



2022

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

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Registered Office

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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
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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 2022.

Market and Outlook

In the first half of 2022, the real estate market continued the downward trend since the end of 2021, with the industry environment sustaining changes, development and investments in real estate and sales of commercial properties both experiencing slumps, and market sentiments becoming more conservative. Coupled with the unfavorable credit environment, challenging operating conditions and a growing number of liquidity-troubled real estate enterprises, the real estate industry was accelerating the pace into a hard time of adjustment, posing enormous challenges to the Company’s stable development and normal operations.

In the face of the aforementioned market pressure and challenges, the Group kept reviewing and summarizing, reached a consensus, positively embraced changes and forged ahead in spite of difficulties. The Company will set quality enhancement and efficiency improvement and value chain rebuilding as its core targets, so as to prepare for a strategic transformation. By adhering to the pragmatic principle of “seeking progress while maintaining stability, marching ahead with all efforts”, the diversified business under the Group such as Shimao property management, commercial properties operation and hotel operation will maintain stable operations, take multi-pronged measures, enhance operating abilities, and improve services capabilities to accumulate momentum for achieving long-term value.

Operational Strategy

In the first half of 2022, the Group took the initiative to adjust its operational strategies, suspended the acquisition of land for replenishment, adjusted its supply strategy and strengthened the refined control of existing projects. The Group’s contracted sales amounted to RMB43.77 billion in the first half of 2022, with an aggregated contracted sales area of 2.709 million sq.m..

In terms of production operation, the Group focused on “ensuring delivery and stability” as the key responsibility objective, integrating resources and implementing the main responsibility to fully ensure project delivery. In the first half of 2022, the Group put forward a delivery plan with the theme of “quality with consistency (持「質」以恆)”, aiming to ensure the delivery schedule with no compromise on the quality of products. Throughout the first half of the year, the Group achieved delivery of 66 project batches in 41 cities in aggregate. In the future, the Group will continue to focus on the sales, repayment and delivery of completed projects and seek to dispose of some assets as appropriate to ensure stable development and sustainable operation of the Group.

In terms of financial management, the Group strengthened the classification and management of financing cash flows and operating cash flows to improve the efficiency of capital utilization and enhance the Company’s resilience to financial risks. In addition, the Company has taken the smooth transition of its domestic and overseas corporate finance as its kernel and focused efforts on and actively pursued the restructuring of the Group’s onshore and offshore debts. The Company will continue the communication and negotiation with its creditors for reasonable arrangements such as rollover and replacement to smooth out debt risks to the maximum extent and safeguard the rights and interests of all investors in a fair manner.

PRESIDENT'S STATEMENT

In terms of resource planning, the Group has adapted to the changes, sorted out and analyzed all assets, made coordination and rational allocation of debt-servicing resources and formulated the optimal path for revitalization to promote the disposal of bulk assets. The Group successfully disposed of assets including a plot of land located at Huangpu Road, Shanghai, Guangzhou Asian Games City project, Hyatt on the Bund Shanghai through equity transfer, so as to effectively alleviate financial difficulties.

Collaborative Development of Diversified Businesses

In the first half of 2022, the Group operated and developed diversified sectors in parallel to accumulate momentum for achieving long-term value.

With respect to property services business, in the first half of 2022, Shimao Services Holdings Limited ("Shimao Services") persisted with its unwavering spirit in developing business, achieving steady growth in total revenue and contracted gross floor area ("GFA"), as well as rapid growth in new businesses. During the interim period of 2022, it recorded revenue of RMB4,265.7 million, representing a year-on-year increase of 12.9%. GFA under management amounted to 255.9 million sq.m., representing a year-on-year increase of 46.2%; and contracted GFA reached 333.1 million sq.m., with a year-on-year uptick of 39.3%. Gross profit reached RMB1,113.6 million and gross profit margin was 26.1%, maintaining the industry-leading level. In the future, Shimao Services will further enhance its operational capacity, consolidate its front-line foundation, refine its management procedure, improve its business quality and explore more intrinsic values. It will strive to materialize "high quality growth" from four aspects, namely strategies, operation, organizational mechanism and manpower.

With respect to commercial and entertainment business, the year of 2022 witnessed a steady start, and the overall market recorded positive performance. However, the new round of nationwide pandemic started in March caused a huge impact on the offline retail market. Nonetheless, some commercial projects of Shanghai Shimao Co., Ltd. ("Shanghai Shimao") still showed strong operational resilience. Xiamen Jimei Shimao Festival City celebrated its first anniversary at the end of April and presented the highlight of the year "brave youth, as wonderful as One (敢玩輕年·One般精彩)", leading the consumption growth of the area. During the anniversary period, the project attracted approximately 180,000 customers and generated sales of more than RMB20 million. With the release of restriction and recovery in late May, the business activities of Jinan Shimao Festival City quickly got back on track and the sales in June exceeded that of the same period last year, which was mainly due to the management experience accumulated by the project in the previous two years, so that it could respond to contingencies with more active and flexible strategies. In addition, Shanghai Shimao office projects under management showed strong operational resilience. Although the overall rental rate declined slightly in the first half of the year, decreasing by approximately 2.8 percentage points from the end of 2021, the overall performance was still better than competitors in the market, mainly due to the accurate judgment of the regional market and the reasonable and flexible leasing strategy adopted by each project. 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.

With respect to hotel business, Shimao's hotels always respond to market difficulties with flexible and innovative thinking. In the first half of 2022, one new self-owned brand hotel under management services – Yu Hotel Xixian was opened, making the self-owned brand hotels in operation exceed 20. In the second half of the year, we will usher in the grand opening of hotel projects under management services such as Yuluxe Hotel Lanzhou, MiniMax Hotel Shaoxing Keqiao, Yu Hotel Qingdao Pier, etc. With a precise vision, we will steadily establish our presence in first- and second-tier cities and consolidate the development layout of the hotels of self-owned brands.

PRESIDENT'S STATEMENT

Social Responsibility

Shimao carries social responsibility in the blood and never forgets such responsibility while achieving corporate development. In the first half of 2022, when the epidemic was spreading in many cities across the country, more and more Shimao forces were injected to the front line of the fight against the epidemic, protecting the cities with love and action. 16 hotels of Shimao were fully engaged in epidemic prevention and control. Some of them received medical teams, engaging in frontline anti-epidemic support work; while some of them served as designated medical observation points to do well in the prevention, control and quarantine, built a strong health defense for the extensive customers and contributed to orderly management of the epidemic prevention of the cities. In addition, the Group has always been committed to environmental protection and sustainable development, keeping up with the pace of green development in the office projects under management. An example is Changsha Shimao Global Financial Center, the second tallest building in Hunan, has won the international LEED Gold certification, and is also the first WELL CORE registered project in Hunan, building a super landmark with green environmental protection concept and breakthrough technology.

Appreciation

On behalf of the Board, I would like to thank our shareholders, customers, partners and governments at all levels and customers for their tremendous support. I would also like to extend my heartfelt gratitude and deepest respect to our directors, management and staff for all their valuable contributions. To date, the Company is in a critical period of sailing against the current. Shimao will give full play to the advantages of diversity, continue to focus on responsibilities of stable and guaranteed delivery, take multiple measures at the same time, and orderly promote the management of various stages of work. We will work together with all parties to overcome difficulties, do properly in asset management and operation services, form long-term resilience of enterprises, and gradually return to the right track of business operations.

Hui Sai Tan, Jason*Vice Chairman and President*

Hong Kong, 28 July 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 2022, revenue of the Group reached RMB34.36 billion. During the period, revenue from property sales amounted to RMB28.23 billion, accounting for 82.2% of the total revenue. The recognized sales area was 2.574 million sq.m..

2) *Sales Performance*

With respect to property sales, while the Group faced multiple challenges, such as complex and severe domestic and international market conditions, the spread of the COVID-19 pandemic across China and the downturn of the real estate industry, the Group’s contracted sales amounted to RMB43.77 billion in the first half of 2022, with an aggregate contracted sales area of 2.709 million sq.m..

3) *Adjustment of Supply Plans in Response to Market Demand and Supply*

In light of market volatility, the Group adjusted its strategies of supply, delayed or cancelled the supply for some projects that involved products with similar nature and high inventory level. In the first half of 2022, the Group’s floor area under construction was approximately 41.91 million sq.m.. The gross floor area (“GFA”) completed was approximately 3.16 million sq.m..

4) *Adjustment of Operational Strategies and Suspension of Land Acquisition*

In the first half of 2022, the Group took the initiative to adjust its operational strategies, suspended the acquisition of land for replenishment, and strengthened the refined control of existing projects. As of 30 June 2022, the Group had over 350 projects and a total area of approximately 64.67 million sq.m. (before interests) land bank.

5) *Adhering to Resource Planning and Making Effective Use of Assets*

The Group sorted out and analyzed all assets and formulated the optimal ways of effective use to promote the disposal of bulk assets. In the first half of 2022, the Group successfully disposed of assets including a plot of land located at Huangpu Road, Shanghai, Guangzhou Asian Games City project, Hyatt on the Bund Shanghai through equity transfer, so as to effectively alleviate financial difficulties.

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 to bolster urbanization, and tap into the growing public demand for a better life as its impetus and starting point for its various construction projects.

In the first half of 2022, a new round of nationwide pandemic started in March caused a huge impact on the offline retail market, especially on commercial projects located in hard-hit areas and spillover areas. Under multiple high-pressure control measures, the overall sales and foot traffic fell off a cliff. In April and May, when the pandemic was most severe, Shimao saw a decline of 58% and 55%, respectively, in the foot traffic of commercial projects under management as compared to the same period of last year. Nonetheless, some commercial projects still showed strong operational resilience. In particular, Xiamen Jimei Shimao Festival City celebrated its first anniversary at the end of April, which attracted approximately 180,000 customers and generated sales of more than RMB20 million. With the release of restriction and recovery in late May, the business activities of Jinan Shimao Festival City quickly got back on track and the sales in June exceeded that of the same period last year, which was mainly due to the management experience accumulated by the project in the previous two years, so that it could respond to contingencies with more active and flexible strategies.

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. At the same time, the Company will further increase investment in the commercial asset-light field and accelerate its pace of transformation to and upgrading in the asset-light model.

Property Services

In respect of property business, Shimao Group is engaged in property management business through its subsidiary, Shimao Services Holdings Limited (“Shimao Services”). In the first half of 2022, the property services industry shared the anxieties of the real estate industry, and the performance of the capital market showed fluctuation. Facing the pressure from the market, leading enterprises are becoming more determined and resolute to steadily develop their business. Shimao Services focuses more on fundamental capability building, pays more attention to the refined operational capability, attaches more importance to the development of business synergy and places more emphasis on organic growth.

