RMB500,000,000 at a fixed interest rate of 4.50% due on 19 January 2022. On 18 January 2022, the amount was fully redeemed. 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 2023, the principal amount of RMB279,250,000 remained outstanding, of which RMB18,750,000 was defaulted.

As at 30 June 2023, borrowings with a total carrying amount of RMB66,425,455,000 and RMB32,721,893,000 are denominated in US dollar and HK dollar, respectively. (31 December 2022: RMB64,134,247,000 and RMB36,162,534,000).

12. Trade and other payables

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Trade payables (Note (a))	48,570,866	56,710,341
Other payables (Note (b))	13,117,801	9,911,770
Other taxes payable	8,712,858	9,470,539
Accrued expenses	9,071,822	6,407,436
	79,473,347	82,500,086

Notes:

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

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Within 90 days	46,618,317	54,509,980
Over 90 days and within 1 year	1,952,549	2,200,361
	48,570,866	56,710,341

- (b) As at 30 June 2023, other payables mainly included deposits received from customers amounted to RMB3,550,840,000 (31 December 2022: RMB3,221,837,000). Besides 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 INFORMATION (CONTINUED)

For the six months ended 30 June 2023

13. Amounts due to related parties

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
– Associated companies	4,278,892	5,233,417
– Joint ventures	8,596,295	15,775,218
– Non-controlling interests	1,185,600	919,409
– Entities controlled by the controlling shareholder	6,249,859	6,056,020
	20,310,646	27,984,064

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.

14. Expenses by nature

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Cost of properties sold and others	24,665,952	29,195,456
Staff costs – including directors' emoluments	2,621,323	3,154,656
Advertising, promotion and commission costs	480,267	1,131,090
Corporate and office expenses	548,184	606,841
Taxes and surcharges on sales of properties	231,082	244,783
Depreciation and amortisation	541,842	537,177
Direct expenses arising from hotel operation	399,930	292,245
Consulting fee	116,920	219,082
Amortisation of right-of-use assets	94,526	78,459
Charitable donations	211	1,000
Auditor's remuneration	–	2,800
Penalties	358,425	69,784
Provision for impairment losses on financial assets	324,205	642,256
Provision for impairment losses on inventories of properties	290,509	–
Others	441,405	302,161
Total	31,114,781	36,477,790

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2023

15. Other income/other gains or losses – net

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Other income		
Government grants received	41,567	159,344
Other gains – net		
Net losses on deemed disposal of joint ventures and associate companies	–	(288,315)
Forfeit deposits and contract termination income (Note)	29,476	32,159
Net gains on disposal of subsidiaries (Note 22(a))	17,734	3,402,931
Net gains/(losses) on disposal of associated companies	6,381	(157,105)
Loss on liquidation of a subsidiary (Note 22(b))	(382,282)	–
(Loss)/gain on derivative financial instruments	(31,469)	80,672
Net gains on disposal of joint ventures	5,770	828,250
Others	48,134	83,234
	(306,256)	3,981,826
	(264,689)	4,141,170

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.

16. Finance costs/(income) – net

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Finance income		
Interest income on short-term bank deposits	(97,845)	(161,958)
Interest on borrowings	6,135,232	7,963,138
Interest on senior notes	1,125,214	1,056,772
Interest charges paid/payable for lease liabilities	3,461	14,420
	7,263,907	9,034,330
Net foreign exchange loss (Note)	3,894,137	4,661,444
Less: interest and foreign exchange losses capitalised	(2,594,890)	(3,914,667)
Finance costs	8,563,154	9,781,107
Net finance costs	8,465,309	9,619,149

Note:

Net foreign exchange loss mainly represents the effect of the translation of foreign currency borrowings.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2023

17. Income tax expense

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Current income tax		
– PRC enterprise and withholding income tax	153,624	780,705
– PRC land appreciation tax	406,943	739,862
	560,567	1,520,567
Deferred income tax		
– PRC enterprise and withholding income tax	337,560	206,748
	898,127	1,727,315

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 2023 (six months ended 30 June 2022: 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%.

18. Dividends

No dividends were declared during the six months ended 30 June 2023 and 30 June 2022.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2023

19. 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	
	2023 (Unaudited)	2022 (Unaudited)
Loss attributable to the equity holders of the Company (RMB'000)	(12,057,786)	(9,792,344)
Weighted average number of ordinary shares (thousands)	3,787,589	3,787,589
Basic loss per share (RMB)	(3.18)	(2.59)

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 2023 as the effect caused by the shares granted under the Share Scheme is anti-dilutive.

No diluted loss per share is presented for the six months ended 30 June 2022 as the effects caused by the shares granted under the Share Scheme and the conversion of the subsidiary's outstanding convertible bonds are anti-dilutive.

