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世茂集團

SHIMAO GROUP HOLDINGS LIMITED

世茂集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 813)

**FULFILMENT OF RESUMPTION GUIDANCE
RESUMPTION OF TRADING**

This announcement is made by Shimao Group Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and Rule 13.09(2)(a) of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

Reference is made to the announcement of the Company dated 19 July 2022 in relation to the resumption guidance issued by the Stock Exchange. The Company is pleased to announce that it has fulfilled the resumption guidance with details as follows:

(a) Publish all outstanding financial results required under the Listing Rules and address any audit modifications

The Company has published its audited financial results for the year ended 31 December 2021, the year ended 31 December 2022, and the interim results for the six months ended 30 June 2022 (the “**Financial Results**”) on 28 July 2023.

Zhonghui ANDA CPA Limited, the external auditor of the Company, has issued a disclaimer of opinion in relation to the going concern issue on the consolidated financial statements of the Group for the years ended 31 December 2021 and 31 December 2022. Details of which have been disclosed in the aforesaid 2021 audited annual results and 2022 audited annual results announcements of the Company.

Following the publication of the Financial Results on 28 July 2023, the Company is of the view that resumption guidance (a) has been fulfilled.

(b) Conduct an appropriate independent investigation into the issues raised by PricewaterhouseCoopers, the previous auditor of the Company, in its resignation letter, announce the findings and take appropriate remedial measures

The independent investigation on the issues raised by the previous auditor of the Company in its resignation letter, including four trust loan arrangements that were entered into in 2020 or before and had not been previously disclosed to them, has been completed. The key findings and the assessment of the board of directors of the Company (the “**Board**”) on the investigation were disclosed in the announcement of the Company dated 23 June 2023.

An update on the status of the four trust loans is set out below:

Trust Loan 1 – The parties are implementing a mediation agreement. The balance of the loan outstanding as of 30 June 2023 was RMB494 million.

Trust Loan 2 – Trust Corporation 2 applied to the court for an enforcement order on a subsidiary of the Group. The Group is currently attempting to resolve the issue with Trust Corporation 2. As of 30 June 2023, the outstanding balance of Trust Loan 2 was RMB5.994 billion.

Trust Loan 3 – The Group is negotiating with Trust Corporation 3 on the repayment of part of the loan and release the collateral to better resolve the remaining debt. As of 30 June 2023, the outstanding loan balance was RMB380 million.

Trust Loan 4 – Trust Corporation 4 has not taken any action against the Group. As of 30 June 2023, the outstanding loan balance was RMB422 million.

The Board and the audit committee of the Board (the “**Audit Committee**”) are of the view that the four trust arrangements are fair and reasonable and in the interests of the Company and shareholders as a whole for the following reasons:

1. there were reasonable commercial grounds to use the trust arrangements;
2. the proceeds obtained from the trust arrangements were finally flowed back to the Group and used by the Group for development and construction of property projects, and daily operations. There have been no outflow of funds from the Group or any misappropriation of funds into personal accounts. Under such circumstances, the credit enhancement provided by the Group to the trust companies, such as equity and asset pledges and corporate guarantees, were considered to be reasonable and not detrimental to the interests of the Group; and
3. the Group has in place fund-flow measures to safeguard the proceeds received by the joint ventures/associated corporations would be fully transferred back to the Group.

The Board and the Audit Committee are satisfied that the issue on the trust loans has been addressed as the nature of the loans has been clarified and considered that the independent investigation is adequate. Following the independent investigation, the Company has engaged an internal control consultant to perform a review on the Group's internal control and the Group has adopted the internal control measures to address the findings from the independent investigation. As such, the Company is of the view that resumption guidance (b) has been fulfilled.

(c) Conduct an independent internal control review and demonstrate that the Company has in place adequate internal controls and procedures to meet obligations under the Listing Rules

The Company has engaged an independent internal control consultant (the “**Internal Control Consultant**”) to conduct a review on the Group's internal control system. The findings on the internal control review were announced by the Company on 21 July 2023.

Following the recommendations of the Internal Control Consultant, the Company has put in place measures to address the deficiencies identified by the Internal Control Consultant in its review. The Internal Control Consultant has conducted a follow-up review and was satisfied that the Company has in place adequate internal controls and procedures to meet obligations under the Listing Rules. Based on the findings of the follow-up review by the Internal Control Consultant, the Board and the Audit Committee are satisfied that the Company has in place adequate internal controls and procedures to meet obligations under the Listing Rules. The Company thus considers that it has fulfilled resumption guidance (c).

(d) Demonstrate the Company's compliance with Rule 13.24 of the Listing Rules

The Group is principally engaged in the development and investment of residential and commercial properties, property management, commercial properties operation and hotel operation in the People's Republic of China (the “**PRC**”).

As of the end of 2022, the Group's floor area under construction was approximately 38.14 million sq.m.. The floor area completed for 2022 was approximately 5.85 million sq.m.. For 2023, the Group's floor area under construction and floor area completed are expected to be approximately 34.50 million sq.m. and approximately 6.00 million sq.m., respectively.

As of 31 December 2022, the Group's listed subsidiary, Shanghai Shimao Co., Ltd., had self-owned commercial properties with gross floor area (“**GFA**”) of approximately 1.69 million sq.m. in the PRC, whilst Shimao Services Holdings Limited, another listed subsidiary of the Group, had area under its management of approximately 261.6 million sq.m., and contracted GFA of approximately 341.3 million sq.m. In addition, the Group has a total of 25 hotels in operation as at the end of 2022.

As at 31 December 2022, the Group's audited total assets amounted to approximately RMB616.21 billion and the Group's audited revenue for the year ended 31 December 2022 amounted to approximately RMB63.04 billion.

The Company considers it carries out a business with a sufficient level of operations and assets of sufficient value to support its operations and fulfill resumption guidance (d).

(e) Inform the market of all material information for the Company's shareholders and other investors to appraise the Company's position

The Company has kept its shareholders and investors informed of all material information relating to the Company since the suspension of trading in its shares by way of various quarterly update announcements, unaudited operating statistics announcements, summary financial information announcements of its major subsidiaries and announcements in relation to notifiable transactions of the Company. Accordingly, the Company is of the view that it has fulfilled this resumption guidance (e).

RESUMPTION OF TRADING

At the request of the Company, the trading in the shares of the Company on the Stock Exchange was suspended with effect from 9:00 a.m. on 1 April 2022. Application has been made by the Company for the resumption of trading in the shares of the Company from 9:00 a.m. on 31 July 2023.

Holders of the Company's securities and potential investors are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 28 July 2023

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