In the first half of 2022, Shimao Services persisted with its unwavering spirit in developing business, achieving rapid growth in new businesses. During the interim period, it recorded revenue of RMB4,265.7 million, representing a year-on-year increase of 12.9%. GFA under management amounted to 255.9 million sq.m., representing a year-on-year increase of 46.2%; and contracted GFA reached 333.1 million sq.m., with a year-on-year uptick of 39.3%. Gross profit reached RMB1,113.6 million and gross profit margin was 26.1%, maintaining the industry-leading level.

In the future, Shimao Services will further enhance its operational capacity, consolidate its front-line foundation, refine its management procedure, improve its business quality and explore more intrinsic values. It will strive to materialize “high quality growth” from four aspects, namely strategies, operation, organizational mechanism and manpower.

MANAGEMENT DISCUSSION AND ANALYSIS

Hotel Operation

As of 30 June 2022, the Group had a total of 25 hotels in operation, including InterContinental Shanghai Wonderland, Conrad Shanghai, Conrad Xiamen, Hilton Wuhan Riverside, The Yuluxe Sheshan, A Tribute Portfolio Hotel, Shanghai, InterContinental Fuzhou, Hilton Nanjing Riverside, Hilton Shenyang, Sheraton Hong Kong Tung Chung Hotel, Hilton Changsha Riverside and MiniMax Hotel Chengdu Longquanyi. Currently, the Group has more than 8,300 hotel guest rooms. In addition, the Group has six directly managed leased hotels, including MiniMax Hotel Shanghai Songjiang, MiniMax Premier Hotel Shanghai Hongqiao, MiniMax Hotel Xiamen Central, MiniMax Premier Hotel Chengdu City Center, ETHOS Hotel Xiamen and ETHOS Hotel Wuhan Riverside, offering over 1,100 hotel guest rooms.

In the first half of 2022, with the continuous outbreaks of pandemic in a number of cities across the PRC and the escalation of certain prevention and control measures, a number of hotels of Shimao actively responded to the government's call by providing logistical supports such as accommodation and dining for medical and quarantine teams. Meanwhile, amidst the continuous challenges from the pandemic, Shimao Hotel dealt with market difficulties with flexible and innovative thinking at all times. On the one hand, through the formulation of digital marketing strategy and efficient integration of resources, we actively seized the 18 June campaign, a key point for market recovery, by launching exclusive promotions on WeChat Mall and Fliggy travel platform respectively, achieving total sales of over RMB26.12 million. We were committed to meeting consumers' multi-dimensional demands with diversified and higher quality products and experiences. On the other hand, we actively explored new approaches in creating revenue by pursuing region-wide operations around the hotel area beyond guest rooms, such as the outdoor beer garden, the trunk market and the "People's Kitchen (百姓廚房)" community takeaway, so as to create new consumption scenarios and capture high-frequency consumption points.

In the first half of 2022, one new self-owned brand hotel under management services – Yu Hotel Xixian was opened, making the self-owned brand hotels in operation exceed 20. In the second half of the year, we will usher in the grand opening of hotel projects under management services such as Yuluxe Hotel Lanzhou, MiniMax Hotel Shaoxing Keqiao, Yu Hotel Qingdao Pier, etc. With a precise vision, we will steadily establish our presence in first-and second-tier cities and consolidate the development layout of the hotels of self-owned brands.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Analysis

Key consolidated income statement figures are set out below:

	1H 2022 RMB million	1H 2021 RMB million
Revenue	34,356	73,401
Gross profit	2,965	21,013
Operating profit	1,992	15,828
(Loss)/Profit attributable to shareholders	(9,792)	6,283
(Losses)/Earnings per share – Basic (RMB cents)	(258.5)	178.0

Revenue

For the six months ended 30 June 2022, the revenue of the Group was approximately RMB34,356 million (1H 2021: RMB73,401 million), representing the decrease of 53.2% over the corresponding period in 2021. 82.2% (1H 2021: 90.6%) of the revenue was generated from the sales of properties and 17.8% (1H 2021: 9.4%) from hotel operation, commercial properties operation, property management and others.

The components of the revenue are set out as follows:

	1H 2022 RMB million	1H 2021 RMB million
Sales of properties	28,234	66,521
Hotel operation income	738	972
Commercial properties operation income	991	947
Property management income, and others	4,393	4,961
Total	34,356	73,401

* The income does not include revenue from the Group.

(i) Sales of Properties

Sales of properties for the six months ended 30 June 2022 and 2021 are set out below:

	1H 2022		1H 2021	
	Area (sq.m.)	RMB million	Area (sq.m.)	RMB million
Straits Development District	823,080	9,400	1,544,457	25,084
Jiangsu and Shanghai District	503,658	6,235	570,593	7,807
Western District	604,542	4,665	427,123	4,006
Zhejiang District	202,019	3,824	430,827	9,741
Central China District	191,157	1,570	181,395	2,701
Shandong District	195,110	1,358	329,380	2,969
Northern China District	54,672	1,182	568,460	14,213
Total	2,574,238	28,234	4,052,235	66,521

MANAGEMENT DISCUSSION AND ANALYSIS

(ii) Hotel Income

Hotel operation income decreased by approximately 24.0% to RMB738 million for the six months ended 30 June 2022 from RMB972 million over the corresponding period in 2021. The decrease of income was mainly due to different degrees of resurgence of COVID-19 pandemic, meanwhile Hyatt on the Bund Shanghai and Yutopia Wuyi Mountain Retreat were sold in the first half of 2022.

Hotel operation income is analysed as follows:

	Date of Commencement	1H 2022 RMB million	1H 2021 RMB million
Four Points by Sheraton Hong Kong Tung Chung	January 2021	122	68
InterContinental Shanghai Wonderland	November 2018	73	134
The Yuluxe Sheshan, A Tribute Portfolio Hotel, Shanghai	November 2005	70	65
Conrad Shanghai	September 2006	57	99
Sheraton Hong Kong Tung Chung Hotel	December 2020	49	40
Conrad Xiamen	August 2016	44	75
Hilton Wuhan Riverside	July 2016	37	54
Crowne Plaza Shaoxing	March 2014	33	38
Hilton Nanjing Riverside	December 2011	31	43
InterContinental Fuzhou	January 2014	29	38
Hilton Changsha Riverside	July 2021	27	–
DoubleTree by Hilton Ningbo Beilun	December 2016	26	25
Hilton Shenyang	January 2018	21	31
Hilton Yantai	August 2017	20	30
Le Méridien Hangzhou Binjiang	September 2018	17	29
Hyatt on the Bund Shanghai	June 2007	17	93
Hilton Tianjin Eco-City	April 2015	14	20
Yuluxe Hotel Taizhou	August 2014	12	13
DoubleTree by Hilton Ningbo Chunxiao	December 2015	11	11
Holiday Inn Mudanjiang	December 2010	6	10
Yutopia Wuyi Mountain Retreat	September 2020	4	24
Others		18	32
Total		738	972

MANAGEMENT DISCUSSION AND ANALYSIS

(iii) Commercial properties operation income

Commercial properties operation income increased by approximately 4.7% to RMB991 million for the six months ended 30 June 2022 from RMB947 million over the corresponding period in 2021. Increase in commercial properties operation income was mainly due to the Company providing a wide range of quality services.

Commercial properties operation income is analysed as follows:

	Date of Commencement	1H 2022 RMB million	1H 2021 RMB million
Rental Income			
Shanghai Shimao Festival City	December 2004	98	109
Jinan Shimao Festival City	May 2014	73	79
Beijing Shimao Tower	July 2009	71	77
Shenzhen Shimao Qianhai Center	July 2020	59	42
Shanghai Shimao Tower	December 2018	53	38
Nanjing Straits City (Commercial)	December 2014	37	29
Nanjing Yuhua Shimao (Commercial)	December 2018	32	42
Shaoxing Shimao Dear Town (Commercial)	May 2010	32	31
Suzhou Shimao Canal Scene (Commercial)	June 2010	27	13
Kunshan Shimao Plaza	April 2012	26	29
Changsha Shimao Global Financial Center	September 2020	22	15
Chengdu Shimao Festival City	April 2021	21	12
Xiamen Shimao Straits Mansion	January 2017	16	27
Shanghai Shimao Shangdu	November 2010	13	9
Xiamen Jimei Shimao Festival City	April 2021	9	3
Qingdao Shimao 52+	August 2020	9	6
Quanzhou Shishi Shimao Skyscraper City	January 2017	5	11
Wuhu Shimao Riviera Garden (Commercial)	September 2009	5	4
Xuzhou Shimao Dongdu (Commercial)	January 2012	4	5
Miscellaneous rental income		63	48
Rental income sub-total		675	629
Commercial properties operation related service income		316	318
Total		991	947

(iv) Property management income, and others

Property management income, and others decreased by approximately 11.4% to RMB4,393 million for the six months ended 30 June 2022 from RMB4,961 million over the corresponding period in 2021, which were mainly due to decreased revenues from project management.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of Sales

Cost of sales decreased by 40.1% to approximately RMB31,391 million for the six months ended 30 June 2022 from RMB52,388 million for the six months ended 30 June 2021, which was in line with the decline in revenue.

Gross Profit Margin

For the six months ended 30 June 2022, the Group's gross profit margin was approximately 8.6% (1H 2021: 28.6%). The decrease in gross profit margin was due to the following reasons: the Group continually provided discounts on completed properties to fast promote cash collection; low margin revenue with high land cost entered settlement.

Fair Value Losses/Gains on Investment Properties – Net

During the period under review, the Group recorded aggregate fair value losses of approximately RMB28 million (1H 2021: fair value gains of RMB534 million), mainly caused by the fair value loss of Shanghai Shimao Festival City with its rental income decreased. Aggregate net fair value losses after deferred income tax of approximately RMB7 million recognized was RMB21 million (1H 2021: net fair value gains of RMB401 million).

Other Income/Gains – Net

For the six months ended 30 June 2022, net other income/gains was approximately RMB4,141 million (1H 2021: RMB283 million), which mainly comprised the gain from the disposal of subsidiaries and joint ventures of approximately RMB4,231 million, including Hyatt on the Bund Shanghai and the project of Guangzhou Asian Games City.