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

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Guarantees in respect of mortgage facilities for certain purchasers	37,083,227	35,739,362

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 2023, 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 RMB23,954,120,000 (31 December 2022: approximately RMB24,962,691,000) with maturity between 2023 to 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 approval 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 2023. As the Group was 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 INFORMATION (CONTINUED)

For the six months ended 30 June 2023

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

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Contracted but not provided for		
– Property and equipment	241,241	476,257
– Land use rights (including those related to associated companies and joint ventures)	5,391,020	5,745,419
– Properties being developed by the Group for sale	38,596,635	39,414,335
	44,228,896	45,636,011

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2023

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

During the six months ended 30 June 2023, the Group has the following significant disposal/liquidation of subsidiaries and transactions with NCI.

(a) Disposal of subsidiaries with loss of control

For the six months ended 30 June 2023, the Group lost control of certain subsidiaries. The disposal resulted in a total net cash outflow of approximately RMB153,572,000 and net gains of approximately RMB17,734,000.

Net assets disposed and reconciliation of disposal gain and cash outflow on disposals are as follow:

	RMB'000 (Unaudited)
Cash and cash equivalents	193,172
Inventories	3,682,479
Property and equipment	152
Deferred income tax assets	30,304
Amounts due from the Group	207,954
Trade and other receivables and prepayments	14,728
Prepaid income taxes	662
Trade and other payables	(353,390)
Contract liabilities	(977,821)
Amounts due to related parties	(324,136)
Amounts due to the Group	(45,135)
Income tax payable	(1,708)
Borrowings	(371,000)
Total identifiable net assets	2,056,261
Non-controlling interests	(501,103)
Net assets attributable to the equity holders of the Company	1,555,158
Cash consideration	83,480
Considerations setoff by:	
– amounts due to subsidiaries being disposed of	207,912
– amounts amounts due to related parties	512,600
– borrowings	768,900
Net assets disposed	(1,555,158)
Net gains on disposal of subsidiaries	17,734
Cash consideration received	39,600
Less: cash and cash equivalents in the entities disposed	(193,172)
Net cash outflow due to the disposals	(153,572)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2023

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

For the six months ended 30 June 2023, the PRC court ruled a non-wholly owned subsidiary of the Company with limited liability in the PRC be liquidated under the applicable laws. The Directors considered that the Group lost control over the subsidiary upon the ruling and deconsolidated the subsidiary thereafter. The liquidation resulted in a total net cash outflow of approximately RMB132,129,000 and net loss of approximately RMB382,282,000.

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

	RMB'000 (Unaudited)
Cash and cash equivalents	132,129
Inventories	1,432,927
Property and equipment	102
Deferred income tax assets	31,098
Amounts due from the Group	114,866
Amounts due from related parties	305,969
Trade and other receivables and prepayments	88,977
Prepaid income taxes	5,529
Trade and other payables	(1,118,160)
Contract liabilities	(349,576)
Income tax payable	(137,602)
Total identifiable net assets	506,259
Non-controlling interests	(123,977)
Net assets attributable to the equity holders of the Company	382,282
Consideration	–
Net assets deconsolidated	(382,282)
Loss on liquidation of a subsidiary	(382,282)
Net cash outflow due to the deconsolidation	(132,129)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2023

22. 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 2023, non-controlling interests made several capital injections into the Group with a total amount of RMB3,335,000.

(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	481,962
Consideration settled by amounts due from non-controlling interests	(112,164)
Consideration paid/payable to non-controlling interests in the current period	(357,778)
Increase in equity due to the deficiency of considerations paid	12,020

Note:

For the six months ended 30 June 2023, the Group acquired additional interests in the subsidiaries for a total consideration of approximately RMB469,942,000. The Group recognised a decrease in non-controlling interests of approximately RMB481,962,000 and an increase in the equity attributable to the equity holders of the Company of approximately RMB12,020,000.

23. 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	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Brand management fee income	2,798	94,633
Construction material sold to related companies	5,289	42,996
	8,087	137,629

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2023

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

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Emoluments		
– Salaries and other short-term employee benefits	7,856	9,077
– Retirement scheme contributions	266	227
	8,122	9,304

24. Events after the reporting period

Subsequent to the six months ended 30 June 2023, the Company has been actively pushing forward the proposed restructuring of the offshore indebtedness of the Group and continues to maintain constructive dialogues with various groups of creditors, including but not limited to, an ad hoc group of holders of the US\$-denominated senior notes issued by the Company (the "AHG") and the Co-ordination Committee comprising various offshore banks which in aggregate hold meaningful portion of the Group's offshore indebtedness (the "CoCom") and their respective advisors with a view to stabilise the situation of the Company, ease the current liquidity issue and seek to implement a restructuring plan that strives to treat its creditors fairly and protect the interests of its stakeholders.

The Company has circulated draft restructuring proposals to the advisors of the AHG and CoCom. The parties have been working diligently in narrowing differences on various economic terms currently contemplated under the restructuring proposals.

25. Approval of the interim condensed consolidated financial statements

The interim condensed consolidated financial statements were approved by the Company's board of directors on 31 August 2023.



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