Selling and Marketing Costs and Administrative Expenses

For the six months ended 30 June 2022, the Group's selling and marketing costs decreased by 39.1% to approximately RMB1,570 million from approximately RMB2,580 million for the same period in 2021. This decrease was in line with the decline in the Group's contracted sales during the period.

For the six months ended 30 June 2022, the Group's administrative expenses decreased by 8.6% to approximately RMB2,645 million from approximately RMB2,893 million for the same period in 2021. The Group's administrative expenses were mainly personnel costs, depreciation and amortization.

Provision for Impairment Losses on Financial Assets

For the six months ended 30 June 2022, provision for impairment losses on financial assets recognised by the Group was approximately RMB642 million, representing an increase of 61.1% over the first half of 2021, mainly due to the further provisions made by the Group for expected credit losses on other receivables such as amounts due from related companies considering the combined impact of multiple unfavorable factors in macroeconomic, industry and financing environments.

MANAGEMENT DISCUSSION AND ANALYSIS

Finance (Costs)/Income – Net

Net finance costs was approximately RMB9,619 million (1H 2021: net finance income of RMB389 million), mainly due to the change in trend of foreign exchange rates fluctuations and interest on borrowings increased in the first half of 2022.

Share of Results of Associated Companies and Joint Ventures

Share of results of associated companies and joint ventures decreased to profits of approximately RMB87 million in the first half of 2022 from RMB156 million in the corresponding period in 2021, 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 RMB1,727 million for the period, in which PRC land appreciation tax ("LAT") was RMB740 million (1H 2021: RMB6,896 million, in which LAT was RMB3,105 million). The decrease in LAT was mainly due to the decrease of gross profit and gross profit margin.

Loss/Profit Attributable to Shareholders

Profit attributable to shareholders for the period decreased to loss of approximately RMB9.792 billion in the first half of 2022, from profit of approximately RMB6.283 billion in the first half of 2021. The decrease was mainly due to the decrease in core profit from revenue and gross profit.

The core profit attributable to shareholders represents profit after tax attributable to shareholders excluding major non-recurring or non-cash items, i.e. after-tax impact of fair value losses and gains 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, profit from core business attributable to shareholders for the period decreased by RMB11.728 billion to loss of approximately RMB5.529 billion (1H 2021: profit of RMB6.199 billion). Profit margin from core business attributable to shareholders was minus 24.5% in the first half of 2022.

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 increased to approximately RMB74.602 billion as at 30 June 2022 from approximately RMB59.976 billion as at 31 December 2021 due to funding to these companies for normal operation and other fund demand. Meanwhile, less cash support comes from these associated companies and joint ventures as less cash collection from sales due to the downturn of market. These balances are expected to be recovered within one year to three years.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2022, the Group's net gearing ratio was approximately 219.0% (31 December 2021: 156.0%).

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 RMB124.50 billion as at 30 June 2022) by total assets minus receipts in advance. As at 30 June 2022, the Group's liabilities to assets ratio after excluding receipts in advance was approximately 81.0% (31 December 2021: 77.4%).

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 2022: approximately RMB24.28 billion) by current borrowings. As at 30 June 2022, the Group's cash to current borrowings ratio was 0.08 (31 December 2021: 0.21).

The maturity of the borrowings of the Group as at 30 June 2022 is set out as follows:

	RMB million
<i>Bank borrowings and borrowings from other financial institutions and bonds</i>	
Within 1 year	143,722
Between 1 and 2 years	29,768
Between 2 and 5 years	29,577
Over 5 years	4,879
<i>Senior notes and convertible bonds</i>	
Within 1 year	16,530
Between 1 and 2 years	8,697
Between 2 and 5 years	14,999
Over 5 year	7,823
Total	255,995

The total amount of borrowings increased by 10.5% from approximately RMB231.759 billion as at 31 December 2021 to approximately RMB255.995 billion as at 30 June 2022, which was mainly due to the continued downturn in the real estate industry and the COVID-19 pandemic in the first half of 2022, some of the partners of associated companies and joint ventures early withdrew their investment equities to avoid liquidity risk. And these associated companies and joint ventures with borrowings became subsidiaries of the Group, thus increased the total amount of the borrowings of the Group.

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 2022, the Group's total secured borrowings of approximately RMB192.178 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 RMB189.915 billion), and/or secured by the pledge of the shares of certain subsidiaries of the Group.

Capital and Property Development Expenditure Commitments

As of 30 June 2022, the Group had contracted capital and property development expenditure but not provided for amounted to RMB41.980 billion.

Employees and Remuneration Policy

As of 30 June 2022, the Group employed a total of 54,957 employees, among whom 2,932 were engaged in property development. Total remuneration for the period amounted to approximately RMB3.496 billion. The Group has adopted a performance-based rewarding system to motivate its staff. The board of directors of the Company (the "Board") adopted two share award schemes (the "Share Award Schemes") of the Company on 30 December 2011 and 3 May 2021 respectively. The board of directors of Shimao Services also adopted a share award scheme (the "Shimao Services Share Award Scheme") of Shimao Services on 28 June 2021. The purpose of the Share Award Schemes and the Shimao Services Share Award Scheme is to recognize the contributions by certain selected employees of the Group and to provide them with incentives in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group. In relation to staff training, the Group also provides different types of programs for its staff to improve their skills and develop their respective expertise.

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 2022, no Shimao Group Share was granted, vested or lapsed 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 2022 are set out below:

Name of grantees	Date of grant	Number of Shimao Group Shares				Outstanding as at 30 June 2022
		Outstanding as at 1 January 2022	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 2021, 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 the date of this report, a total of 48,751,338 Shimao Group Shares have been granted under the 2011 Shimao Group Share Award Scheme. The total number of Shimao Group Shares available for future grant under the 2011 Shimao Group Share Award Scheme is 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 2022, no Shimao Services Share was granted, vested or lapsed 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 2022 are set out below:

Name of grantees	Date of grant ^(Note 2)	Number of Shimao Services Shares				Outstanding as at 30 June 2022
		Outstanding as at 1 January 2022	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	1,104,728	–	–	–	1,104,728
Sub-total		1,258,447	–	–	–	1,258,447
Other Employees of the Group (including the employees of Shimao Services Group)	10 May 2021	5,607,374	–	–	–	5,607,374
Total		6,865,821	–	–	–	6,865,821

CORPORATE GOVERNANCE AND OTHER INFORMATION

Notes:

1. According to the audited financial report of the Company for the year ended 31 December 2021, 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.

Since the Adoption Date II and up to the date of this report, a total of 6,865,821 Shimao Services Shares have been granted under the 2021 Shimao Group Share Award Scheme. The total number of Shimao Services Shares available for future grant under the 2021 Shimao Group Share Award Scheme is 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.

Since the Adoption Date III and up to six months ended 30 June 2022, no Shimao Services Share was granted under the Shimao Services Share Award Scheme. Therefore, there is no movement for the awarded Shimao Services Share during the six months ended 30 June 2022.

The total number of Shimao Services Shares available for future grant under the Shimao Services Share Award Scheme is 70,919,190 Shimao Services Shares, representing approximately 2.87% of the total number of issued Shimao Services Shares as at the date of this report.

Change in Information of Directors

There was no change in the information of the Directors since the publication of the 2021 annual report of the Company which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 2022, 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 Shiyong Finance Limited ("Shiyong Finance"). Both Gemfair and Shiyong 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 Shiyong 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	6,865,821 ^(Note 2)	0.278%
Hui Sai Tan, Jason	Beneficial owner	57,129 ^(Note 3)	0.002%
Tang Fei	Beneficial owner	53,418 ^(Note 3)	0.002%
Xie Kun	Beneficial owner	23,600	0.001%
Lu Yi	Beneficial owner	43,172 ^(Note 3)	0.002%
Ye Mingjie	Beneficial owner	1,904,728 ^(Note 4)	0.077%

Notes:

1. The interests disclosed represent 31,934,159 Shimao Services Shares held by Gemfair, 10,856,342 Shimao Services Shares held by Shiyong 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 Shiyong Finance. Both Gemfair and Shiyong 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, Shiyong Finance and Best Cosmos.
2. The interests disclosed represent deemed interests in 6,865,821 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 Shimao Services Shares granted under the 2021 Shimao Group Share Award Scheme.
4. The interests disclosed include deemed interests in 1,104,728 Shimao Services Shares granted under the 2021 Shimao Group 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 2022 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 2022, 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 2022, 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 currently 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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.

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 2022 have been reviewed by the Audit Committee and the auditor of the Company.

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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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.

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 2022.

Corporate Governance Code

The Company has complied with all the code provisions set out in the Code throughout the six months ended 30 June 2022.

Purchase, Sale or Redemption of Listed Securities

During the six months ended 30 June 2022:

1. Shanghai Shimao Co., Ltd. ("Shanghai Shimao"), a 63.92%-owned subsidiary of the Company, redeemed on the Shanghai Stock Exchange an aggregate principal amount of RMB1,900,139,000 of long-term bonds at a fixed interest rate of 4.65% due on 17 January 2022, an aggregate principal amount of RMB950,044,000 of long-term bonds at a fixed interest rate of 4.64% due on 21 March 2022; and
2. Shanghai Shimao, redeemed RMB500,000,000 of private placement notes at a fixed interest rate of 4.50% and RMB50,000,000 of private placement notes at a fixed interest rate of 3.70% on Interbank Market Clearing House Co., Ltd..

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 2022.

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 email or by post.

On behalf of the Board
Hui Wing Mau
Chairman

Hong Kong, 28 July 2023

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

Introduction

We were engaged to review the interim condensed consolidated financial statements set out on pages 28 to 68, which comprises the interim condensed consolidated financial position of Shimao Group Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) as of 30 June 2022 and the related interim condensed consolidated statement of profit or loss and other comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory notes (the “interim financial information”). The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 Interim Financial Reporting (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The directors of the Company are responsible for the preparation and presentation of the interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on the interim financial information based on our review. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Because of the potential interaction of the multiple uncertainties and their possible cumulative effect on the interim financial information described in the “Basis for Disclaimer of Conclusion” section of our report, however, it is not possible for us to express a conclusion on the interim financial information.

Basis for Disclaimer of Conclusion

Multiple uncertainties relating to Going Concern

As disclosed in note 2(a) to the interim financial information, the Group incurred a loss attributable to equity holders of the Company of approximately RMB9.8 billion for the six months ended 30 June 2022. As at 30 June 2022, the Group had borrowings in a total of approximately RMB256.0 billion, out of which approximately RMB160.3 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 RMB47.8 billion. As at 30 June 2022, the Group had not repaid borrowings of approximately RMB39.0 billion in aggregate according to their scheduled repayment dates. Up to the date of this report, the Group had not repaid borrowings with the outstanding amount of approximately RMB102.4 billion in aggregate according to their scheduled repayment dates. In addition, the Group was involved in various litigation and arbitration cases for various reasons as disclosed in note 20(c) to the consolidated financial statements. 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.

The interim financial information has been prepared on a going concern basis. The directors of the Company have been undertaking a number of plans and measures to mitigate the liquidity pressure and improve its financial position. The validity of the going concern assumption on which the interim financial information has been prepared depends upon the successful implementation of these measures, which are subject to multiple uncertainties, including (i) the success of completing the proposed offshore debt restructuring plans and extension of onshore debts with multiple lenders and creditors; (ii) the Group’s ability to successfully obtain other alternative financing and borrowings; (iii) the success of resolving the pending litigations of the Group; (iv) the success of business strategy plan to accelerate the sales of its properties; and (v) the success of dispose of its equity interests in certain project development companies to generate additional cashflow.

Should the Group fail to achieve the abovementioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group’s assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in the interim financial information.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION (CONTINUED)

Disclaimer of Conclusion

Because of the potential interaction of the multiple uncertainties related to going concern and their possible cumulative effect on the interim financial information described in the “Basis for Disclaimer of Conclusion” section of our report, we do not express a conclusion on the interim financial information.

Other Matters

Had we not disclaimed our conclusion regarding the matters described in the Basis for Disclaimer of Conclusion section above, we would otherwise have qualified our conclusion regarding the scope limitations on our review relating to the matters detailed below.

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

As at 31 December 2021, the Group had a non-controlling interest attributable to a non-wholly owned subsidiary of the Group (the “Subsidiary”) that amounted to approximately RMB5.9 billion which was initially a paid-up capital of approximately RMB4.9 billion contributed by an entity (the “Contributed Capital”), which is beneficially owned by a third-party trust company (the “Trust”), for the 30% equity interest of the Subsidiary. During the six months ended 30 June 2022, the Group and the Trust reached a consensus and renegotiated a temporary repayment plan to treat the entire arrangement as a fixed-term debt.

With reference to note 22(c)(ii) to the interim financial information, upon the consensus reached by the Group and the Trust in March 2022, the Group accounted for it as a deemed acquisition of 30% equity interest in the Subsidiary for a deemed consideration of RMB4.9 billion and classified the amount as borrowings in the interim financial information. In addition, the Group recognised the provision of accrued interests of approximately RMB1.4 billion in the interim condensed consolidated profit or loss for the six months ended 30 June 2022.

We are not able to obtain direct confirmation or clarification from the Trust to verify the nature of the Contributed Capital and no other sufficient information is available up to the date of this report to justify whether the Contributed Capital still met the applicable criteria of equity instruments under Hong Kong Accounting Standard 32 “Financial Instruments: Presentation” as at 31 December 2021. Accordingly, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the classification as equity of non-controlling interest balances attributable to the Subsidiary of approximately RMB5.9 billion as at 31 December 2021, and hence we were unable to justify whether any portion of the interest expenses of approximately RMB1.4 billion should be made in the current period or in prior years.

Any adjustments to the figures as described above might have a consequential effect on the Group’s condensed consolidated financial performance and cash flows for the six months ended 30 June 2022 and 2021 and the condensed consolidated financial position of the Group as at 31 December 2021, and the related disclosures thereof in the interim financial information.

The comparatives in the interim condensed consolidated statement of profit or loss and other comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six months ended 30 June 2021, and the related explanatory notes were reviewed by another auditor who expressed an unmodified conclusion on those statements on 30 August 2021.

ZHONGHUI ANDA CPA Limited

Certified Public Accountants

Tse Kit Yan

Audit Engagement Director

Practising Certificate Number P08158

Hong Kong, 28 July 2023

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

For the six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenue	5	34,355,924	73,401,274
Cost of sales	14	(31,391,343)	(52,388,131)
Gross profit		2,964,581	21,013,143
Fair value (losses)/gains on investment properties – net		(27,661)	533,838
Other income/other gains or losses – net	15	4,141,170	283,373
Selling and marketing costs	14	(1,570,267)	(2,580,477)
Administrative expenses	14	(2,644,670)	(2,893,083)
Provision for impairment losses on financial assets	14	(642,256)	(398,596)
Other operating expenses	14	(229,254)	(129,842)
Operating profit		1,991,643	15,828,356
Finance income		161,958	1,308,425
Finance costs		(9,781,107)	(919,254)
Finance (costs)/income – net	16	(9,619,149)	389,171
Fair value changes of convertible bonds		57	–
Share of results of associated companies and joint ventures accounted for using the equity method		86,606	156,369
(Loss)/profit before income tax		(7,540,843)	16,373,896
Income tax expenses	17	(1,727,315)	(6,896,046)
(Loss)/profit for the period		(9,268,158)	9,477,850
Other comprehensive (loss)/income for the period			
<i>Items that will not be reclassified to profit or loss:</i>			
Fair value gains/(losses) on financial assets at fair value through other comprehensive income, net of tax		37,415	(289,722)
Share of other comprehensive (loss)/income of joint ventures accounted for using the equity method		(28,549)	53,305
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		(40,304)	(33,396)
Total comprehensive (loss)/income for the period		(9,299,596)	9,208,037

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

For the six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
(Loss)/profit for the period attributable to:			
– Equity holders of the Company		(9,792,344)	6,282,755
– Non-controlling interests		524,186	3,195,095
		(9,268,158)	9,477,850
Total comprehensive (loss)/income for the period attributable to:			
– Equity holders of the Company		(9,813,485)	6,009,393
– Non-controlling interests		513,889	3,198,644
		(9,299,596)	9,208,037
(Losses)/earnings per share for (loss)/profit attributable to the equity holders of the Company			
– Basic (RMB cents)	19	(258.5)	178.0
– Diluted (RMB cents)	19	(258.5)	177.8

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

		30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
	Notes		
ASSETS			
Non-current assets			
Property and equipment	6	16,168,964	17,614,321
Right-of-use assets		7,093,670	8,286,458
Investment properties		66,229,035	66,319,235
Intangible assets		3,101,265	2,727,473
Investments accounted for using the equity method		24,829,123	27,720,624
Amounts due from related parties	7	6,013,944	6,460,176
Financial assets at fair value through other comprehensive income		1,229,608	2,184,336
Deferred income tax assets		3,343,266	3,352,443
Other non-current assets		2,581,892	3,556,190
		130,590,767	138,221,256
Current assets			
Inventories		320,198,265	332,890,055
Trade and other receivables, deposits and prepayments	8	30,451,010	23,727,928
Prepayment for acquisition of land use rights		4,840,030	4,838,963
Prepaid income taxes		4,698,477	4,473,623
Amounts due from related parties	7	85,606,940	66,056,509
Derivative financial instruments		92,027	11,412
Restricted cash	9	10,806,245	10,069,923
Cash and cash equivalents	9	36,971,439	47,814,400
		493,664,433	489,882,813
Total assets		624,255,200	628,104,069
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	10	384,165	384,165
Reserves		47,947,852	57,433,792
		48,332,017	57,817,957
Non-controlling interests			
Perpetual capital instruments		1,648,960	5,091,000
Other non-controlling interests		45,095,683	51,090,726
		46,744,643	56,181,726
Total equity		95,076,660	113,999,683

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2022

	Notes	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
LIABILITIES			
Non-current liabilities			
Borrowings	11	95,742,949	123,921,866
Lease liabilities		39,167	45,740
Deferred income tax liabilities		8,794,866	8,704,284
		104,576,982	132,671,890
Current liabilities			
Trade and other payables	12	85,141,819	91,163,159
Contract liabilities		118,045,661	124,124,133
Dividend payable		824,047	787,817
Income tax payable		26,283,160	27,133,799
Borrowings	11	160,252,066	107,836,757
Derivative financial instruments		–	57
Lease liabilities		42,311	50,601
Amounts due to related parties	13	34,012,494	30,336,173
		424,601,558	381,432,496
Total liabilities		529,178,540	514,104,386
Total equity and liabilities		624,255,200	628,104,069

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

Notes	Attributable to the equity holders of the Company					Perpetual capital instruments	Other non-controlling interests	Total
	Share capital	Share premium	Other reserves	Retained earnings	Total			
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)			
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	22(a)	-	-	-	-	-	1,731,382	1,731,382
Acquisition of subsidiaries	22(a)	-	-	-	-	-	51,234	51,234
Capital contribution from non-controlling interests of subsidiaries	22(c)(i)	-	-	-	-	-	1,010,126	1,010,126
Changes in ownership interests in subsidiaries without change of control	22(c)(ii)	-	283,303	-	283,303	-	(8,280,271)	(7,996,968)
Disposal of subsidiaries	22(b)	-	-	-	-	-	(567,348)	(567,348)
Equity-settled share-based payment – Value of employee services	10(b)	-	-	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 as 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 CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2022

	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 2021	362,850	5,710,158	12,172,471	69,756,581	88,002,060	5,141,000	59,351,692	152,494,752
Comprehensive income								
Profit for the period	-	-	-	6,282,755	6,282,755	154,094	3,041,001	9,477,850
Other comprehensive (loss)/income for the period								
<i>Items that will not be reclassified to profit or loss</i>								
Fair value losses on financial assets at fair value through other comprehensive income, net of tax	-	-	(274,045)	-	(274,045)	-	(15,677)	(289,722)
Share of other comprehensive income of joint ventures accounted for using the equity method	-	-	34,079	-	34,079	-	19,226	53,305
<i>Items that may be reclassified to profit or loss</i>								
Exchange differences on translation of foreign operations	-	-	(33,396)	-	(33,396)	-	-	(33,396)
Total comprehensive income for the period	-	-	(273,362)	6,282,755	6,009,393	154,094	3,044,550	9,208,037
Acquisition of subsidiaries	-	-	-	-	-	-	1,772,031	1,772,031
Capital contribution from non-controlling interests of subsidiaries	-	-	-	-	-	-	5,116,674	5,116,674
Changes in ownership interests in subsidiaries without change of control	-	(110,728)	-	-	(110,728)	-	(1,540,186)	(1,650,914)
Disposal of subsidiaries	-	-	-	-	-	-	(12,091)	(12,091)
Equity-settled share-based payment								
- Value of employee services	-	-	54,425	-	54,425	-	-	54,425
- Purchase of shares	-	(146,110)	-	-	(146,110)	-	-	(146,110)
Appropriation to reserve	-	-	108,476	(108,476)	-	-	-	-
Perpetual capital instruments dividends	-	-	-	-	-	(154,094)	-	(154,094)
Dividends and distributions	-	-	-	(3,192,560)	(3,192,560)	-	(555,501)	(3,748,061)
Total transactions with owners	-	(256,838)	162,901	(3,301,036)	(3,394,973)	(154,094)	4,780,927	1,231,860
Balance as at 30 June 2021	362,850	5,453,320	12,062,010	72,738,300	90,616,480	5,141,000	67,177,169	162,934,649

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Note	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Cash flows from operating activities			
Net cash generated from operations		3,638,228	19,285,462
Interest received	16	161,958	565,098
Interest paid		(3,153,659)	(4,365,234)
PRC income tax paid		(2,488,737)	(6,995,593)
Net cash (used in)/generated from operating activities		(1,842,210)	8,489,733
Cash flows from investing activities			
Additions of property and equipment and investment properties		(196,682)	(750,721)
Disposal of property and equipment		48,691	19,563
Disposal of investment properties		26,000	203,000
Additions of land use rights		–	(2,133)
Purchase of intangible assets		(13,668)	(26,521)
Disposal of intangible assets		–	1,786
Net cash inflow on disposal of subsidiaries		4,943,760	148,896
Net cash inflow/(outflow) on acquisition of subsidiaries		1,153,332	(761,570)
Decrease/(increase) of financial assets at fair value through other comprehensive income		798,275	(23,139)
Capital injections to joint ventures		–	(499,381)
Capital injections to associated companies		(2,450)	(1,195,551)
Advances to joint ventures and associated companies		(3,170,937)	(8,893,891)
Disposal of shares of joint ventures		1,810,500	130,039
Disposal of shares of associated companies		369,527	–
Dividends received from associated companies and joint ventures		–	678,414
Decrease in prepayments for acquisition of equity interests		–	100,084
Net cash generated from/(used in) investing activities		5,766,348	(10,871,125)
Cash flows from financing activities			
Proceeds from borrowings		8,376,635	43,668,185
Repayments of borrowings		(21,028,453)	(23,447,803)
Repurchases of shares		–	(146,110)
Capital contribution from non-controlling interests of subsidiaries		6,780	5,116,674
Acquisition of additional interests in subsidiaries		(88,250)	(1,650,914)
Redemption of perpetual capital instruments		(1,550,000)	–
Interest for the holders of perpetual capital instruments		(31,891)	(154,094)
Dividends paid to non-controlling interests		(3,932)	(555,501)
Decrease in amounts due to non-controlling interests		(952,234)	(6,566,129)
Advances from entities controlled by the controlling shareholder		1,052,938	–
Increase in restricted cash pledged for borrowings		(994,650)	(90,066)
Lease payment		(29,388)	(19,242)
Net cash (used in)/generated from financing activities		(15,242,445)	16,155,000
Net (decrease)/increase in cash and cash equivalents		(11,318,307)	13,773,608
Cash and cash equivalents at the beginning of the period		47,814,400	61,038,027
Effect of foreign exchange rate changes		475,346	(42,937)
Cash and cash equivalents at the end of the period		36,971,439	74,768,698

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

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.

These interim condensed consolidated financial statements have been reviewed, not audited.

2. Basis of Preparation

These interim condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 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 2021. 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 2021.

(a) Going concern basis

For the six months ended 30 June 2022, the Group incurred a loss attributable to equity holders of the Company of approximately RMB9.8 billion. As at 30 June 2022, the Group had borrowings in total of approximately RMB256.0 billion, out of which approximately RMB160.3 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 RMB47.8 billion. As at 30 June 2022, the Group had not repaid borrowings of RMB39.0 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 RMB102.4 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.

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) subsequent to 30 June 2022, the Group has been actively pushing forward the proposed restructuring of the offshore indebtedness of the Group, including the US\$-dominated 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;

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

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

- (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 2022. 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 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.

(b) Adoption of new or amended HKFRSs

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA, that are relevant to its operations and effective for its accounting period beginning on 1 January 2022. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not resulting in significant changes to the Group's accounting policies, presentation of the Group's interim condensed consolidated financial statements and amounts reported for the current period and prior years.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

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 2021.

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 2021.

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 2022

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 2022				
Assets				
Derivative financial instruments	–	92,027	–	92,027
Financial assets at fair value through other comprehensive income (“FVOCI”)				
– investment in listed equity securities	15,857	–	–	15,857
– investment in unlisted entities	–	–	199,766	199,766
– investment in structured products	–	–	1,013,985	1,013,985
At 31 December 2021				
Assets				
Derivative financial instruments	–	11,412	–	11,412
Financial assets at FVOCI				
– investment in listed equity securities	595,053	–	–	595,053
– investment in unlisted entities	–	–	588,313	588,313
– investment in structured products	–	–	1,000,970	1,000,970
Liabilities				
Derivative financial instruments	–	57	–	57

Derivative financial instruments included in Level 2 as at 30 June 2022 are one interest rate swaps contract with the Morgan Stanley & Co International PLC (“Morgan Stanley”) and five interest rate swaps contracts 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 2021 are one interest rate swaps contract with the Morgan Stanley & Co International PLC (“Morgan Stanley”) and seven interest rate swaps contracts 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.

Financial assets at FVOCI included in Level 1 as at 30 June 2022 and 31 December 2021 are the equity securities traded in Hong Kong Exchanges and Clearing Limited, NASDAQ and New York Stock Exchange, the fair value of which is based on quoted market prices at the end of the reporting period.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

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: (continued)*

Financial assets at FVOCI as at 30 June 2022 and 31 December 2021 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 financial assets at FVOCI measured at fair value based on level 3.

There were no changes in valuation techniques during the period.

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	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Opening balances of assets	1,589,283	592,392
Additions	13,976	23,139
Disposals	(317,353)	–
Disposal of subsidiaries with loss of control	(177,131)	–
Fair value gains/(losses) recognised in other comprehensive income	104,976	(1,711)
Closing balances of assets	1,213,751	613,820

Financial assets at fair value through profit or loss ("FVPL") at fair value:

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Opening balances of assets	–	168,016
Fair value losses recognised in profit or loss	–	(1,669)
Closing balances of assets	–	166,347
Changes in unrealised (losses)/gains, under 'Other income/other gains – net' (Note 15)	–	(1,669)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

5. Segment Information

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

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

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

(a) Revenue

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

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Sales of properties	28,233,677	66,521,433
Hotel operation income	738,464	971,885
Commercial properties operation income	991,464	946,877
Property management income, and others	4,392,319	4,961,079
	34,355,924	73,401,274

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

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

The segment results for the six months ended 30 June 2022 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	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 gains 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 2022

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

The segment assets and liabilities at 30 June 2022 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	1,076,310	23,702,635	50,178	24,829,123
Intangible assets	–	122,380	2,978,885	3,101,265
Other segment assets	128,355,901	449,285,171	12,900,916	590,541,988
Total segment assets	129,432,211	473,110,186	15,929,979	618,472,376
Deferred income tax assets				3,343,266
Financial assets at FVOCI				1,229,608
Derivative financial instruments				92,027
Other assets				1,117,923
Total assets				624,255,200
Borrowings	40,595,474	136,968,973	3,397,171	180,961,618
Other segment liabilities	51,371,665	206,757,964	5,031,324	263,160,953
Total segment liabilities	91,967,139	343,726,937	8,428,495	444,122,571
Corporate borrowings				75,033,397
Deferred income tax liabilities				8,794,866
Other liabilities				1,227,706
Total liabilities				529,178,540

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

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

The segment results for the six months ended 30 June 2021 are as follows:

	Property development and investment		Shimao Services**	Unallocated***	Total
	Shanghai Shimao*	Others			
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Revenue					
– Sales of properties	11,002,675	55,518,758	–	–	66,521,433
– Recognised at a point in time	10,994,796	54,375,553	–	–	65,370,349
– Recognised over time	7,879	1,143,205	–	–	1,151,084
– Hotel operation income	120,485	851,400	–	–	971,885
– Commercial properties operation income	606,927	339,950	–	–	946,877
– Property management income, and others	170,966	951,868	4,233,757	–	5,356,591
Total revenue before elimination	11,901,053	57,661,976	4,233,757	–	73,796,786
Elimination					(395,512)
Total revenue					73,401,274
Operating profit/(loss)	3,808,412	11,709,746	732,929	(422,731)	15,828,356
Finance income	77,045	1,217,451	12,100	1,829	1,308,425
Finance costs	(218,720)	(285,403)	(10,460)	(404,671)	(919,254)
Share of results of associated companies and joint ventures accounted for using the equity method	(8,771)	163,104	2,036	–	156,369
Profit/(loss) before income tax	3,657,966	12,804,898	736,605	(825,573)	16,373,896
Income tax expense					(6,896,046)
Profit for the period					9,477,850
Other segment items are as follows:					
Capital expenditures	2,579	721,516	53,147	–	777,242
Fair value gains on investment properties	231,819	302,019	–	–	533,838
Fair value gains on derivative financial instruments	–	–	–	14,206	14,206
Depreciation and amortisation charge	44,505	281,751	77,796	24,939	428,991
Amortisation of right-of-use assets	16,902	49,812	10,152	–	76,866
Provision for impairment on financial assets	7,661	265,101	125,834	–	398,596

* The Group owns an effective equity interest of 63.92% in Shanghai Shimao as at 30 June 2021

** The Group owns an effective equity interest of 65.88% in Shimao Services as at 30 June 2021

*** Unallocated mainly represent corporate level activities

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

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

The segment assets and liabilities at 31 December 2021 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	1,089,481	26,588,959	42,184	27,720,624
Intangible assets	–	176,167	2,551,306	2,727,473
Other segment assets	134,042,730	442,916,115	13,826,344	590,785,189
Total segment assets	135,132,211	469,681,241	16,419,834	621,233,286
Deferred income tax assets				3,352,443
Financial assets at FVOCI				2,184,336
Derivative financial instruments				11,412
Other assets				1,322,592
Total assets				628,104,069
Borrowings	37,629,736	119,870,649	3,206,370	160,706,755
Other segment liabilities	51,194,503	216,245,368	4,712,655	272,152,526
Total segment liabilities	88,824,239	336,116,017	7,919,025	432,859,281
Corporate borrowings				71,051,868
Deferred income tax liabilities				8,704,284
Derivative financial instruments				57
Other liabilities				1,488,896
Total liabilities				514,104,386

Total segment assets consist primarily of property and equipment, investment properties, right-of-use assets, other non-current assets, properties under development, completed properties held for sale, receivables, prepayments and cash balances. They also include goodwill recognised arising from acquisition of subsidiaries relating to respective segments. They exclude corporate assets, deferred income tax assets, financial assets at FVOCI, financial assets at FVPL and derivative financial instruments.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

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

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Related to development and sales of properties contracts Contract liabilities (Note)	118,045,661	124,124,133

Note:

Contract liabilities have been disclosed with the value-added tax of approximately RMB6.5 billion deducted in 30 June 2022 (31 December 2021: approximately RMB5.7 billion).

6. Property and Equipment

During the six months ended 30 June 2022, the Group acquired property and equipment of approximately RMB196,682,000 (six months ended 30 June 2021: approximately RMB478,085,000).

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 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Included in non-current assets		
– Joint ventures	5,393,113	5,809,510
– Associated companies	712,414	749,044
	6,105,527	6,558,554
Provision for impairment	(91,583)	(98,378)
	6,013,944	6,460,176

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

7. Amounts Due from Related Parties (CONTINUED)

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Included in current assets		
– Associated companies	1,871,129	6,335,760
– Joint ventures	68,024,646	50,865,400
– Non-controlling interest	17,018,977	12,540,858
	86,914,752	69,742,018
Provision for impairment	(1,307,812)	(3,685,509)
	85,606,940	66,056,509

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.

8. Trade and Other Receivables, Deposits and Prepayments

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Trade receivables (Note (a))	11,652,812	9,267,337
Bidding deposits for land use rights (Note (b))	1,561,994	1,758,960
Prepayments for construction costs	5,263,552	4,832,637
Loan receivables (Note (c))	603,626	968,226
Prepaid tax and surcharges on pre-sale proceeds	1,193,651	1,138,363
Deposits paid	5,920,477	3,115,810
Receivables from disposals of equity interests	80,000	–
Payments on behalf of customers	1,177,675	928,852
Other receivables	4,452,285	3,146,057
	31,906,072	25,156,242
Provision for impairment	(1,455,062)	(1,428,314)
	30,451,010	23,727,928

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

8. Trade and Other Receivables, Deposits and Prepayments (CONTINUED)

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 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within 180 days	9,526,948	7,141,473
Over 180 days and within 365 days	1,537,346	1,537,346
Over 365 days	588,518	588,518
	11,652,812	9,267,337

As at 30 June 2022, receivables arising from sales of properties were approximately RMB7,136,698,000 (31 December 2021: RMB5,380,594,000).

- (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 2022, loan receivables of RMB603,626,000 (31 December 2021: RMB968,226,000) were secured by the pledge of certain properties, notes receivable or credit guaranty of borrowers, bearing interest rate at a range from 4.2% to 18.0% per annum and repayable within one year.

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value. As at 30 June 2022, 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 2022, a provision of approximately RMB269,422,000 (31 December 2021: RMB245,568,000) was made against the gross amount of trade receivables.

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 2022, a provision of approximately RMB1,185,640,000 (31 December 2021: RMB1,182,746,000) was made against the gross amount of other receivables.

As at 30 June 2022 and 31 December 2021, trade and other receivables of the Group were mainly denominated in RMB.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

9. Cash and Cash Equivalents and Restricted Cash

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Restricted cash	10,806,245	10,069,923
Cash and cash equivalents	36,971,439	47,814,400
	47,777,684	57,884,323

As at 30 June 2022, the Group's restricted cash comprised approximately RMB2,655,530,000 (31 December 2021: RMB2,913,858,000) 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 RMB8,150,715,000 (31 December 2021: RMB7,156,065,000) 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 2022 was 0.34% (31 December 2021: 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 2022 (Audited) and 30 June 2022 (Unaudited)	0.1	5,000,000	500,000	
Issued and fully paid: At 1 January 2022 (Audited) and 30 June 2022 (Unaudited)		3,797,831	379,783	384,165

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

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 2022, 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 2022, 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	
	2022 (Unaudited)	2021 (Unaudited)
Unvested shares, beginning	8,709,353	7,639,311
Granted	–	5,394,354
Vested	–	(4,324,312)
Unvested shares, ending	8,709,353	8,709,353

No share awards were granted during the six months ended 30 June 2022. For the six months ended 30 June 2022, the weighted average fair value of the unvested shares granted is approximately HK\$165,826,000, equivalent to approximately RMB141,813,000 (six months ended 30 June 2021: approximately HK\$165,826,000, equivalent to approximately RMB137,984,000).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

10. Share Capital (CONTINUED)**(b) Share Award Scheme (continued)**

- (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 10 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.

During the six months ended 30 June 2022, no share awards of Shimao Services were granted to its employees under the Shimao Services Share Award Scheme.

The granted shares were subject to several vesting conditions, including the completion of specific period of service as stated in the letter of grant and non-market performance appraisal before vesting date. The shares granted are held by Best Cosmos Limited (a wholly-owned subsidiary of the Company and the immediate holding company of Shimao Services) as Trustee of a Trust established for the Shimao Services Share Award Scheme before being transferred to the employees when vesting conditions are fully met.

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

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Unvested shares, beginning	6,865,821	–
Granted	–	6,865,821
Unvested shares, ending	6,865,821	6,865,821

No shares were granted or vested during the six months ended 30 June 2022. The weighted average fair value of the unvested shares of Shimao Services granted during the six months ended 30 June 2022 is approximately HK\$113,973,000, equivalent to RMB97,469,000 (six months ended 30 June 2021: approximately HK\$113,973,000, equivalent to approximately RMB94,551,000).

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

	As at 30 June	
	2022 '000 (Unaudited)	2021 '000 (Unaudited)
Shares issued	3,797,831	3,537,697
Treasury shares for Share Scheme	(10,242)	(6,742)
Shares outstanding	3,787,589	3,530,955

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

11. Borrowings

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Borrowings included in non-current liabilities		
Long-term borrowings		
– secured by assets (Note (i))	61,674,502	51,604,972
– secured by assets and shares of subsidiaries (Note (i))	16,871,113	15,564,948
– secured by shares of subsidiaries (Note (i))	13,324,930	14,134,401
– secured by shares of subsidiary guarantors (Note (ii))	22,043,345	21,288,343
– unsecured	15,567,999	18,060,554
Senior notes – secured (Note (iii))	42,927,774	40,747,769
Medium-term notes – unsecured (Note (iv))	3,110,000	3,110,000
Long-term bonds (Note (v))	18,133,441	20,976,385
	193,653,104	185,487,372
Less: Portion of long-term borrowings due within one year	(71,731,624)	(42,022,624)
Portion of senior notes due within one year	(11,409,253)	(10,833,421)
Portion of medium-term notes due within one year	(3,110,000)	(1,000,000)
Portion of long-term bonds due within one year	(11,659,278)	(7,709,461)
Amounts due within one year	(97,910,155)	(61,565,506)
	95,742,949	123,921,866
Borrowings included in current liabilities		
Short-term borrowings		
– secured by assets (Note (i))	21,728,311	14,548,129
– secured by assets and shares of subsidiaries (Note (i))	6,736,378	5,697,647
– secured by shares of subsidiaries (Note (i))	4,361,572	4,645,232
– unsecured	23,944,815	15,607,053
Senior notes – secured (Note (iii))	2,509,694	2,384,161
Private placement notes (Note (vi))	450,000	1,000,000
Convertible bond (Note (vii))	2,611,141	2,389,029
Current portion of non-current borrowings	97,910,155	61,565,506
	160,252,066	107,836,757

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

11. Borrowings (CONTINUED)

Notes:

- (i) As at 30 June 2022, the Group's total secured bank borrowings and borrowings from other financial institutions of approximately RMB124,696,806,000 (31 December 2021: RMB106,195,329,000) 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, of which approximately RMBNil (31 December 2021: RMB97,855,000) were further guaranteed by Mr. Hui Wing Mau.

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Properties under development	104,250,622	107,051,429
Investment properties	49,711,475	48,083,050
Restricted cash (note 9)	8,150,715	7,156,065
Completed properties held for sale	13,907,630	13,750,848
Land use rights	3,660,710	3,484,318
Property and equipment (note 6)	10,234,005	8,370,397
	189,915,157	187,896,107

- (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 2022, US\$399,000,000 and HK\$2,486,050,000 of the principal remained outstanding (31 December 2021: US\$399,000,000 and HK\$2,486,050,000), of which US\$114,000,000 and HK\$710,300,000, respectively, was defaulted.

On 9 August 2019, the Company entered into a multi-currency loan facility agreement with a syndicate of 13 banks. Pursuant to the agreement, the Company obtained 4-year syndicated loan facilities, including a US\$837,850,000 facility and a HK\$3,994,000,000 facility at a floating rate of interest, 5% out of the loan principal will mature in 2021, 35% will mature in 2022, and 60% will mature in 2023. As at 30 June 2022, US\$795,958,000 and HK\$3,794,300,000 of the principal remained outstanding (31 December 2021, US\$795,958,000 and HK\$3,794,300,000), of which US\$125,678,000 and HK\$599,100,000, 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 2022, US\$657,500,000 and HK\$5,128,500,000 of the principal remained outstanding (31 December 2021, US\$657,500,000 and HK\$5,128,500,000).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

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.

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, which was defaulted as at 30 June 2022.

On 25 June 2021, the Company issued senior notes with total principal of US\$400,000,000 at a fixed interest rate of 3.75% due on 25 June 2022, of which US\$373,945,000 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 total principal of RMB1,000,000,000 at a fixed interest rate of 4.24% due on 21 October 2022.

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

On 15 March 2021, Shanghai Shimao issued medium-term notes with total principal of RMB970,000,000 at a fixed interest rate of 5.15% due on 16 March 2023.

On 30 April 2021, Shanghai Shimao issued medium-term notes with total principal of RMB640,000,000 at a fixed interest rate of 5.5% due on 6 May 2023.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

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 total principal of RMB865,801,000 at a fixed interest rate of 4.15%. The total redemption price paid was RMB923,901,000, including the principal amount of RMB865,801,000 plus accrued and unpaid interest of RMB58,100,000. The remaining long-term bonds with total principal of RMB534,199,000 will be due on 16 October 2022 at a fixed interest rate of 4.15%.

On 15 January 2019, Shanghai Shimao issued the first phase of long-term bonds with aggregate principal amount of RMB2,000,000,000 at a fixed interest rate of 4.65% due on 15 January 2022. On 13 January 2022, the amount was fully redeemed. On 19 March 2019, Shanghai Shimao issued second phase of long-term bonds with aggregate principal amount of RMB1,000,000,000 at a fixed interest rate of 4.64% due on 19 March 2022. On 17 March 2022, the amount was fully redeemed. On 22 May 2019, Shanghai Shimao issued the third phase of long-term bonds with aggregate principal amount of RMB500,000,000 at a fixed interest rate of 4.15% due on 22 May 2022. The due date of the third phase of long-term bonds was extended to 22 May 2023 during the period ended 30 June 2022.

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

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

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

- (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 period ended 30 June 2022, Shanghai Shimao redeemed the second phase of private placement notes with the amount of RMB50,000,000 and extension of the notes was agreed.
- (vii) On 2 November 2021, Shimao Services issued a 2.25% convertible bond due on 31 October 2022 in an aggregate principal amount of HK\$3,110,000,000 (equivalent to approximately RMB2,536,858,000). The convertible bond is listed on the Singapore Stock Exchange. The convertible bond will, at the option of the holders, be convertible (unless previously redeemed, converted or purchased and cancelled) on or after 13 December 2021 up to 10 trading days prior to the maturity date into fully paid ordinary shares of Shimao Services with a par value of HK\$0.01 each at a conversion price of HK\$18.22 per share with no fixed exchange rate, subject to adjustments.

Unless previously redeemed, converted or purchased and cancelled, Shimao Services will redeem each convertible bond at 100 percent of its outstanding principal amount on the maturity date of 31 October 2022. When (a) the shares of Shimao Services cease to be listed or admitted to trading, or are suspended for a period equal to or exceeding 30 consecutive trading days, on the Stock Exchange or (b) a change of control in Shimao Services occurs, the holder may, having given not later than 30 days following any such event, or if later, 30 days following the giving of notice by the Company of such events to require the Company to redeem all or some only of the convertible bond on the 14th day following the expiry of such 30-day period, at a redemption price equal to the principal amount (together with any interest accrued to but excluding the date fixed for redemption but unpaid).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

11. Borrowings (CONTINUED)

Notes: (continued)

(vii) (continued)

The convertible bond contains two components, the debt component and the derivative component. Since the redemption amount, the principal payable on the maturity date are denominated and settled in HK\$ which is not the same as the Group's functional currency which is RMB, the conversion option will not result in an exchange of a fixed amount of cash for a fixed number of shares and hence the conversion option does not meet the definition of an equity instrument in accordance with the applicable accounting standards. The derivative component is measured at fair value with changes in fair value recognised in profit or loss. The derivative component was measured at fair value with reference to valuation carried out by a firm of independent professional valuers. The effective interest rate of the debt component on initial recognition and the subsequent recognition of interest expense on the convertible bonds was calculated using effective interest rate of 8.32% per annum.

The movements of the debt and derivative components of the convertible bonds during the period are set out as below:

	Debt component	Derivative component
	RMB'000	RMB'000
At 1 January 2021 (Audited) and 30 June 2021 (Unaudited)	–	–
At 1 January 2022 (Audited)	2,389,029	57
Effective interest expenses	111,457	–
Interest payable	(29,073)	–
Fair value change	–	(57)
Foreign exchange adjustment	139,728	–
At 30 June 2022 (Unaudited)	2,611,141	–

They were guaranteed by Shimao Services. No conversion or redemption of the convertible bond has occurred up to 30 June 2022 (31 December 2021: Nil).

The shares of Shimao Services were suspended in trading in the Stock Exchange on 3 May 2022 and were subsequently resumed on 23 June 2022. The convertible bondholders, pursuant to the terms and conditions of the convertible bonds, have the rights to give notice to Shimao Services to redeem all or some of the convertible bonds they hold at a redemption price equal to the principal amount together with the interest accrued up to the date fixed for redemption but unpaid when the shares of Shimao Services are suspended for a period equal to or exceeding 30 consecutive trading days on the Stock Exchange.

Extraordinary resolution of Shimao Services was passed at the meeting held on 1 August 2022 to approve and implement the waiver of the redemption obligation triggered under the convertible bonds and the amendments of the Shimao Services' redemption option, whereby Shimao Services has made payment as consent fee to bond holders for approximately HK\$7,625,000 on 4 August 2022 and redeemed HK\$1,399,500,000, or 45% of the aggregate outstanding principal amount of the outstanding convertible bonds on a pro rata basis at their principal amount together with the interest accrued but unpaid up to but excluding the redemption date (i.e. 18 August 2022) and the redeemed convertible bonds have been cancelled.

Shimao Services redeemed the remaining outstanding principal amount together with accrued and unpaid interest thereon on the maturity date.

As at 30 June 2022, borrowings with a total carrying amount of RMB62,840,650,000, RMB36,793,442,000 and RMB427,483,000 are denominated in US dollar, HK dollar and Japanese yen, respectively. (31 December 2021: RMB60,974,090,000, RMB37,513,567,000 and RMB482,154,000).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

12. Trade and Other Payables

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Trade payables (Note (a))	63,401,435	73,492,869
Other payables (Note (b))	9,779,732	7,018,775
Other taxes payable	9,646,227	7,992,594
Accrued expenses	2,314,425	2,658,921
	85,141,819	91,163,159

Notes:

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within 90 days	61,006,536	72,405,175
Over 90 days and within 1 year	2,394,899	1,087,694
	63,401,435	73,492,869

(b) As at 30 June 2022, other payables mainly included deposits received from customers amounted to RMB2,615,929,000 (31 December 2021: RMB2,448,375,000). 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.

13. Amounts Due to Related Parties

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
– Associated companies	6,554,108	9,361,710
– Joint ventures	19,898,385	12,584,992
– Non-controlling interests	1,875,301	3,757,709
– Entities controlled by the controlling shareholder	5,684,700	4,631,762
	34,012,494	30,336,173

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 mainly controlled by the controlling shareholder 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

14. Expenses by Nature

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Cost of properties sold and others	29,195,456	50,263,915
Staff costs – including directors' emoluments	3,154,656	2,781,736
Advertising, promotion and commission costs	1,131,090	1,960,895
Corporate and office expenses	606,841	597,338
Taxes and surcharges on sales of properties	244,783	389,029
Depreciation and amortisation	537,177	428,991
Direct expenses arising from hotel operation	292,245	807,727
Consulting fee	219,082	408,602
Amortisation of right-of-use assets	78,459	76,866
Charitable donations	1,000	37,552
Auditor's remuneration	2,800	7,000
Provision for impairment losses on financial assets	642,256	398,596
Reversal of impairment losses on completed properties held for sale	–	(37,966)
Others	371,945	269,848
Total	36,477,790	58,390,129

15. Other Income/Other Gains – Net

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Other income		
Government grants received	159,344	139,098
Other gains – net		
Net gains on acquisition of subsidiaries	–	3,377
Net losses on deemed disposal of joint ventures and associate companies (Note 22(a))	(288,315)	–
Forfeit deposits and contract termination income (Note)	32,159	24,016
Net gains on disposal of subsidiaries (Note 22(b))	3,402,931	66,806
Losses on financial assets at FVPL	–	(1,669)
Net losses on disposal of an associate companies	(157,105)	–
Gains on derivative financial instruments	80,672	14,206
Net gains on disposal of joint ventures	828,250	14,192
Others	83,234	23,347
	3,981,826	144,275
	4,141,170	283,373

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

16. Finance Costs/(Income) – Net

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Finance income		
Interest income on short-term bank deposits	(161,958)	(565,098)
Net foreign exchange gain (Note)	–	(743,327)
Finance income	(161,958)	(1,308,425)
Interest on borrowings	7,963,138	3,778,434
Interest on senior notes	1,056,772	1,028,677
Interest charges paid/payable for lease liabilities	14,420	2,341
	9,034,330	4,809,452
Net foreign exchange loss (Note)	4,661,444	–
Less: interest and foreign exchange losses capitalised	(3,914,667)	(3,890,198)
Finance costs	9,781,107	919,254
Net finance costs/(income)	9,619,149	(389,171)

Note:

Net foreign exchange gain or 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 2022

17. Income Tax Expense

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Current income tax		
– PRC enterprise and withholding income tax	780,705	3,322,449
– PRC land appreciation tax	739,862	3,104,578
	1,520,567	6,427,027
Deferred income tax		
– PRC enterprise and withholding income tax	206,748	469,019
	1,727,315	6,896,046

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 2022 (six months ended 30 June 2021: nil).

PRC enterprise income tax

PRC enterprise income tax is almost provided for at 25% of the profits for the PRC statutory financial reporting purpose, adjusted for those items which are not assessable or deductible for the PRC enterprise income tax purposes.

PRC land appreciation tax

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

PRC withholding income tax

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

Gain on disposal of an investment in the PRC by overseas holding companies and intra-group charges to the PRC subsidiaries by overseas subsidiaries may also be subject to withholding tax of 10%.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

18.Dividends

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Final dividends of HK0 cent (2020: HK110 cents) per ordinary share (Note (a))	–	3,192,560
Interim dividends (2021: HK70 cents) per ordinary share (Note (b))		
– paid in cash of HK0 cent	–	664,775
– paid by issuing of scrip shares	–	1,395,971
	–	5,253,306

Notes:

- (a) A final dividend in respect of the year ended 31 December 2020 of HK90 cents per ordinary share and a special dividend of HK20 cents per ordinary share, amounting to HK\$3,891,467,000 (equivalent to approximately RMB3,192,560,000) was declared by the Company in March 2021. A part of the final dividend of approximately RMB2,404,743,000 relating to the year ended 31 December 2020 was paid in July 2021.
- (b) An interim dividend in respect of the six months ended 30 June 2021 of HK70 cents per ordinary share, amounting to HK\$2,473,588,000 (equivalent to approximately RMB2,060,746,000) was declared by the Company in August 2021. The 2021 interim dividends will be either payable in cash or, in the form of new fully paid scrip shares of the Company in lieu of cash at the scrip option of the shareholders, or partly in cash and partly in the scrip shares. The number of ordinary shares settled and issued as scrip dividends was 120,134,424 and the total amount of dividend paid as scrip dividends was approximately HK\$1,675,635,000 (equivalent to approximately RMB1,395,971,000) while cash dividend amounted to HK\$797,953,000 (equivalent to approximately RMB664,775,000).

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2022.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

19.(Losses)/Earnings Per Share

Basic (losses)/earnings per share is calculated by dividing the (loss)/profit 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	
	2022 (Unaudited)	2021 (Unaudited)
(Loss)/profit attributable to the equity holders of the Company (RMB'000)	(9,792,344)	6,282,755
Weighted average number of ordinary shares in issue (thousands)	3,787,589	3,528,965
Basic (losses)/earnings per share (RMB cents)	(258.5)	178.0

Diluted (loss)/earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue for the potential dilutive effect caused by the shares granted under the Share Scheme assuming they were exercised. No diluted loss per share for the six months ended 30 June 2022 is presented as the effects caused by the shares granted under the Share Scheme and the conversion of the Group's outstanding convertible bonds are anti-dilutive.

	Six months ended 30 June 2021 (Unaudited)
Profit attributable to the equity holders of the Company (RMB'000)	6,282,755
Weighted average number of ordinary shares in issue (thousands)	3,528,965
Adjustment for shares granted under Share Scheme (thousands)	4,783
Weighted average number of ordinary shares for diluted earnings per share (thousands)	3,533,748
Diluted earnings per share (RMB cents)	177.8

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

20. Contingencies and Financial Guarantee Contract**(a) The Group had the following contingent liabilities:**

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Guarantees in respect of mortgage facilities for certain purchasers	38,602,678	29,373,762

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 2022, 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 RMB41,610,259,000 (31 December 2021: approximately RMB76,093,827,000) with maturity between 2022 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 consolidated financial statements for the period ended 30 June 2022. 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 2022

21. Commitments

Commitments for capital and property development expenditure

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Contracted but not provided for		
– Property and equipment	461,273	581,629
– Land use rights (including those related to associated companies and joint ventures)	6,314,881	6,581,476
– Properties being developed by the Group for sale	35,204,104	33,740,776
	41,980,258	40,903,881

22. Significant Acquisition or Disposal of Subsidiaries and Transactions with NCI

During the six months ended 30 June 2022, the Group has the following significant acquisition or disposal of subsidiaries and transactions with NCI.

(a) Acquisition of subsidiaries

For the six months ended 30 June 2022, the Group acquired additional equity interests in several joint ventures and associate companies of the Group, at a total consideration of approximately RMB208,376,000. After the acquisitions, the Group gained control over these companies pursuant to the acquisition agreements and the revised articles of association. The carrying amount of the investments in joint ventures and associated companies was approximately RMB1,732,680,000 before the acquisitions. The purchases resulted in a total net cash inflow of approximately RMB1,425,250,000.

For the six months ended 30 June 2022, the Group acquired the equity interests in several companies in the PRC, at a total consideration of approximately RMB455,815,000. The Group gained control over these companies pursuant to the acquisition agreements. The purchase resulted in a total net cash outflow of approximately RMB271,918,000.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

22. Significant Acquisition or Disposal of Subsidiaries and Transactions with NCI*(CONTINUED)***(a) Acquisition of subsidiaries (continued)**

The following table summarises the consideration paid, the fair value of assets acquired, liabilities assumed and the non-controlling interests at the acquisition date.

	Joint ventures and associate companies transferred to subsidiaries RMB'000 (Unaudited)	Acquisition of subsidiaries RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Total purchase consideration			
Cash consideration paid	208,376	328,217	536,593
Consideration payables	–	127,598	127,598
	208,376	455,815	664,191
Carrying amount of investments in joint ventures and associate companies held before acquisitions	1,732,680	–	1,732,680
	1,941,056	455,815	2,396,871
Total recognised amounts of identifiable assets acquired and liabilities assumed:			
Cash and cash equivalents	1,633,626	56,299	1,689,925
Inventories	6,599,566	–	6,599,566
Trade and other receivables and prepayments	7,448,874	217,926	7,666,800
Amounts due from related parties	38,422,802	–	38,422,802
Prepaid income taxes	56,028	–	56,028
Property and equipment	275	11,639	11,914
Intangible assets other than goodwill	–	194,200	194,200
Investments accounted for using the equity method	–	2,503	2,503
Deferred income tax assets	233,683	–	233,683
Other non-current assets	203,400	736	204,136
Borrowings	(24,137,621)	–	(24,137,621)
Contract liabilities	(5,647,391)	–	(5,647,391)
Amounts due to related parties	(18,332,270)	–	(18,332,270)
Amounts due to the Group	(1,976,206)	–	(1,976,206)
Deferred income tax liabilities	(33)	(49,218)	(49,251)
Trade and other payables	(1,046,060)	(242,934)	(1,288,994)
Dividend payable	(48,399)	–	(48,399)
Income tax payable	(26,151)	–	(26,151)
	3,384,123	191,151	3,575,274
Total identifiable net assets	(1,731,382)	(51,234)	(1,782,616)
Non-controlling interests	–	315,898	315,898
Goodwill	–	–	–
Net losses on deemed disposal of joint ventures and associate companies	288,315	–	288,315
	1,941,056	455,815	2,396,871
Inflow of cash to acquire business, net of cash acquired:			
Cash consideration paid	(208,376)	(328,217)	(536,593)
Cash and cash equivalents in the entities acquired	1,633,626	56,299	1,689,925
	1,425,250	(271,918)	1,153,332
Net cash inflow/(outflow) from acquisitions	1,425,250	(271,918)	1,153,332

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

22. Significant Acquisition or Disposal of Subsidiaries and Transactions with NCI*(CONTINUED)***(b) Disposal of subsidiaries with loss of control**

For the six months ended 30 June 2022, the Group lost control of certain subsidiaries. The disposal resulted in a total net cash inflow of approximately RMB4,943,760,000 and net gains of approximately RMB3,402,931,000.

Net assets disposed and reconciliation of disposal losses and cash inflow on disposal are as follow:

	RMB'000 (Unaudited)
Cash and cash equivalents	447,420
Inventories	1,938,447
Property and equipment	1,074,023
Right-of-use assets	1,041,871
Goodwill	33,256
Intangible assets	842
Deferred income tax assets	77,443
Other non-current assets	204,661
Amounts due from related parties	12,080
Trade and other receivables and prepayments	967,142
Financial assets at fair value through other comprehensive income	177,131
Prepaid income taxes	14,634
Trade and other payables	(1,890,711)
Contract liabilities	(188,187)
Amounts due to the Group	(560,379)
Amounts due to related parties	(334,178)
Income tax payable	(92,080)
Dividend payables	(63,818)
Borrowings	(304,000)
Total identifiable net assets	2,555,597
Non-controlling interests	(567,348)
Net assets attributable to the equity holders of the Company	1,988,249
Total consideration	5,391,180
Net assets disposed	(1,988,249)
Net gain on disposals	3,402,931
Total consideration	5,391,180
Less: cash and cash equivalents in the entities disposed	(447,420)
Net cash inflow due to disposal	4,943,760

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

22. Significant Acquisition or Disposal 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 2022, non-controlling interests made several capital injections into the Group with a total amount of RMB1,010,126,000, of which approximately RMB1,003,346,000 was injected by way of capitalising the amounts due to non-controlling interests.

(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	8,280,271
Consideration settled by amounts due from non-controlling interests	(2,968,718)
Consideration paid/payable to non-controlling interests in the current period	(5,028,250)
Increase in equity due to the deficiency of considerations paid	283,303

Notes:

For the six months ended 30 June 2022, the Group acquired additional interests in the subsidiaries for a total consideration of approximately RMB7,996,968,000. The Group recognised a decrease in non-controlling interests of approximately RMB8,280,271,000 and an increase in the equity attributable to the equity holders of the Company of approximately RMB283,303,000.

With reference to key findings of the independent investigation report in the Company's announcement dated 23 June 2023, a third-party trust company (the "Trust"), through its controlled entity, contributed a paid-in capital of RMB4.9 billion for a 30% equity interest of a subsidiary of the Group (the "Subsidiary") under certain financing arrangement in prior years. During the year ended 31 December 2022, the Group and the Trust reached a consensus and renegotiated a temporary repayment plan to treat the entire arrangement as a fixed-term debt.

Upon the consensus reached by the Group and the Trust in March 2022, the Group accounted for it as a deemed acquisition of 30% equity interest in the Subsidiary for a deemed consideration of RMB4.9 billion and classified the amount as borrowings in the interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

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 consolidated financial statements, the Group entered into the following major related party transactions.

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Brand management fee income	94,633	154,661
Construction material sold to related companies	42,996	52,495
	137,629	207,156

- (b) Key management compensation

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Emoluments		
– Salaries and other short-term employee benefits	9,077	9,619
– Employee share award schemes	–	–
– Retirement scheme contributions	227	140
	9,304	9,759

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

24.Events After the Reporting Period

- (a) On 31 August 2022, the Group entered into an equity and debt transfer agreement with an independent third party under which the Group agreed to (i) sell the entire equity interests of two non-wholly owned subsidiaries of the Group and the entire equity interests of two associate entities; (ii) assign the rights to the debts; and (iii) set off the outstanding current accounts owned by the Group to these entities for an aggregate net consideration of approximately RMB3,316 million. The transaction was completed in September 2022.
- (b) On 12 October 2022, the Group entered into an agreement with an independent third party under which the Group agreed to sell the entire equity interest of a non-wholly owned subsidiary of the Group to the independent third party for an aggregate consideration of RMB1,750 million. The transaction was completed in October 2022.
- (c) In March 2023, Shanghai Shimao, a subsidiary of the Group, finished the extension of its domestic long-term bonds with a total outstanding amount of RMB4.55 billion. As a result, the maturity date of last batch of these long-term bonds was extended to year 2026.
- (d) In June 2023, Shimao Jianshe, a subsidiary of the Group, and its lenders had agreed on the extension of its domestic long-term bonds with a total outstanding amount of RMB14.35 billion. As a result, the maturity date of last batch of these long-term bonds was extended to year 2028.
- (e) The Company has in the past several months been actively pushing forward the proposed restructuring of the offshore indebtedness of the Group (the "Proposed Restructuring") 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 stabilize 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. The Company is also working to finalize a non-legally binding letter of support with certain members of the CoCom and its advisors to express their general support to progress and implement the Proposed Restructuring which shall form a good basis for further negotiation of the detailed restructuring terms.

Separately, as part of an effort to preserve the value of Sheraton Hong Kong Tung Chung Hotel and Four Points by Sheraton Hong Kong Tung Chung (collectively, the "Tung Chung Hotels"), a definitive agreement has been reached between the Group and the lenders to restructure the existing project loan facilities of the Tung Chung Hotels in June 2023. The Tung Chung Hotels may form part of asset package(s) as supplemental credit enhancement for the Proposed Restructuring as appropriate.

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 28 July 2023.



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

